

**AL SALLAN FOOD INDUSTRIES  
COMPANY SAOC**

**Financial statements**

**31 March 2018**

**Registered address:**

P.O. Box 970 Sohar  
Postal code 311  
Sultanate of Oman

**Principal place of business:**

Sohar Industrial Estate  
Sohar  
Sultanate of Oman

# AL SALLAN FOOD INDUSTRIES COMPANY SAOC

## Financial statements

31 March 2018

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## DIRECTORS' REPORT

Report of the Board of Directors for the year ended March 31, 2018

Dear Shareholders,

On behalf of the Board of Directors, I have pleasure in welcoming you to the 23rd Annual General Meeting of the Company and present the Annual Report, Audited Financial Statements and Auditors Report for year ended March 31, 2018.

### Key Performance Highlights:

The company recorded sales of RO 10.9 million during the year ended 31<sup>st</sup> March 2018 an overall decline of 2% over last year. The net profit for the year ended 31<sup>st</sup> March 2018 was RO 0.56 million (last year profit RO 0.31 million).

Efficiencies are driven with reduction of change over time, reduction in idle time and by eliminating extra operation. Despite the cost pressure, the company uses ingredients of highest standards, imported from many parts of the world. The factory confirms to excellent hygiene & quality standards. The company has a strong development wing for new recipes & new products as per changing customer tastes

Barring unforeseen circumstances, the Board expects an improvement in performance in the coming year due to better utilization of capacity of manufacturing lines.

### Employees:

The Company continues to maintain Omanisation (35%), which is well in line with the industry requirement. Al Sallan is one of the biggest in the Sohar Industrial Estate employing more than 150 Omani nationals including a significant number of female workers. Omani employees are valued as major contributors to the company and form an essential component of the human resource asset base. The company imparts job training wherever necessary and continues its efforts in enhancing their skills.

### Internal Controls:

The company has reasonably adequate internal control systems, which is being constantly reviewed by operating management. The Board of Directors has also been monitoring the progress of implementation of the suggestions given by internal/statutory auditors for improving internal controls and systems.

### Conclusion:

Finally, on behalf of the Board of Directors, the founder promoters and all the shareholders, I express my thankfulness to His Majesty Sultan Qaboos Bin Said for the encouragement and support given by His Majesty's Government for the development of Oman and to our company.

  
Vice Chairman



OR





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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SALLAN FOOD INDUSTRIES COMPANY SAOC**

**Report on the audit of the financial statements**

**Opinion**

We have audited the financial statements of Al Sallan Food Industries Company SAOC (the Company) set out on pages 3 to 23, which comprise the statement of financial position as at 31 March 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

Management is responsible for the other information. The other information comprises the Directors' report.

Continued to page 2 (a)



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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Company's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

*Continued to page 2 (b)*



Page 2 (b)

- Conclude on the appropriateness of management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **Report on Other Legal and Regulatory Requirements**

We report that the financial statements of the Company as at and for the year ended 31 March 2018, in all material respects, comply with the applicable provisions of the Commercial Companies Law of 1974, as amended.

9 May 2018

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## AL SALLAN FOOD INDUSTRIES COMPANY SAOC

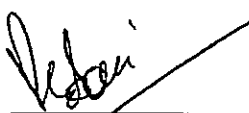
## Statement of financial position

as at 31 March

Assets	Notes	2018 RO	2017 RO
<b>Non-current assets</b>			
Property, plant and equipment	4	2,050,188	2,228,607
<b>Total non-current assets</b>		<b>2,050,188</b>	<b>2,228,607</b>
<b>Current assets</b>			
Inventories	5	1,195,537	1,085,878
Trade and other receivables	6	183,535	243,467
Cash in hand and at bank	7	470,184	91,087
<b>Total current assets</b>		<b>1,849,256</b>	<b>1,420,432</b>
<b>Total assets</b>		<b>3,899,444</b>	<b>3,649,039</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	8	2,000,000	2,000,000
Accumulated losses		(4,243,421)	(4,750,108)
Legal reserve	8	140,380	84,082
<b>Total shareholders' equity</b>		<b>(2,103,041)</b>	<b>(2,666,026)</b>
<b>Non-current liabilities</b>			
Employees end of service benefits	20	163,404	140,241
Government soft loan	9	583,746	851,077
Deferred Government grant	9	110,358	180,527
Loan from a related party	9	2,310,000	2,310,000
<b>Total non-current liabilities</b>		<b>3,167,508</b>	<b>3,481,845</b>
<b>Current liabilities</b>			
Current maturity of Government soft loan	9	318,396	318,396
Trade and other payables	10	2,516,581	2,514,824
<b>Total current liabilities</b>		<b>2,834,977</b>	<b>2,833,220</b>
<b>Total liabilities</b>		<b>6,002,485</b>	<b>6,315,065</b>
<b>Total equity and liabilities</b>		<b>3,899,444</b>	<b>3,649,039</b>

