Strategic Foods International Co. LLC

Financial statements
31 March 2020

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Director's Report

The Directors has the pleasure in presenting the Annual report and Audited financial statements of Strategic Foods International Company L.L.C for the financial year ended 31st March 2020.

Activities

The business of the Company is manufacturing and trading of Biscuit, Wafers, Chocolates and Rolls.

RESULTS

The results of the Company are summarized as follows:

Figures in AED

	Year ended 31 March 2019	**Year ended 31 March 2020**
Turnover	185,704,411	185,804,590
Cost of sales (excluding depreciation)	(138,618,660)	(134,654,491)
Provision for slow moving inventory	(36,127)	(228,387)
Impairment loss on balance due from a related party	(411,556)	-
Administrative and general expenses	(11,818,628)	(11,332,828)
Provision for bonus	(891,949)	(920,968)
Advertisement & sales promotion	(28,409,553)	(23,786,457)
Royalty on sales	(6,221,503)	(6,525,463)
(Loss) / profit before interest and depreciation	**(703,565)**	**8,355,996**
Depreciation	(1,871,650)	(2,553,638)
Finance expenses	(1,628,547)	(1,354,148)
Finance income	644,671	669,846
Other income	234,380	187,596
Net (loss)/ profit for the year	**(3,324,711)**	**5,305,652**

Key Performance Highlights

The company has managed to hold on the revenue in line with the last year. 2019-20 had been a challenging year in the GCC region 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. The company has done exceptionally well in the Levant region during the year with a growth of 33%, largely from the markets like Libya, Jordan and Yemen.

Asiapac region, similar to last year, has continued to give a high double digit growth from developed markets like Singapore and Australia. USA business had been sluggish this year, however, this was mitigated through exceptional growth from Canada. Africa business continues to struggle due to price competitiveness issues, increase in duty mainly in Tanzania & Uganda and local currency depreciation. SAARC region has declined significantly due to steep duties imposed in Pakistan and slowdown in Maldives.

BRITANNIA

Business Outlook & Future Plan

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 Britannia's international 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.

The Company will explore opportunities of local manufacturing in several emerging markets like Egypt, Uganda and Ghana. These are reasonably large biscuit markets with category construct in line with Britannia's strengths and Britannia has a strong right-to-win with the product offerings and superior quality compared to local players.

Lack of economic growth and consumption will be a risk to the profitability of international markets. Volatility in commodity prices is being addressed through efficient procurement plans & robust review mechanisms.

Business Strategy

The International Business key thrust areas for revenue and market share growth are based on two pillars –
a. strengthen foothold among the Indian diaspora across markets with more focus on GCC & Americas; and
b. leverage new disruptive product launches to expand its consumer base and recruit other ethnic clusters - Middle Eastern, South Asians, Hispanics & Afro Americans.

The Export markets in Americas, Asia and Levant, that were developed in FY'19-20 have responded favorably with promising growth potential. Here the company will focus on a) mainstream channel expansion and b) opening white space markets.

Transactions with related Parties

The financial statements disclose related party transactions and balances in note 14. All transactions are carried out as part of our normal course of business, at arm's length price and in compliance with applicable laws and regulations.

AUDITORS

KPMG, Chartered Accountants, PO Box 3800, Dubai, UAE 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.

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

Director
Mr. RAVI KISHORE SONI

Director
Mr. VISHAL BHIMANI

P.O.Box : 53193
Dubai - U.A.E.

Dated: **22nd April 2020**

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KPMG

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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 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 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.

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.

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.

