

**Strategic Foods International Co. LLC.**

Financial Statements

For the year ended March 31, 2023

Strategic Foods International Co. LLC.  
Financial Statements  
For the year ended March 31, 2023

Table of contents

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|                                   | <b>Page</b> |
|-----------------------------------|-------------|
| 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 - 32     |

# Strategic Foods

International Co. LLC.

## 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 31<sup>st</sup> March 2023.

### 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<br>31 March 2022 | Year ended<br>31 March 2023 |
|--|-----------------------------|-----------------------------|
| Turnover                                       | 185,657,958                 | 191,002,512                 |
| Cost of sales (excluding depreciation)         | (136,576,877)               | (136,361,455)               |
| Provision for slow moving inventory            | (234,614)                   | (53,122)                    |
| Administrative and general expenses            | (11,287,858)                | (16,560,872)                |
| Provision for bonus                            | (1,093,488)                 | (1,136,913)                 |
| Advertisement & sales promotion                | (25,690,073)                | (26,942,590)                |
| Royalty on sales                               | (7,302,147)                 | (8,072,812)                 |
| <b>Profit before interest and depreciation</b> | <b>3,472,901</b>            | <b>1,874,748</b>            |
| Depreciation                                   | (2,484,356)                 | (2,481,511)                 |
| Finance expenses                               | (942,950)                   | (1,087,608)                 |
| Finance income                                 | 792,642                     | 2,082,330                   |
| Other income                                   | 860,023                     | 925,948                     |
| <b>Net profit for the year</b>                 | <b>1,698,260</b>            | <b>1,313,907</b>            |

### Key Performance Highlights

The Business witnessed good value growth in GCC and Americas mainly through change in distribution strategy, adding new markets and innovations. The distribution initiative taken in UAE last year showed a significant improvement in product availability in the market this year. Similarly, in KSA, the company changed its distribution partner and delivered a significant growth in revenue and margins. Americas and Asiapac regions delivered consistent performance.

Aggressive price increase was taken in the last 2 years to address the cumulative impact of abnormally high inflation in the previous and the current year. The commodity price inflation in international markets have started to cool down.

### Business Outlook & Future Plan

The business witnessed gradual cooling off in commodity prices and this is expected to continue next year and therefore will boost profitability. Ocean freights have also already come down vs last year and this should help the exports from Middle East factories.

# Strategic Foods

International Co. LLC.

Business continues to innovate with unique and tailor made launches such as Toastea Eggless Cake Rusk, Nutri Choice Whole Wheat & Sugar Free Crackers, Good Day Chunkies Soft baked cookies, Indian Homestyle Cookies & Date-filled innovations to cater to the needs of various markets and ethnicities. The company will endeavor to deliver a double digit growth in existing core markets of GCC, Americas and Asia Pacific. The UK & Europe business is also expected to grow strongly with regulatory challenges getting resolved. In these markets, the company aims to scale up revenues and profits by launching bigger portfolio and expanding distribution.

## Business Strategy

Company's strategy to achieve growth and market share in International Business is to:

- Strengthen brand equity and affinity for its products among the Indian diaspora to retain its competitive edge over other international players;
- Offer new product experiences to existing consumers and ethnicity inspired offerings to recruit other nationalities;
- Establish and grow local operations in fast growing emerging markets through evaluation of available opportunities like contract manufacturing, acquisitions, joint ventures, etc.
- Customize its distribution strategy in Middle East North Africa (MENA) markets to address the dynamic business requirements.
- Build on the favorable consumer response and growth potential in the export markets in Americas, Asia and Africa that were developed in the past years by intensifying presence in mainstream & E-commerce channels and opening 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, 2023 and being eligible, have offered themselves for re-appointment for the year ending March 31, 2024.

For Strategic Foods International Co. LLC

  
Director  
Mr. ANNU GUPTA



  
Director  
Mr. VISHAL BHIMANI

Dated: 3<sup>rd</sup> May 2023



## Independent Auditor's Report To the Shareholder 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, which comprise the statement of financial position as at March 31, 2023, 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, 2023, 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (32) of 2021, 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.

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

### **Report on the Audit of the Financial Statements (continued)**

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

#### **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.

**Independent Auditor's Report**  
**To the Shareholder 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)**

- 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. (32) of 2021, we report that:

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- the Company has maintained proper books of account;
- 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;
- the Company has not purchased any shares during the year ended March 31, 2023;
- Note 8 to the financial statements discloses material related party transactions and the terms under which they were conducted;
- 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, 2023 any of the applicable provisions of the UAE Federal Law No. (32) of 2021, and its Articles of Association, which would materially affect its activities or its financial position as at March 31, 2023.

