

**AL SALLAN FOOD INDUSTRIES
COMPANY SAOC**

Financial statements

31 March 2020

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 2020

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DIRECTORS' REPORT

Report of the Board of Directors for the year ended March 31, 2020

Dear Shareholders,

On behalf of the Board of Directors, I have pleasure in welcoming you to the Annual General Meeting of the Company and present the Annual Report, Audited Financial Statements and Auditors Report for year ended 31 March 2020.

Key Performance Highlights:

The company recorded sales of RO 9.01 million during the year ended 31 March 2020 giving a growth of 4% over last year. The net profit for the year ended 31 March 2020 is RO 0.18 million (last year loss of RO 0.07 million).

Similar to previous year, the company has continued its focus to drive efficiencies in production with respect to reduction of change over time and improvement in reliving pattern. The company continuous to use ingredients of highest standards, imported from many parts of the world. The factory confirms to excellent hygiene & quality standards having worldwide recognized certificates like FSSC22K, Halal and registered member of USFDA. The company is regularly doing research and development for new recipes & new products as per changing customer preferences.

2019-20 had been a challenging year in the GCC region primarily due to economic slowdown and also as most of the local and international players have continued to increase their investment in advertisement and sales promotion to maintain market share. The company also experienced a correction of inventory in the market and thereby the secondary sales were better than the revenue realised, showing a good potential for the next year.

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

Covid19 Pandemic impact on business

Even before the outbreak of COVID-19, the outlook of international business was challenging due to slowdown of consumption in the Middle East, that in turn is due to shrinking diaspora, mass layoffs, political instability & war situation in large markets and steep currency depreciation in emerging markets. With COVID 19, the world is already entering into a historic recession which does not bode well for Al Sallan's business too. Having said that, the business expects to grow faster by gaining share from competition and being more efficient in managing end-to-end supply chain costs.

Employees:

The company believes that employees are the core contributors and asset in developing the company to reach at this level. 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 and have employed about 150 Omani nationals including a significant number of female workers in 2019-20.

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.




AUDITORS


KPMG, Chartered Accountants, Muscat, Oman have offered themselves for re-appointment as statutory auditors for the Company for the financial year 2020-21. The matter will be discussed in the shareholder meeting for adopting annual audited financials and will be decided accordingly.

Conclusion:

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



Vice Chairman
Ravi Kishore Soni





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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 25, which comprise the statement of financial position as at 31 March 2020, 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 2020, 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.

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

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continued from page 2 (a)

Other Information *(continued)*

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 2019, 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 on page 2 (c)



continued from page 2 (b)

Auditors' Responsibilities for the Audit of the Financial Statements *(continued)*

- 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 2020, in all material respects, comply with the applicable provisions of the Commercial Companies Law of 2019, as amended.

28 May 2020


KPMG Lower Gulf Limited
(Oman Branch)

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Statement of financial position

as at 31 March

Assets	Notes	2020 RO	2019 RO
Non-current assets			
Property, plant and equipment	4	1,596,163	1,827,157
Right-of-use Assets	25	605,849	-
Total non-current assets		2,202,012	1,827,157
Current assets			
Inventories	5	1,196,997	851,125
Other receivables	6	280,142	209,406
Cash in hand and at bank	7	150,927	38,491
Total current assets		1,628,066	1,099,022
Total assets		3,830,078	2,926,179
Equity and liabilities			
Capital and reserves			
Share capital	8	2,000,000	2,000,000
Accumulated losses		(4,149,450)	(4,311,192)
Legal reserve	8	158,351	140,380
Total shareholders' equity		(1,991,099)	(2,170,812)
Non-current liabilities			
Employees end of service benefits	20	239,813	212,841
Lease Liability	26	601,471	-
Total non-current liabilities		841,284	212,841
Current liabilities			
Loan from a related party	9	2,310,000	2,310,000
Trade and other payables	10	2,669,893	2,574,150
Total current liabilities		4,979,893	4,884,150
Total liabilities		5,821,177	5,096,991
Total equity and liabilities		3,830,078	2,926,179

These financial statements were approved and authorized for issue by the Board of Directors on 12th May'2020 and signed on their behalf by:

Chairman

Vice Chairman

Director

The notes on pages 7 to 28 form an integral part of these financial statements.