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 2020;

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 2020 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 2020.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No: 968
Dubai, United Arab Emirates
Date: 31 MAY 2020

Strategic Foods International Co. LLC

Statement of profit and loss and other comprehensive income
for the year ended 31 March 2020

	Note	2020 AED	2019 AED
Revenue		**185,804,590**	185,704,411
Cost of sales (excluding depreciation)	*5*	**(134,882,878)**	(138,654,787)
Depreciation	*9(c)*	**(2,476,310)**	(1,799,275)
Gross profit		**48,445,402**	45,250,349
Administrative, selling and general expenses (excluding depreciation)	*6*	**(42,565,716)**	(47,341,633)
Depreciation	*9(c)*	**(77,328)**	(72,375)
Impairment loss on balance due from a related party	*14*	-	(411,556)
Finance expenses	*7*	**(1,354,148)**	(1,628,547)
Finance income	*7*	**669,846**	644,671
Other income	*8*	**187,596**	234,380
Profit/(loss) for the year		**5,305,652**	(3,324,711)
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		**5,305,652**	(3,324,711)

The Company has applied IFRS 16 *Leases* at 1 April 2019, using the modified retrospective approach. Under this approach, the comparative information is not restated. Also refer note 3(a).

The notes on pages 11 to 34 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 2020

	Note	2020 AED	2019 AED
Non-current assets			
Property, plant and equipment	9	**16,996,598**	15,818,938
Long term deposit	12	**14,692,500**	14,692,500
		31,689,098	30,511,438
Current assets			
Inventories	10	**3,928,637**	4,316,311
Trade and other receivables	11	**32,086,315**	30,925,674
Due from related parties	14	**8,780,623**	12,691,952
Cash in hand and at banks	12	**17,301,136**	11,750,313
		62,096,711	59,684,250
Current liabilities			
Trade and other payables	13	**37,098,856**	37,019,768
Due to related parties	14	**823,309**	5,867,412
Lease liabilities	20	**678,398**	-
Loan from the Holding Company	14	**18,348,203**	18,348,203
		56,948,766	61,235,383
Net current assets/(liabilities)		**5,147,945**	(1,551,133)
Non-current liabilities			
Staff terminal benefits	19	**(3,502,295)**	(3,092,406)
Lease liabilities	20	**(2,161,197)**	-
		(5,663,492)	(3,092,406)
Net assets		**31,173,551**	25,867,899
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		**(18,076,449)**	(23,382,101)
		31,173,551	25,867,899

The notes on pages 11 to 34 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 31 MAY 2020

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 2020

	Note	2020 AED	2019 AED
Operating activities			
Profit/(loss) for the year		**5,305,652**	(3,324,711)
Adjustments for:			
Depreciation	*9(c)*	**2,553,638**	1,871,650
Interest expense	*7*	**980,410**	1,229,748
Interest income on bank deposits	*7*	**(669,846)**	(644,671)
Impairment loss on balance due from a related party	*14*	**-**	411,556
Interest on lease liabilities	*7*	**71,344**	-
Provision for slow moving inventories	*10*	**192,260**	16,167
Provision for staff terminal benefits	*19*	**549,482**	512,177
		8,982,940	71,916
Change in inventories		**195,414**	(1,365,068)
Change in trade and other receivables		**(1,158,973)**	3,267,761
Change in due from related parties		**3,911,329**	(3,070,446)
Change in trade and other payables		**79,088**	245,207
Change in due to related parties		**(5,044,103)**	3,849,788
Staff terminal benefits paid	*19*	**(139,593)**	(66,977)
Net cash from operating activities		**6,826,102**	2,932,181
Investing activities			
Acquisition of property, plant and equipment	9	**(207,047)**	(510,158)
Net movement in bank deposits		**-**	3,672,500
Interest received on bank deposits		**668,178**	629,525
Net cash from investing activities		**461,131**	3,791,867
Financing activities			
Interest paid		**(980,410)**	(1,229,748)
Payment of lease liabilities	*20*	**(756,000)**	
Repayment of loan to the Holding Company	*14*	**-**	(7,345,000)
Net cash used in financing activities		**(1,736,410)**	(8,574,748)
Net increase/(decrease) in cash and cash equivalents		**5,550,823**	(1,850,700)
Cash and cash equivalents at the beginning of the year		**11,750,313**	13,601,013
Cash and cash equivalents at the end of the year	*12*	**17,301,136**	11,750,313

The notes on pages 11 to 34 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 2020