These financial statements were approved and authorized for issue by the Board of Directors on 9 May 2018 and signed on their behalf by:

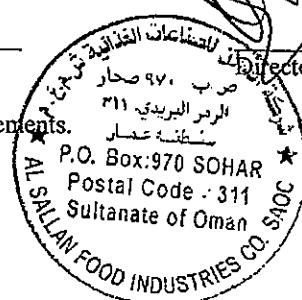
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Vice Chairman

  
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Director

The notes on pages 7 to 23 form an integral part of these financial statements.

Independent auditors' report is set forth on pages 2 -2(b)



## AL SALLAN FOOD INDUSTRIES COMPANY SAOC

### Statement of profit or loss and other comprehensive income for the year ended 31 March

	<i>Notes</i>	2018 RO	2017 RO
Revenue	<i>11,12</i>	10,956,611	11,195,436
Cost of sales	<i>13</i>	(9,122,239)	(9,536,546)
<b>Gross profit</b>		<u>1,834,372</u>	<u>1,658,890</u>
Administrative and general expenses	<i>14</i>	(661,182)	(702,049)
Operating expenses	<i>16</i>	(78,949)	(82,899)
Selling and distribution costs	<i>17</i>	(449,439)	(497,598)
Other income	<i>18</i>	19,806	16,421
Finance cost	<i>19</i>	(101,623)	(82,654)
<b>Net profit and other comprehensive income for the year</b>		<u><u>562,985</u></u>	<u><u>310,111</u></u>

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## AL SALLAN FOOD INDUSTRIES COMPANY SAOC

### Statement of changes in equity

for the year ended 31 March

	Share capital RO	Accumulated losses RO	Legal reserve RO	Total RO
1 April 2017	2,000,000	(5,029,208)	53,071	(2,976,137)
<i>Total comprehensive income for the year</i>				
Net profit for the year	-	310,111	-	310,111
Transfer to reserve	-	(31,011)	31,011	-
31 March 2017	<u>2,000,000</u>	<u>(4,750,108)</u>	<u>84,082</u>	<u>(2,666,026)</u>
1 April 2018				
<i>Total comprehensive income for the year</i>				
Net profit for the year	-	562,985	-	562,985
Transfer to reserve	-	(56,298)	56,298	-
31 March 2018	<u>2,000,000</u>	<u>(4,243,421)</u>	<u>140,380</u>	<u>(2,103,041)</u>

The notes on pages 7 to 23 form an integral part of these financial statements.

Independent auditors' report is set forth on pages 2 -2(b)

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## AL SALLAN FOOD INDUSTRIES COMPANY SAOC

**Statement of cash flows***for the year ended 31 March*

	2018 RO	2017 RO
<b>Cash flows from operating activities</b>		
Net profit for the year	562,985	310,111
Adjustment for:		
Depreciation of property, plant and equipment	242,678	234,795
Employees end of service benefit expenses	38,015	19,055
Finance costs	101,623	82,654
<b>Changes in</b>	<b>945,301</b>	<b>646,615</b>
Inventories	(109,659)	94,961
Trade and other receivables	59,932	(35,919)
Trade and other payables	1,757	(300,485)
<b>Cash generated from operations</b>	<b>897,331</b>	<b>405,172</b>
Interest paid	(101,623)	(82,654)
Employees end of service benefit paid	(14,852)	(25,644)
<b>Net cash from operating activities</b>	<b>780,856</b>	<b>296,874</b>
<b>Cash flows from Investing activities</b>		
Purchase of property, plant and equipment	(64,259)	(99,166)
<b>Net cash used in investing activities</b>	<b>(64,259)</b>	<b>(99,166)</b>
<b>Cash flows from financing activities</b>		
Repayment of term loans and bank borrowings	(337,500)	(250,000)
<b>Net cash used in financing activities</b>	<b>(337,500)</b>	<b>(250,000)</b>
<b>Net change in cash and cash equivalents</b>	<b>379,097</b>	<b>(52,292)</b>
Cash and cash equivalents at the beginning of the year	91,087	143,379
<b>Cash and cash equivalents at the end of the year</b>	<b>470,184</b>	<b>91,087</b>

The notes on pages 7 to 23 form an integral part of these financial statements.

