ANNUAL REPORT 2019

Omani

A'SAFFA FOODS S.A.O.G.

الصفاء للأغذية ش.م.ع.ع

EXPANDING TODAY FOR THE NATION'S TOMORROW

YOU FULFILLED
WHAT YOU PROMISED

**HIS MAJESTY
SULTAN QABOOS
BIN SAID**

WE PLEDGE YOU
OUR ALLEGIANCE

**HIS MAJESTY
SULTAN HAITHAM BIN
TARIK AL SAID**

INVESTING IN THE FUTURE

THE FUTURE IS BRIGHT AND BRINGING WITH IT MORE CHANGE, EVERY DAY. THIS INCLUDES MORE AND MORE PEOPLE TURNING TO HEALTHIER, TASTIER AND SAFER ALTERNATIVES WHEN IT COMES TO FOOD. WHEN IT COMES TO POULTRY ESPECIALLY, TODAY'S CONSUMER WANTS ONLY THE BEST-FED, WELL-REARED NATURAL AND HALAL PRODUCT. REASONS THAT HAVE LED US TO EXPAND THIS YEAR WITH OUR FACILITY IN THUMRAIT ENABLING US TO MEET 100% OF OMAN'S POULTRY DEMANDS.

CONTENT

10 ABOUT US

12 BOARD OF DIRECTORS

14 DIRECTOR'S REPORT

18 ANNEXURE TO DIRECTOR'S REPORT

21 MANAGEMENT DISCUSSION & ANALYSIS REPORT

24 CORPORATE GOVERNANCE REPORT

32 AUDITOR'S REPORT

37 STATEMENT OF COMPREHENSIVE INCOME

38 STATEMENT OF FINANCIAL POSITION

39 STATEMENT OF CHANGES IN EQUITY

40 STATEMENT OF CASH FLOWS

41 NOTES TO THE FINANCIAL STATEMENTS

ABOUT US

A'SAFFA FOODS SAOG IS LOCATED IN THUMRAIT, A TOWN OF THE DHOFAR GOVERNRATE IN THE SULTANATE OF OMAN. HERE OUR POULTRY IS NATURALLY-FED AND HAND SLAUGHTERED. IT IS 100% NATURAL, 100% HALAL AND COMPLETELY SAFE. IT' S ALL PART OF OUR EFFORT TO GIVE YOU THE MOST NATURAL PRODUCT POSSIBLE – ASSURING A'SAFFA AS YOUR HEALTHY, TASTY AND ALL-OMANI CHOICE.

VISION

TO BECOME THE NO. 1. AND MOST SUCCESSFUL DIVERSIFIED FOOD COMPANY IN THE MIDDLE EAST

MISSION

TO EARN OUR CUSTOMER'S LOYALTY BY PROVIDING THEM WITH HIGH QUALITY, HEALTHY, HYGIENIC, HALAL, SAFE, PURE AND DELICIOUS FOOD

TO ENSURE THE REACH OF 'A'SAFFA FOODS' PRODUCTS STREACHES ACROSS OMAN, THE MIDDLE EAST AND ARAB NATIONS

TO BUILD A SATISFIED AND LOYAL CUSTOMER BASE BY CONSISTENTLY EXCEEDING THEIR EXPECTATIONS

TO PARTICIPATE AND PROVIDE SOLUTIONS TOWARDS ACHIEVING FOOD SECURITY AND SELF SUFFICIENCY IN THE REGION

TO BE PROACTIVE IN INCREASING THE VALUE OF OUR SHAREHOLDERS INVESTMENT BY GROWING SALES, CONTROLLING COSTS AND MANAGING RESOURCES WISELY

A'SAFFA FOODS S.A.O.G.

الصفاء للأغذية ش.م.ع.ع

القيم الأساسية للغذاء الصحي، الصحة والسعادة

Core values of Healthy food, Health and Happiness.

الصفاء اللوجستية ش م م

A'SAFFA LOGISTICS LLC

الصفاء للصناعات الغذائية

A'SAFFA FOOD PROCESSING

الحلال الحقيقي

REAL HALAL

طيبات

TAYBAT

١٠٠٪ طبيعي وشهي

الصفاء

A'SAFFA

١٠٠٪ طبيعي وشهي

100% Natural & Tasty

خيرات

khayrat

١٠٠٪ طبيعي وشهي

Omani

إختياري

Ekhtiari

BOARD OF DIRECTORS

Eng. Ali Hilal Ali AlKuwari
Chairman

Mr. Fahad Mohammed Al AbdulQader
Vice Chairman

Sheikh. Majid Salim Said Al Fannah Al Araimi
Director

Sheikh. Rashid Saif Mohammed Al Saadi
Director

Mr. Abdulla Mohamed Al AlAnsari
Director

Eng. Mohammed Khalifa Al Jalahma
Director

Mr. Salim Abdullah Hamed AlRahbi
Director

AUDITOR'S

PricewaterhouseCoopers

INTERNAL AUDITORS

Ms. Shamsa Mohammed AL Touqi

BANKERS

Oman Arab Bank SAOC- Al Yusr Islamic Banking

BankDhofar SAOG – Maisarah Islamic Banking Service

National Bank of Oman SAOG – Muzn Islamic Banking

BankMuscat SAOG – Meethaq Islamic Banking

Alizz Islamic Banking SAOG

LEGAL CONSULTANTS

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

REGISTERED OFFICE

PO Box 458, PC 211,
Salalah,
Sultanate of Oman

PRINCIPAL PLACE OF BUSINESS

P.O Box: 3436, PC: 112,
Ruwi, Sultanate of Oman
Tel:+968-22360250
Fax:+968-22360260
Email: contact@asaffa.com
Website: www.asaffa.com

DIRECTOR'S REPORT

DEAR SHAREHOLDERS,

On behalf of A'Saffa Foods Board of Directors, management and staff, we would like to express our heartfelt condolences to the people of Oman on the sad demise of His Majesty Sultan Qaboos bin Said – May His Majesty's soul rest in peace – leaving behind him a progressive and a united nation, as Oman witnessed under his leadership an influential position, both globally and regionally.

And we would also like to express our congratulations to His Majesty Sultan Haitham bin Tarik bin Taimour Al Said – May Allah protect and preserve him – on His Majesty's accession. We pledge our absolute commitment and loyalty as we constantly strive to achieve the greater purpose for the good of our nation. We pray for Allah to protect His Majesty and to give him the strength in his endeavor to lead our beloved Oman.

On behalf of the Board of Directors, I am pleased to welcome you to the 18th Annual General Meeting of your company and present the Directors' Report and the Audited Financial Statements for the year ended 31st December 2019.

BUSINESS ENVIRONMENT

Oman's economy faced challenges in 2019 including weak growth, volatility in oil prices, decline in non-oil exports and cautious spending approach adopted by most businesses. The Sultanate's nominal GDP decreased 1.9 per cent in the first half of last year, while non-oil exports dropped 4 per cent to RO2.47bn in the first nine months of 2019. Many sectors of the economy are still facing challenges to recover from the slowdown which started after the oil prices crashed in last years.

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.

Despite these challenges Oman was able to improve its business and investment environment by introducing new laws and regulations helping to attract more domestic and foreign investments. The Sultanate continued to improve its fiscal position driven by higher oil revenues, tax income and increased gas production.

EXPANSION PROJECT

The A'Saffa expansion project is in its final phase of completion. The Expansion project is expected to be completed in May 2020. A'Saffa production capacity will increase by 100% after the expansion. The increase in the production capacity will further enhance the food security of the country and create more job opportunities. Moreover the increased production capacity will also have significant positive impact on the project commercial viability.

The expansion project is being installed with advanced technology which will further assure the high quality of A'Saffa products .

PERFORMANCE REVIEW FOR 2019

For the year under review, the company achieved the Sales of RO 30,381,151 as compared to RO 31,795,016 during 2018. The decrease in sales was mainly due to less sales realization and due to the huge influx of imported product.

The parent company achieved net profit before tax for the year 2019 for RO 1.669 million as compared to RO 2.635 million during preceding year. The decrease in net profit was due to less sales realization, increase of input cost and an additional provision for the bad debts. Mars Hypermarket defaulted in its payments. Therefore we have to make a provision of bad debts of RO 196,741/-.

The parent company net profit after tax for the year 2019 was RO 1.326 million as compared to RO 2.116 million in the previous year 2018.

The consolidated net profit before tax achieved for the year 2019 for RO 2.415 million as compared to RO 3.417 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 2019. The company achieved the Sales of RO 4.476 million as compared to RO 4.182 million during 2018 and net profit of RO 541,673/- as against RO 449,944/- for the previous year.

2) A'SAFFA LOGISTICS LLC

A'Saffa Logistics LLC achieved a revenue of RO 1.062 million during 2019 as compared to RO 1.065 million during 2018 and net profit of RO 159,640 as against profit of RO 230,001 for the previous year.

DIVIDEND

I am pleased to announce that your Board of Directors are recommending a cash dividend of 20 Baisas per share subject to approval of the shareholders during the Annual General Meeting on March 30, 2020.

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 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.

According to the company vision, the company has donated RO 50,000/- to the Association for the Welfare of the Handicapped Children for the year 2019.

ACKNOWLEDGEMENTS

I wish to thank the Ministry, Government and other auhtorities that have been providing great support to the company.

I also 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.

Eng. Ali Hilal Ali Al Kuwari
Chairman

ANNEXURE TO DIRECTOR'S REPORT

RELATED PARTY TRANSACTIONS

The related party transactions for the year ended December 31, 2019 are as follows :

Related Party Transactions – 2019			2019
Sl.	**Name of Directors / Company / Major Promoter / Shareholder**	**Nature of transaction**	**Amount (RO)**
1	A'Saffa Food Processing LLC	Sale of Poultry Meat	420,877
2	A'Saffa Food Processing LLC	Purchase of further processed products	4,463,163
3	A'Saffa Logistics LLC	Office, Transportation and hiring of storage facility	546,290
4	Al Meera Markets SAOC	Sale of Poultry Meat & Further Processed Meat Products	186,538
	TOTAL		**5,616,868**

ANNEXURE TO DIRECTOR'S REPORT

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 31/12/2019

In the financial year ended 31/12/2019, 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)
Eng. Ali Hilal Ali Al Kuwari	5	1	1	3	7,000
Mr. Fahad Mohammed Al AbdulQader	3	2	-	-	3,500
Sheikh Rashid Saif Mohammed Al Saadi	5	-	-	3	5,600
Sheikh Majid Salim Said Al Fannah Al Araimi	-	-	-	-	-
Eng. Mohammed Khalifa Al Jalahma	5	3	-	-	5,600
Mr. Abdullah Mohamed Al AlAnsari	5	-	1	3	6,300
Mr. Salim Abdullah AlRahbi (from 4 /12/2019 onwards)	1	-	-	-	700
Mr. Naji Salim Ahmed AlRiyami (until 1/12/2019)	4	3	-	-	4,900
TOTAL					**33,600**

2. FOR THE YEAR 2020

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

Eng. Mohamed Suhail Al Shanfari
Acting Chief Executive Officer

Mr. Mohamed Ahmed Al Shanfari
Assistant CEO for Admin Affairs

Mr. Muhammad Rafique Chaudhry
Chief Financial Officer

Mr. Yasir Abdullah Rashid Al Salmani
Deputy Chief Financial Officer

Mr. Bartholomeu Stein
Head of Marketing and Sales

MANAGEMENT DISCUSSION & ANALYSIS REPORT

RESULTS OF OPERATION FOR 2019

The Financial year 2019 was endured as a challenging year for the business on many fronts by rising input costs prices that drive up costs and lower returns, and general economic slowdown, uncertainty of foreign markets etc.