	Share capital AED	Statutory reserve AED	Shareholder's contribution AED	Accumulated losses AED	Total AED
Balance at 1 April 2018	19,500,000	9,750,000	20,000,000	(20,057,390)	29,192,610
Total comprehensive income for the year:					
Loss for the year	-	-	-	(3,324,711)	(3,324,711)
Total comprehensive loss for the year	-	-	-	(3,324,711)	(3,324,711)
At 31 March 2019	19,500,000	9,750,000	20,000,000	(23,382,101)	25,867,899
Balance at 1 April 2019	19,500,000	9,750,000	20,000,000	(23,382,101)	25,867,899
Total comprehensive income for the year:					
Profit for the year	-	-	-	5,305,652	5,305,652
Total comprehensive income for the year	-	-	-	5,305,652	5,305,652
At 31 March 2020	**19,500,000**	**9,750,000**	**20,000,000**	**(18,076,449)**	**31,173,551**

The notes on pages 11 to 34 are an integral part of these financial statements.

Strategic Foods International Co. LLC

Notes

(forming part of the 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 The Bombay Burmah Trading Corporation Limited, a company registered, and listed on the National Stock Exchange and the Bombay Stock Exchange, 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.

This is the first set of the Company's annual financial statements in which IFRS 16 *Leases* has been applied. The related changes to significant accounting policies are described in note 3(a).

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 notes 20 and 24.

3(a). Changes in significant accounting policies

The Company applied IFRS 16 *Leases* from 1 April 2019. A number of other new standards are also effective from 1 April 2019 but they do not have a material effect on the Company's financial statements.

3(a). Changes in significant accounting policies *(continued)*

The Company applied IFRS 16 using the modified retrospective approach, accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

IFRS 16 *Leases*

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on definition of lease, as explained under the leases accounting policy notes. 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.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a Lessee

As a lessee, the Company has entered into certain land leases. The Company previously classified leases as operating or finance lease based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for lease of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at an amount equal to the lease liability.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognize right-of-use assets and liabilities for leases for which lease term ends within 12 months of the date of initial application;
- Did not recognize right-of-use assets and liabilities for leases of low value assets:
- exclude initial direct costs from measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

3(a). Changes in significant accounting policies *(continued)*

IFRS 16 *Leases* *(continued)*

As a Lessee *(continued)*

Leases classified as finance leases under IAS 17

The Company had no leases classified as finance lease before 1 April 2019.

As a lessor

On adoption of IFRS 16 at 1 April 2019, the Company did not have any leases where it operated in the capacity of a lessor.

Impact on financial statements

Impact on transition

On transition to IFRS 16, the Company recognised right-of-use assets measured at an amount equal to the lease liability at 1 April 2019. The Company presents right-of-use assets as a part of 'leasehold land' in property, plant and equipment.

The impact on transition to IFRS 16 is summarised below:

	Note	**1 April 2019 AED**
Lease liabilities	*20*	**3,524,251**
Right-of-use assets	*9*	**3,524,251**

In relation to those leases under IFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense, during the year ended 31 March 2020. The Company has recognised depreciation charge of AED 0.7 million and interest costs of AED 0.07 million from those leases.

For the details of accounting policies under IFRS 16 and IAS 17, refer note 3(b).

When measuring lease liability, for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average rate applied is 3% per annum.

	1 April 2019 AED
Lease liability comprises of	
Operating lease commitments at 1 April 2019 under IAS 17	**567,000**
Extension options reasonably certain to be exercised	**3,213,000**
Undiscounted minimum lease payments	**3,780,000**
Present value of minimum lease payments discounted using incremental borrowing rate	**3,524,251**

3(b). Significant accounting policies

The accounting policies set out below, which comply with IFRS, have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company except for the changes in accounting policy for leases, as a result of adoption of IFRS 16 during the current year (refer note 3(a)).

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The Company reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

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. Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, then these are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives and is generally recognized in profit or loss.

