Strategic Foods International Co. LLC

Financial statements

31 March 2018

Strategic Foods International Co. LLC

Financial statements
31 March 2018

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Director's Report

The Directors submit their Report and Accounts of the Company for the financial year ended 31st March, 2018

RESULTS

The results of the Company are summarized as follows:

	Figures in AED Year ended 31 March 2017	Year ended 31 March 2018
Turnover	197,921,297	201,131,497
Cost of sales (excluding depreciation)	(143,121,255)	(145,999,584)
Provision for slow moving inventory	(34,500)	(19,960)
Administrative and general expenses	(11,005,115)	(11,343,345)
Loss on disposal of property, plant & equipment		
Advertisement & Sales Promotion	(38,678,723)	(41,236,318)
Profit / (Loss) before Interest, Depreciation	**5,081,704**	**2,532,290**
Depreciation	(1,866,068)	(1,870,424)
Finance expenses	(870,521)	(950,061)
Finance income	139,141	358,010
Other income	1,149,566	1,186,266
Net (loss)/ profit for the year	**3,633,822**	**1,256,081**

Key Performance Highlights

The company has posted marginal increase of 1.6% in revenue. There had been continuous pressure in business in the GCC region mainly due to consumption slowdown in the GCC economies and intensified competition from local as well as international players. The company has made efforts to increase the prices of the products benchmarking with competition, which had been subject to Government approvals in GCC and the company has achieved a reasonable success in this endeavor. Levant region is still under political turmoil with few of the countries in war situation and thus affecting the business. However, regions like Americas, Europe, Africa & Asia have posted a robust growth of 13%.

On the profitability side, despite pricing pressure, the company has been able to maintain its gross margins by efficient procurement plans cutting the commodity headwinds and manufacturing cost efficiency plans. The company had to maintain higher Advertisement & Sales Promotion cost mainly due to increase in rebate fees and visibility charges in the modern trade channel and increase in promo intensity.

Business Outlook & Future Plan

The overall economic environment in GCC continues to be volatile resulting into sluggish market demand and biscuit category growth continues to be flat or declining in some markets. Slowdown environment and decline in consumer demand is further accentuated through various inflationary interventions like VAT and job layoffs & exodus of Indian diaspora in markets like KSA. Also the Qatar crisis is envisaged to continue and impact demand and cost to serve the market. Other large markets like Yemen and Libya continue to decline due to ongoing political instability/war situation.

In above environment, the company's growth will come largely through share gain and the company has geared up for stimulating demand through acquiring new consumers and consumption occasions. This will be delivered through innovation in products, packs and promotions.

Developed markets such as USA, Canada and Australia have started to see a slowdown in immigration. However, the company expects rapid growth through distribution expansion and entering new markets.

Business Strategy

The Company will work upon expanding business in GCC through improving distribution network, penetration in Arab households with innovations and brand building in prioritized segments namely premium creams, digestives & rusks. It will further activate new plans for non-Indian Asian consumers, enlist more products in modern trade and drive this channel aggressively. The company will also look at premiumising the portfolio and take selective price increase benchmarking with competition.

In all other export markets across Americas, Asia & Africa, the company will develop business through enhancing distribution, listing in mainstream channels and strong in-market activation to build consumer connect.

The company has also identified several markets for strategic entry through local operations. The identified markets are Egypt, Nigeria, Ethiopia, Kenya, Tanzania and Uganda. These are large biscuit markets with category construct in line with the company's strength and competitive context favorable to entry for company's brands. These markets are being evaluated for entry model feasibility.

AUDITORS

M/s KPMG, Chartered Accountants, P.O. Box 3800, Dubai, UAE have offered themselves for reappointment as auditors for the next year.

For **Strategic Foods International Co (LLC)**

Director
Mr. RAVI KISHORE SONI

Director
Mr. VISHAL BHIMANI

Dated: 14 MAY 2018

KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
Mohammed Bin Rashid Boulevard, Downtown Dubai, UAE
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Independent Auditors' Report

To the Shareholders of Strategic Foods International Co. LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Strategic Foods International Co. LLC ("the Company"), 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 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 United Arab Emirates, 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 set out on pages 1 and 2.

