

Strategic Foods International Co. LLC.

Financial Statements

For the year ended March 31, 2021

Strategic Foods International Co. LLC.
Financial Statements
For the year ended March 31, 2021

Table of contents

	Page
Directors' report	1 – 2
Independent Auditor's Report	3 – 5
Statement of financial position	6
Statement of comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to financial statements	10 – 29

Directors' Report

The Directors have the pleasure in presenting the audited financial statements of Strategic Foods International Co. L.L.C for the financial year ended 31st March 2021.

Activities

The business of the Company is manufacturing of Biscuit and Wafers.

RESULTS

The results of the Company are summarized as follows:

Figures in AED

	Year ended 31 March 2020	Year ended 31 March 2021
Turnover	185,804,590	203,928,393
Cost of sales (excluding depreciation)	(134,654,491)	(140,216,815)
Provision for slow moving inventory	(228,387)	(230,614)
Administrative and general expenses	(11,332,828)	(9,572,708)
Provision for bonus	(920,968)	(943,975)
Advertisement & sales promotion	(23,786,457)	(26,936,653)
Royalty on sales	(6,525,463)	(8,256,390)
	-----	-----
Profit before interest and depreciation	8,355,996	17,771,238
Depreciation	(2,553,638)	(2,462,027)
Finance expenses	(1,354,148)	(1,176,674)
Finance income	669,846	621,895
Other income	187,596	884,379
	-----	-----
Net profit for the year	5,305,652	15,638,811
	=====	=====

Key Performance Highlights

The Company's performance in 2020-21 has been extremely encouraging clocking a double-digit top line growth of almost 10% with significantly improved profitability. 2020-21 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 suffered due to distribution effectiveness in the region, especially in UAE.

The Company has continued to do exceptionally well in the Levant region during the year with high double digit growth, largely from the markets like Libya, Egypt, Jordan and Iraq. The Company also experienced challenges from rising commodity prices globally.

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 has come back with a strong growth of 27%, largely from the markets like South Africa, Djibouti, Mauritius and Kenya. SAARC region also performed exceptionally well.

Strategic Foods

International Co. L.L.C.

Business Outlook & Future Plan

Even before the outbreak of COVID 19, the outlook for international business was challenging due to consumption slowdown in Middle East, shrinking diaspora, mass layoffs, economic and political instability and steep currency depreciation in emerging markets. Further, the company expects a sharp increase in commodity prices in FY'21-22 due to inflationary environment globally.

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. Volatility in commodity prices is being addressed through efficient procurement plans & robust review mechanisms.

The Company will explore opportunities of local manufacturing in several emerging markets like Egypt and Uganda. Further, the company is evaluating inorganic growth opportunities in large biscuit markets with where Britannia has a strong right-to-win vis-à-vis local players.

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, Levant and Africa that were developed in past years have responded favorably with promising growth potential. Here the company will focus on a) mainstream channel expansion in developed markets and b) opening furthermore white space markets.

Transactions with related Parties

The financial statements disclose related party transactions and balances in note 9. 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

Grant Thornton were appointed as auditors of the Company for the year ended March 31, 2021 and being eligible, have offered themselves for re-appointment for the year ending March 31, 2022.

For Strategic Foods International Co. LLC

Director

Mr. ANNU GUPTA

Director

Mr. VISHAL BHIMANI

Dated: 26th April 2021



Grant Thornton

An instinct for growth™

Grant Thornton
United Arab Emirates
Rolex Tower
Level 23
Sheikh Zayed Road
P.O. Box 1620
Dubai

T +971 4 388 9925
F +971 4 388 9915

Independent Auditor's Report **To the Shareholders of Strategic Foods International Co. LLC**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Strategic Foods International Co. LLC (the "Company"), which comprise the statement of financial position as at March 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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)*, 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 matter

The financial statements of the Company for the year ended March 31, 2020, were audited by another auditor who expressed an unmodified opinion on those financial statements on May 31, 2020.