The estimated useful lives of property, plant and equipment are as follows:

	Years	
	2020	2019
Leasehold land	**5**	-
Building	**20**	20
Plant and machinery	**30**	30
Furniture, fixtures and equipment	**4**	4
Motor vehicles	**4**	4

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

3(b). Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

Capital work-in-progress

Capital work-in-progress is stated at cost. Upon the completion of construction, the cost of such assets together with the cost directly attributable to construction, including capitalized borrowing costs are transferred to the respective class of asset. No depreciation is charged on capital work-in-progress.

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.

Finance income and expenses

Finance income comprises interest income on bank deposits.

Finance expense comprises foreign currency exchange loss, interest expense on loan from the Holding Company, interest on lease liabilities 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 as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Financial instruments

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

3(b). Significant accounting policies *(continued)*

Financial instruments *(continued)*

Classification and subsequent measurement *(continued)*

Financial assets *(continued)*

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.

All financial assets not classified as measured at amortized cost or FVOCI, are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets *– Assessment whether contractual cash flows are solely payments of principal and interest*

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 solely payments of principal and interest, 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. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets *– Subsequent measurement and gains and losses*

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities *– Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost and 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.

3(b). Significant accounting policies *(continued)*

Financial instruments *(continued)*

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

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.

Offsetting

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

Impairment

Non-derivative financial assets – *Financial instruments*

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances and other debt securities for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured 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 90 days past due.

The Company considers a financial asset to be in default when 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).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

3(b). Significant accounting policies *(continued)*

Impairment *(continued)*

Non-derivative financial assets *– Financial instruments (continued)*

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 Company 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For its customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date 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 inflows of other assets or cash-generating unit ("CGU"). All impairment losses are recognized in profit or loss.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

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

3(b). Significant accounting policies *(continued)*

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. Provisions are determined by discounting the expected future cash flows at a 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 recognized as finance cost.

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency ("AED") at the exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rates at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to AED at the exchange rate at the date that 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 arising on retranslation are recognized in profit or loss.

Staff terminal benefits – *Defined benefit plan*

Terminal and retirement benefits for all staff disclosed as a long-term liability, are payable in accordance with the UAE Federal Labour Law. The provision for such benefits is determined as follows:

- making a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior years. This requires estimating the demographic variables and financial variables that will influence the cost of the benefit;
- discounting that benefit in order to determine the present value of the defined benefit obligation and the current service cost; and
- any gains or losses are recognised in profit or loss in the period in which they arise.

Leases

Policy applicable from 1 April 2019

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

At inception of a contract, the Company 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 uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 April 2019.

As a lessee *– Policy applicable from 1 April 2019*

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes 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 material initial direct costs incurred and an estimate of material 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.

3(b). Significant accounting policies *(continued)*

Leases *(continued)*

Policy applicable from 1 April 2019 *(continued)*

As a lessee *– Policy applicable from 1 April 2019 (continued)*

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant 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 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; and
- the exercise price under a purchase option 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, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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 under 'property plant and equipment' and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3(b). Significant accounting policies *(continued)*

Leases *(continued)*

Policy applicable before 1 April 2019

For 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.

***As a lessee** – policy applicable before 1 April 2019*

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

New standards and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2020 and early adoption is permitted; however, the Company has not early adopted the new or amended standards in these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements in the period of initial application:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (amendments to IFRS 3); and
- Definition of Material (amendments to IAS 1 and IAS 8).

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.

4. Financial risk management *(continued)*

Overview *(continued)*

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, long term bank deposit 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 cash or advance payment basis.

Due from related parties
The management of the Company considers that amounts due from related parties are fully recoverable expect for those which are fully provided.

Cash at bank and bank deposits
Bank balances and deposits 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, the Holding Company, related parties and lease liabilities. 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.