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
2019	30,381,151
2018	31,795,016
2017	31,943,607
2016	30,556,601
2015	31,863,225

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

Years	Net equity	Net profit
2019	RO 39,160,279	RO 1,326,163
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

THE COMPANY ACHIEVED THE ABOVE PERFORMANCE LEVEL IN SPITE OF:

- Significant competition from lower-priced imported brands.
- Increase of input cost.

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 2019."

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 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 2019 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 2019 and addressing our many opportunities, including our most important one: generating value for our shareholders.

Eng. Mohamed Suhail Al Shanfari

Acting Chief Executive Officer

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

1. We have performed the procedures agreed with you pursuant to the Capital Market Authority (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 2019 and application of the corporate governance practices in accordance with amendments to the CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the 'Code').

2. Our engagement was undertaken in accordance with the International Standard on Related Services 4400 applicable to agreed-upon procedures engagements. The procedures were performed solely to assist the Board of Directors of the Company in complying with the requirements of the Code issued by the CMA.

3. We have performed the following procedures:

   (a) We have checked that the Corporate Governance Report issued by the Board of Directors 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 the Annexure 3; and

   (b) We obtained the detailed list of areas of non-compliance identified by the Company's Board of Directors with the Code, included in the report together with the reasons for such non-compliance and agreed these to the discussions in the Board minutes and/or a checklist prepared by the Board of Directors to identify any non-compliance.

4. As a result of performing the above procedures, we have no exceptions to report.

5. 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 accompanying Corporate Governance Report.

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

7. Our report is solely for the purpose set forth in the second paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' Corporate Governance Report included in its annual report for the year ended 31 December 2019 and does not extend to the financial statements of A'Saffa Foods SAOG taken as a whole.

PricewaterhouseCoopers

Muscat, Sultanate of Oman
5 March 2020

PricewaterhouseCoopers LLC C.R. No 1230865

PricewaterhouseCoopers LLC, Salam Square - South, 4th Floor, Suites 402-404, Madinat Al Sultan Qaboos P.O. Box 3075, Ruwi, Postal Code 112, Muscat, Sultanate of Oman, T: +968 2 455 9110, F: +968 2 456 4408, www.pwc.com/me

CORPORATE GOVERNANCE REPORT

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. 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 30, 2020.

C. COMPOSITION OF THE BOARD OF DIRECTORS

All the members of the Board have considerable expertise.

The Board comprises of seven members, four of the Directors are Non-Independent and three of them are Independent 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.	**Eng. Ali Hilal Ali Al Kuwari**	Chairman (from 18/4/2019 onwards) Vice Chairman (until 18/4/2019)	Non-Executive and Non-Independent	1. Chairman, Al Meera Markets SAOC, Oman.
2.	**Sheikh Rashid Saif Mohammed Al Saadi**	Chairman (until 18/4/2019) Director (from 18/4/2019 onwards)	Non-Executive and Independent	1. Chairman, Takaful Oman Insurance SAOG. 2. Chairman, Taageer Finance SAOG. 3. Director, National Bank Oman SAOG. 4. Chairman, Omani Hospitality Company SAOC. 5. Chairman, Oman Aviation Academy SAOC. 6. Deputy Chairman, Nakheel Oman Development SAOC. 7. Deputy Chairman, Minerals Development Oman SAOC. 8. Director, Al Mouj Muscat Co. SAOC.
3.	**Mr. Fahad Mohammed Al AbdulQader**	Vice Chairman (from 18/4/2019 onwards) Director (until 18/4/2019)	Non-Executive and Non-Independent	None
4.	**Sheikh Majid Salim Said Al Fannah Al Araimi**	Director	Non-Executive and Non-Independent	Chairman, Galfar Engineering & Contracting SAOG.
5.	**Eng. Mohammed Khalifa Al Jalahma**	Director	Non-Executive and Independent	None
6.	**Mr. Abdulla Mohamed Al AlAnsari**	Director	Non-Executive and Non-Independent	Director, Oman Qatar Insurance Co. SAOG.
7.	**Mr. Salim Abdullah AlRahbi**	Director (from 4/12/2019 onwards)	Non-Executive and Independent	None
8.	**Mr. Naji Salim Ahmed AlRiyami**	Director (until 1/12/2019)	Non-Executive and Independent	1.Director, Oman Cables Industries SAOG. 2.Director, Majan Development Co. SAOC.

- On April 18, 2019 Board of Directors decided to restructure the Board as follows :
  Eng. Ali Hilal Ali Al Kuwari as Chairman of the Board
  Mr. Fahad Mohammed Al AbdulQader as Vice Chairman.

- Mr. Salim Abdullah AlRahbi was nominated by Public Authority for Social Insurance as a Director from December 4, 2019 onwards in replacement of Mr. Naji Salim Ahmed AlRiyami.

D. NUMBER OF BOARD MEETINGS

During the year 2019, Five Board meetings were held as under:

Board Meeting 1/2019	February 21, 2019
Board Meeting 2/2019	April 18, 2019
Board Meeting 3/2019	August 1, 2019
Board Meeting 4/2019	October 31, 2019
Board Meeting 5/2019	December 8, 2019

E. DIRECTOR'S ATTENDANCE RECORD

Name of Directors	No. of Meetings held	No. of Meetings attended	Whether attended last AGM
Eng. Ali Hilal Ali Al Kuwari	5	5	Yes
Mr. Fahad Mohammed Al AbdulQader	5	3	Yes
Sheikh Rashid Saif Mohammed Al Saadi	5	5	Yes
Sheikh Majid Salim Said Al Fannah Al Araimi	5	-	No
Eng. Mohammed Khalifa Al Jalahma	5	5	No
Mr. Abdulla Mohamed Al Alansari	5	5	No
Mr. Salim Abdullah AlRahbi (from 4/12/2019 onwards)	5	1	No
Mr. Naji Salim Ahmed AlRiyami (until 1/12/2019)	5	4	Yes

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 2019 were as follows:

Description	Year 2019 (RO)
Office, Transportation and hiring of storage facility	546,290
Purchase of further processed products	4,463,163
Sale of Poultry Meat	420,877
Sale of Poultry Meat & Further Processed Meat Products	186,538
TOTAL	**5,616,868**

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 three members who are also Directors on the Board was reconstituted by Board on March 29, 2017. Mr. Naji Salim Ahmed AlRiyami(was an Independent Director, he was the Chairman of the Audit Committee until 1/12/2019. The other two members of the Audit Committee are Vice Chairman of the Audit Committee Eng. Mohammed Khalifa Al Jalahma an Independent Director & Mr. Fahad Mohammed Al AbdulQader having rich experience in Business Management and Internal Controls. Mr. Salim Abdullah AlRahbi is the Director (from 4/12/2019 onwards) in replacement of Mr. Naji Salim Ahmed AlRiyami.

The Audit Committee reviews the financial accounts/ policies, adequacy of internal control systems, interacts with the statutory Auditors 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 2019, the Audit Committee met three (3) times. The Minutes of the Meetings of Audit Committee are reviewed by the Board of Directors.

During the year 2019, three Audit Committee meetings were held as under:

Audit Committee Meeting 1/2019	April 18, 2019
Audit Committee Meeting 2/2019	August 1, 2019
Audit Committee Meeting 3/2019	October 30, 2019

Name of Directors	No. of Meetings held	No. of Meetings attended
Mr. Naji Salim Ahmed AlRiyami (until 1/12/2019)	3	3
Eng. Mohammed Khalifa Al Jalahma	3	3
Mr. Fahad Mohammed Al Abdul Qader	3	2
Eng. Ali Hilal Ali Al Kuwari (until 18/4/2019)	3	1
Mr. Salim Abdullah AlRahbi (from 4/12/2019 onwards)	3	-

ii) Executive Committee

The Executive Committee comprises of 3 Directors and is headed by the Vice Chairman of the company, Eng. Ali Hilal Ali Al Kuwari in february 2019. 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 2019, there was one meeting of the executive committee held as under:

Executive Committee Meeting 1/2019	February 2, 2019

Name of Directors	No. of Meetings held	No. of Meetings attended
Eng. Ali Hilal Ali Al Kuwari	1	1
Sheikh Majid Salim Said Al Fannah Al Araimi	1	-
Mr. Abdulla Mohamed Al Alansari	1	1

On April 18, 2019 Board of Directors decided to delegate the Executive Committee duties to the Nomination and Remuneration Committee.

iii) Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of four Directors and is headed by the Chairman of the company, Eng. Ali Hilal Ali Al Kuwari. 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 2019, there were three meetings of the Nomination and Remuneration Committee held as under :-

Nomination and Remuneration Committee Meeting 1/2019	**February 2, 2019**
Nomination and Remuneration Committee Meeting 2/2019	**September 7, 2019**
Nomination and Remuneration Committee Meeting 3/2019	**December 7, 2019**

Name of Directors	No. of Meetings held	No. of Meetings attended
Eng. Ali Hilal Ali Al Kuwari	3	3
Sheikh. Rashid Saif Mohammed Al Saadi	3	3
Sheikh. Majid Salim Said Al Fannah Al Araimi	3	-
Mr. Abdulla Mohamed Al Alansari	3	3

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 at RO 700/- per meeting for Board and Committee meetings.

b.) Directors sitting fees paid for the year 2019 was RO 33,600/-. Directors' travelling and related cost to attend the meetings during the year was RO 18,934/-. Moreover the Directors remuneration recommended for the year 2019 was RO 32,974/-.

c.) Basic salary, allowances and perquisites paid to top five employees in the year 2019 amounted to RO 272,478/- which is fully a fixed component, and RO 14,759/- was paid for business related travel expenses. Gratuity charge for the year 2019 for Expatriate Key Management Staff RO 10,350/- and Social Insurance (PASI) charge for the year 2019 for Omani Key Management Staff RO 10,560/-. In addition RO 29,353/- was paid as Bonus linked to performance for the year 2019.

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.