Independent auditors' report is set forth on pages 2 -2(b)

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**AL SALLAN FOOD INDUSTRIES COMPANY SAOC****Notes to the financial statements****1 Legal Status and operations**

Al Sallan Food Industries Company SAOC ("the Company") is a closely held public company registered in the Sultanate of Oman under the Commercial Companies Law of the Sultanate of Oman and is primarily engaged in the manufacture and marketing of cookies, fruit filled rolls, chocolates and biscuits. The Company's principal place of business is located at Sohar industrial estate and its registered address is P.O. Box No 970, Postal Code 311, Sohar – Sultanate of Oman. The Company's parent is Britannia and Associates (Dubai) Pvt. Co. Ltd., registered in Jebel Ali Dubai and its ultimate parent Company is Britannia Industries Limited, registered in India.

**2 Basis of preparation***(a) Statement of compliance*

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of the Commercial Companies Law of the Sultanate of Oman of 1974, as amended.

*(b) Basis of measurement*

These financial statements have been prepared under the historical cost basis:

*(c) Functional and presentation currency*

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

*(d) Use of estimates and judgments*

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates 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.

Certain assets as mentioned in note 11.1 has been transferred by a related party, which is also a sole customer, to the Company for its use. The management has evaluated this transaction in accordance with the requirements of IFRIC 18 Transfer of Assets from Customers and concluded that the control of these assets has not been transferred to the Company. The assessment of control requires the management to exercise significant judgement in evaluating the contractual terms of the agreement and other facts and circumstances of the arrangement.

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**AL SALLAN FOOD INDUSTRIES COMPANY SAOC****Notes to the financial statements****2 Basis of preparation (continued)****(e) Going concern**

At 31 March 2018, the Company has accumulated losses in the amount of RO 4,243,421 and its entire share capital is eroded. Further, the Company's current liabilities in the amount of RO 2,834,977 exceed its current assets by RO 985,721. These factors, amongst others, indicate that the Company will require continuing financial support to meet its financial obligations as they fall due and continue in operation for the foreseeable future.

Management believes that it is appropriate to prepare the financial statements on a going concern basis and there is no material uncertainty relating to going concern due to the following:

- The Company is profitable for the past two years and has positive operating cash flows;
- Actions implemented by management which include better utilisation of production capacity and driving aggressive cost efficiencies in manufacturing, supply chain, recipes and procurement.
- Britannia International Ltd (ultimate parent Company) has confirmed their intention to provide continuing financial support to the Company for as long as required.

Consequently, these financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that might be necessary if such additional resources are not available and the Company is unable to continue as a going concern.

**3 Summary of accounting policies**

The principal accounting policies are summarised below. These policies have been consistently applied to each of the years presented.

**(a) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**(b) Foreign currency transactions**

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognized in the statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

**(c) Operating expenses**

Operating expenses are recognised in statement of profit or loss and other comprehensive income upon utilisation of the service or at the date of their origin.

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# AL SALLAN FOOD INDUSTRIES COMPANY SAOC

## Notes to the financial statements

### 3 Summary of accounting policies *(continued)*

#### *(d) Borrowings*

Borrowing costs are generally expensed as incurred. Interest bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss and other comprehensive income over the period of the loan using the effective interest rate method.

#### *(e) Property, plant and equipment*

Items of property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other cost that is directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

Capital work in progress represents structures and facilities under construction and is stated at cost. This includes the cost of construction, equipment and other direct costs. Capital work in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

#### *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of an item if it is probable that future economic benefits embedded within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit or loss and other comprehensive income as incurred.