4. Financial risk management *(continued)*

Market risk *(continued)*

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 the Holding Company, lease liabilities 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)

	2020 AED	2019 AED
Material costs	**127,996,382**	128,856,516
Staff and related costs	**4,222,049**	4,077,455
Other direct production overheads	**2,664,447**	4,964,816
Rent (refer note 20)	**-**	756,000
	134,882,878	138,654,787

6. Administrative, selling and general expenses (excluding depreciation)

	2020 AED	2019 AED
Selling and promotion expenses – net (refer note 14)	**23,786,457**	28,409,553
Staff and related costs	**9,942,586**	9,904,645
Royalty expenses (refer note 14)	**6,525,463**	6,221,503
Travelling expenses	**851,520**	1,148,471
Telephone and fax	**353,308**	314,204
Professional fees	**167,820**	152,108
Other administrative expenses	**938,562**	1,191,149
	42,565,716	47,341,633

7. Finance expenses and income

	2020 AED	2019 AED
Finance expenses		
Interest on loan from the Holding Company (refer note 14)	**980,410**	1,229,748
Bank charges	**298,263**	345,530
Interest on lease liabilities (refer note 20)	**71,344**	-
Foreign currency exchange loss	**4,131**	53,269
	1,354,148	1,628,547
Finance income		
Interest income on bank deposits	**(669,846)**	(644,671)
Finance expense – net	**684,302**	983,876

8. Other income

	2020 AED	2019 AED
Rental income	**140,625**	91,844
Miscellaneous income	**46,971**	142,536
	187,596	234,380

9. Property, plant and equipment

	Leasehold land AED	Building AED	Plant and machinery AED	Motor vehicles AED	Furniture, fixtures & equipment AED	CWIP AED	Total AED
Cost							
At 1 April 2018	-	24,828,959	86,784,952	278,001	5,494,526	-	117,386,438
Additions	-	-	20,000	-	52,650	437,508	510,158
At 31 March 2019	-	24,828,959	86,804,952	278,001	5,547,176	437,508	117,896,596
At 1 April 2019	-	24,828,959	86,804,952	278,001	5,547,176	437,508	117,896,596
Additions	-	31,200	32,890	142,957	-	-	207,047
Recognition of right-of-use assets on initial application of IFRS 16 (refer note 9(e) below)	3,524,251	-	-	-	-	-	3,524,251
Transfers	-	-	437,508	-	-	(437,508)	-
At 31 March 2020	3,524,251	24,860,159	87,275,350	420,958	5,547,176	-	121,627,894
Depreciation							
At 1 April 2018	-	24,421,850	70,264,093	278,001	5,242,064	-	100,206,008
Charge for the year	-	186,485	1,586,064	-	99,101	-	1,871,650
At 31 March 2019	-	24,608,335	71,850,157	278,001	5,341,165	-	102,077,658
At 1 April 2019	-	24,608,335	71,850,157	278,001	5,341,165	-	102,077,658
Charge for the year	704,850	120,540	1,647,588	28,612	52,048	-	2,553,638
At 31 March 2020	704,850	24,728,875	73,497,745	306,613	5,393,213	-	104,631,296
Net book value							
At 31 March 2020	**2,819,401**	**131,284**	**13,777,605**	**114,345**	**153,963**	**-**	**16,996,598**
At 31 March 2019	-	220,624	14,954,795	-	206,011	437,508	15,818,938

(a) 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 leasehold land from the local Government and is renewable each year.

9. Property, plant and equipment *(continued)*

(c) The depreciation has been allocated as follows:

	2020 AED	2019 AED
Cost of sales	**2,476,310**	1,799,275
Administrative, selling and general expenses	**77,328**	72,375
	2,553,638	1,871,650

(d) Capital work in progress at 31 March 2019 related to civil work being carried out at the Company's factory building.

(e) Right-of-use assets are presented under 'leasehold land' category. Depreciation charge on the ROU assets of AED 0.7 million for the year ended 31 March 2020, is based on the lease term of 5 years and has been allocated to profit or loss within cost of sales.