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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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, 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 UAE Federal Law No. (2) of 2015, 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.

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

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.

- 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.

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Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;

v) as disclosed in note 23 to the financial statements, the Company has not purchased any shares during the year ended 31 March 2018;

vi) note 14 to the financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 March 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association, which would materially affect its activities or its financial position as at 31 March 2018.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates
Date: 14 MAY 2018

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Strategic Foods International Co. LLC

Statement of profit and loss and other comprehensive income
for the year ended 31 March 2018

	Note	**2018 AED**	2017 AED
Revenue		**201,131,497**	197,921,297
Cost of sales (excluding depreciation)	*5*	**(146,019,544)**	(143,155,755)
Depreciation	*9*	**(1,787,628)**	(1,775,398)
Gross profit		**53,324,325**	52,990,144
Administrative, selling and general expenses (excluding depreciation)	*6*	**(52,579,663)**	(49,683,838)
Depreciation	*9*	**(82,796)**	(90,670)
Finance expenses	*7*	**(950,061)**	(870,521)
Finance income	*7*	**358,010**	139,141
Other income	*8*	**1,186,266**	1,149,566
Profit for the year		**1,256,081**	3,633,822
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**1,256,081**	3,633,822

The notes on pages 11 to 28 are an integral part of these financial statements.

The independent auditors' report is set out on pages 3 to 6.

Strategic Foods International Co. LLC

Statement of financial position
at 31 March 2018

	Note	**2018** **AED**	2017 AED
Non-current assets			
Property, plant and equipment	*9*	**17,180,430**	18,864,834
Current assets			
Inventories	*10*	**2,967,410**	3,997,900
Trade and other receivables	*11*	**34,178,289**	28,369,992
Due from related parties	*14*	**10,033,062**	7,734,322
Cash in hand and at banks	*12*	**31,966,013**	27,632,626
		79,144,774	67,734,840
Current liabilities			
Trade and other payables	*13*	**36,774,561**	28,168,924
Due to a related party	*14*	**2,017,624**	2,508,238
		38,792,185	30,677,162
Net current assets		**40,352,589**	37,057,678
Non-current liabilities			
Long term loan from a related party	*14*	**(25,693,203)**	(25,693,203)
Staff terminal benefits	*19*	**(2,647,206)**	(2,292,780)
Net assets		**29,192,610**	27,936,529
Represented by:			
Share capital	*15*	**19,500,000**	19,500,000
Statutory reserve	*16*	**9,750,000**	9,750,000
Shareholder's contribution	*18*	**20,000,000**	20,000,000
Accumulated losses		**(20,057,390)**	(21,313,471)
		29,192,610	27,936,529

The notes on pages 11 to 28 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 14 MAY 2018

Director

Director

The independent auditors' report is set out on pages 3 to 6.

Strategic Foods International Co. LLC

Statement of cash flows

for the year ended 31 March 2018

	2018 AED	2017 AED
Operating activities		
Profit for the year	**1,256,081**	3,633,822
Adjustments for:		
Depreciation	**1,870,424**	1,866,068
Interest expenses	**582,810**	430,996
Interest income on bank deposits	**(358,010)**	(139,141)
Reversal of provision for slow moving inventories	**(163,627)**	(61,553)
Provision for staff terminal benefits	**456,800**	409,240
Gain on disposal of property, plant and equipment	**-**	(5,253)
Operating profit before working capital changes	**3,644,478**	6,134,179
Change in inventories	**1,194,117**	243,943
Change in trade and other receivables	**(5,672,042)**	5,527,361
Change in due from related parties	**(2,298,740)**	2,958,262
Change in trade and other payables	**8,605,637**	(8,219,732)
Change in due to a related party	**(490,614)**	121,667
Staff terminal benefits paid	**(102,374)**	(168,156)
Net cash from operating activities	**4,880,462**	6,597,524
Investing activities		
Acquisition of property, plant and equipment	**(186,020)**	(174,156)
Proceeds from disposal of property, plant and equipment	**-**	5,253
Net movement in bank deposits	**(5,692,000)**	(12,673,000)
Interest received on bank deposits	**221,755**	113,455
Net cash used in investing activities	**(5,656,265)**	(12,728,448)
Financing activity		
Interest paid	**(582,810)**	(275,444)
Net cash used in financing activity	**(582,810)**	(275,444)
Net decrease in cash and cash equivalents	**(1,358,613)**	(6,406,368)
Cash and cash equivalents at the beginning of the year	**14,959,626**	21,365,994
	13,601,013	14,959,626
This comprises the following:		
Cash in hand	**46,844**	77,499
Cash at banks	**13,554,169**	14,882,127
	13,601,013	14,959,626