#### *Depreciation*

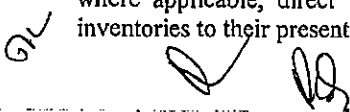
Depreciation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful life of each part of the property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and the comparative periods are as follows:

	Years
• Buildings	30
• Plant and machinery	30
• Furniture, fixtures and office equipment	4
• Equipment and tools	5
• Motor vehicles	4

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### *(f) Inventories*

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

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**AL SALLAN FOOD INDUSTRIES COMPANY SAOC****Notes to the financial statements****3 Summary of accounting policies (continued)**

Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing and distribution.

Raw materials cost represents price cost of the goods, and related direct expenses. Finished goods cost represents cost of raw materials, direct labour and other attributable overheads. Work-in-progress cost represents proportionate cost of raw materials and consumables.

**(g) Income taxes**

Income tax expense comprises current and deferred tax for the period. Income tax expense is recognized in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect to previous years.

Deferred tax is calculated in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(h) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and bank deposits. Bank borrowings that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**(i) Equity and reserves**

Share capital is determined using the nominal value of shares that have been issued.

Obligations which represent a residual interest in the net assets of the Company are presented within equity.

Accumulated losses include all current and prior periods' results as disclosed in the statement of profit or loss and other comprehensive income.

**(j) Financial instruments**

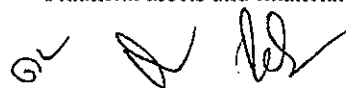
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.



**AL SALLAN FOOD INDUSTRIES COMPANY SAOC****Notes to the financial statements****3 Summary of accounting policies (continued)****(j) Financial instruments (continued)***Financial assets*

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are tested for impairment when there is any objective evidence that a financial asset might be impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'other expenses'.

*Receivables*

Trade and other receivables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

*Financial liabilities*

The Company's financial liabilities include borrowings, trade and other payables. Financial liabilities are measured at amortised cost using the effective interest rate method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

**(k) Impairment**

At the end of the reporting period, the Company reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognized immediately in the statement of profit or loss and other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognized as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized earlier.

**(l) Government grant**

Interest subsidy is recognized in the statement of financial position initially as a deferred government grant and is amortized over the life of the loan based on the effective interest method in the same year in which the interest expense is incurred. Grants that compensate the Company for expenses incurred are recognized in the profit or loss as other income on a systematic basis in the same period in which the related expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in the profit or loss on a systematic basis over the useful life of the relevant asset.

**(m) Post-employment benefits and short-term employee benefits**

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

Provision for non-Omani employee terminal benefits under an unfunded defined benefit retirement plan, is made in accordance with Omani Labour Laws and is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value.

# AL SALLAN FOOD INDUSTRIES COMPANY SAOC

## Notes to the financial statements

### 3 Summary of accounting policies *(continued)*

#### *(n) Provisions*

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### *(o) New standards, amendments issued but not yet effective*

A number of relevant new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2017, and have not been applied in preparing these financial statements. Those which are relevant to the Company are set out below. The Company has no plan to early adopt these standards.

- IFRS 15 Revenue from Contracts with Customers (Effective from 1 January 2018)
- IFRS 9 Financial Instruments (Effective from 1 January 2018)
- IFRS 16 Leases (Effective from 1 January 2019)

Estimated impact of the adoption of IFRS 9 and IFRS 15  
Management's assessment of the impact of adopting IFRS 9 and IFRS 15 from 1 Jan 2018 is preliminary, therefore subject to change.

These standards will require changes to accounts policies, procedures, processes and systems, as well as additional qualitative and quantitative disclosures.

#### A. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

#### i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVTOCI) and Fair Value through Profit or Loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the Company believes that the new classification requirements will not have a material impact on its accounting for financial assets.

#### ii. Impairment – Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The impairment model will apply to financial assets measured at amortised cost or FVTOCI, except for investments in equity instruments, trade receivables and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.



## AL SALLAN FOOD INDUSTRIES COMPANY SAOC

### Notes to the financial statements

#### 4 Summary of accounting policies *(continued)*

##### (o) *New standards, amendments issued but not yet effective (continued)*

Estimated impact of the adoption of IFRS 9 and IFRS 15 *(continued)*

#### A. IFRS 9 Financial Instruments *(continued)*

##### ii. Impairment – Financial assets *(continued)*

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

Based on the impairment methodology described above, the Company has estimated that application of IFRS 9's impairment requirements will not result in a significant impairment loss.

##### iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss

The company has not designated any financial liabilities at FVTPL and it has no current intention to do so. The company's assessment did not indicate any material impact regarding the classification of financial liabilities.

#### B. IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Company has completed its preliminary review of the potential impact of the adoption of IFRS 15 on its financial statements. The review has indicated that IFRS 15 will not have a material impact on the timing of recognition or measurement of revenue. However, the assessment is preliminary and subject to change.

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**AL SALLAN FOOD INDUSTRIES COMPANY SAOC****Notes to the financial statements****4. Summary of accounting policies (continued)***(o) New standards, amendments issued but not yet effective (continued)***C IFRS 16 Leases**

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Management has not yet assessed the expected impact of IFRS 16.

*(p) Determination of fair values*

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.



## AL SALLAN FOOD INDUSTRIES COMPANY SAOC

## Notes to the financial statements

## 4 Property, plant and equipment

	Buildings RO	Plant and machinery RO	Furniture and fixtures RO	Equipment and tools RO	Motor vehicles RO	Capital work in progress RO	Total RO
<i>Cost</i>							
1 April 2017	2,364,993	5,612,880	173,282	58,024	78,984	-	8,288,163
Additions	-	56,023	3,352	2,636	-	-	64,259
<b>31 March 2018</b>	<b>2,364,993</b>	<b>5,668,903</b>	<b>176,634</b>	<b>60,660</b>	<b>78,984</b>	<b>2,248</b>	<b>8,352,422</b>
<i>Depreciation</i>							
1 April 2017	1,605,317	4,201,424	162,031	47,783	43,001	-	6,059,556
Charge for the year	64,422	160,350	4,419	2,578	10,909	-	242,678
<b>31 March 2018</b>	<b>1,669,739</b>	<b>4,361,774</b>	<b>166,450</b>	<b>50,361</b>	<b>53,910</b>	<b>-</b>	<b>6,302,234</b>
<i>Net book value</i>							
<b>31 March 2018</b>	<b>695,254</b>	<b>1,307,129</b>	<b>10,184</b>	<b>10,299</b>	<b>25,074</b>	<b>2,248</b>	<b>2,050,188</b>
<i>Cost</i>							
1 April 2016	2,329,317	5,582,800	164,438	49,705	63,084	7,703	8,197,047
Additions	35,676	22,377	8,844	8,319	23,950	-	99,166
Transfers	-	7,703	-	-	-	(7,703)	-
Disposal	-	-	-	-	(8,050)	-	(8,050)
<b>31 March 2017</b>	<b>2,364,993</b>	<b>5,612,880</b>	<b>173,282</b>	<b>58,024</b>	<b>78,984</b>	<b>-</b>	<b>8,288,163</b>
<i>Depreciation</i>							
1 April 2016	1,541,679	4,041,864	158,285	46,345	44,637	-	5,832,811
Charge for the year	63,636	159,561	3,746	1,438	6,414	-	234,795
Disposal	-	-	-	-	(8,050)	-	(8,050)
<b>31 March 2017</b>	<b>1,605,315</b>	<b>4,201,425</b>	<b>162,031</b>	<b>47,783</b>	<b>43,001</b>	<b>-</b>	<b>6,059,556</b>
<i>Net book value</i>							
<b>31 March 2017</b>	<b>759,678</b>	<b>1,411,455</b>	<b>11,251</b>	<b>10,241</b>	<b>35,983</b>	<b>-</b>	<b>2,228,607</b>

The Company uses certain machinery of a related party not recognised in these financial statements.

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## AL SALLAN FOOD INDUSTRIES COMPANY SAOC