Grant Thornton

An instinct for growth™

Independent Auditor's Report

To the Shareholders of Strategic Foods International Co. LLC

Report on the Audit of the Financial Statements (continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

**Independent Auditor's Report
To the Shareholders of Strategic Foods International Co. LLC**

Report on the Audit of the Financial Statements (continued)

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

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) the Company has not purchased any shares during the year ended 31 March, 2021;
- (vi) note 9 to the financial statements discloses material related party transactions and the terms under which they were conducted;
- (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 March 31, 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 and its Articles of Association, which would materially affect its activities or its financial position as at March 31, 2021;


GRANT THORNTON
Farouk Mohamed
Registration No. 86



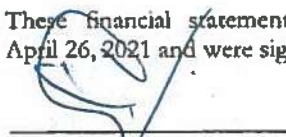
Dubai, April 26, 2021

Strategic Foods International Co. LLC
Financial Statements

Statement of financial position
As at March 31, 2021

	Notes	2021 AED	2020 AED
ASSETS			
Non-current			
Property, plant and equipment	6	12,653,598	14,177,197
Right-of-use asset	7	2,114,545	2,819,401
Bank deposit	11	14,692,500	14,692,500
		<u>29,460,643</u>	<u>31,689,098</u>
Current			
Inventories	8	3,432,564	3,928,637
Amounts due from related parties	9	11,247,437	8,780,623
Trade and other receivables	10	30,337,615	32,086,315
Cash and cash equivalents	11	22,708,038	17,301,136
		<u>67,725,654</u>	<u>62,096,711</u>
TOTAL ASSETS		<u>97,186,297</u>	<u>93,785,809</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12.1	19,500,000	19,500,000
Statutory reserve	12.2	9,750,000	9,750,000
Contributed capital	12.3	20,000,000	20,000,000
Accumulated losses		(2,437,638)	(18,076,449)
TOTAL EQUITY		<u>46,812,362</u>	<u>31,173,551</u>
LIABILITIES			
Non-current			
Finance lease liabilities	14	1,462,220	2,161,197
Employees' end of service benefits	15	3,275,819	3,502,295
		<u>4,738,039</u>	<u>5,663,492</u>
Current			
Trade and other payables	16	33,933,715	37,098,856
Finance lease liabilities	14	698,978	678,398
Amounts due to a related party	9	-	823,309
Loan from the Holding Company	9	11,003,203	18,348,203
		<u>45,635,896</u>	<u>56,948,766</u>
TOTAL LIABILITIES		<u>50,373,935</u>	<u>62,612,258</u>
TOTAL EQUITY AND LIABILITIES		<u>97,186,297</u>	<u>93,785,809</u>

These financial statements (including comparatives) were approved by the Board of Directors on April 26, 2021 and were signed on their behalf by:


 Mr. Vishal Bhimani
 Director


 Annu Gupta
 Director

The accompanying notes from 1 to 23 form an integral part of these financial statements.

Strategic Foods International Co. LLC
Financial Statements

Statement of comprehensive income
For the year ended March 31, 2021

	Notes	2021 AED	2020 AED
Revenue		203,928,393	185,804,590
Cost of sales	17	(140,447,429)	(134,882,878)
Depreciation	6 & 7	<u>(2,364,921)</u>	<u>(2,476,310)</u>
GROSS PROFIT		61,116,043	48,445,402
Administrative, selling and general expenses	18	(46,080,919)	(42,868,110)
Depreciation	6	(97,106)	(77,328)
Finance cost - net	19	(183,586)	(381,908)
Other income	20	884,379	187,596
Net profit for the year		<u>15,638,811</u>	<u>5,305,652</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>15,638,811</u>	<u>5,305,652</u>

The accompanying notes from 1 to 23 form an integral part of these financial statements.