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

[Signature]

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Statement of profit or loss and other comprehensive income

for the year ended 31 March

	<i>Notes</i>	2020 RO	2019 RO
Revenue	<i>11,12</i>	9,005,388	8,669,672
Cost of sales	<i>13</i>	(7,513,640)	(7,411,537)
Gross profit		1,491,748	1,258,135
Administrative and general expenses	<i>14</i>	(693,448)	(672,006)
Operating expenses	<i>16</i>	(65,976)	(111,723)
Selling and distribution costs	<i>17</i>	(408,820)	(403,094)
Other income	<i>18</i>	9,101	14,802
Finance cost	<i>19</i>	(152,892)	(153,885)
Profit/ (Loss) before taxation		179,713	(67,771)
Income Tax Expense	<i>23</i>	-	-
Net profit/ (loss) and other comprehensive income/ (loss) for the year		179,713	(67,771)

The notes on pages 7 to 25 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 changes in equity

for the year ended 31 March

	Share capital RO	Accumulated losses RO	Legal reserve RO	Total RO
1 April 2019	2,000,000	(4,243,421)	140,380	(2,103,041)
<i>Total comprehensive income for the year</i>				
Net loss for the year	-	(67,771)	-	(67,771)
31 March 2019	<u>2,000,000</u>	<u>(4,311,192)</u>	<u>140,380</u>	<u>(2,170,812)</u>
1 April 2019	2,000,000	(4,311,192)	140,380	(2,170,812)
<i>Total comprehensive income for the year</i>				
Net profit for the year	-	179,713	-	179,713
Transfer to Legal Reserve	-	(17,971)	17,971	-
31 March 2020	<u>2,000,000</u>	<u>(4,149,450)</u>	<u>158,351</u>	<u>(1,991,099)</u>

The notes on pages 7 to 25 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 cash flows

for the year ended 31 March

	2020 RO	2019 RO
Cash flows from operating activities		
Profit/ (loss) before taxation for the year	179,713	(67,771)
Adjustment for:		
Depreciation expense	250,641	246,426
Employees end of service benefit expenses	44,961	70,251
Finance costs	152,892	153,885
Changes in	628,207	402,791
Inventories	(345,872)	344,412
Trade and other receivables	(70,736)	(25,871)
Trade and other payables	95,743	57,569
Cash generated from operations	307,342	778,901
Interest paid	(147,674)	(153,885)
Employees end of service benefit paid	(17,989)	(20,814)
Net cash from operating activities	141,679	604,202
Cash flows from Investing activities		
Purchase of property, plant and equipment	(14,556)	(23,395)
Net cash used in investing activities	(14,556)	(23,395)
Cash flows from financing activities		
Repayment of term loans and bank borrowings	-	(1,012,500)
Payment of Lease Rental	(14,685)	-
Net cash used in financing activities	(14,685)	(1,012,500)
Net change in cash and cash equivalents	112,436	(431,693)
Cash and cash equivalents at the beginning of the year	38,491	470,184
Cash and cash equivalents at the end of the year	150,927	38,491

The notes on pages 7 to 25 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

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.

During the year 2018-19 Company decided to scale down its operation in Sultanate of Oman due to increase in cost of manufacturing goods due to which the Company was losing competitive advantage, however subsequent discussions with the Ministry of Manpower and Ministry of Commerce and Industry resulted in a relief from the Government which includes easing the Omanization ratio, allow the Company to increase the sales price in the Oman market and reduction in the price of lease rent. After evaluating the reliefs provided by the Government, the management of the Company decided to continue its operations in Sultanate of Oman

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and applicable provisions of the Commercial Companies Law of 2019.