## Notes to the financial statements

<b>5 Inventories</b>		
	2018	2017
	RO	RO
Raw materials	507,445	506,806
Spare parts and consumables	227,265	221,821
Finished goods and work-in-progress	89,973	32,442
Packing materials	497,356	501,507
	<u>1,322,039</u>	<u>1,262,576</u>
Impairment of inventory	(126,502)	(176,698)
	<u>1,195,537</u>	<u>1,085,878</u>
The movement in provision for inventories is as follows:		
1 April 2017	176,698	211,486
Provided during the year	21,000	16,569
Written off during the year	(71,196)	(51,357)
	<u>126,502</u>	<u>176,698</u>
31 March 2018	<u>126,502</u>	<u>176,698</u>
<b>6 Trade and other receivables</b>		
Advance to suppliers	22,553	87,309
Prepayments and deposits	160,982	156,158
	<u>183,535</u>	<u>243,467</u>
<b>7 Cash in hand and at bank</b>		
Cash at bank	464,486	88,064
Cash in hand	5,698	3,023
	<u>470,184</u>	<u>91,087</u>
<b>8 Share capital</b>		
The Company's authorised share capital comprises 3,000,000 ordinary shares of RO 1 each (2018: 3,000,000 shares of RO 1 each)	<u>3,000,000</u>	<u>3,000,000</u>
The Company's issued and fully paid-up share capital comprises 2,000,000 ordinary shares of RO 1 each. (2018: 2,000,000 shares of RO 1 each)	<u>2,000,000</u>	<u>2,000,000</u>

## AL SALLAN FOOD INDUSTRIES COMPANY SAOC

## Notes to the financial statements

## 8 Share capital (continued)

*Major shareholders*

The shareholders of the Company who own 10% or more of the Company's shares and the number of shares held by them are as follows:

	2018 Percentage	2018 RO	2017 Percentage	2017 RO
Britannia & Associates (Dubai) Pvt. Co. Ltd.	<u>65.46%</u>	<u>1,309,280</u>	<u>65.46%</u>	<u>1,309,280</u>

*Legal reserve*

In accordance with Commercial Companies Law of Sultanate of Oman 1974 (as amended), 10% of the net profit for the year is transferred to legal reserve. Such transfer is required until the reserve equals at least one third of paid-up share capital. This reserve is not available for distribution.

## 9 Borrowings

	Note	2018 RO	2017 RO
<b>Non-current:</b>			
Government soft loan	9.1	583,746	851,077
Deferred government grant	9.1	110,358	180,527
Loan from a related party	9.2	2,310,000	2,310,000
		<u>3,004,104</u>	<u>3,341,604</u>
<b>Current:</b>			
Government soft loan	9.1	318,396	318,396
		<u>318,396</u>	<u>318,396</u>
<b>Total term loans</b>		<u>3,322,499</u>	<u>3,660,000</u>

- 9.1 Interest free Government loan, was granted by Oman Development Bank, acting as an agent for the Government of Sultanate of Oman. The loan is to be repaid in 13 annual instalments from 1 August 2006.

The loan is secured by a mortgage on all the property, plant and equipment of the Company. The loan is interest free and was given to the Company in 14 September 1995 and was conditional that the amount of loan will be utilized for the acquisition of plant and machinery related to the Company and not less than 25% of the workforce employed will be of Omanis.

The repayment schedule of the Government soft loan is as follows:

**Repayment due in:**

Between 1 and 2 years	675,000	675,000
Between 2 and 5 years	337,500	675,000
	<u>1,012,500</u>	<u>1,350,000</u>

- 9.2 Loan from related party is from Britannia & Associates (Dubai) Pvt. Co. Ltd ("BADCO") and it carries annual interest at a rate of LIBOR + 90 bps.

## AL SALLAN FOOD INDUSTRIES COMPANY SAOC

## Notes to the financial statements

## 10 Trade and other payables

	2018 RO	2017 RO
Trade payables	1,344,309	1,597,411
Amount due to related parties	821,026	585,907
Accrued expenses	258,521	228,776
Other payables	92,725	102,730
	<u>2,516,581</u>	<u>2,514,824</u>

## 11 Related party transactions

During the year the Company has entered into transactions with Parent Company, directors and entities in which certain directors of the Company have an interest and with senior Management. In the ordinary course of business, the Company sells goods to related parties and procures goods and services from related parties. These transactions are entered into on mutually agreed terms and conditions.