Strategic Foods International Co. LLC
Financial Statements

Statement of changes in equity
For the year ended March 31, 2021

	Share capital AED	Statutory reserve AED	Contributed capital AED	Accumulated losses AED	Total equity AED
Balance at April 1, 2019	19,500,000	9,750,000	20,000,000	(23,382,101)	25,867,899
Net profit for the year	-	-	-	5,305,652	5,305,652
Balance at March 31, 2020	19,500,000	9,750,000	20,000,000	(18,076,449)	31,173,551
Net profit for the year	-	-	-	15,638,811	15,638,811
Balance at March 31, 2021	19,500,000	9,750,000	20,000,000	(2,437,638)	46,812,362

The accompanying notes from 1 to 23 form an integral part of these financial statements.

Strategic Foods International Co. LLC
Financial Statements

Statement of cash flows
For the year ended March 31, 2021

	Notes	2021 AED	2020 AED
OPERATING ACTIVITIES			
Net profit for the year		15,638,811	5,305,652
Adjustments for			
Depreciation on property, plant and equipment	6	1,757,171	1,848,788
Depreciation on right-of-use asset	7	704,856	704,850
Finance cost	19	805,481	980,410
Interest income on bank deposits	19	(621,895)	(669,846)
Provision for obsolete inventories - net	8	146,814	192,260
Loss on disposal of property, plant and equipment		215	-
Provision for employees' end of service benefits	15	491,497	549,482
		<u>18,922,950</u>	<u>8,982,940</u>
Changes in working capital			
Inventories		349,259	195,414
Amounts due from related parties		(2,466,814)	3,911,329
Amounts due to related parties		(823,309)	(5,044,103)
Trade and other receivables		1,747,030	(1,158,973)
Trade and other payables		(3,165,141)	79,088
Cash generated from operations		<u>14,563,975</u>	<u>6,965,695</u>
Finance cost paid	19	(727,878)	(980,410)
End of service benefits paid	15	(717,973)	(139,593)
Net cash from operating activities		<u>13,118,124</u>	<u>5,845,692</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(233,787)	(207,047)
Interest received on bank deposit		623,565	668,178
Net cash from investing activities		<u>389,778</u>	<u>461,131</u>
FINANCING ACTIVITY			
Repayment of finance lease liability	14	(756,000)	(756,000)
Repayment of loan to the Holding Company	9	(7,345,000)	-
Net cash used in financing activity		<u>(8,101,000)</u>	<u>(756,000)</u>
Net change in cash and cash equivalents		<u>5,406,902</u>	<u>5,550,823</u>
Cash and cash equivalents, beginning of year		17,301,136	11,750,313
Cash and cash equivalents, end of year	11	<u>22,708,038</u>	<u>17,301,136</u>

The accompanying notes from 1 to 23 form an integral part of these financial statements.

Strategic Foods International Co. LLC

Financial Statements

Notes to the financial statements

For the year ended March 31, 2021

1 Legal status and nature of operations

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 Company is owned by Britannia and Associates (Dubai) Pvt. Company Ltd ("the Holding Company"). 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 Statement of compliance

These financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ("IASB").

3 Standards, interpretations and amendments to existing standards

3.1 Standards, interpretations and amendments to existing standards that are effective in 2020

Following relevant new amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after January 1, 2020 and have been adopted by the Company:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

The above amendments do not have a significant impact on the financial statements.

4 Significant events during the reporting period

During the prior year, there was an outbreak of a global pandemic (COVID-19), causing significant disruption to economies and businesses across the globe including the Company. The impact of this outbreak on the macroeconomic forecasts did not have a significant impact in the Company's IFRS 9 estimates of expected credit loss provision at March 31, 2021. Management will continue to monitor the situation and assess the impact of this outbreak in fiscal 2022.

5 Summary of significant accounting policies

5.1 Overall considerations

The significant accounting policies summarized below have been used in the preparation of these financial statements and are consistent with those used in the previous year.

These financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.2 Foreign currency translation

Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Company's functional and presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in profit or loss.