10. Inventories

	2020 AED	2019 AED
Raw and packing materials	**2,660,134**	2,713,116
Finished goods	**405,140**	357,007
Machinery spares	**465,589**	418,800
	3,530,863	3,488,923
Less: provision for slow moving inventories	**(228,387)**	(36,127)
	3,302,476	3,452,796
Goods-in-transit	**626,161**	863,515
	3,928,637	4,316,311

Movement of provision for slow moving inventories is as follows:

	2020 AED	2019 AED
Opening balance	**36,127**	19,960
Add: provision made during the year	**192,260**	16,167
Closing balance	**228,387**	36,127

11. Trade and other receivables

	2020 AED	2019 AED
Trade receivables	**28,948,701**	27,389,075
Advances from suppliers	**1,548,623**	1,626,987
Deposits	**626,236**	634,105
Prepayments	**752,161**	1,057,216
Interest receivable on bank deposits	**137,925**	-
Other receivables	**72,669**	218,291
	32,086,315	30,925,674

12. Cash in hand and at banks

	2020 AED	2019 AED
Cash in hand	**12,919**	21,006
Cash at banks	**17,288,217**	11,729,307
Bank deposits	**14,692,500**	14,692,500
	31,993,636	26,442,813
Less: non-current portion of bank deposits (refer (i) below)	**(14,692,500)**	(14,692,500)
Cash and cash equivalents	**17,301,136**	11,750,313

(i) These carry markup at a fixed rate, have a maturity period above 12 months as at the reporting date and have been excluded from the cash and cash equivalents for the purpose of presentation in the statements of cash flows.

13. Trade and other payables

	2020 AED	2019 AED
Trade payables	**3,818,652**	9,684,920
Advances	**1,908,732**	1,472,012
Other payables and accruals (also refer (i) below)	**31,371,472**	25,862,836
	37,098,856	37,019,768

(i) This includes accrual for royalty fee amounting to AED 0.73 million *(2019: AED 0.3 million)* payable to a related party.

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.

14. Related parties transactions and balances *(continued)*

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

	2020 AED	2019 AED
Purchases of goods/services	**113,170,633**	115,751,735
Royalty on sales (refer note 6)	**6,525,463**	6,221,503
Other expenses recharged by related parties	**623,554**	6,639,698
Sale of goods	**-**	2,410,712
Other expenses recharged to related parties	**681,682**	431,725
Interest on loan from the Holding Company (refer note 7)	**980,410**	1,229,748
Expense incurred in respect of selling and promotion expense on behalf of a related party (refer note 6)	**(15,152,009)**	(15,173,231)
Claims raised in respect of selling and promotion expense to a related party (refer note 6)	**19,394,817**	5,498,654

Compensation to key management personnel is as follows:

	2020 AED	2019 AED
Short-term employee benefits	**787,004**	764,071
Employees' terminal benefits	**91,176**	93,601

	2020 AED	2019 AED
Due from related parties		
Al Sallan Foods Ind. Co. SAOC, Oman	**7,529,147**	11,035,208
Britannia and Associates (Dubai) Pvt. Company Ltd.	**1,251,476**	1,656,744
Strategic Brands Holdings Company Limited	**411,556**	411,556
	9,192,179	13,103,508
Less: provision for impairment loss (refer (i) below)	**(411,556)**	(411,556)
	8,780,623	12,691,952

(i) During 2019, management had assessed the recoverability of balance due from a related party and has recorded provision for impairment loss based on the assessment performed.

	2020 AED	2019 AED
Due to related parties		
Britannia Industries Limited	**823,309**	5,853,304
Britannia Dairy Private Limited	**-**	14,108
	823,309	5,867,412

(ii) The balances due to related parties are unsecured, interest free and without fixed terms of repayment.

	2020 AED	2019 AED
Loan from the Holding Company		
Britannia and Associates (Dubai) Pvt. Company Ltd	**18,348,203**	18,348,203

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) from Britannia and Associates (Dubai) Pvt. Company Ltd ("the Holding Company").

14. Related parties transactions and balances *(continued)*

Loan from the Holding Company *(continued)*

During the current year, no principal repayment *(2019: repayment of AED 7.34 million)* has been made to the Holding Company.