Significant transactions with related parties were as follows:

Revenue	10,956,611	11,195,436
Purchase of goods and services	225,682	150,904
Administrative expenses	4,571	91,063
Key management remuneration	36,316	114,887
	<u>(821,026)</u>	<u>(585,907)</u>

In addition, the Company has received confirmation of financial support from a Ultimate Parent Company. A related party has provided a loan to the Company (refer 9.2)

- 11.1 The Company uses certain assets constituting biscuit lines and machinery which are not recorded in the Company's accounting records. Their use is under two Agreements dated 7 June 2008 and 1 October 2008 with a related party, Strategic Foods Industries Company ("SFIC"), whereby the right to use these assets has been transferred by SFIC to the Company, without the transfer of risks and rewards of ownership of the asset. The right to use is in consideration for the Company using the machinery exclusively for the manufacture of products for SFIC at contracted and agreed rates. The sale of these products to SFIC is reflected in the sales revenue of the Company. The cost of such assets being used by the Company is approximately RO 3.5 million. The net book value of these assets in SFIC's books was approximately AED 35 million at the date of transfer to the Company.

Company has also received loan from Britannia & Associates (Dubai) Pvt. Co. Ltd ("BADCO") (see note 9.2)

## 12. Revenue

The Company operates in one operating segment, namely manufacturing of biscuits and cookies. There are no distinguishable operating segments. However, the geographical profile of revenue based on location of customers is shown below:

Middle East	10,941,184	11,173,970
Other sales	15,427	21,466
	<u>10,956,611</u>	<u>11,195,436</u>

100 % (2017: 100 %) of the Company's sales are to a related party, Strategic Foods Industries Corporation (SFIC), based in the UAE. 36,316

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## AL SALLAN FOOD INDUSTRIES COMPANY SAOC

## Notes to the financial statements

## 13. Cost of sales

	2018	2017
	RO	RO
Cost of materials consumed	6,900,893	7,340,055
Employee costs	1,722,906	1,800,395
Other direct costs	255,762	161,301
Depreciation	242,678	234,795
	<u>9,122,239</u>	<u>9,536,546</u>

## 14. Administrative and general expenses

Salaries and related costs	527,129	584,977
Utilities	44,438	42,840
Rent	4,487	4,269
Vehicle running and maintenance	20,230	15,854
Communication and stationery	23,045	22,179
Miscellaneous expenses	41,853	31,930
	<u>661,182</u>	<u>702,049</u>

## 15. Staff costs

Total staff related expenses included under cost of sales (note 13) and administrative and general expenses (note 14) comprise:

Wages and salaries	1,589,566	1,682,451
Other related expenses	534,926	594,740
Contributions to a defined contribution retirement plan	87,528	89,126
Provision towards unfunded defined benefit retirement plan	38,015	19,055
	<u>2,250,035</u>	<u>2,385,372</u>

The number of employees during the year was 528 (2015: 481).

## 16. Operating expenses

Lab expenses	7,846	7,539
Cleaning and maintenance	29,478	21,633
Insurance	15,269	31,611
Legal and professional charges	26,356	22,116
	<u>78,949</u>	<u>82,899</u>

or 

## AL SALLAN FOOD INDUSTRIES COMPANY SAOC

## Notes to the financial statements

## 17. Selling and distribution costs

	2018 RO	2017 RO
Freight	444,096	492,398
Travelling expenses	5,343	5,200
	<u>449,439</u>	<u>497,598</u>

## 18. Other income

Miscellaneous income	19,806	16,421
	<u>19,806</u>	<u>16,421</u>

## 19. Financing cost

Interest expense on bank borrowings and related party loan	59,046	38,165
Foreign exchange loss	32,610	33,458
Bank charges	9,967	11,031
	<u>101,623</u>	<u>82,654</u>

## 20. Employees' end of service benefits

The Company's net liability on unfunded staff terminal benefits and the movements during the year were as follows:

1 April'17	140,241	146,830
Provided during the year	38,015	19,055
Payments made during the year	(14,852)	(25,644)
	<u>163,404</u>	<u>140,241</u>
31 March'18	<u>163,404</u>	<u>140,241</u>

## 21. Contingent liabilities

Guarantees	90,000	90,000
	<u>90,000</u>	<u>90,000</u>



# AL SALLAN FOOD INDUSTRIES COMPANY SAOC

## Notes to the financial statements

### 22 Commitments

The Company has leased a plot of land for factory premises at Sohar from the Public Establishment for Industrial Estates ("PEIE") for a period of 25 years from 1 January 1994, renewable thereafter for a further period of 25 years. Future minimum lease commitments under non-cancellable operating leases were as follows:

	2018 RO	2017 RO
Less than one year	11,156	14,874
Between one and five years	-	11,156
	<u>11,156</u>	<u>26,030</u>

### 23 Taxation

Profit before income tax	562,985	310,111
Income tax at applicable rates	84,448	46,517
Carried forward losses	(84,448)	(46,517)
Tax expense	-	-

Income tax is provided as per the provisions of the "Law of Income Tax on Companies" in Oman after adjusting for items which are not taxable or disallowed. The tax rate applicable to the Company is 15% (2016 – 12% in excess of RO 30,000).