Non-monetary items are measured at historical cost and are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

5.3 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

The cost of an item of property and equipment is recognized as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Company; and
- the cost of the item can be measured reliably.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

The depreciation is charged to the profit and loss on a straight-line basis over the estimated useful lives of each item of property and equipment. The estimated useful lives are as follows:

Leasehold land	5 years
Building	20 years
Plant and machinery	30 years
Furniture, fixtures and equipment	4 years
Motor vehicles	4 years

The residual value and the useful life of each asset are reviewed at each financial year end. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each year is recognized in statement of comprehensive income unless it is included in the carrying amount of another asset.

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Capital work in progress is stated at cost and are not depreciated. Upon the completion of the construction, the cost of such assets together with the cost directly attributable to construction, including capitalized borrowing cost are transferred to the respective class of asset.

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.4 Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset has expired, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or has expired.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs. Financial assets and financial liabilities are measured subsequently as described below:

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified and measured at amortised cost if both of the following conditions are met:

- The asset is held in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest, if any, on the principal amount outstanding.

If the financial asset does not pass either of the above conditions, or only one of the above conditions, it is measured at fair value through profit or loss ('FVTPL'). Even if both conditions are met, management may designate a financial asset at FVTPL if doing so reduces or eliminates a measurement or recognition inconsistency.

As at the reporting date, the Company's financial assets comprise trade and other receivables, amounts due from related parties and cash and cash equivalents. Discounting is omitted where the effect of discounting is immaterial.

All income and expenses relating to financial assets measured at amortised cost are recognised in statement of comprehensive income and presented within 'finance costs - net' or 'other income - net', except for impairment of trade receivables which is presented within 'administrative and general expenses'.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.4 Financial Instruments (continued)

Impairment of financial assets (continued)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade and other payables, amounts due to related parties, loan from Holding Company and finance lease liabilities.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in the statement of comprehensive income.

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

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.5 Inventories

Inventories are stated at the lower of cost or net realisable value.

Trading goods, raw materials and packing materials cost comprises of purchase cost and other costs incurred in bringing the raw material to their present location and condition. Finished goods cost comprises of direct material cost, direct labour and an appropriate share of production overheads based on normal operating capacity.

The cost of inventories is assigned using weighted average cost formula.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Provision is made for obsolete items based on management's judgment.

When inventories are sold, the carrying amounts of those inventories are recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs.

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.5 Inventories (continued)

The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

5.6 Cash and cash equivalents

Cash and cash equivalents are items, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the statement of financial position comprise cash on hand and cash in bank and are initially and subsequently recorded at fair value.

For purpose of the statement of cash flows, all cash and bank balances are considered to be cash and cash equivalents.

5.7 Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Accumulated losses include all current and prior period retained profits.

The contributed capital represents the capital contributed by the shareholders which is considered perpetual as the settlement is at the sole discretion of the Company.

All transactions with owners of the Company are recorded separately within equity.

Statutory reserve is required to be created by UAE Federal Law No. (2) of 2015 and laws applicable in which the Company operates.

5.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense when the employee renders services that increase their entitlement or, in the case of non-accumulating absences, when the absences occur.

Employees' end of service benefits

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the Jebel Ali Free Zone Rules and is reported as separate line item under non-current liabilities.

5.9 Provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.9 Provisions and contingent liabilities (continued)

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

5.10 Leases

The Company as a lessee

At lease commencement date, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Company has the right to direct the use of the identified asset throughout the period of use.

The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.10 Leases (continued)

Measurement and recognition of leases as a lessee (continued)

The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to the statement of profit or loss, as finance costs over the period of the lease.

The Company as a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance lease are recognized as receivable at the amount of the net investment in finance leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return the company's net investment outstanding in respect of the leases.

5.11 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable by the Company, excluding discounts, rebates, and duty.

IFRS 15 'Revenue from Contracts with Customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers. Five-step model, explained below, which will apply to revenue arising from contracts with customers.

Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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

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

The Company recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right to payment for performance completed to date.