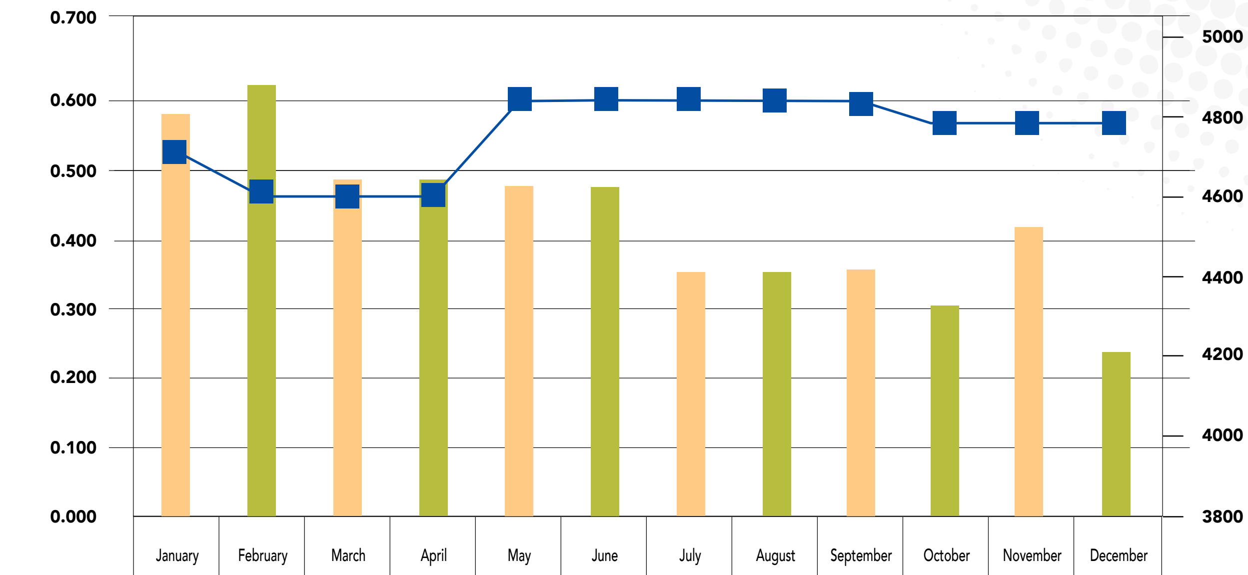
e.) Dividends for all Shareholders are transferred to the Investor's Trust Fund account administered by the Muscat Clearing and Depository Company SAOC.

5. SHARE PRICE DATA

a.) Details of share price movement during the year ended 31st December 2019 are furnished below:

Period (Month, 2019)	High (OMR)	Low (OMR)	Volume
January	0.520	0.520	2,550,563
February	0.480	0.480	596
March	0.480	0.480	0
April	0.480	0.480	0
May	0.598	0.598	150
June	0.598	0.598	0
July	0.598	0.598	0
August	0.598	0.598	270
September	0.598	0.598	0
October	0.570	0.570	826
November	0.570	0.570	0
December	0.570	0.570	0

MSM Industry Sector Index vs A'Saffa Foods SAOG in 2019.



	January	February	March	April	May	June	July	August	September	October	November	December
MSM Index (Industry)	4796	4872	4637	4645	4620	4622	4414	4412	4405	4318	4520	4206
Low	0.520	0.480	0.480	0.480	0.598	0.598	0.598	0.598	0.598	0.570	0.570	0.570
High	0.520	0.480	0.480	0.480	0.598	0.598	0.598	0.598	0.598	0.570	0.570	0.570

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	2019		2018	
	%	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
Public Authority for Social Insurance	8.875	10,650,504	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, 2017 approved the criteria for measuring the performance of the Board of Directors of the company. Accordingly, an independent evaluator "Al Meethaq Chartered Accountants" was appointed to measure the performance of the Board according to the approved criteria in the said meeting which was completed successfully during 2017.

7. STATUTORY AUDITORS

The Shareholders of the Company had appointed M/s. PricewaterhouseCoopers as the External Auditors of the company for the year ended 31st December 2019. A total fee to Statutory Auditors for year 2019 is RO 31,500/- in respect of Statutory Audit and Review of Corporate Governance Report for A'Saffa Foods SAOG and its two Subsidiaries.

Professional profile of PricewaterhouseCoopers : Statutory Auditors

PwC is a global network of firms operating in 157 countries with more than 276,000 people who are committed to delivering quality in assurance, tax and advisory services. PwC also provides corporate training and professional financial qualifications through PwC's Academy.

Established in the Middle East for over 40 years, PwC Middle East has firms in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates, with around 5,600 people. (www.pwc.com/me).

PwC has been established in Oman for over 40 years and the Firm comprises seven partners, including one Omani national, and over 180 professionals and support staff. Our experts in assurance, tax and advisory professionals are able to combine internationally acquired specialist consulting and technical skills with relevant local experience.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

As per CMA regulations, the auditors of the company can hold office for a period of 4 consecutive years and the financial year 2019 was the first 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.

Ms. Shamsa Mohammed Al Touqi is responsible for the Internal Audit Department and holds an MBA in Financial Management, having 7 years of experience in Internal Audit.

Mr. Ali Hamed Al Rabaani holds BSC Degree in Accounting, having 5 years of experience in Internal Audit.

9. MEASURING AUDIT DEPARTMENT PERFORMANCE

In line with the Capital Market Authority (CMA) Decision 10/2018, International Professional Practices Framework (IPPF) and the duly approved Engagement Letter, Ëxternal Quality Assessment of A'Saffa's Internal Audit Activity" was carried out by "Deloitte & Touche (M.E) Co. LLC (External Quality Assessor)".

The External Quality Assessor has concluded that A'Saffa's Internal Audit Department generally conforms with the IIA's Standards for the Professional Practice of Internal Auditing and the IIA Code of Ethics and Article 27 of the CMA resolution no. 10/2018.

The above statement is in accordance with the requirements stated in Standard 1321 of IPPF and Article 27 of CMA resolution no. 10/2018. The phrase generally conforms means there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

10. 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.

11. EXECUTIVE MANAGEMENT

The Executive Management consists of persons having wide relevant experience in the industry:

Eng. Mohamed Suhail Said Al Shanfari is the **Acting Chief Executive Officer** with 25 years of extensive experience in the field of animal development, including research, planning and implementation of projects related to livestock.

Mr. Muhammad Rafique Chaudhry, Chief Financial Officer with 36 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. Yasir Abdullah Rashid Al Salmani, Deputy Chief Financial Officer with 15 years of rich experience in Accounts, Financial planning, Audit, Budgeting & reporting. He is a graduate from National CEO Program and a member of Oman Business Forum.

Mr. Mohamed Ahmed Al Shanfari, Asst. CEO for Admin. Affairs with more than 46 years in the Public relation, Commercial activities, Human Resource and Administration.

Mr. Bartholomeu Stein, Head of Marketing and Sales with extensive international as well as GCC experience in the Meat and Poultry industry since 1990, having worked from animal Production to Sales and Marketing. Participated in several projects, both greenfield and acquisitions, in the sector.

12. 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 2020 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.

Eng. Ali Hilal Ali Al Kuwari
Chairman of the Board

Eng. Mohammed Khalifa Al Jalahma
Chairman – Audit Committee

Independent auditor's report to the shareholders of A'Saffa Foods SAOG

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of A'Saffa Foods SAOG (the "Parent Company") and the consolidated financial statements of the Parent Company and its subsidiaries (together, the "Group") present fairly, in all material respects, the respective financial positions of the Parent Company and the Group as at 31 December 2019, and their respective financial performance and their respective cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The financial statements of the Parent Company and the consolidated financial statements of the Group (together "these financial statements") comprise their respective:

- statement of comprehensive income for the year ended 31 December 2019;
- statement of financial position as at 31 December 2019;
- statement of changes in equity for the year then ended;
- statement of cash flows for the year then ended; and
- the notes to these financial statements, which include a summary of significant accounting policies.

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 these financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of these financial statements in the Sultanate of Oman. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matter	• Implementation of IFRS 16 "Leases" (relates to both, the Parent Company and the Group)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in these financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent auditor's report to the shareholders of A'Saffa Foods SAOG (continued)

Our audit approach (continued)

Overview (continued)

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on these financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which the Group and the Parent Company operate.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Implementation of IFRS 16 "Leases" (relates to both, the Parent Company and the Group)	
IFRS 16, the new accounting standard governing leases, became effective for the current reporting period. The Group's and the Parent Company's leases mainly relate to land where the production facilities are built as well as automobile leases. On adoption of IFRS 16, the Parent Company and the Group changed their accounting policies and made adjustments using the modified retrospective approach, as permitted by the standard. Lease liabilities are now recognised in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the Group's and the Parent Company's incremental borrowing rate ("IBR") as of 1 January 2019. The IBR method is used where the implicit rate of interest in a lease is not readily determinable. The corresponding Right-of-use assets were recognised at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of financial position as at 31 December 2018. Right-of-use assets are included within non-current assets in the Statement of financial position.	Our audit procedures principally comprised the following: - We held discussions with management and understood the Group's process for identifying all existing lease contracts and obtained their computations of lease liabilities and right-of-use assets. - We tested the significant management estimates and judgments involved in arriving at the lease liabilities and right-of -use asset balances, by reference to the enforceable period of the lease term included within the contracts and, in the case of the IBR, information supplied by a third party commercial bank. - We used our valuation specialists in assessing the appropriateness of the IBR discount rate applied in determining the lease liabilities.

pwc

Independent auditor's report to the shareholders of A'Saffa Foods SAOG (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter (continued)	How our audit addressed the Key audit matter
Implementation of IFRS 16 "Leases" (relates to both, the Parent Company and the Group) (continued) We focused on the implementation of IFRS 16 because the calculation of the appropriate lease liability and corresponding right-of-use asset involves new rules, new processes for collecting data and also management estimates and judgements mainly related to the lease term and the discount rate. *Refer to notes 2.1 (d) and 2.2 (n) to these financial statements, which disclose the impact of IFRS 16 as at 1 January 2019 and the accounting policy pertaining to leases followed by the Parent Company and the Group. Also refer to notes 2.1(f), 12 and 24 to these financial statements for critical accounting estimates and judgments and related disclosures.*	Our audit procedures principally comprised the following: (continued) - We verified the accuracy and completeness of the underlying lease data used by management in their computations by agreeing the leases, on a sample basis, to original contracts or other supporting information and checked the integrity and mathematical accuracy of the calculations on a sample basis. - We considered the retrospective application of the new standard and checked whether this was consistent with the provisions and practical expedients of IFRS 16 and assessed the adequacy of the related disclosures and accounting policies reflected in these financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Director's Report, Management Discussion & Analysis Report and the Corporate Governance Report (but does not include these financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the Group's Annual Report, which is expected to be made available to us after that date.

Our opinion on these 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 these financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with these 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 that we obtained prior to the date of this 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.

When we read the Group's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Independent auditor's report to the shareholders of A'Saffa Foods SAOG (continued)

Responsibilities of the directors for these financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the relevant requirements of the Capital Market Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, the directors are responsible for assessing the Parent Company and 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 they either intend to liquidate the Parent Company and the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of these financial statements

Our objectives are to obtain reasonable assurance about whether these 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of these 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 the purpose of expressing an opinion on the effectiveness of the Parent Company's and/or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Parent Company's and/or 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 these 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 Parent Company and/or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of these financial statements, including the disclosures, and whether these 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report to the shareholders of A'Saffa Foods SAOG (continued)

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

We communicate with the directors 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 the directors 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 the directors, we determine those matters that were of most significance in the audit of these 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

Further, as required by the relevant requirements of the Capital Market Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, we report that these financial statements have been prepared and comply, in all material respects, with those requirements and provisions.