No provision for income tax has been made in these financial statements in view of the accumulated tax losses brought forward from prior years. No deferred tax asset has been recognized in these Financial Statements as the Management believes that there is uncertainty regarding future taxable profits of the Company for the timing difference to reverse. The Company has not recognized the deferred tax asset of RO 976,124 (2016: RO 816,488) in the books of account on account of carried forward taxable losses of RO 6,507,497 (2016: RO 6,804,066)

The Company's income tax assessment for the tax years 2012 to 2015 has been finalized by the Secretariat General for Taxation at the Ministry of Finance. The management considers that additional taxes, if any, that may become payable on finalization of the assessment in respect of these open years would not be material to the Company's financial position as at 31 March 2018.

### 24 Financial instruments and related risk management

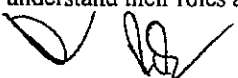
Financial assets of the Company include account and other receivables, bank balances and cash. Financial liabilities include trade and other payables, borrowings and term loans.

The following note presents information on the risks, arising from the Company's use of financial instruments namely credit risk, liquidity risk and market risk that the Company is exposed to, its objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further, quantitative disclosures are included throughout these financial statements.

Management has overall responsibility for the establishment and oversight of the Company's risk management framework.

Risk management policies and systems are reviewed regularly to ensure that they reflect any changes in market conditions and the Company's activities. The Company, through its induction and training program, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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## AL SALLAN FOOD INDUSTRIES COMPANY SAOC

## Notes to the financial statements

## 24 Financial instruments and related risk management (continued)

## i. Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations and arises principally from the Company's trade receivables. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit evaluations are performed on all customers requiring credit. 100 % of sales are to a related party.

## ii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due that are settled either by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, in so far as it is reasonably possible, that it will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Company's reputation. Please refer to note 2 (e).

The following are the contractual maturities of financial liabilities, excluding interest payments and excluding the impact of netting agreements:

## 31 March 2018

	Carrying amount	Total contractual cash flows	Less than one year	More than one year
Government soft loan	1,012,500	(1,012,500)	(337,500)	(675,000)
Loan from BADCO	2,310,000	(2,310,000)	-	(2,310,000)
Trade and other payables	2,516,581	(2,516,581)	(2,516,581)	-
	<u>5,839,081</u>	<u>(5,839,081)</u>	<u>(2,854,081)</u>	<u>(2,985,000)</u>

## 31 March 2017

Government soft loan	1,350,000	(1,350,000)	(337,500)	(1,012,500)
Loan from BADCO	2,310,000	(2,310,000)	-	(2,310,000)
Trade and other payables	2,514,824	(2,514,824)	(2,514,824)	-
	<u>6,174,824</u>	<u>(6,174,824)</u>	<u>(2,852,324)</u>	<u>(3,322,500)</u>

**AL SALLAN FOOD INDUSTRIES COMPANY SAOC****Notes to the financial statements****24 Financial instruments and related risk management (continued)***iii. Market risks*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company'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.

*Currency risk*

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company. The majority of the Company's foreign currency transactions are either in USD or currencies linked to the USD. In respect of the transactions denominated in US dollars or currencies linked to the USD, the Company is not exposed to currency risk as Rial Omani (RO) is effectively pegged to the USD.

*Interest rate risk*

The Company manages its exposure to interest rate risk by ensuring that a significant part of its borrowings, carries fixed interest rates. The Company's reliance on varying interest bearing borrowings for their working capital is negligible and hence the change in interest rate will not materially affect the profitability.

*Capital management*

The Company's policy is to maintain an optimum capital base to maintain investor, creditor and market confidence to sustain future growth of business as well as return on capital. The Company's capital requirements are determined by Oman Commercial Companies Law of 1974, as amended.

**25 Comparative figures**

Certain comparative information has been represented to conform to the presentation adopted in current year's financial statements.

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