The notes on pages 11 to 28 are an integral part of these financial statements.

The independent auditors' report is set out on pages 3 to 6.

Strategic Foods International Co. LLC

Statement of changes in equity
for the year ended 31 March 2018

	Share capital AED	Accumulated losses AED	Statutory reserve AED	Shareholder's contribution AED	Total AED
Balance at 1 April 2016	19,500,000	(24,947,293)	9,750,000	20,000,000	24,302,707
Total comprehensive income for the year:					
Profit for the year	-	3,633,822	-	-	3,633,822
Total comprehensive income for the year	-	3,633,822	-	-	3,633,822
At 31 March 2017	19,500,000	(21,313,471)	9,750,000	20,000,000	27,936,529
Balance at 1 April 2017	19,500,000	(21,313,471)	9,750,000	20,000,000	27,936,529
Total comprehensive income for the year:					
Profit for the year	-	1,256,081	-	-	1,256,081
Total comprehensive income for the year	-	1,256,081	-	-	1,256,081
At 31 March 2018	**19,500,000**	**(20,057,390)**	**9,750,000**	**20,000,000**	**29,192,610**

The notes on pages 11 to 28 are an integral part of these financial statements.

1 Reporting entity

Strategic Foods International Co. LLC ("the Company") is a limited liability company registered in the Emirate of Dubai in accordance with the provision of the UAE Federal Law No. (2) of 2015.

The Company is engaged in the manufacturing of biscuit and wafers. The Company's registered office address is PO Box 53193, Dubai, United Arab Emirates.

The shareholding pattern of the Company is as follows:

Shareholders	**% Shareholding**
Britannia and Associates (Dubai) Pvt. Company Ltd ("the Holding Company")	49%
The First Dubai Corporation LLC, Dubai	51%

The Company's Ultimate Holding Company is Britannia Industries Limited, a listed company registered in India.

2 Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and the requirements of UAE Federal Law No. 2 of 2015.

Basis of measurement

These financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These financial statements are presented in UAE Dirham ("AED"), which is the Company's functional currency.

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 reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are discussed in note 22.

3 Significant accounting policies

The following accounting policies, which comply with IFRSs, have been applied consistently to all periods presented in these financial statements.

Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant 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.

Any gains or losses on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value using straight-line method over their estimated useful lives, and is generally recognised in profit and loss. Leased assets are depreciated over the shorter of the leased term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the leased term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Assets	**Years**
Building	20
Plant and machinery	30
Motor vehicles	4
Furniture, fixtures and equipment	4

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

3 Significant accounting policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

Raw materials and stores and spares

The cost of raw materials includes insurance, freight and other incidental charges incurred in acquiring the inventories and bringing them to their present location and condition. Valuation of the raw materials and stores and spares is determined on a weighted average basis.

Finished goods

The cost of finished goods is arrived at on a weighted average basis and includes cost of direct materials and direct labor plus an appropriate share of production overheads based on normal operating capacity.

Provisions

A provision is recognised 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency ("AED") at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to AED at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to AED at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

Finance income and expenses

Finance income comprises interest income on bank deposits.

Finance expense comprises foreign currency exchange loss, interest expense on long term loan from a related party and bank charges. All borrowing costs are recognised in profit or loss except for those costs that are directly attributable to the acquisition, construction or production of qualifying assets that are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably. The capitalisation of borrowing costs commences from the date of incurring the expenditure relating to the qualifying asset and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs relating to the period after acquisition, construction or production are expensed.

Foreign currency exchange gains and losses are reported on a net basis.