The Commercial Companies Law promulgated by Royal Decree No.18/ 2019 (“ Commercial Companies Law of 2019”) was issued on 13 February 2019 and has come into force on 17 April 2019. Companies are allowed to ensure compliance with the new Commercial Companies Law of 2019 within one year as per the transitional provisions contained therein. However, the Ministry of Commerce and Industry has deferred all scheduled Annual General Meetings and Extra ordinary General Meetings due to COVID 19 Lockdown situation up to 30 June 2020. Consequently, the Company is unable to hold EGM for approving the new articles of association and therefore believes that the transition period is deemed to have been extended.

(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.

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

2 Basis of preparation *(continued)*

(e) Going concern

At 31 March 2020, the Company has accumulated losses in the amount of RO 4,149,450 and its entire share capital is eroded. Further, the Company's current liabilities in the amount of RO 4,979,893 exceed its current assets by RO 3,351,827. 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:

- 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.

(f) Changes in the significant accounting policies

The Company has initially applied IFRS 16 from 1 April 2019. A number of other new standards are also effective from 1 April 2019, but they do not have material impact on Company's financial statements. Due to transition method chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

IFRS 16 Leases

The Company has applied IFRS 16 "Leases" using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 "Leases".

For lease contracts entered into before 1 April 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

For contracts entered into, or changed, on or after 1 April 2019, the Company, at inception of a contract, assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

2 Basis of preparation *(continued)*

(f) Changes in the significant accounting policies (continued)

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments (if any) that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee (if any); and
- the exercise price under a purchase option (if any) that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

3 Basis of preparation (continued)

(f) Changes in the significant accounting policies (continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of property and vehicles that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'

When the Company acts as the intermediate lessor under a finance lease, the Company as a lessor recognises a finance lease receivable at an amount equal to its net investment in the lease, which comprises the present value of the lease payments and unguaranteed residual value accruing to the lessor.

Under IFRS 16, the Company classifies the sub-lease as a finance lease as it is for the whole of the remaining term of the head lease. On transition, the Company reassessed the classification of sub-lease contracts previously classified as operating lease under IAS 17. The Company concluded that the sub-lease is a finance lease under IFRS 16 on initial application.

Impact on financial statements

On transition to IFRS 16, the Company recognised RO 610,940 of right-of-use assets, and RO 596,254 of lease liabilities.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate of 3.5% at 1 April 2019.

Right-of-use asset is amortized on the remaining lease term.

4 Summary of accounting policies

The principal accounting policies are summarised below. These policies have been consistently applied to each of the years presented, except if mentioned otherwise.

(a) Revenue

The Company recognizes revenue from contracts with customer based in a five step model as set out in IFRS 15:

- Step 1. Identify the contact(s) with customer: A contract is defined as an agreement between two or more parties that create enforceable rights and obligations and sets out the criteria for every contact that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amount collected on behalf of the third parties.

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

4 Summary of accounting policies *(continued)*

(a) Revenue (continued)

Step 4. Allocate the transaction price to the performance obligation in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation on an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

When the Company satisfied a performance obligation by delivering the promised goods or services it create a contract assets based on the amount of consideration earned by the performance. Where the amount of consideration received from customer exceeds the amount of revenue recognized this gives to a contract liability.

The revenue from the sale of goods is recognised on point of time basis.

(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 as and when they are incurred.

(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.

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

4 Summary of accounting policies (continued)

(e) 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.

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

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

4 Summary of accounting policies (continued)

(g) Income taxes (continued)

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

(i) Classification and measurement of financial assets and financial liabilities

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI

- debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses
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AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

4 Summary of accounting policies *(continued)*

(j) Financial instruments (continued)

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Company considers all of the relevant information about how the business is managed, including:

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the managers of the business are compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Company has determined that it has a single business models.

- Held-to-collect business model: this includes cash and cash equivalents, balances due from related party. These financial assets are held to collect contractual cash flow.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Company were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Financial liabilities

Classification

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities at amortised cost:

- This includes due to related parties, trade and other payables and borrowings.