This loan carries interest at agreed rates and is repayable within 12 months *(2019: within 12 months)* from the reporting date and has been classified under current liabilities accordingly.

15. Share capital

	2020 AED	2019 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

Contingent liabilities	2020 AED	2019 AED
Guarantees	**342,000**	342,000
Letter of credits	**268,794**	-

Capital commitments

The Company does not have any significant capital commitments at the reporting date *(2019: 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

	2020 AED	2019 AED
Opening balance	**3,092,406**	2,647,206
Add: provision made during the year	**549,482**	512,177
Less: payments made during the year	**(139,593)**	(66,977)
Closing balance	**3,502,295**	3,092,406

20. Lease liabilities

Leases as lessee

The Company leases a piece of land under operating lease which is renewable on annual basis. Management considers future extension options for such leases, if these are likely to be exercised and the said leases are critical to the Company's operations.

The Company also leases IT equipment and some staff accommodations with contract terms of one or less than one year. These leases are short-term and/or leases of low value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

20. Lease liabilities *(continued)*

Leases as lessee *(continued)*

Lease liabilities included in the statement of financial position

	AED
Lease liability recognised on initial application of IFRS 16 at 1 April 2019 (refer note 3(a))	**3,524,251**
Interest on lease liabilities (refer note 7)	**71,344**
Less: payments made against lease liabilities	**(756,000)**
At 31 March 2020	**2,839,595**
Less: current portion of lease liabilities	**(678,398)**
Non-current portion of lease liabilities	**2,161,197**

Amounts recognised in profit or loss

	AED
2020 – Under IFRS 16	
Interest on lease liabilities (refer note 7)	**71,344**
Depreciation expense (refer note 9(e))	**704,850**
	776,194
2019 – Under IAS 17	
Rent – Cost of sales (refer note 5)	756,000

Amounts recognised in statement of cash flows

	2020 AED
Total cash outflows for leases	**756,000**

Maturity analysis

The following table sets out a maturity analysis of lease payables showing the undiscounted lease payments to be payable after the reporting date:

	2020 AED
Less than one year	**756,000**
Between one and five years	**2,268,000**
Total undiscounted lease liabilities at 31 March	**3,024,000**
Lease liabilities disclosed in the statement of financial position at 31 March	**2,839,595**

Operating lease commitments with respect to Company's lease agreements as a lessee for comparative period are as follows:

	Operating lease commitments AED
2019 – Under IAS 17	
Less than one year (excluding lease extension options considered at transition to IFRS 16 at 1 April 2019)	567,000

20. Lease liabilities *(continued)*

Leases as lessee *(continued)*

Significant accounting estimates and judgements

Lease term

In determining the lease term, the Company applies the definition of a lease contract to determine the period for which the contract is enforceable. The lease term is the non-cancellable period of the lease, together with:

- Optional renewable periods, if the lessee is reasonably certain to extend; and
- Periods after an optional termination date, if the lessee is reasonably certain not to terminate early.

A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party, with no more than an insignificant penalty.

The management considers various facts and circumstances that create an economic incentive to exercise the renewal option. Extension/renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are most relevant:

- If there are significant penalties (contractual) to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- If the lease improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate); and
- The Company also considers other factors including current market conditions, historical impairments on related CGUs, business strategy, etc.

In determining the lease term where the enforceability of the option solely rests with the Company, the management considers all aforementioned facts and circumstances that create an economic incentive to exercise the option. Extension/renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

21. Financial instruments

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

(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	
	2020	2019
	AED	AED
Trade and other receivables (excluding advances and prepayments)	**29,785,531**	28,241,471
Due from related parties	**8,780,623**	12,691,952
Cash at banks (including long term bank deposits)	**31,980,717**	26,421,807
	70,546,871	67,355,230

21. Financial instruments *(continued)*

(a) Credit risk

Exposure to credit risk *(continued)*

The details and extent of the Company's exposure to credit risk and management estimates related to credit losses are listed in notes 3(b) and 4 respectively. The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2020	2019
	AED	AED
Domestic (refer (i) below)	**10,640,152**	15,249,202
Other regions	**18,308,549**	12,139,873
	28,948,701	27,389,075

(i) The Company's most significant customer accounts for AED 10.64 million (*2019: AED 15.25 million*) of the carrying amount of trade receivables at 31 March 2020.