  
**GRANT THORNTON**  
Farouk Mohamed  
Registration No. 86  
Dubai, May 3, 2023



Strategic Foods International Co. LLC  
Financial Statements

Statement of financial position  
As at March 31, 2023

|  | Notes | 2023<br>AED        | 2022<br>AED        |
|--|-------|--------------------|--------------------|
| <b>ASSETS</b>                          |       |                    |                    |
| <b>Non-current</b>                     |       |                    |                    |
| Property, plant and equipment          | 5     | 9,816,570          | 11,056,813         |
| Right-of-use asset                     | 6     | 704,833            | 1,409,689          |
| Financial assets                       | 11    | 33,334,852         | 8,295,679          |
|  |       | <u>43,856,255</u>  | <u>20,762,181</u>  |
| <b>Current</b>                         |       |                    |                    |
| Inventories                            | 7     | 3,248,895          | 4,852,889          |
| Amounts due from related parties       | 8     | 8,804,980          | 11,361,700         |
| Trade and other receivables            | 9     | 20,580,627         | 31,401,600         |
| Financial assets                       | 11    | 1,101,900          | 1,873,080          |
| Cash and cash equivalents              | 10    | 28,658,999         | 42,511,672         |
|  |       | <u>62,395,401</u>  | <u>92,090,941</u>  |
| <b>TOTAL ASSETS</b>                    |       | <u>106,251,656</u> | <u>112,853,122</u> |
| <b>EQUITY AND LIABILITIES</b>          |       |                    |                    |
| <b>EQUITY</b>                          |       |                    |                    |
| Share capital                          | 12.1  | 19,500,000         | 19,500,000         |
| Statutory reserve                      | 12.2  | 9,750,000          | 9,750,000          |
| Contributed capital                    | 12.3  | 13,700,000         | 20,000,000         |
| Retained earnings/(accumulated losses) |       | 574,530            | (739,377)          |
| <b>TOTAL EQUITY</b>                    |       | <u>43,524,530</u>  | <u>48,510,623</u>  |
| <b>LIABILITIES</b>                     |       |                    |                    |
| <b>Non-current</b>                     |       |                    |                    |
| Finance lease liabilities              | 14    | -                  | 742,035            |
| Employees' end of service benefits     | 15    | 4,252,690          | 3,832,568          |
|  |       | <u>4,252,690</u>   | <u>4,574,603</u>   |
| <b>Current</b>                         |       |                    |                    |
| Trade and other payables               | 16    | 57,732,401         | 48,044,508         |
| Finance lease liabilities              | 14    | 742,035            | 720,185            |
| Loan from the Holding Company          | 8     | -                  | 11,005,203         |
|  |       | <u>58,474,436</u>  | <u>59,769,896</u>  |
| <b>TOTAL LIABILITIES</b>               |       | <u>62,727,126</u>  | <u>64,342,499</u>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>    |       | <u>106,251,656</u> | <u>112,853,122</u> |

These financial statements (including comparatives) were approved by the Board of Directors on May 3, 2023 and were signed on their behalf by:

  
Mr. Vishal Bhimani  
Director

  
Annu Gupta  
Director





The accompanying notes from 1 to 24 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, 2023**

|  | Notes | 2023<br>AED       | 2022<br>AED       |
|--|-------|-------------------|-------------------|
| Revenue  |       | 191,002,512       | 185,657,958       |
| Cost of sales                                  | 17    | (136,414,577)     | (136,811,491)     |
| Depreciation                                   | 5 & 6 | (2,400,893)       | (2,407,866)       |
| <b>GROSS PROFIT</b>                            |       | <b>52,187,042</b> | <b>46,438,601</b> |
| Administrative, selling and general expenses   | 18    | (52,713,187)      | (45,373,566)      |
| Depreciation                                   | 5     | (80,618)          | (76,490)          |
| Finance cost                                   | 19    | (920,525)         | (439,817)         |
| Interest income                                | 20    | 2,082,330         | 792,642           |
| Other income                                   | 21    | 925,948           | 860,023           |
| Net unrealised loss on financial assets        | 11.2  | (167,083)         | (503,133)         |
| <b>Net profit for the year</b>                 |       | <b>1,313,907</b>  | <b>1,698,260</b>  |
| Other comprehensive income                     |       | -                 | -                 |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b> |       | <b>1,313,907</b>  | <b>1,698,260</b>  |

The accompanying notes from 1 to 24 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, 2023**

|   | Share<br>capital<br>AED | Statutory<br>reserve<br>AED | Contributed<br>capital<br>AED | Accumulated<br>losses<br>AED | Total<br>equity<br>AED |
|---|-------------------------|-----------------------------|-------------------------------|------------------------------|------------------------|
| Balance at April 01, 2021                       | 19,500,000              | 9,750,000                   | 20,000,000                    | (2,437,637)                  | 46,812,363             |
| Net profit for the year                         | -                       | -                           | -                             | 1,698,260                    | 1,698,260              |
| Balance at March 31, 2022                       | 19,500,000              | 9,750,000                   | 20,000,000                    | (739,377)                    | 48,510,623             |
| Repayment of contributed<br>capital (note 12.3) | -                       | -                           | (6,300,000)                   | -                            | (6,300,000)            |
| Net profit for the year                         | -                       | -                           | -                             | 1,313,907                    | 1,313,907              |
| <b>Balance at March 31, 2023</b>                | <b>19,500,000</b>       | <b>9,750,000</b>            | <b>13,700,000</b>             | <b>574,530</b>               | <b>43,524,530</b>      |