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.11 Revenue (continued)

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

The Company allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Company's efforts or inputs to the satisfaction of the performance obligations

When the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent and has concluded that it is acting as a principal in all of its revenue arrangements.

5.12 Operating expenses

Operating expenses are recognised in profit or loss upon utilization of the service or at the date of their origin.

5.13 Value-Added Tax (VAT)

Revenue, expenses and assets are recognised net of the amount of VAT, if applicable. When VAT from sales (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognised as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognised as an asset in the statement of financial position to the extent of the recoverable amount.

5.14 Significant management judgments and estimates in applying accounting policies

When preparing the financial statements management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected use of the assets by the Company. Actual results, however, may vary due to technical obsolescence of certain equipment.

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

5 Summary of significant accounting policies (continued)

5.14 Significant management judgments and estimates in applying accounting policies (continued)

Provision for expected credit losses of trade receivables (continued)

rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Provision for obsolete inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Company's core business is subject to technology changes which may cause selling prices to change rapidly. Moreover, future realisation of the carrying amounts of inventory assets is affected by price changes in different market segments.

Determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

6 Property, plant and equipment

	Buildings AED	Plant and machinery AED	Motor vehicle AED	Furniture, fixtures and equipment AED	Total AED
2021					
Gross carrying amount					
Balance at April 1, 2020	24,860,159	87,275,350	420,958	5,547,176	118,103,643
Additions during the year	20,500	30,177	-	183,110	233,787
Disposals	-	-	-	(930,788)	(930,788)
Balance at March 31, 2021	24,880,659	87,305,527	420,958	4,799,498	117,406,642
Accumulated depreciation					
Balance at April 1, 2020	24,728,875	73,497,745	306,613	5,393,213	103,926,446
Charge for the year	18,458	1,612,757	35,740	90,216	1,757,171
Disposals	-	-	-	(930,573)	(930,573)
Balance at March 31, 2021	24,747,333	75,110,502	342,353	4,552,856	104,753,044
Net carrying amount at March 31, 2021	133,326	12,195,025	78,605	246,642	12,653,598

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

6 Property, plant and equipment (continued)						
	Buildings	Plant and machinery	Motor vehicle	Furniture, fixtures and equipment	Capital work in progress	Total
	AED	AED	AED	AED	AED	AED
2020						
Gross carrying amount						
Balance at April 1, 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
Transfers	-	437,508	-	-	(437,508)	-
Balance at March 31, 2020	24,860,159	87,275,350	420,958	5,547,176	-	118,103,643
Accumulated depreciation						
Balance at April 1, 2019	24,608,335	71,850,157	278,001	5,341,165	-	102,077,658
Charge for the year	120,540	1,647,588	28,612	52,048	-	1,848,788
Balance at March 31, 2020	24,728,875	73,497,745	306,613	5,393,213	-	103,926,446
Net carrying amount at March 31, 2020	131,284	13,777,605	114,345	153,963	-	14,177,197

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. As per the agreement, the related party produces the Company's biscuit products which are then sold back to the Company at a margin. The ownership of these assets has been retained by the Company.

The building is constructed on a leasehold land from the local government and is renewable each year.

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

6 Property, plant and equipment (continued)

Depreciation charged to statement of comprehensive income is as follows:

	2021 AED	2020 AED
Indirect cost	97,106	77,328
Direct cost	<u>1,660,065</u>	<u>1,771,460</u>
	<u>1,757,171</u>	<u>1,848,788</u>

7 Right-of-use asset

	2021 AED	2020 AED
Balance as on April 1	2,819,401	-
On adoption of IFRS-16	-	3,524,251
Charge for the year to cost of sales	<u>(704,856)</u>	<u>(704,850)</u>
Balance as on March 31	<u>2,114,545</u>	<u>2,819,40</u>

The Company has a leasehold land for factory located in Al-Quoz Industrial First.