Derecognition

The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

4 Summary of accounting policies (continued)

(j) Financial instruments (continued)

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Modification

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.^b Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.^a Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivable and cash and cash equivalents.

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

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

The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- iii. the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- iv. the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

4 Summary of accounting policies *(continued)*

(j) Financial instruments (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss.

(k) Post-employment benefits and short-term employee benefits

Provision for end of service indemnity for non-Omani employees has been made in accordance with the terms of the Oman Labour Law 2003 and its amendments and is based on current remuneration rates and cumulative years of service at the statement of financial position date. Employee's entitlements to annual leave and leave passage are recognised when they accrue to the employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the statement of profit or loss as incurred.

In accordance with the provisions of IAS 19, Employee Benefits, management carries out an exercise to assess the present value of the Company's obligations as of the reporting date, in respect of employees' end of service benefits payable to determine whether it is not materially different from the provision made. Under this method, an assessment is made of an employee's expected service period with the Company and the expected basic salary at the date of leaving the service, discounted over the period of remaining expected period using the country's risk free rate.

(l) 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.

(m) 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

5 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 2019	2,364,993	5,687,207	180,686	63,891	78,984	56	8,375,817
Additions	-	9,280	2,073	-	-	3,203	14,556
31 March 2020	2,364,993	5,696,487	182,759	63,891	78,984	3,259	8,390,373
<i>Depreciation</i>							
1 April 2019	1,734,161	4,524,071	171,860	53,750	64,818	-	6,548,660
Charge for the year	64,422	162,526	5,367	3,564	9,671	-	245,550
31 March 2020	1,798,583	4,686,598	177,227	57,313	74,489	-	6,794,210
<i>Net book value</i>							
31 March 2020	566,410	1,009,889	5,532	6,578	4,495	3,259	1,596,163
<i>Cost</i>							
1 April 2018	2,364,993	5,668,903	176,634	60,660	78,984	2,248	8,352,422
Additions	-	16,112	4,052	3,231	-	-	23,395
Transfers	-	2,192	-	-	-	(2,192)	-
31 March 2019	2,364,993	5,687,207	180,686	63,891	78,984	56	8,375,817
<i>Depreciation</i>							
1 April 2018	1,669,739	4,361,774	166,450	50,361	53,910	-	6,302,234
Charge for the year	64,422	162,297	5,410	3,389	10,908	-	246,426
31 March 2019	1,734,161	4,524,071	171,860	53,750	64,818	-	6,548,660
<i>Net book value</i>							
31 March 2019	630,832	1,163,136	8,826	10,141	14,166	56	1,827,157

The Company uses certain machinery of a related party not recognised in these financial statements (note 11.1).

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

6 Inventories

	2020 RO	2019 RO
Raw materials	464,063	264,830
Spare parts and consumables	219,159	214,042
Finished goods and work-in-progress	109,154	113,488
Packing materials	446,234	302,195
	<u>1,238,610</u>	<u>894,555</u>
Impairment of inventory	(41,613)	(43,430)
	<u>1,196,997</u>	<u>851,125</u>

The movement in provision for inventories is as follows:

1 April 2019	43,430	126,503
Provided during the year	28,889	22,500
Written off during the year	(30,706)	(105,572)
	<u>41,613</u>	<u>43,430</u>
31 March 2020	<u>41,613</u>	<u>43,430</u>

7 Other receivables

Advance to suppliers	24,509	21,168
Prepayments and deposits	255,633	188,238
	<u>280,142</u>	<u>209,406</u>

8 Cash in hand and at bank

Cash at bank	150,044	34,988
Cash in hand	883	3,503
	<u>150,927</u>	<u>38,491</u>

9 Share capital

The Company's authorised share capital comprises 3,000,000 ordinary shares of RO 1 each (2019: 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. (2019: 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

9 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:

	2020 Percentage	2020 RO	2019 Percentage	2019 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.

Article 132 of the Commercial Companies Law of 2019 requires that 10% of a Company's net profit to be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the Company's fully-paid share capital.