3 Significant accounting policies *(continued)*

Operating lease payments

Lease in terms of which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives allowed by the lessor are recognised in the profit or loss as an integral part of the total lease payments made.

Staff terminal benefits

The provision for staff terminal benefits is calculated in accordance with the provisions of the UAE Labour Law and is based on the liability that would arise if the employment of all staff were to be terminated at the reporting date. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

Financial instruments

The Company classifies non-derivative financial assets into following category: loans and receivables.

Non-derivative financial assets and liabilities – recognition and derecognition

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets.

Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and due from related parties.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at banks and deposits with maturity period of less than three months.

3 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

The Company has the following other financial liabilities: long term loan from a related party, due to a related party and trade and other payables.

Impairment

Financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, the disappearance of active market for a security or observable data indicating that there is measureable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historic trends.

An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of assets, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit and loss.

3 Significant accounting policies *(continued)*

Impairment *(continued)*

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets, other than inventories, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. An impairment loss is recognised if the carrying amount of an asset or cash generated unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

New standards and interpretations not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2017 with earlier application permitted. The Company does not plan to adopt these standards early. The new standards which may be relevant to the Company are set out below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

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, FVOCI and 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 does not believe that the new classification requirements will have a material impact on its accounting for financial assets.

Impairment

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 new impairment model will apply to financial assets measured at amortised cost.

3 Significant accounting policies *(continued)*

New standards and interpretations not yet effective *(continued)*

IFRS 9 Financial Instruments (continued)

Impairment (continued)

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

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

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; the Company has a choice to also apply this policy for trade receivables and contract assets with a significant financing component.

The estimated ECL will be calculated based on actual credit loss experience. The Company will perform the calculation of ECL rates separately for different types of customers including related parties. Actual credit losses will be adjusted to reflect differences between economic conditions during the period over which the historical data will be collected, prevalent conditions and the Company's view of economic conditions over the expected lives of the receivables and related party balances.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted

Sales of goods

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

Revenue will be recognised for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the Company is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.

Based on the Company's assessment, the timing of revenue recognition from sale of goods are broadly similar. Therefore, the Company does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these sales.

The Company does not expect the application of IFRS 9 and IFRS 15 to have a significant impact on its financial statements. The actual impacts of adopting these standards at 1 January 2018 may change because:

- these standards will require the Company to revise its accounting policies and internal controls and these changes are not yet complete;
- the Company is also refining and finalizing its model for expected credit loss calculations; and
- the new accounting policies, assumptions, judgement and estimation techniques employed are subject to change until the Company finalizes its first financial statements that includes the date of initial application.

3 Significant accounting policies *(continued)*

New standards and interpretations not yet effective *(continued)*

IFRS 16 Leases

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for a lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Application of this standard would not have a significant impact on the Company's financial statements as at 31 March 2018.

4 Financial risk management

Overview

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

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Company's senior management is responsible for developing and monitoring the Company's risk management policies. The Company's senior management reports to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade and other receivables, cash at banks and due from related parties. The exposure to credit risk on trade and other receivables and due from related parties is monitored on an ongoing basis by management and these are considered recoverable by the Company's management.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Trade receivables

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring specific management approval. These limits are reviewed on an ongoing basis. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on prepayment basis.

4 Financial risk management *(continued)*

Credit risk *(continued)*

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main component of this allowance is a specific loss component that relates to individual significant exposures, and a collective loss component established for groups of similar assets in respect of losses that has been incurred but not yet identified.

Due from related parties
The management of the Company considers that amounts due from related parties are fully recoverable.

Cash at bank
Bank balances are placed with local and international banks of repute.

Liquidity risk

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

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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 optimizing the return. The Company manages its market risk as follows:

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to currency risk as significant transactions are denominated in Company's functional currency or in the United States Dollar ("USD") to which AED is currently pegged.

Interest rate risk

Interest rate risk is the risk that value of a financial instrument will fluctuate because of changes in market interest rates. The interest rate risk on the Company's financial assets and liabilities, mainly pertains to long term loan from a related party and deposits with bank and is based on commercial rates.