PricewaterhouseCoopers LLC

برايس وترهاوس كوبرز ش.م.م
C.R. No 1230865
PricewaterhouseCoopers LLC

Husam Elnaili

Muscat, Sultanate of Oman

5 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		Parent Company		Group	
		2019	2018	**2019**	2018
	Note	**RO**	RO	**RO**	RO
Revenue from contracts with customers	3	**30,381,151**	31,795,016	**30,871,977**	32,272,724
Cost of sales	4	**(20,424,604)**	(21,473,685)	**(20,165,895)**	(21,190,870)
Gross profit		**9,956,547**	10,321,331	**10,706,082**	11,081,854
Selling and distribution expenses	5	**(5,599,190)**	(5,561,256)	**(5,183,112)**	(5,144,940)
Administrative and general expenses	6	**(2,027,293)**	(2,140,212)	**(2,281,086)**	(2,328,808)
Net impairment losses on financial assets	29 (b)	**(258,034)**	(40,065)	**(258,034)**	(40,065)
Other income		**3,052**	35,264	**5,482**	32,433
Profit before interest and tax		**2,075,082**	2,615,062	**2,989,332**	3,600,474
Finance income	9	**76,952**	127,056	**76,952**	127,056
Finance costs	9	**(388,191)**	(64,130)	**(556,228)**	(267,500)
Finance costs (net)	9	**(311,239)**	62,926	**(479,276)**	(140,444)
Share of losses from associates accounted for using the equity method	15	**(94,695)**	(42,738)	**(94,695)**	(42,738)
Profit before income tax		**1,669,148**	2,635,250	**2,415,361**	3,417,292
Income tax expense	10	**(342,985)**	(519,127)	**(480,498)**	(621,224)
Total comprehensive income for the year		**1,326,163**	2,116,123	**1,934,863**	2,796,068
Earnings per share:					
Basic earnings per share	31	**0.011**	0.018	**0.016**	0.023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2019

		Parent Company		Group	
		2019	2018	**2019**	2018
	Note	**RO**	RO	**RO**	RO
ASSETS					
Non-current assets					
Property, plant and equipment	11	**48,244,797**	20,637,587	**56,172 018**	28,906,126
Right of use assets	12	**1,241,290**	-	**1,589,243**	-
Capital advances		**2,144,028**	-	**2,440,989**	-
Intangible assets	13	**8,145**	81,354	**38,508**	122,325
Investments in subsidiaries	14	**2,950,000**	2,950,000	**-**	-
Investments accounted for using the equity method	15	**6,402,479**	4,187,974	**6,402,479**	4,187,974
Financial assets at fair value through profit and loss	16	**47,671**	47,671	**47,671**	47,671
Total non-current assets		**61,038,410**	27,904,586	**66,690,908**	33,264,096
Current assets					
Inventories	17	**4,539,422**	3,649,852	**5,420,010**	4,550,106
Biological assets	18	**1,403,590**	1,474,185	**1,403,590**	1,474,185
Trade and other receivables	19	**10,084,100**	13,840,115	**9,687,878**	12,967,631
Term deposits	21	**2,000,000**	2,000,000	**2,000,000**	2,000,000
Cash and cash equivalents	20	**249,440**	153,591	**307,334**	263,714
Total current assets		**18,276,552**	21,117,743	**18,818,812**	21,255,636
TOTAL ASSETS		**79,314,962**	49,022,329	**85,509,720**	54,519,732
EQUITY AND LIABILITIES					
Equity					
Share capital	22	**12,000,000**	12,000,000	**12,000,000**	12,000,000
Legal reserves		**4,000,000**	4,000,000	**4,231,319**	4,161,188
Retained earnings		**23,160,279**	24,234,116	**25,048,745**	25,584,013
TOTAL EQUITY		**39,160,279**	40,234,116	**41,280,064**	41,745,201
LIABILITIES					
Non-current liabilities					
Term loans	23	**24,488,766**	-	**25,576,369**	1,320,000
Deferred government grant		**-**	32,168	**-**	32,168
Lease liabilities	24	**1,023,172**	-	**1,456,541**	358,593
End of service benefits	25	**774,467**	670,049	**823,952**	707,883
Deferred tax liabilities	10	**632,438**	625,783	**832,085**	813,008
Total non-current liabilities		**26,918,843**	1,328,000	**28,688,947**	3,231,652
Current liabilities					
Term loans	23	**4,758,502**	2,807,951	**5,770,291**	3,287,951
Lease liabilities	24	**251,606**	-	**552,436**	941,617
Tax payable	10	**365,623**	472,698	**479,534**	538,026
Trade and other payables	26	**7,860,109**	4,179,564	**8,738,448**	4,775,285
Total current liabilities		**13,235,840**	7,460,213	**15,540,709**	9,542,879
TOTAL LIABILITIES		**40,154,683**	8,788,213	**44,229,656**	12,774,531
TOTAL EQUITY AND LIABILITIES		**79,314,962**	49,022,329	**85,509,720**	54,519,732
Net assets per share	32	**0.326**	0.335	**0.344**	0.348

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2020.

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital RO	Legal reserves RO	Retained earnings RO	Total Equity RO
Parent Company:				
At 1 January 2018	12,000,000	4,000,000	24,517,993	40,517,993
Total comprehensive income for the year	-	-	2,116,123	2,116,123
Transactions with owners in their capacity as owners				
Dividend paid (note 36)	-	-	(2,400,000)	(2,400,000)
At 31 December 2018	12,000,000	4,000,000	24,234,116	40,234,116
Group:				
At 1 January 2018	12,000,000	4,093,193	25,255,940	41,349,133
Total comprehensive income for the year	-	-	2,796,068	2,796,068
Transactions with owners in their capacity as owners				
Dividend paid (note 36)	-	-	(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
Parent company:				
At 1 January 2019	**12,000,000**	**4,000,000**	**24,234,116**	**40,234,116**
Total comprehensive income for the year	**-**	**-**	**1,326,163**	**1,326,163**
Transactions with owners in their capacity as owners				
Dividend paid (note 36)	**-**	**-**	**(2,400,000)**	**(2,400,000)**
At 31 December 2019	**12,000,000**	**4,000,000**	**23,160,279**	**39,160,279**
Group:				
At 1 January 2019	**12,000,000**	**4,161,188**	**25,584,013**	**41,745,201**
Total comprehensive income for the year	**-**	**-**	**1,934,863**	**1,934,863**
Transactions with owners in their capacity as owners				
Dividend paid (note 36)	**-**	**-**	**(2,400,000)**	**(2,400,000)**
Transfer to legal reserve		**70,131**	**(70,131)**	**-**
At 31 December 2019	**12,000,000**	**4,231,319**	**25,048,745**	**41,280,064**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Cash flows from operating activities				
Net cash generated from operating activities	**9,959,784**	2,626,594	**11,090,563**	4,060,211
Cash flows from investing activities				
Acquisition of property, plant and equipment	**(28,853,530)**	(5,093,780)	**(28,939,367)**	(5,304,789)
Capital Advances	**(2,144,028)**	-	**(2,440,989)**	-
Acquisition of intangible assets	**-**	-	**(2,850)**	-
Investment in associates	**(2,309,200)**	(1,631,200)	**(2,309,200)**	(1,631,200)
Proceeds from disposal of property, plant and equipment	**2,972**	14,254	**2,972**	14,254
Term deposits	**-**	5,500,000	**-**	5,500,000
Finance income received	**76,952**	127,056	**76,952**	127,056
Net cash flow used in investing activities	**(33,226,834)**	(1,083,670)	**(33,612,482)**	(1,294,679)
Cash flows from financing activities				
Lease payments	**(389,822)**	-	**(1,391,775)**	(701,357)
Net movement in Term loans	**25,783,698**	(500,000)	**25,578,814**	(980,000)
Dividend paid	**(2,400,000)**	(2,400,000)	**(2,400,000)**	(2,400,000)
Finance cost paid	**(286,596)**	(64,130)	**(381,395)**	(267,500)
Net cash generated from/(used in) financing activities	**22,707,280**	(2,964,130)	**21,405,644**	(4,348,857)
Net change in cash and cash equivalents	**(559,770)**	(1,421,206)	**(1,116,275)**	(1,583,325)
Cash and cash equivalents as at 1 January	**(2,236,528)**	(815,322)	**(2,126,405)**	(543,080)
Cash and cash equivalents as at 31 December	**(2,796,298)**	(2,236,528)	**(3,242,680)**	(2,126,405)
Cash and cash equivalents comprise:				
Bank overdrafts	**(3,045,738)**	(2,390,119)	**(3,550,014)**	(2,390,119)
Cash and bank balances	**249,440**	153,591	**307,334**	263,714
	(2,796,298)	(2,236,528)	**(3,242,680)**	(2,126,405)

Reconciliation of liabilities arising from financing activities (note 20.1)

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 fruit 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 providing logistical support services.

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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

a) *Statement of compliance*

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 2019 and the rules and guidelines on disclosures issued by the Capital Market Authority (CMA) of the Sultanate of Oman.

b) *Basis of measurement*

These financial statements are prepared on a historical cost basis except where otherwise described in the accounting policies below.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out below.

c) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.
- Definition of Material – Amendments to IAS 1 and IAS 8. (early adoption)

The Group had to change its accounting policies as a result of adopting IFRS 16. Refer to note 2.1(d) for further details. The other amendments and interpretations listed above did not have any material impact on the amounts recognised in the prior and the current year.

2 Basis of preparation and significant accounting policies (continued)

2.1 Basis of preparation (continued)

d) *Change in accounting policies*

IFRS 16 Leases

The Company has adopted IFRS 16 'Leases' retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously bee classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.5%.

For leases previously classified as finance leases the entity recognised the carrying amount of the finance lease immediately before transition as the carrying amount of the lease liability at the date of initial application in accordance with the transitional provision of IFRS 16.

1 January 2019	**Parent**	**Group**
	RO	**RO**
Operating lease commitments as at 31 December 2018	**2,332,290**	**3,078,518**
Less: Discounting effect using incremental borrowing rate @ 6.5%	**(835,498)**	**(1,219,023)**
Add: Finance lease liabilities recognised as at 31 December 2018	**-**	**1,300,210**
Lease liability recognised as at 1 January 2019	**1,496,792**	**3,159,705**
Of which are:		
Current lease liabilities	**324,185**	**2,114,224**
Non-current lease liabilities	**1,172,607**	**1,045,481**
	1,496,792	**3,159,705**

The associated right-of-use assets were measured at the amount equal to the lease liability at 1 January 2019 as there were no prepaid or accrued rentals.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Lessor accounting

The Company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

2 Basis of preparation and significant accounting policies (continued)

2.1 Basis of preparation (continued)

(e) New standards and interpretation not yet effective

A number of new standards, amendments and interpretations to existing standards have been published and are mandatory for the annual accounting periods beginning on or after 1 January 2020 or later periods, but the Company has not early applied the following new or amended standards in preparing these financial statements.

The following new or amended standards are not expected to have a significant impact on the Company's financial statements.

- IFRS 17 Insurance contracts. Effective date of this standard is 1 January 2021;
- Definition of a Business – Amendments to IFRS 3. Effective date of this standard is 1 January 2020;
- Revised Conceptual Framework for Financial Reporting. Effective date of this standard is 1 January 2020;

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28. The application date of this amendment has been deferred until such time as the IASB has finalised its research project on the equity method.

There are no other IFRS, amendments or interpretations that are expected to have a material impact on the Company.

(f) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas where accounting assumptions and estimates are significant to the financial statements are disclosed in notes below and also in the relevant notes to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting estimates & judgements are set out below.

(i) Useful lives of property, plant and equipment

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. Refer note 11 for details.

(ii) Valuation of biological assets

The valuation of biological assets requires the use of estimates by the management. Management uses its judgement to select an appropriate method and make assumptions that are based on market conditions existing at each reporting date. Refer note 18 for details.

2 Basis of preparation and significant accounting policies (continued)

2.1 Basis of preparation (continued)

(f) Use of estimates and judgements (continued)

(iii) Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. Refer note 17 for details.