8 Inventories

	2021 AED	2020 AED
Raw and packing material	3,000,918	2,660,134
Finished goods	224,589	405,140
Machinery spares	<u>437,671</u>	<u>465,589</u>
	<u>3,663,178</u>	<u>3,530,863</u>
Less: Provision for obsolete inventories	<u>(230,614)</u>	<u>(228,387)</u>
	<u>3,432,564</u>	<u>3,302,476</u>
Goods in-transit	-	626,161
	<u>3,432,564</u>	<u>3,928,637</u>

Movement of provision for obsolete inventories is as follows:

Balance as on April 1,	228,387	36,127
Add: provision made during the year	146,814	192,260
Less: Inventories written off	<u>(144,587)</u>	-
Balance as on March 31,	<u>230,614</u>	<u>228,387</u>

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

9 Related parties

The Company in the normal course of business carries on transactions with other enterprises that fall within the definition of a related party. These transactions are carried out in the normal course of business and are measured at exchange amounts, being the amounts agreed by both the parties.

Following are the details of related party balances:

Amounts due from related parties

	2021 AED	2020 AED
Al-Sallan Foods Ind. Co. SAOC, Oman	8,596,687	7,529,147
Britannia and Associate (Dubai) Pvt. Company Ltd.	1,355,419	1,251,476
Strategic Brands Holding Company Limited	411,556	411,556
Britannia Industries Limited	<u>1,295,331</u>	<u>-</u>
	11,658,993	9,192,179
Less: provision for impairment loss	<u>(411,556)</u>	<u>(411,556)</u>
	<u>11,247,437</u>	<u>8,780,623</u>

Amounts due to a related party

	2021 AED	2020 AED
Britannia Industries Limited	<u>-</u>	<u>823,309</u>
	<u>-</u>	<u>823,309</u>

Loan from the Holding Company

	2021 AED	2020 AED
Britannia and Associate (Dubai) Pvt. Company Ltd.	<u>11,003,203</u>	<u>18,348,203</u>

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"). During the current year, an amount of AED 7.35 million (USD 2 million) (2020: Nil) has been repaid to the Holding Company as a principal repayment. This loan carries interest at agreed rates and is repayable within 12 months (2020: within 12 months) from the reporting date and has been classified under current liabilities accordingly.

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

9 Related parties (continued)

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

	2021 AED	2020 AED
Purchases of goods/services	118,984,895	113,170,633
Royalty	8,256,390	6,525,463
Other expenses recharged by related parties	1,044,842	623,554
Sale of goods	110,735	-
Other expenses recharged to related parties	46,659	681,682
Interest on loan from the Holding Company (refer note 19)	727,878	980,410
Expense incurred for selling and promotion on behalf of a related party	(10,778,464)	(15,152,009)
Claims raised for selling and promotion on behalf of a related party	12,555,720	19,394,817

Compensation to key management personnel is as follows:

	2021	2020
Short term employee benefits	739,660	787,004
Employees' end of service benefits	61,638	91,176

10 Trade and other receivables

	2021 AED	2020 AED
<i>Financial assets</i>		
Trade receivables	27,506,440	28,948,701
Deposits	345,236	626,236
Other receivable	62,614	72,669
Interest receivable on bank deposit	136,255	137,925
	<u>28,050,545</u>	<u>29,785,531</u>
<i>Non-financial assets</i>		
Prepayments	625,708	752,161
Advances to suppliers and employees	1,661,362	1,548,623
	<u>2,287,070</u>	<u>2,300,784</u>
	<u>30,337,615</u>	<u>32,086,315</u>

11 Cash and cash equivalents

	2021 AED	2020 AED
Cash on hand	28,285	12,919
Cash at banks	22,679,753	17,288,217
Bank deposits	14,692,500	14,692,500
	<u>37,400,538</u>	<u>31,993,636</u>
Less: non-current portion of bank deposits (refer (i) below)	<u>(14,692,500)</u>	<u>(14,692,500)</u>
	<u>22,708,038</u>	<u>17,301,136</u>

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

11 Cash and cash equivalents (continued)

- (i) Bank deposits carry mark-up at a fixed rate, have a maturity period above twelve months as at the reporting date and have been excluded from cash and cash equivalents for the purpose of presentation in the statement of cash flows.