(ii) The management considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Given the profile of its bankers, management does not expect any counter party to fail to meet its obligations, as the bank balances are held with the banks and financial institutions of repute.

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 2020 AED	**Allowance for impairment 2020 AED**	Gross 2019 AED	Allowance for impairment 2019 AED
Not past due	**27,153,793**	-	26,014,316	-
Past due 0-30 days	**1,498,273**	-	1,165,311	-
Past due 31-120 days	**164,781**	-	6,336	-
More than 120 days	**131,854**	-	203,112	-
	28,948,701	-	27,389,075	-

21. 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 2020 *In AED*	**Carrying amount**	**Contractual cash flows** Total	**Less than 1 year**	**Between 1 to 5 years**
Non-derivative financial liabilities:				
Trade and other payables (excluding advances)	**35,190,124**	**35,190,124**	**35,190,124**	**-**
Due to related parties	**823,309**	**823,309**	**823,309**	**-**
Loan from the Holding Company	**18,348,203**	**18,377,330**	**18,377,330**	**-**
Lease liabilities	**2,839,595**	**3,024,000**	**756,000**	**2,268,000**
	57,201,231	**57,414,763**	**55,146,763**	**2,268,000**

31 March 2019 *In AED*	Carrying amount	Contractual cash flows Total	Less than 1 year	Between 1 to 5 years
Non-derivative financial liabilities:				
Trade and other payables (excluding advances)	35,547,756	35,547,756	35,547,756	-
Due to a related party	5,867,412	5,867,412	5,867,412	-
Loan from the Holding Company	18,348,203	18,886,726	18,886,726	-
	59,763,371	60,301,894	60,301,894	-

(c) Market risk

Currency risk

Management closely monitors the risks arising out of exchange rate fluctuations. The Company does not have significant transactions in currencies other than the Company's functional currency or currencies pegged to USD.

Interest rate risk

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

	Carrying amount **2020** **AED**	2019 AED
Fixed rate instruments		
Financial assets	**14,692,500**	14,692,500
Financial liabilities	**(2,839,595)**	-
	11,852,905	14,692,500
Variable rate instrument		
Financial liabilities	**(18,348,203)**	(18,348,203)

21. 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 instrument

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by AED 0.18 million *(2019: AED 0.18 million)*. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019.

(d) Fair values

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

22. 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.

23. Purchase of shares

The Company has not purchased or invested in any shares during the year ended 31 March 2020 *(2019: Nil)*.

24. Accounting estimates and judgements

Management has reviewed the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. Critical accounting estimates used by management in the preparation and presentation of these financial statements mainly relate to the below:

Impairment losses on receivables

The Company reviews its trade receivables to assess impairment on a regular basis. In determining whether impairment losses should be reported in profit or loss, the Company makes assessment for credit impaired receivables when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. 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. The Company's estimation process for the determination of provision for impairment loss on trade receivables based on the ECL model is disclosed in note 3(b).

Provision for obsolete inventories

The Company reviews its inventories 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 inventories is based on its ageing and past consumption.

24. 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.

Estimating useful lives 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.

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.

25. Subsequent events

On 11 March 2020, the World Health Organisation has declared COVID-19 as a pandemic. Escalation of COVID-19 has the potential to impact the global economic growth and business developments. Subsequent to the yearend, many countries have enacted protection measures against COVID-19, with a significant impact on the daily life, production and supply chain of goods in these countries and beyond. The evolution of COVID-19 as well as its impact on the global economy, and more specifically, on the Company's business activities, is subject to levels of uncertainty, with the full range of possible effects unknown on the date of the approval of the Company's financial statements for the year ended 31 March 2020.