(iv) Leases

Management estimate and judgement is primarily required in determining the lease term and the incremental borrowing rate in the leases.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received or specific quotes obtained from commercial lenders by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, or in case no quote could be obtained from a commercial lender and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

(v) Impairment of financial assets

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

2.2 Significant accounting policies

(a) Consolidation

(i) Basis of consolidation

The financial statements comprise the separate financial statements of the Parent company and the consolidated financial statements of the parent company and its subsidiaries as at 31 December 2019.Subsidiaries are entities over which the group has control. 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.

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

(a) Consolidation (continued)

(i) Basis of consolidation (continued)

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
- erecognises 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.

(ii) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of 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.

2. Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

(a) Consolidation (continued)

(ii) Investment in associates (continued)

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.

(iii) Investment in subsidiaries

Investment in subsidiaries in the Parent company financial statements are carried at cost less impairment, if any.

(b) Foreign currency

(i) Functional and presentation 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.

(ii) Foreign currency transactions

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 tatement of comprehensive income.

(c) Financial instruments

(i) Financial assets

Classification

The Group on initial recognition classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVTPL), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies these financial assets, when and only when its business model for managing those financial assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial assets (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost for financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its financial assets:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its financial instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within one year and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(e) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values and bank overdrafts. Bank overdrafts are shown within term loans in current liabilities in the balance sheet. Deposits which have a maturity beyond three months are classified as term deposits on the Statement of Financial Position.

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

(f) Term loans

Interest-bearing term loans are recognised initially at fair value less attributable costs such as loan arrangement fee. Subsequent to initial recognition, interest-bearing term loans are stated at amortised cost with any difference between cost and redemption value being recognised in profit and loss over the expected period of term loans on an effective interest rate basis.

Term loans are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

(g) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(h) 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.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of property, plant and equipment is their purchase price together with any incidental expenses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives are as follows:

Buildings and improvements on leasehold land	20 - 30 years
Motor vehicles	5 years
Bore wells	20 years
Plant and machinery	20 years
Furniture and fittings	3 years
Office equipment	6.5 years
Porta cabins	20 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts are recognised within 'other operating income' and are taken into account in determining operating profit.

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

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 term loans 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.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time that the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific term loans pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognised as expenses in the period in which they are incurred.

(k) 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.

(l) Biological assets

Biological assets include poultry for livestock of breeder parent chicken, hatchable eggs and broiler birds. Biological assets, except breeder parent chicken, are measured at fair value less cost to sell.

The valuation of the Breeder parent chicken is determined on the following basis:

Breeder birds 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. 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 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 and hatchable eggs are 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 broiler birds and hatchable eggs 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 comprehensive income in the period in which they arise.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. The cost of raw materials and consumables and goods for resale is based on weighted average method and consists of direct costs of materials and related overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made where necessary for obsolete, slow moving and defective items, based on management's assessment.

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

(n) Leases

As explained in note 2.1(c) above, the Group has changed its accounting policy for leases. The impact of the change in accounting policy is disclosed in note 2.1(d).

Accounting policies applied from 1 January 2019

(i) Group as a lessee

Effective 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The lease term is considered to be the non-cancellable period for which the group has the right to use an underlying asset. The lease term is adjusted for periods covered by an option to extend; if it is reasonably certain that the option will be exercised as well as periods covered by an option to terminate the lease; if it is reasonably certain that the option will not be exercised.

(ii) The Group as lessor

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to the ownership of an underlying asset. Lease payments from operating lease are recognised as income on a straight-line basis unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. Costs incurred in earning the lease income, including depreciation are recognised as an expense. Initial direct cost incurred in obtaining lease, are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as the lease income. Modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued leased payments relating to the original lease as part of the lease payments for the new lease. The respective leased assets are included in the balance sheet based on their nature.

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

(n) Leases (continued)

Accounting policies applied until 31 December 2018

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(o) 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.

(p) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(q) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets. Impairment losses are recognised in the profit and loss statement unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then, to reduce the carrying amounts of the other assets in cash-generating units on a pro rata basis.

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

(q) Impairment of non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue from contracts with customers

The Group's principal activities are sale and distribution of poultry meat, vegetables and fruit pulps in Oman & providing storage and logistical support services

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 concluded that it is the principal in its all revenue arrangements because it typically controls the goods or services before transferring them to the customer

Revenue from sale and distribution of its products are recognised at the point in time when control of the goods are transferred to the customer, generally on delivery of the goods. Revenue from rendering services are recognized over time in the pattern in which the customer simultaneously receives and benefits from the service.

The Company does not adjust any of the transaction prices for time value of money as the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year and the sales are made with agreed credit terms which is in line with the industry practice. Transaction price is determined based on the contractual term and seldom involves any judgement.

(s) Interest income & interest expense

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

(t) Employee benefits

Obligations for contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Omani Social Insurance Scheme, are recognised as an expense in profit and loss as incurred.

The Group's obligation in respect of non-Omani employees' terminal benefits is the amount of future benefit that such employees have earned in return for their service in the current and prior periods having regard to the employee contract and Oman Labour Law 2003, as amended.

In accordance with the provisions of IAS 19, Employee benefits, management carries an exercise to assess the present value of the Company's obligations as of reporting date, using the actuarial techniques, in respect of employees' end of service benefits payable under the Oman Labour Law. Under this method, an assessment is made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service.

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

(u) Directors' remuneration

The Directors' remuneration is governed as set out by the Commercial Companies Law and the rules prescribed by the Capital Market Authority and are recognised as an expense in the profit or loss statement.

(v) Dividend

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.

Dividend distribution to the Group's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved.

(w) Earnings and net assets 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.

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Group by the number of ordinary shares outstanding during the year. Net assets for the purpose is defined as total equity.

(x) Segmental 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.

(y) Determination of fair values

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.

2 Basis of preparation and significant accounting policies (continued)

2.2 Significant accounting policies (continued)

(y) Determination of fair values (continued)

The Group 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.

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 Group 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.

3 REVENUE

Disaggregation of revenue

Revenue has been disaggregated based the geographical region from which its derived and also based on its nature.

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Local sales	**24,229,076**	25,521,289	**24,719,902**	25,998,997
GCC sales	**6,152,075**	6,273,727	**6,152,075**	6,273,727
Total Revenue	**30,381,151**	31,795,016	**30,871,977**	32,272,724

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Sale of goods	**30,381,151**	31,795,016	**30,394,002**	31,795,787
Rendering of services	**-**	-	**477,975**	476,937
Total Revenue	**30,381,151**	31,795,016	**30,871,977**	32,272,724

4 COST OF SALES

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Cost of materials consumed	**14,260,903**	15,823,721	**12,144,068**	13,549,645
Less: Government subsidy		(20,693)		(20,693)
	14,260,903	15,803,028	**12,144,068**	13,528,952
Employee related costs (note 8)	**4,001,562**	3,748,668	**4,792,854**	4,549,428
Depreciation on Property, plant and equipment (note 11)	**1,059,440**	1,081,622	**1,451,325**	1,464,369
Depreciation on Right of use assets (note 12)	**35,770**	-	**50,521**	-
Fuel expenses	**450,814**	354,860	**657,531**	464,165
Amortisation (note 13)	**24,159**	30,649	**37,617**	43,192
Other	**591,956**	454,858	**1,031,979**	1,140,764
	20,424,604	21,473,685	**20,165,895**	21,190,870

5 SELLING AND DISTRIBUTION EXPENSES

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Transportation costs	**1,510,790**	1,887,174	**1,510,790**	1,887,174
Employee related costs (note 8)	**1,788,433**	1,685,372	**1,788,433**	1,685,372
Rent and storage expenses	**1,157,902**	1,086,048	**741,824**	669,732
Advertisement and sales promotion	**555,268**	565,817	**555,268**	565,817
Insurance	**97,197**	100,887	**97,197**	100,887
Communication	**41,540**	75,480	**41,540**	75,480
Depreciation on Property, plant and equipment (note 11)	**24,928**	25,450	**24,928**	25,450
Depreciation on Right of use assets (note 12)	**285,945**	-	**285,945**	-
Amortisation (note 13)	**24,159**	22,476	**24,159**	22,476
Other	**113,028**	112,552	**113,028**	112,552
	5,599,190	5,561,256	**5,183,112**	5,144,940

6 ADMINISTRATIVE AND GENERAL EXPENSES

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Employee related costs (note 8)	**1,153,686**	1,132,303	**1,418,156**	1,374,093
Depreciation (note 11)	**162,032**	165,159	**197,302**	199,714
Rent	**148,705**	166,463	**18,493**	36,251
Directors' remuneration (note 28d)	**32,974**	30,306	**32,974**	30,306
Printing and stationery	**92,063**	84,324	**100,150**	85,232
Contributions for social causes	**50,000**	77,747	**50,000**	77,747
Business travel and meeting expenses	**52,717**	54,940	**52,717**	54,940
Professional and consultancy fees	**116,507**	52,457	**138,804**	64,604
Amortisation (note 13)	**24,891**	49,039	**24,891**	49,039
Directors' meeting attendance fees (note 28d)	**33,600**	45,500	**39,700**	51,600
Communication	**16,058**	26,126	**16,058**	26,126
Registration and renewals	**30,869**	22,095	**32,778**	22,095
Repairs and maintenance	**13,383**	19,566	**13,383**	19,566
Vehicle expenses	**15,673**	8,591	**18,528**	11,754
Foreign exchange loss	**27,673**	-	**32,378**	-
Other	**56,462**	205,596	**94,774**	225,741
	2,027,293	2,140,212	**2,281,086**	2,328,808

7 BREAKDOWN OF EXPENSES BY NATURE

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Raw materials and consumables used	**14,260,903**	15,803,028	**12,144,068**	13,528,952
Employee benefits expenses (note 8)	**6,943,681**	6,566,343	**7,999,443**	7,608,893
Depreciation on property, plant and equipment (note 4,5,6 and11)	**1,246,400**	1,272,231	**1,673,555**	1,689,533
Rent (note 24)	**1,306,607**	1,252,511	**760,317**	705,983
Transportation Cost	**1,510,790**	1,887,174	**1,510,790**	1,887,174
Other expenses	**2,782,706**	2,393,866	**3,541,920**	3,244,083
Total of cost of sales, selling and distribution and administrative and general expenses	**28,051,087**	29,175,153	**27,630,093**	28,664,618

8 EMPLOYEE RELATED COSTS

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

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Salaries, wages and other benefits	**6,147,878**	5,997,757	**7,133,909**	6,967,425
Leave salary	**520,610**	355,329	**566,172**	403,258
Air passage	**135,330**	104,257	**145,731**	115,585
End of service benefits (note 25)	**139,863**	109,000	**153,631**	122,625
	6,943,681	6,566,343	**7,999,443**	7,608,893

9 FINANCE (COSTS) / INCOME

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
(a) *Finance cost:*				
- on government soft loan	**(37,790)**	(76,546)	**(37,790)**	(76,546)
- on bank overdraft	**(156,208)**	(27,072)	**(168,690)**	(27,196)
- on Islamic overdraft	**(124,766)**	(18,335)	**(207,083)**	(18,335)
- on lease liabilities (note 24)	**(101,595)**	-	**(174,833)**	(198,345)
	(420,359)	(121,953)	**(588,396)**	(320,422)
Government soft loan - release of grant	**32,168**	57,823	**32,168**	52,922
Interest expenses – net	**(388,191)**	(64,130)	**(556,228)**	(267,500)
(b) *Finance Income:*				
Profit on deposits	**41,952**	101,879	**41,952**	101,879
Interest income on deposits	**35,000**	25,177	**35,000**	25,177
Finance income	**76,952**	127,056	**76,952**	127,056
Finance (costs)/income – net	**(311,239)**	62,926	**(479,276)**	(140,444)

10 TAXATION

Statement of comprehensive income:

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Current tax	**336,330**	458,483	**450,241**	523,811
Deferred tax	**6,655**	60,644	**30,257**	97,413
	342,985	519,127	**480,498**	621,224
Statement of financial position:				
(a) *Current tax liabilities:*				
Current year	**336,330**	458,483	**450,241**	523,811
Prior year	**29,293**	14,215	**29,293**	14,215
	365,623	472,698	**479,534**	538,026
(b) Deferred tax liabilities:				
1 January	**625,783**	565,139	**813,008**	715,595
Movement for the year	**6,655**	60,644	**19,077**	97,413
31 December	**632,438**	625,783	**832,085**	813,008

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% (2018: 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 18.8% (2018: 15.3 %) 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 & A'Saffa food processing LLC (subsidiary) have been finalised till 2013 & 2015 respectively. None of the tax assessment of A'Saffa logistics LLC (subsidiary) has been completed. 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 Parent Company and Group at the end of the reporting period.