10 Loan from a related party

	Note	2020 RO	2019 RO
Loan from a related party	10.1	<u>2,310,000</u>	<u>2,310,000</u>
		<u>2,310,000</u>	<u>2,310,000</u>

10.1 Loan from related party is from Britannia & Associates (Dubai) Pvt. Co. Ltd ("BADCO") and it carries Average annual interest at a rate of 5.14638%. The loan was extended till 14 April'2020 and is repayable in bullet payment.

11 Trade and other payables

Trade payables	1,219,805	997,154
Amount due to related parties	784,041	1,180,728
Accrued expenses	571,064	331,678
Other payables	94,983	64,590
	<u>2,669,893</u>	<u>2,574,150</u>

12 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	9,005,388	8,631,761
Purchase of goods and services	63,978	256,232
Administrative Expenses	-	46,200
Finance Cost Paid (note 9.1)	45,229	67,320
	<u>(784,041)</u>	<u>(1,180,728)</u>

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

12 Related party transactions *(continued)*

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)

- 12.1 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)

13. 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:

	2020 RO	2019 RO
Middle East	9,005,388	8,631,767
Other sales	-	37,905
	<u>9,005,388</u>	<u>8,669,672</u>

100 % (2019: 99 %) of the Company's sales are to a related party, Strategic Foods Industries Corporation (SFIC), based in the UAE.

14. Cost of sales

Cost of materials consumed	5,263,502	5,197,406
Employee costs	1,635,236	1,692,072
Other direct costs	364,259	275,633
Depreciation (note 4 & 25)	250,642	246,426
	<u>7,513,640</u>	<u>7,411,537</u>

15. Administrative and general expenses

Salaries and related costs	560,754	549,896
Utilities	38,981	38,422
Rent	4,339	4,284
Vehicle running and maintenance	27,088	24,933
Communication and stationery	20,812	23,145
Miscellaneous expenses	41,475	31,326
	<u>693,449</u>	<u>627,006</u>

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

16. Staff costs

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

	2020	2019
	RO	RO
Wages and salaries	1,587,329	1,638,503
Other related expenses	477,351	444,498
Contributions to a defined contribution retirement plan	86,349	88,716
Provision towards unfunded defined benefit retirement plan	44,961	70,251
	<u>2,195,990</u>	<u>2,241,968</u>

The number of employees during the year was 432 (2019:399).

17. Operating expenses

Lab expenses	10,189	12,972
Cleaning and maintenance	28,470	27,425
Insurance	1,496	25,893
Legal and professional charges	25,821	45,433
	<u>65,976</u>	<u>111,723</u>

18. Selling and distribution costs

Freight	406,353	394,087
Travelling expenses	2,467	9,007
	<u>408,820</u>	<u>403,094</u>

19. Other income

Miscellaneous income	<u>9,101</u>	<u>14,802</u>
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20 Financing cost

Interest expense on related party loan	122,539	123,178
Foreign exchange loss	16,784	19,419
Bank charges	8,352	11,288
Unwinding of Interest	5,217	-
	<u>152,892</u>	<u>153,885</u>

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

21 Employees' end of service benefits

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

	2020 RO	2019 RO
1 April 2019	212,841	163,404
Provided during the year	44,961	70,251
Payments made during the year	(17,989)	(20,814)
	<u>239,813</u>	<u>212,841</u>
31 March 2020	<u>239,813</u>	<u>212,841</u>

22 Contingent liabilities

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

23 Commitments

The Company 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 this is further renewed for a period of 30 years wef from 1 January 2019. Future minimum lease commitments under non-cancellable operating leases were as below. From First of April 2019 the company recognise this land as finance lease as per IFRS 16 see note 25 and 26.