Capital management

The Board's policy is to maintain a strong capital base to sustain future development of the business. The Board of Directors monitor the return on capital through operating cash flow management. The Board seeks to maintain a balance between the higher returns and the advantages of security offered by a sound capital position. The Company also relies on the Holding Company for financial support.

There were no changes in the Company's approach to capital management during the year.

5 Cost of sales (excluding depreciation)

These include:	2018 AED	2017 AED
Material costs	**138,158,724**	136,181,254
Staff and related costs	**3,968,865**	3,285,453

6 Administrative, selling and general expenses

These include:	2018 AED	2017 AED
Selling and promotion expenses	**33,360,659**	31,232,805
Royalty expenses (refer note 14)	**7,875,659**	7,445,918
Staff and related costs	**8,862,523**	8,709,506
Professional fees	**131,788**	125,750

7 Finance expenses and income

	2018 AED	2017 AED
Finance expenses		
Interest on long term loan from a related party (refer note 14)	**582,810**	430,996
Bank charges	**338,938**	308,670
Foreign currency exchange loss	**28,313**	130,855
	950,061	870,521
Finance income		
Interest income on bank deposits	**(358,010)**	(139,141)
Finance expenses – net	**592,051**	731,380

8 Other income

	2018 AED	2017 AED
Rental income	**1,102,127**	1,074,225
Scrap sales	**75,632**	53,865
Write back of old liabilities/provisions	**8,507**	16,223
Gain on disposal of property, plant and equipment	-	5,253
	1,186,266	1,149,566

9 Property, plant and equipment

	Building AED	Plant and machinery AED	Motor vehicles AED	Furniture, fixtures & equipment AED	Total AED
Cost					
At 1 April 2016	24,741,603	86,784,952	469,901	5,155,006	117,218,162
Additions	87,356	-	-	86,800	174,156
Disposals	-	-	(191,900)	-	(191,900)
At 31 March 2017	24,828,959	86,784,952	278,001	5,308,506	117,200,418
At 1 April 2017	24,828,959	86,784,952	278,001	5,308,506	117,200,418
Additions	-	-	-	186,020	186,020
At 31 March 2018	24,828,959	86,784,952	278,001	5,494,526	117,386,438
Depreciation					
At 1 April 2016	23,979,055	67,092,081	467,265	5,123,015	96,661,416
Charge for the year	225,371	1,586,006	2,636	52,055	1,866,068
On disposals	-	-	(191,900)	-	(191,900)
At 31 March 2017	24,204,426	68,678,087	278,001	5,175,070	98,335,584
At 1 April 2017	24,204,426	68,678,087	278,001	5,175,070	98,335,584
Charge for the year	217,424	1,586,006	-	66,994	1,870,424
At 31 March 2018	24,421,850	70,264,093	278,001	5,242,064	100,206,008
Net book value					
At 31 March 2018	**407,109**	**16,520,859**	**-**	**252,462**	**17,180,430**
At 31 March 2017	624,533	18,106,865	-	133,436	18,864,834

(a) Plant relocation:

In 2008, the Company transferred two production lines with a then net book value of AED 31.54 million to a related party in Oman under a bailment agreement. As per the agreement, the related party produces the Company's biscuit products which are then sold back to it at a margin on cost. The ownership of these assets has been retained by the Company.

(b) The building is constructed on a land leased from the Government and is renewable each year.

(c) The depreciation has been allocated as follows:

	2018 AED	2017 AED
Cost of sales	**1,787,628**	1,775,398
Administrative, selling and general expenses	**82,796**	90,670
	1,870,424	1,866,068

10 Inventories

	2018 AED	2017 AED
Raw materials	**2,172,776**	2,564,250
Finished goods	**425,602**	1,229,288
Machinery spares	**388,992**	387,949
	2,987,370	4,181,487
Less: provision for slow moving inventories	**(19,960)**	(183,587)
	2,967,410	3,997,900

Movement of provision for slow moving inventories is as follows:

	2018 AED	2017 AED
At 1 April	**183,587**	245,140
Less: provision reversed during the year	**(163,627)**	(61,553)
At 31 March	**19,960**	183,587

11 Trade and other receivables

	2018 AED	2017 AED
Trade receivables	**31,804,035**	26,365,155
Other receivables and prepayments	**2,374,254**	2,004,837
	34,178,289	28,369,992

12 Cash in hand and at banks

	2018 AED	2017 AED
Cash in hand	**46,844**	77,499
Cash at banks	**13,554,169**	14,882,127
Bank deposits (refer note (i) below)	**18,365,000**	12,673,000
	31,966,013	27,632,626

(i) Bank deposits of AED 18.37 million *(2016: AED 12.67 million)* have a maturity period of more than three months and these have been excluded from the cash and cash equivalents for the purpose of the statements of cash flows.