Deferred tax liability/assets has been calculated at 15% (2018: 15%). The deferred tax liability comprises the following types of temporary differences:

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Plant and equipment qualifying for accelerated tax relief	**696,977**	653,004	**899,969**	840,229
Other	**(5023)**	(6,411)	**(6,272)**	(6,411)
Provision for bad debts	**(59,516)**	(20,810)	**(61,612)**	(20,810)
	632,438	625,783	**832,085**	813,008

11 PROPERTY, PLANT AND EQUIPMENT

(a) The movement on property, plant and equipment during the year is set out on pages 59 to 60.

(b) Buildings in the Parent Company are constructed on land leased from Ministry of Housing, Dhofar Governate for a period of twenty five years ending in 2014 and which is further renewable at the option of the Group. Buildings in the books of the subsidiaries namely A'Saffa Food Processing LLC and A'Saffa Logistics LLC are both constructed on lands leased from Public Establishment for Industrial Estates, Rusayl for a period of twenty five years and five years and with leases ending in 2038 and 2020 respectively and which is further renewable at the option of the Group.

(c) In 2014, A'Saffa Processing LLC had entered into a sale and (finance) lease back arrangement with an Islamic Bank for 84% of its building and 74.467% of its plant and machinery. The associated liability against finance lease was recognised as a finance lease liability and has been reclassified to lease liabilities as detailed in note 24. These assets are jointly registered in the name of A'Saffa Processing LLC and the bank.

(d) Also refer to note 23 for details of the term loans against which the Group's property, plant and equipment are pledged as securities.

(e) The Capital work-in-progress balances in the Parent Company and the Group primarily comprise ongoing works in relation to construction of poultry houses, slaughterhouse, fully automatic feed mill, hatchery expansion and wastewater treatment plants. The works are expected to be complete in 2020.

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent

	Freehold Land	Buildings and improvments on leasehold land	Motor Vehicles	Bore wells	Plant and machinery	Furniture and fittings	Office equipment	Porta Cabins	Capital work-in-progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	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 value										
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
Cost										
At 1 January 2019	**575,868**	**13,420,877**	**793,566**	**323,575**	**12,960,348**	**283,511**	**423,802**	**213,626**	**5,003,426**	**33,998,599**
Additions	**-**	**-**	**83,000**	**-**	**19,800**	**328**	**21,360**	**-**	**28,729,042**	**28,853,530**
Disposals	**-**	**-**	**(32,500)**	**-**	**-**	**-**	**(742)**	**-**	**-**	**(33,242)**
At 31 December 2019	**575,868**	**13,420,877**	**844,066**	**323,575**	**12,980,148**	**283,839**	**444,420**	**213,626**	**33,732,468**	**62,818,887**
Accumulated depreciation										
At 1 January 2019	**-**	**4,576,488**	**648,390**	**149,088**	**7,219,328**	**259,988**	**373,051**	**134,679**	**-**	**13,361,012**
Charge for the year	**-**	**447,363**	**65,936**	**16,179**	**652,471**	**21,788**	**32,000**	**10,663**	**-**	**1,246,400**
Disposals	**-**	**-**	**(33,322)**	**-**	**-**	**-**	**-**	**-**	**-**	**(33,322)**
At 31 December 2019	**-**	**5,023,851**	**681,004**	**165,267**	**7,871,799**	**281,776**	**405,051**	**145,342**	**-**	**14,574,090**
Net book value										
At 31 December 2019	**575,868**	**8,397,026**	**163,062**	**158,308**	**5,108,349**	**2,063**	**39,369**	**68,284**	**33,732,468**	**48,244,797**

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Freehold Land	Buildings and improvments on leasehold land	Motor Vehicles	Bore wells	Plant and machinery	Furniture and fittings	Office equipment	Porta Cabins	Capital work-in-progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	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 value										
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
Cost										
At 1 January 2019	**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**
Additions	**-**	**855**	**85,380**	**-**	**88,065**	**2,485**	**21,615**	**-**	**28,740,967**	**28,939,367**
Disposals	**-**	**-**	**(32,500)**	**-**	**-**	**-**	**(742)**	**-**	**-**	**(33,242)**
At 31 December 2019	**575,868**	**19,633,048**	**1,056,696**	**323,575**	**16,635,264**	**318,016**	**477,831**	**213,626**	**33,744,292**	**72,978,317**
Accumulated depreciation										
At 1 January 2019	**-**	**5,374,164**	**773,258**	**149,088**	**8,050,092**	**287,344**	**397,441**	**134,679**	**-**	**15,166,066**
Charge for the year	**-**	**654,424**	**100,742**	**16,179**	**830,818**	**24,722**	**36,007**	**10,663**	**-**	**1,673,555**
Disposals	**-**	**-**	**(33,322)**	**-**	**-**	**-**	**-**	**-**	**-**	**(33,322)**
At 31 December 2019	**-**	**6,028,588**	**840,678**	**165,267**	**8,880,910**	**312,066**	**433,448**	**145,342**	**-**	**16,806,299**
Net book value										
At 31 December 2019	**575,868**	**13,604,460**	**216,018**	**158,308**	**7,754,354**	**5,950**	**44,383**	**68,284**	**33,794,393**	**56,172,018**

12 RIGHT OF USE ASSETS

The Group has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard and therefore comparative information has not been presented.

The Statement of Financial Position shows the following amounts relating to right to use assets:

	Parent	Group
	2019	2019
	RO	RO
Cost		
At 1 January 2019	1,496,792	1,859,496
Additions during the period	66,213	66,213
At 31 December 2019	1,563,005	1,925,709
Accumulated Depreciation		
At 1 January 2019		
Charge for the period (note 4)	321,715	336,466
At 31 December 2019	321,715	336,466
Net carrying amount at 31 December 2019	1,241,290	1,589,243

The right of use assets pertain to the following underlying assets:

	Parent	
	2019	2019
	RO	RO
Right-of-use assets		
Land	762,967	1,110,920
Vehicles	475,952	475,952
Building	2,371	2,371
	1,241,290	1,589,243

The statement of profit or loss shows the following amounts relating to right to use assets:

	Parent	
	2019	2019
	RO	RO
Depreciation charge of right-of-use assets		
Land	35,770	50,521
Vehicles	278,732	278,732
Building	7,213	7,213
	321,715	336,466

13 INTANGIBLE ASSETS

	Parent		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Cost				
At 1 January	**510,819**	510,819	**575,977**	575,977
Addition for the year	**-**	-	**2850**	-
At 31 December	**510,819**	510,819	**578,827**	575,977
Accumulated amortisation				
At 1 January	**429,465**	327,301	**453,652**	338,945
Charge for the year	**73,209**	102,164	**86,667**	114,707
At 31 December	**502,674**	429,465	**540,319**	453,652
Net carrying amount				
At 31 December	**8,145**	81,354	**38,508**	122,325

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

14 INVESTMENT IN SUBSIDIARIES

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

(a) Investments in subsidiaries have been eliminated 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 2019 and 2018 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 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Parent company / Group:

	2019		2018	
	%	**RO**	%	RO
A'Namaa Poultry Company SAOC	**20%**	**2,271,433**	20%	2,372,668
Osool Poultry SAOC	**20%**	**4,131,046**	20%	1,815,306
		6,402,479		4,187,974

Movement in investment accounted for using the equity method are as follows:

	A'Namaa Poultry Company SAOC		Osool Poultry SAOC	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Opening balance	**2,372,668**	821,228	**1,815,306**	1,778,284
Additional investment	**-**	1,631,200	**2,309,200**	-
Share of loss/ (profit) from associates	**(101,235)**	(79,760)	**6,540**	37,022
	2,271,433	2,372,668	**4,131,046**	1,815,306

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

The details of the Group's investments accounted for using the equity method are as follows:

	Net assets	Total assets	Total Liabilities	Total Income	Total Expenses	Result
31 December 2019	**RO**	**RO**	**RO**	**RO**	**RO**	**RO**
A'Namaa Poultry Company SAOC	**21,776,365**	**36,141,815**	**14,365,450**	**88,159**	**594,331**	**(506,172)**
Osool Poultry SAOC	**20,254,805**	**24,094,521**	**3,839,716**	**134,843**	**102,143**	**32,700**

	Net assets	Total assets	Total Liabilities	Total Income	Total Expenses	Result
31 December 2018	RO	RO	RO	RO	RO	RO
A'Namaa Poultry Company SAOC	11,863,337	12,409,172	545,835	190,692	525,371	(334,679)
Osool Poultry SAOC	9,076,513	10,089,316	1,012,803	231,370	76,255	155,115

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

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

a) The Parent Company holds 100,000 shares of RO 1 each (2018: 100,000 shares of RO 1 each) in Al Najd Agricultural Development SAOC.

b) In the opinion of the management, the carrying value of the unquoted local investment approximates its fair value at the reporting date.

The financial assets at fair value through profit or loss (FVTPL) are designated as level 3 in the fair value hierarchy, because their subsequent measurement is based on largely unobservable inputs. A 5% change in the unobservable inputs would not results in a significant impact on the fair value.

17 INVENTORIES

	Parent		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Raw materials and consumables	**2,186,932**	1,927,603	**2,902,962**	2,642,232
Finished products	**1,431,040**	815,940	**1,422,668**	837,727
Stores and spares	**921,450**	906,309	**1,094,380**	1,070,147
	4,539,422	3,649,852	**5,420,010**	4,550,106

The Group has made no provisions or write downs in the current and the previous year.