Less than one year	-	42,970
Between one and five years	-	203,696
More than five years	-	1,028,460
	<u>-</u>	<u>1,275,126</u>
	<u>-</u>	<u>1,275,126</u>

24 Taxation

a) Recognized in the statement of income

<i>Current tax</i>		
Current year	-	-
Prior years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<i>Deferred tax</i>		
Current year	(159,636)	-
Prior year	159,636	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Tax expense/ (income) for the year	<u>-</u>	<u>-</u>

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

24 Taxation (continued)

b) Reconciliation of income tax expense

The Company has provided for taxation in accordance with the income tax laws of the Sultanate of Oman at the rate of 15% on taxable profits.

The following is reconciliation of income taxes calculated at the applicable tax rate with the income tax expense:

	RO 2020
Net profit for the year	179,713
Income tax as per rates mentioned above	26,957
Deferred tax not recognized during the year	(188,208)
Non-deductible expenses	1,277
Unreconciled difference arising from IFRS 16 adjustments	338
Deferred tax-prior year	159,636
	<hr/>
Tax expense/ (income) for the year	-
	<hr/> <hr/>

c) Deferred tax

Details of Deferred tax assets (liabilities) are as follows:

	1 April 2019 RO	Recognized in income statement RO	31 March 2020 RO
Property, plant and equipment	-	(150,994)	(150,994)
Provision for inventories	-	6,242	6,242
Right of use asset and finance lease liabilities	-	657	657
Losses expected to be utilized in future	-	144,096	144,096
	<hr/>	<hr/>	<hr/>
Deferred tax asset/ (liability)	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

d) Status of previous years returns

The Company's income tax assessment for the tax years 2012 to 2015 has been finalized by the Tax Authority by making arbitrary adjustments which is currently pending at the Income Tax Committee for adjudication. The Assessments for Tax years 2016 to 2018 has been initiated by the Tax Authority and has not yet been finalized by the Tax Authority. The Assessment for Tax year 2019 has not been initiated by the Tax Authority. Separately, the Tax Authority had initiated a re-assessment proceedings for Tax years 2008 to 2017 to understand the transfer pricing methodology undertaken for related party transactions. The Tax Authority has not finalized the re-assessment proceedings.

25 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.

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

25 Financial instruments and related risk management (continued)

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.

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. With respect to exposures with banks management considers the credit risk exposure to be minimal as the company deals with the reputed banks.

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 2020

	Carrying amount	Total contractual cash flows	Less than one year	More than one year
Loan from BADCO	2,310,000	(2,310,000)	(2,310,000)	-
Trade and other payables	2,669,893	(2,669,893)	(2,669,893)	-
	<u>4,979,893</u>	<u>(4,979,893)</u>	<u>(4,979,893)</u>	<u>-</u>

31 March 2019

Loan from BADCO	2,310,000	(2,310,000)	(2,310,000)	-
Trade and other payables	2,574,150	(2,574,150)	(2,574,150)	-
	<u>4,704,150</u>	<u>(4,704,150)</u>	<u>(4,704,150)</u>	<u>-</u>

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.

AL SALLAN FOOD INDUSTRIES COMPANY SAOC

Notes to the financial statements

25 Financial instruments and related risk management *(continued)*

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.

26 Right-of-use asset

	2019 RO
Cost:	
Additions	610,940
At 31 March 2020	<u>610,940</u>
Depreciation:	
Charge for the year	5,091
At 31 March 2020	<u>5,091</u>
Net book value	
At 31 March 2020	<u>605,849</u>

27 Lease liabilities

	Future minimum lease payments	Interest	Present value of minimum lease payments
	RO	RO	RO
Not later than one year	14,686	20,923	(6,237)
Between one and five years	73,430	85,824	(12,394)
Above five years	960,814	340,712	620,102
31 March 2020	<u>1,048,930</u>	<u>447,459</u>	<u>601,471</u>

28 Subsequent events

The coronavirus outbreak subsequent to the financial year end and the measures taken by the government to control the effect of the pandemic has brought additional uncertainties in the Company's operating environment and its financial position. The Company has been closely monitoring the impact of the developments on the businesses and has put in place certain contingency measures. As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects unknown.