13 Trade and other payables

	2018 AED	2017 AED
Trade payables	**3,715,214**	2,971,433
Advances and deposits	**3,476,776**	3,891,284
Other payables and accruals	**29,582,571**	21,306,207
	36,774,561	28,168,924

14 Related parties transactions and balances

The Company, in the normal course of business, enters into transactions with other business enterprises that fall within the definition of a related party contained in International Accounting Standard 24. Related party transactions are entered at mutually agreed terms.

Significant transactions with related parties included in the financial statements are as follows:

	2018 AED	2017 AED
Purchases of goods/services	**122,318,136**	123,885,475
Royalty on sales (refer note 6)	**7,875,659**	7,445,918
Other expenses recharged by related parties	**551,974**	2,211,962
Sale of goods	**2,452,656**	1,257,773
Other expenses recharged to related parties	**890,337**	396,673
Loan to a Director	-	367,690
Interest on long term loan from a related party (refer note 7)	**582,810**	430,996

Compensation to key management personnel is as follows:		
Short-term employee benefits	**739,583**	229,200
Employees' terminal benefits	**89,784**	72,858

	2018 AED	2017 AED
Due from related parties		
Al Sallan Foods Ind. Co. SAOC, Oman	**7,699,340**	5,413,936
Britannia and Associates (Dubai) Pvt. Company Ltd	**2,025,167**	1,853,666
Strategic Brands Holdings Company Limited	**308,555**	267,555
Ravi Kishore Soni	-	199,165
	10,033,062	7,734,322

	2018 AED	2017 AED
Due to a related party		
Britannia Industries Limited	**2,017,624**	2,508,238

14 Related parties transactions and balances *(continued)*

	2018 AED	2017 AED
Long term loan from a related party		
Britannia and Associates (Dubai) Pvt. Company Ltd	**25,693,203**	25,693,203

During 2011, the Company had drawn AED 62.4 million (USD 17 million) out of total facility of AED 69.8 million (USD 19 million) obtained from Britannia and Associates (Dubai) Pvt. Company Ltd ("the Holding Company"). This loan carries interest at agreed rates and is not repayable within 12 months from the end of reporting date.

15 Share capital

	2018 AED	2017 AED
Issued and fully paid up:		
13,000 ordinary shares of AED 1,500 each	**19,500,000**	19,500,000

16 Statutory reserve

In accordance with UAE Federal Law No. (2) of 2015, a minimum of 10% of the net profit of the Company is allocated every year to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve equals half of the paid-up share capital of the Company. This reserve is not available for distribution except in circumstances stipulated by the above mentioned law. As the Company has already transferred an amount equaling to 50% of the paid up share capital to the statutory reserve, no transfer has been made to statutory reserve in the current year.

17 Contingent liabilities and capital commitments

	2018 AED	2017 AED
Contingent liabilities		
Guarantees	**339,000**	339,000

Capital commitments

The Company does not have any significant capital commitments at the reporting date *(2017: Nil)*.

18 Shareholder's contribution

During 2010, AED 20 million was provided by the Holding Company, in its capacity as shareholder, as a non-reciprocal capital contribution to the Company. The amount is interest free, unsecured and repayments, if any, will be at the discretion of the Company.

19 Staff terminal benefits

	2018 AED	2017 AED
Balance at 1 April	**2,292,780**	2,051,696
Add: provision made during the year	**456,800**	409,240
Less: payments made during the year	**(102,374)**	(168,156)
Balance at 31 March	**2,647,206**	2,292,780

20 Financial instruments

Financial assets of the Company include cash at bank, trade and other receivables and due from related parties. Financial liabilities of the Company include trade and other payables, due to a related party and long term loan from a related party. Accounting policies for financial assets and financial liabilities are set out in note 3.