12 Equity

12.1 Share capital

	2021	2020
	AED	AED
Issued and fully paid-up:		
13,000 ordinary shares of AED 1,500 each	19,500,000	19,500,000

12.2 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 equalling to 50% of the paid-up share capital to the statutory reserve, no transfer has been made to statutory reserve in the current year.

12.3 Contributed capital

During 2010, AED 20 million was provided by the Holding Company, in its capacity as a shareholder, as 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.

13 Contingent liabilities

Contingent liabilities	2021	2020
	AED	AED
Guarantees	105,000	342,000
Letter of credits	276,656	268,794

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

14 Finance lease liabilities

	2021 AED	2020 AED
Balance as at April 1,	2,839,595	-
On adoption of IFRS 16	-	3,524,251
Finance cost (note 19)	77,603	71,344
Repayments during the year	<u>(756,000)</u>	<u>(756,000)</u>
Balance as at March 31,	<u>2,161,198</u>	<u>2,839,595</u>
<i>Non-current</i>	1,462,220	2,161,198
<i>Current</i>	<u>698,978</u>	<u>678,397</u>
	<u>2,161,198</u>	<u>2,839,595</u>

Finance lease liabilities are repayable as follows:

	Within one year AED	From 1-2 years AED	More than 2 Years AED	Total AED
2021				
Finance lease	<u>698,978</u>	<u>720,185</u>	<u>742,035</u>	<u>2,161,198</u>
2020				
Finance lease	<u>678,397</u>	<u>698,978</u>	<u>1,462,220</u>	<u>2,839,595</u>

Future minimum finance lease payments as at the end of the reporting period are as follows:

	Minimum lease payments due			Total
	Within 1 year AED	1-2 years AED	More than 2 years AED	AED
March 31, 2021				
Lease payments	756,000	756,000	756,000	2,268,000
Finance charges	<u>(57,022)</u>	<u>(35,815)</u>	<u>(13,965)</u>	<u>(106,802)</u>
Net present value	<u>698,978</u>	<u>720,185</u>	<u>742,035</u>	<u>2,161,198</u>
March 31, 2020				
Lease payments	756,000	756,000	1,512,000	3,024,000
Finance charges	<u>(77,603)</u>	<u>(57,022)</u>	<u>(49,780)</u>	<u>(184,405)</u>
Net present value	<u>678,398</u>	<u>698,979</u>	<u>1,462,218</u>	<u>2,839,595</u>

15 Employees' end of service benefits

	2021 AED	2020 AED
Balance at April 1,	3,502,295	3,092,406
Charge for the year	491,497	549,482
Payments during the year	<u>(717,973)</u>	<u>(139,593)</u>
Balance at March 31,	<u>3,275,819</u>	<u>3,502,295</u>

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

16 Trade and other payables

	2021	2020
	AED	AED
<i>Financial liabilities</i>		
Trade payables	2,854,654	3,818,652
Accrued staff benefits	1,919,678	1,971,099
Other payables and accruals	<u>27,972,144</u>	<u>29,400,373</u>
	32,746,476	35,190,124
<i>Non-financial liability</i>		
Advance from customers	<u>1,187,239</u>	<u>1,908,732</u>
	<u>33,933,715</u>	<u>37,098,856</u>

17 Cost of sales

	2021	2020
	AED	AED
Material costs	133,968,178	127,815,447
Staff and related costs	3,526,972	4,222,049
Utilities	1,068,175	1,058,869
Rent, rates and taxes	783,971	896,922
Repairs and maintenance	527,616	341,198
Insurance	57,324	81,839
Provision for obsolete inventories	146,814	180,935
Other direct production overheads	<u>368,379</u>	<u>285,619</u>
	<u>140,447,429</u>	<u>134,882,878</u>