18 BIOLOGICAL ASSETS

	Parent and Group	
	2019	2018
	RO	RO
Mature biological assets (Broiler birds)	**708,500**	820,959
Immature biological assets (Parent/Breeder chicks)	**397,450**	460,032
Hatchable eggs	**297,640**	193,194
	1,403,590	1,474,185

18 BIOLOGICAL ASSETS (continued)

At 31 December 2019, 1,509,354 Nos. broiler birds (2018 - 1,812,272 Nos. broiler birds) and 212,050 Nos. chicks (2018 - 211,119 Nos. chicks) were part of biological assets

Movement in mature biological assets (Broiler birds):

	Parent and Group	
	2019	2018
	RO	RO
1 January	**820,959**	647,220
Produced during the year	**20,948,830**	21,647,425
Sold during the year	**(21,061,289)**	(21,473,686)
31 December	**708,500**	820,959

The fair value measurements for the broiler birds & hatchable eggs have been categorised as Level 3 and Level 1 hierachy. Broiler birds' valuation is considered as level 3 fair value hierarchy by management because the derived fair value depends on various entity specific inputs and estimates. Valuation techniques and significant unobservable inputs used for valuation of broiler birds are as below:

Valuation Technique	Significant unobservable inputs (Level 3 fair value)	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)].	Average weight of birds 0.800 kgs – 1.3 kgs Sales price of fully grown bird less cost to sell RO 0.956	The estimated fair value would increase/ (decrease) if: Average weight of birds higher/(lower). 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.

In case of hatchable eggs, the fair value is determined based on the level 1 valuation that is derived based on observable prices in the primary market.

There have been no transfers between any levels of fair value hierarchy in 2019.

19 TRADE AND OTHER RECEIVABLES

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Trade receivables (note 19.1)	**7,035,214**	6,913,263	**7,515,776**	7,074,055
Due from a related party (note 28)	**1,073,550**	1,294,243	**58,245**	150,533
Advances to staff and suppliers	**1,446,891**	5,449,306	**1,452,507**	5,522,224
Prepayments	**121,290**	117,098	**121,290**	154,614
Other receivables	**407,155**	66,205	**540,060**	66,205
	10,084,100	13,840,115	**9,687,878**	12,967,631

19 TRADE AND OTHER RECEIVABLES (continued)

19.1 Trade receivables

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Gross trade receivables	**7,431,984**	7,051,999	**7,961,823**	7,262,068
Allowance for impairment	**(396,770)**	(138,736)	**(446,047)**	(188,013)
	7,035,214	6,913,263	**7,515,776**	7,074,055

The ageing of trade receivables and the movement in provision at the reporting date is disclosed in note 29.

20 CASH AND CASH EQUIVALENTS

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Cash on hand	**58,572**	49,521	**59,872**	52,421
Cash at bank	**190,868**	104,070	**247,462**	211,293
	249,440	153,591	**307,334**	263,714

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 institutions.

20.1 Reconciliation of liabilities arising from financing activities

	Parent Company		Group	
Net debt	**2019**	2018	**2019**	2018
	RO	RO	**RO**	RO
Cash and cash equivalents	**249,440**	153,591	**307,334**	263,714
Term deposits	**2,000,000**	2,000,000	**2,000,000**	2,000,000
Term loans (including government grant)	**(29,247,268)**	(2,840,119)	**(31,346,660)**	(4,640,119)
Lease liabilities	**(1,274,778)**	-	**(2,008,977)**	(1,300,210)
Net debt	**(28,272,606)**	(686,528)	**(31,048,303)**	(3,676,615)

All debts noted above are at fixed interest rates

21 TERM DEPOSITS

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Short term deposits	**2,000,000**	2,000,000	2,000,000	2,000,000

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 (2018 - 1.5% to 4%). Term deposits amounting to RO 2,000,000 (2018: RO 2,000,000) are pledged against bank overdraft (note 23).

22 SHARE CAPITAL

a) The authorised and the issued (fully paid) share capital comprises of 120,000,000 (2018: 120,000,000) ordinary shares of 100 baisa (2018: 100 baisa).

b) The shareholders of the Company who own 8% or more of the Company's shares at 31 December 2019 and the number of shares held by them are set out below:

	2019		2018	
	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	20.01%	24,008,666	20.01%
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%
Public Authority for Social Insurance	10,650,504	8.88%	7,997,560	6.67%

During the year, dividend of RO 0.020 per share totalling RO 2,400,000 relating to 2019 was declared and paid (2018: RO 0.020 per share totalling RO 2,400,000 was paid relating to 2018).

23 TERM LOANS

Non-current:

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Term loans from commercial banks:				
Term loan 1 (a)	-	-	1,320,000	1,800,000
Government soft loan (b)	-	450,000	-	450,000
Term loan 2 (d)	22,179,566	-	22,179,566	-
Term loan 3 (e)	2,309,200	-	2,309,200	-
Term loan 4 (f)	-	-	275,116	-
	24,488,766	450,000	26,083,882	2,250,000
Less: current portion of term loans	-	(417,832)	(507,513)	(897,832)
Less: government grant included on the statement of financial position	-	(32,168)	-	(32,168)
	24,488,766	-	25,576,369	1,320,000

Current:

	Parent Company		Group	
	2019 RO	2018 RO	2019 RO	2018 RO
Current portion of term loans	-	417,832	507,513	897,832
Short term loans	1,712,764	-	1,712,764	-
Bank overdrafts (c)	3,045,738	2,390,119	3,550,014	2,390,119
	4,758,502	2,807,951	5,770,291	3,287,951

23 TERM LOANS (continued)

(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 5.50% (2018: 5.25% per annum. It is repayable in twenty quarterly instalments of RO120,000 which commenced from October 2017. The loan is secured against first commercial charge on building and equipment (note 11). The loan is further guaranteed by the Parent Company

(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 carried interest of 5% per annum (net of subsidy) (2018 - 3% per annum) and was secured against a guarantee from the Government of the Sultanate of Oman to the commercial bank. The subsidy on Government soft loan was amortised on a systematic basis in the same periods in which the loans were repaid and amounted to RO 32,168 for the year (2018 – RO 57,823). The government soft loan has been fully repaid in the current year. (note 9)

(c) 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 (2018 - RO 2,000,000), assignment of certain accounts receivable and carries interest / profit ranging from 0.3% to 0.5% (2018 - 0.3% 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.

(d) Term loan 2 is denominated in Omani Rial and was availed in 2019 from a local islamic bank. The loan is subject to profit rate of 4.85% per annum. It is repayable in sixteen semi annual instalments commencing from July 2021. The loan is secured against first commercial charge on building and equipment (note 11).

(e) Term loan 3 is denominated in Omani Rial and was availed in 2019 from a local islamic bank. The loan is subject to profit rate of 5.25% (2018: 5.25%) per annum. It is repayable in forty quarterly instalments commencing from April 2021. The loan is secured against first commercial charge on building and equipment (note 11).

(f) Term loan 4 is denominated in Omani Rial and was availed in 2019 from a local islamic bank by a subsidiary. The loan is subject to profit rate of 5.25% per annum. It is repayable in twenty quarterly instalments commencing from October 2020. The loan is secured against first commercial charge on plant and machinery (note 11).

Covenants

The term loan facilities obtained by the Parent Company and its subsidiaries contain certain covenants, one of which pertains to maintaining a specified current ratio. At 31 December 2019, the subsidiaries were not in compliance with the covenants and have informed the breach of the covenant to the lender. The lender agreed to waive the covenant requirements for the financial year 2019 prior to the year end. Accordingly, the outstanding balance of the term loan has not been reclassified to current liabilities.

24 LEASE LIABILITIES

On adoption of IFRS 16, the Group recognised lease liabilities in relation to lease of land, vehicles and buildings which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate of 6.5% as of 1 January 2019. Lease liabilities also includes a lease discounted at a profit rate of 5.5% per annum.

24 LEASE LIABILITIES (continued)

The balance sheet shows the following amounts relating to leases:

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Lease liabilities				
Land	**781,832**	-	**1,138,112**	-
Vehicles	**490,538**	-	**490,538**	-
Building	**2,408**	-	**380,327**	1,300,210
Total	**1,274,778**	-	**2,008,977**	1,300,210
Current	**251,606**	-	**552,436**	941,617
Non-current	**1,023,172**	-	**1,456,541**	358,593
Total	**1,274,778**	-	**2,008,977**	1,300,210

The statement of comprehensive income shows the following amounts relating to leases:

	Parent	Group
	2019	**2019**
	RO	**RO**
Interest expense (included in note 9)	**101,595**	**174,833**
Expense relating to short-term leases (note 7)	**1,306,657**	**760,317**

At 31 December 2018, the Group Statement of financial position included certain building, plant and machinery with a carrying amount of RO 1,300,210 under finance leases expiring within two to four years. Finance leases were classified as finance lease liabilities in 2018 but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard (note 2.1). The carrying amount of such reclassified finance leases at 31 December 2019 was RO 377,919 which is included in the closing lease liability balance above and carries a profit at rate of 5.5% (2018: 5.5%) per annum. The underlying leased assets are jointly registered in the name of a subsidiary and the lessor.

25 END OF SERVICE BENEFITS

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
At 1 January	**670,049**	583,789	**707,883**	612,111
Charge for the year (note 8)	**139,863**	109,000	**153,631**	122,625
Paid during the year	**(35,445)**	(22,740)	**(37,562)**	(26,853)
At 31 December	**774,467**	670,049	**823,952**	707,883

26 TRADE AND OTHER PAYABLES

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Trade payables	**4,152,892**	1,827,250	**4,671,912**	2,139,639
Accruals	**607,448**	479,701	**858,006**	565,598
Other payables	**1,886,450**	1,364,783	**1,886,450**	1,562,218
Advances from customers	**6,038**	44,401	**114,799**	44,401
Accrued interest	**415**	415	**415**	415
Retentions payable	**1,206,866**	463,014	**1,206,866**	463,014
	7,860,109	4,179,564	**8,738,448**	4,775,285

27 CASH GENERATED FROM OPERATIONS

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Operating activities				
Profit before taxation	**1,669,148**	2,635,250	**2,415,361**	3,417,292
Adjustment for:				
Depreciation on Property, plant and equipment	**1,246,400**	1,272,231	**1,673,555**	1,689,533
Depreciation on Right of Use assets	**321,715**	-	**336,466**	-
Amortization	**73,209**	102,164	**86,667**	114,707
Provision for expected credit losses	**258,034**	40,065	**258,034**	40,065
Write back - provision for expected credit losses	**-**	(150)	**-**	(150)
Finance income	**(76,952)**	(127,056)	**(76,952)**	(127,056)
Finance expense	**388,191**	64,130	**556,228**	267,500
Gain on disposal of property, plant and equipment	**(3,052)**	(9,853)	**(3,052)**	(9,853)
Release of government grant	**(32,168)**	-	**(32,168)**	
Share of loss from associates	**94,695**	42,738	**94,695**	42,738
Accruals of end of service benefits	**139,863**	109,000	**153,631**	122,625
	4,079,083	4,128,519	**5,462,465**	5,557,401
Income tax paid	**(443,276)**	(702,835)	**(489,656)**	(708,866)
Payment of end of service benefits	**(35,445)**	(22,740)	**(37,652)**	(26,853)
	3,600,362	3,402,944	**4,935,247**	4,821,682
Working capital changes:				
Inventories	**(889,570)**	230,081	**(869,904)**	124,170
Biological assets	**70,595**	(197,831)	**70,595**	(197,831)
Trade and other receivables	**3,497,981**	(948,177)	**3,021,719**	(1,022,036)
Trade and other payables	**3,680,416**	139,577	**3,932,906**	334,226
Cash generated from operations	**9,959,784**	2,626,594	**11,090,563**	4,060,211

28 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	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Purchase of goods and services				
- Subsidiary	**5,009,453**	4,717,118	**-**	-
Sales of goods				
- Subsidiary	**420,877**	363,345	**-**	-
- Other related parties	**186,538**	721	186,538	721

28 RELATED PARTIES (continued)

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

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Receivable from:				
- Subsidiaries	**1,015,305**	1,143,710	**-**	-
- Other related parties	**58,245**	150,533	**58,245**	150,533
	1,073,550	1,294,243	**58,245**	150,533

Key management benefits

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise). Total compensation accrued to key management personnel for the year ended is as follows:

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

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Short-term employment benefits	**312,391**	412,261	**312,391**	412,261
End of service benefits and social security cost	**10,350**	20,473	**10,350**	20,473
	322,741	432,734	**322,741**	432,734

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

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Directors' remuneration (note 6)	**32,974**	30,306	**32,974**	30,306
Directors' meeting attendance fees (note 6)	**33,600**	45,500	**39,700**	51,600
Directors' travel and related expenses	**18,934**	19,443	**18,934**	19,443
	85,508	95,249	**91,608**	1,01,349

29 FINANCIAL RISK MANAGEMENT

Other disclosures

Financial assets are assessed for impairment at each reporting date as disclosed below in credit risk.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

29 FINANCIAL RISK MANAGEMENT (continued)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has entrusted the Management with the responsibility of developing and monitoring the Group's risk management policies and procedures and its compliance with them.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) 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 interest bearing financial assets and financial liabilities which are exposed to changes in market interest rates.