(a) Credit risk

Exposure to credit risk

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

	Carrying amount 2018 AED	Carrying amount 2017 AED
Trade and other receivables (excluding prepayments)	**33,528,990**	27,988,999
Due from related parties	**10,033,062**	7,734,322
Cash at bank (including term deposits)	**31,919,169**	27,555,127
	75,481,221	63,278,448

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount 2018 AED	Carrying amount 2017 AED
Domestic *	**13,202,463**	10,658,762
Other regions	**18,601,572**	15,706,393
	31,804,035	26,365,155

* The Company's most significant customer accounts for AED 13,130,242 of the carrying amount of trade receivables at 31 March 2018 (*2017: AED 10,658,762*).

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 2018 AED	Allowance for impairment 2018 AED	Gross 2017 AED	Allowance for impairment 2017 AED
Not past due	**17,803,552**	-	26,132,857	-
Past due 0-30 days	**13,462,270**	-	47,126	-
Past due 31-120 days	**536,573**	-	164,768	-
More than 120 days	**1,640**	-	20,404	-
	31,804,035	-	26,365,155	-

20 Financial instruments *(continued)*

(b) Liquidity risk

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

31 March 2018		Contractual cash flows		
In AED'000	**Carrying amount**	**Total**	**12 months or less**	**more than 1 year**
Non-derivative financial liabilities:				
Trade and other payables	**36,775**	**36,775**	**36,775**	**-**
Due to a related party	**2,018**	**2,018**	**2,018**	**-**
Long term loan from a related party	**25,693**	**26,039**	**-**	**26,039**
	64,486	**64,832**	**38,793**	**26,039**

31 March 2017		Contractual cash flows		
In AED'000	Carrying amount	Total	12 months or less	more than 1 year
Non-derivative financial liabilities:				
Trade and other payables	28,169	28,169	28,169	-
Due to a related party	2,508	2,508	2,508	-
Long term loan from a related party	25,693	26,034	-	26,034
	56,370	56,711	30,677	26,034

(c) Market risk

Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2018	2017
	AED	AED
Fixed rate instruments		
Financial assets	**18,365,000**	3,673,000
Variable rate instruments		
Financial assets	**-**	9,000,000
Financial liabilities	**(25,693,203)**	(25,693,203)
	(25,693,203)	(16,693,203)

20 Financial instruments *(continued)*

(c) Market risk *(continued)*

Interest rate risk *(continued)*

Fair value sensitivity analysis for fixed rate financial instruments

The Company does not account for fixed rate financial instruments at fair value through statement of comprehensive income. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by AED 256,932 *(2017: AED 166,932)*. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

(d) Fair values

The fair value of the Company's financial assets and liabilities approximates their carrying amount.

21 Investment

The Company owns 46.66% share in Al Fayafi General Trading Co. LLC, which ceased operations in year 2000. Currently, the investment is fully provided for in the books of the Company. However, the trade license of Al Fayafi General Trading Co. LLC is not yet cancelled and management is considering alternatives.

22 Use of estimates and judgments

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the future years mainly comprise the following:

Impairment losses on receivables

The Company reviews its trade receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in the profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Provision for obsolete inventory

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is any future sale ability of the product and the net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on its ageing and past consumption.

22 Use of estimates and judgments *(continued)*

Impairment losses on property, plant and equipment

The Company reviews its property, plant and equipment to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be reported in the profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a reduction in the carrying value of property, plant and equipment. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment.

The Company reviews the useful life and residual value of the property, plant and equipment at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value is estimated based on the similar assets of the industry, and future economic benefit expectations of the management.

Estimating useful lives of property, plant and equipment

Property, plant and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and the expected physical wear and tear, which depends on operational factors.

Provision for sales promotion and marketing expenses

The provision for sales promotion and marketing expenses is recognised when there is 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.

23 Purchase of shares

The Company has not purchased or invested in any shares during the year ended 31 March 2018 *(2017: Nil)*.