18 Administrative, selling and general expenses

	2021	2020
	AED	AED
Selling and promotion expenses	26,936,653	23,786,457
Staff and related costs	9,043,745	9,942,586
Royalty expenses (refer note 9)	8,256,390	6,525,463
Bank charges	356,709	298,263
Telephone and fax	316,447	353,308
Professional fee	80,789	167,820
Travelling expenses	45,726	851,520
Foreign currency exchange loss	14,484	4,131
Other	<u>1,029,976</u>	<u>938,562</u>
	<u>46,080,919</u>	<u>42,868,110</u>

19 Finance cost - net

	2021	2020
	AED	AED
Interest on loan from the Holding Company (refer note 9)	727,878	980,410
Interest on lease liabilities (refer note 14)	77,603	71,344
Interest income on bank deposits	<u>(621,895)</u>	<u>(669,846)</u>
	<u>183,586</u>	<u>381,908</u>

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

20 Other income

	2021	2020
	AED	AED
Rental income	675,000	140,625
Miscellaneous income	209,379	46,971
	<u>884,379</u>	<u>187,596</u>

21 Financial instruments risks

Risk management objectives and policies

The Company is exposed to various risks in relation to the financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to financial markets.

21.1 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, which result from both its operating and investing activities.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Most of the Company's transactions are carried out in AED, and United States Dollars ("USD"). The foreign exchange risk related to USD is minimal as USD is pegged to the AED.

21.2 Credit risk analysis

Credit risk is the risk that a counter party fails to discharge an obligation to the Company.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2021	2020
	AED	AED
Long term deposit (note 11)	14,692,500	14,692,500
Amounts due from related parties (note 9)	11,247,437	8,780,623
Trade and other receivables (note 10)	30,337,615	32,086,315
Cash at banks (note 11)	22,708,038	17,301,136
	<u>78,985,590</u>	<u>72,860,574</u>

Amounts due from related parties

The management of the Company is directly involved in the Company's operations and reviews and approves all transactions with related parties. The receivable balances are reconciled periodically with the related parties through intercompany reconciliations and confirmations.

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

21 Financial instruments risks (continued)

21.2 Credit risk analysis (continued)

Trade and other receivables

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period. Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 1 year from the invoice date and failure to engage with the Company on alternative payment arrangement amongst other is considered to be an indicator of no reasonable expectation of recovery.

Cash at banks and long term deposit

The Company seeks to limit its credit risk with respect to bank balances and long term deposit by only dealing with reputable banks and continuously monitoring outstanding balances.

21.3 Liquidity risk

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below summarises the maturities of the Company's undiscounted financial liabilities at March 31 based on contractual payment dates and current market interest rates.

	Within 1 year AED	1 to 2 years AED	More than 2 years AED	Total AED
March 31, 2021				
Trade and other payables (note 16)	32,746,476	-	-	32,746,476
Loan from Holding Company (note 9)	11,003,203	-	-	11,003,203
Finance lease liability (note 14)	750,758	750,599	750,435	2,251,792
	44,500,437	750,599	750,435	46,001,471
	Within 1 year AED	1 to 2 years AED	More than 2 years AED	Total AED
March 31, 2020				
Trade and other payable (note 16)	35,190,124	-	-	35,190,124
Amounts due to a related party (note 9)	823,309	-	-	823,309
Loan from Holding Company (note 9)	18,348,203	-	-	18,348,203
Finance lease liability (note 14)	750,912	750,758	1,501,033	3,002,703
	55,112,548	750,758	1,501,033	57,364,339

Strategic Foods International Co. LLC
Financial Statements

Notes to the financial statements
For the year ended March 31, 2021

22 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to Shareholders.

The Company is financed by its Shareholders. The Company's structure is regularly reviewed to ensure that it remains relevant to the business and its plans for growth. Management has a reasonable expectation that the Company has adequate resources to continue operating in the foreseeable future.

23 Fair value measurement

Financial instruments measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

None of the Company's financial instruments and non-financial assets and liabilities as at the reporting date have been measured at fair value.