The Group's financial assets and financial liabilities are at fixed rates and 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.

At the reporting date, the interest rate profile of the Group's interest-bearing financial assets and liabilities is:

		Parent		Group	
	Interest rate	**2019**	2018	**2019**	2018
		RO	RO	**RO**	RO
Financial assets					
Fixed term cash deposit	1.5% - 4%	**2,000,000**	2,000,000	**2,000,000**	2,000,000
Financial liabilities					
Term loans (fixed interest rate)	4.85% - 5.25%	**26,201,530**	450,000	**27,796,646**	2,250,000
Lease Liabilities (earlier - finance leases)	5.5%	**-**	-	**361,599**	1300,210
Bank Overdraft		**3,045,739**	2,390,119	**3,550,014**	2,390,119
		29,247,269	2,840,119	**31,708,259**	5,940,329

If the interest rate were to shift by 1% , there would be negligible increase or decrease in the net finance costs.

(ii) Currency risk

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.

2 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

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
2019	5%	8,960
	-5%	(8,960)
2018	5%	98,616
	-5%	(98,616)

(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.

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.

Impairment of financial assets

The Group has trade receivables which are subject to the expected credit loss model. While fixed term cash deposits, cash and cash equivalents and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade 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 debt 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 78% of the outstanding accounts receivable at 31 December 2019 (2018: twenty-five largest customers: 81%).

29 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

The maximum exposure to credit risk at the reporting date is their carrying value:

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Break down of financial assets (at carrying amount)				
Term Deposits	**2,000,000**	2,000,000	**2,000,000**	2,000,000
Cash and cash equivalents	**249,440**	153,591	**307,334**	263,714
Trade receivables (gross)	**7,431,984**	7,051,999	**7,961,823**	7,262,068
Other receivables	**407,155**	66,205	**540,060**	66,205
Due from Related parties	**1,073,550**	1,294,243	**58,245**	150,533
	11,162,129	10,566,038	**10,867,462**	9,742,520

The table below shows the balances with banks categorised by short-term credit rating as published by Moody's investor's service at the reporting date:

	Parent Company		Group	
Bank	**2019**	2018	**2019**	2018
Bank balances	**RO**	RO	**RO**	RO
Alizz Islamic Bank	**-**	-	**41,100**	1,450
Bank Dhofar SAOG	**804**	804	**804**	804
National Bank of Oman SAOG	**7,274**	6,874	**8,533**	104,608
Oman Arab Bank SAOC	**16,676**	31,094	**16,676**	31,094
Bank Muscat SAOG	**160,914**	60,093	**175,149**	68,132
Al Yusr Islamic Bank	**5,200**	5,205	**5,200**	5,205
	190,868	104,070	**247,462**	211,293
Fixed Term Deposits				
Oman Arab Bank SAOC	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Bank Dhofar SAOG	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	2,000,000	2,000,000	**2,000,000**	2,000,000

The above banks are rated 'NP' as per Moody's rating agency.

Age analysis of current trade and other receivable is as follows:

Parent

2019

	Weighted average loss rate	Gross carrying amount	Expected credit loss	Net carrying amount
		RO	RO	RO
Not past due	0.00%	4,160,751	33	4,160,718
< 60 days	0.00%	2,518,751	64	2,518,687
61-120 days	0.07%	169,428	125	169,303
121-180 days	1.26%	45,159	567	44,592
181-240 days	6.02%	83,905	5,053	78,852
> 241 days	86.11%	453,990	390,928	63,062
		7,431,984	396,770	7,035,214

(b) Credit risk

Group

2019

	Weighted average loss rate	Gross carrying amount	Expected credit loss	Net carrying amount
		RO	RO	RO
Not past due	0.00%	4,615,851	33	4,615,818
< 60 days	0.00%	2,541,616	64	2,541,552
61-120 days	0.07%	170,206	125	170,081
121-180 days	1.21%	46,978	567	46,411
181-240 days	6.02%	83,905	5,053	78,852
> 241 days	87.47%	503,267	440,205	63,062
		7,961,823	446,047	7,515,776

29 FINANCIAL RISK MANAGEMENT (Continued)

Parent **2018**	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

Group **2018**	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

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 closing loss allowances for trade receivables as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Opening loss allowance as at 1 January 2019 –	**138,736**	98,821	**188,013**	148,098
Increase in loan loss allowance recognised in profit or loss during the year	**258,034**	40,065	**258,034**	40,065
Receivables written-off during the year as uncollectible	**-**	(150)	**-**	(150)
At 31 December	**396,770**	138,736	**446,047**	188,013

29 FINANCIAL RISK MANAGEMENT (Continued)

(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.

Parent Company

		Cash flows			
	Carrying amount RO	Contractual cash flow RO	Less than 1 year RO	More than 1 to 5 years RO	More than 5 years RO
31 December 2019					
Financial liabilities					
Long term loans	24,488,766	36,695,578	-	15,351,297	21,344,281
Lease liabilities	1,274,778	2,408,099	389,822	1,058,038	960,239
Short term loans	1,712,764	1,693,379	1,693,379	-	-
Bank Overdraft	3,045,738	3,045,738	3,045,738	-	-
Trade and other payables	7,854,071	7,854,071	7,854,071	-	-
	38,376,177	51,696,865	12,983,010	16,409,335	22,304,520

Group

		Cash flows			
	Carrying amount RO	Contractual cash flow RO	Less than 1 year RO	More than 1 to 5 years RO	More than 5 years RO
31 December 2019					
Financial liabilities					
Long term loans	26,083,882	38,641,658		17,084,162	21,557,496
Lease liabilities	2,008,977	3,524,981	790,475	1,140,239	1,594,267
Short Term loans	1,712,764	1,693,379	1,693,379	-	-
Bank overdraft	3,550,014	3,550,014	3,550,014	-	-
Trade and other payables	8,623,649	8,623,649	8,623,649	-	-
	41,979,286	56,033,681	14,657,517	18,224,401	23,151,763

29 FINANCIAL RISK MANAGEMENT (Continued)

Parent	Cash flows				
	Carrying amount RO	Contractual cash flow RO	Less than 1 year RO	More than 1 to 5 years RO	5 years RO
31 December 2018					
Financial liabilities					
Long term loans	450,000	455,622	455,622	-	-
Bank Overdraft	2,390,119	2,390,119	2,390,119	-	-
Trade and other payables	4,179,564	4,179,564	-	-	-
	6,569,683	7,025,305	2,845,741	-	-

(c) *Liquidity risk (continued)*

Group	Cash flows				
	Carrying amount RO	Contractual cash flow RO	Less than 1 year RO	More than 1 to 5 years RO	More than 5 years RO
31 December 2018					
Financial liabilities					
Long term loans	2,250,000	2,626,872	-	2,626,872	-
Lease liabilities	1,300,210	1,343,743	973,301	370,653	-
Bank overdraft	2,390,119	2,390,119	2,390,119	-	-
Trade and other payables	4,775,285	4,775,285	4,775,285	-	-
	10,715,614	11,136,019	8,138,705	2,997,525	-

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.

The Group monitors capital/equity on the basis of the debt to equity ratio.

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Debt (including lease liability)	**30,522,046**	2,840,119	**33,355,637**	5,940,329
Capital/Equity	**39,160,279**	40,234,116	**41,280,064**	41,745,201
Debt to equity ratio (times)	**0.779**	0.070	**0.808**	0.142

Fair value of financial instruments

For assets subsequently measured at FV refer to note 16 & note 18 for fair value measurement techniques and disclosures.

30 COMMITMENTS

(a) Purchase commitments

At 31 December 2019, the Parent Company and Group had purchase commitments amounting to RO 1,053,507 (2018: RO 1,812,211) mainly relating to purchase of raw material.

(b) Capital commitments

At 31 December 2019, the Parent Company and the Group had capital commitments amounting to RO 7,908,686 (2018: RO 30,661,459).

(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 1,631,956 (2018: RO 11,489,960).

(d) Guarantees

The Parent Company has provided a letter of comfort for a term loan obtained by a subsidiary. Refer note 23 for details.

31 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	Parent Company		Group	
	2019	2018	**2019**	2018
Profit for the year (RO)	**1,326,163**	2,116,123	**1,934,863**	2,796,068
Weighted average number of shares outstanding during the year	**120,000,000**	120,000,000	**120,000,000**	120,000,000
Earnings per share - Basic and diluted (RO)	**0.011**	0.018	**0.016**	0.023

Since the Company or Group has no potentially dilutive instruments, the basic and dilutive earnings per share are same.

32 NET ASSETS PER SHARE

Net assets per share are calculated by dividing the shareholders' funds by the number of shares at the end of the reporting year.

	Parent Company		Group	
	2019	2018	**2019**	2018
	RO	RO	**RO**	RO
Net assets – Shareholders' funds (RO)	**39,160,279**	40,234,116	**41,280,064**	41,745,201
Number of shares at the end of the year	**120,000,000**	120,000,000	**120,000,000**	120,000,000
Net assets per share (RO)	**0.326**	0.335	**0.344**	0.348

33 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 group also earns revenue from rendering of services. However, such revenue is not material as compared to the group's total revenue. The Board also considers the geographical segments. The directors review monthly analysis of these geographical segments by monitoring volume, values 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 based on the reports reviewed by the directors is disclosed in Note 3. The geographical distribution of receivables is set out below:

Trade receivables	Parent Company		Group	
	2019 RO	2018 RO	**2019 RO**	2018 RO
Local	**6,160,581**	6,017,499	**6,690,420**	6,227,568
GCC countries	**1,271,403**	1,034,500	**1,271,403**	1,034,500
	7,431,984	7,051,999	**7,961,823**	7,262,068

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


A'SAFFA FOODS
الصفاء للأغذية


A'SAFFA
الصفاء للأغذية
TOKYO


A'SAFFA FOODS
S.A.O.G.
الصفاء
للأغذية
طيبات
TAYBAT
اليقين
al YaQeen
خيرات
khayrat


A'SAFFA FOODS


الصفاء
A'SAFFA
تحدي الباربيكيو
6 BBQ CHALLENGE