The accompanying notes from 1 to 24 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, 2023**

|  | Notes | 2023<br>AED         | 2022<br>AED        |
|--|-------|---------------------|--------------------|
| <b>OPERATING ACTIVITIES</b>                      |       |                     |                    |
| Net profit for the year                          |       | 1,313,907           | 1,698,260          |
| <b>Adjustments for</b>                           |       |                     |                    |
| Depreciation on property, plant and equipment    | 5     | 1,776,655           | 1,779,500          |
| Depreciation on right-of-use asset               | 6     | 704,856             | 704,856            |
| Finance cost                                     | 19    | 920,525             | 439,817            |
| Interest income                                  | 20    | (2,082,330)         | (792,642)          |
| Provision for obsolete inventories               | 7     | -                   | 32,380             |
| Net unrealised loss on financial asset           | 11.2  | 167,083             | 503,133            |
| Provision for employees' end of service benefits | 15    | 572,496             | 568,586            |
|  |       | <u>3,373,192</u>    | <u>4,933,890</u>   |
| <b>Changes in working capital</b>                |       |                     |                    |
| Inventories                                      |       | 1,603,998           | (1,452,704)        |
| Amounts due from related parties                 |       | 2,556,720           | (114,264)          |
| Amounts due to related parties                   |       | -                   | -                  |
| Trade and other receivables                      |       | 10,910,973          | (1,153,985)        |
| Trade and other payables                         |       | 9,687,889           | 14,110,793         |
| Cash generated from operations                   |       | <u>28,132,772</u>   | <u>16,323,730</u>  |
| End of service benefits paid                     | 15    | (152,374)           | (11,837)           |
| Net cash from operating activities               |       | <u>27,980,398</u>   | <u>16,311,893</u>  |
| <b>INVESTING ACTIVITIES</b>                      |       |                     |                    |
| Purchase of property, plant and equipment        | 5     | (536,412)           | (182,714)          |
| Interest received on bank deposit                | 20    | 518,950             | 458,661            |
| Interest received on financial assets            | 20    | 1,563,380           | 333,981            |
| Proceeds from fixed deposit                      |       | -                   | 14,692,500         |
| Proceeds from disposal of financial assets       | 11.2  | 1,922,026           | -                  |
| Investment in financial assets                   | 11    | (26,645,213)        | (10,671,892)       |
| Net cash (used in)/from investing activities     |       | <u>(23,177,269)</u> | <u>4,630,536</u>   |
| <b>FINANCING ACTIVITIES</b>                      |       |                     |                    |
| Repayment of finance lease liabilities           | 14    | (756,000)           | (756,000)          |
| Repayment of contributed capital                 | 12.3  | (6,300,000)         | -                  |
| Interest on loan from Holding Company            | 19    | (596,599)           | (382,795)          |
| Repayment of loan from Holding Company           | 8     | (11,003,203)        | -                  |
| Net cash used in financing activities            |       | <u>(18,655,802)</u> | <u>(1,138,795)</u> |
| Net change in cash and cash equivalents          |       | <u>(13,852,673)</u> | <u>19,803,634</u>  |
| Cash and cash equivalents, beginning of year     |       | 42,511,672          | 22,708,038         |
| Cash and cash equivalents, end of year           | 10    | <u>28,658,999</u>   | <u>42,511,672</u>  |

The accompanying notes from 1 to 24 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, 2023**

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**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, as amended, under Trade license No. 300667.

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.

Federal Law By Decree No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on September 20, 2021 with an effective date of January 2, 2022, and has entirely replaced Federal Law No. 2 of 2015 on Commercial Companies, as amended. Management has undertaken the necessary steps to comply with the provisions of the New Companies Law.

On January 31, 2022, the UAE Ministry of Finance announced the introduction of a 9% Federal Corporate Tax rate effective for fiscal years commencing on or after June 1, 2023, and on December 9, 2022, the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses was issued. There is no impact of this announcement on the financial statements of the Company for the year ended March 31, 2023. Management will assess the implications of this Federal Corporate Tax in due course.

**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 2022**

Standards, interpretations and amendments that are effective for the first time in 2022 (for entities with a December 31, 2022, year-end) are:

- References to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 Related Rent Concessions beyond December 31, 2021 (Amendment to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements (2018-2020 Cycle):
  - Subsidiary as a First-time Adopter (Amendments to IFRS 1)
  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments to IFRS 9)
  - Lease Incentives (Amendments IFRS 16)
  - Taxation in Fair Value Measurements (Amendments to IAS 41) Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

These standards, amendments and interpretations do not have a significant impact on these financial statements and therefore the disclosures have not been made.

**Strategic Foods International Co. LLC**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended March 31, 2023**

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**3 Standards, interpretations and amendments to existing standards (continued)**

**3.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company**

Other standards, amendments and interpretations that are not yet effective and have not been adopted early by the Company include:

- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Deferred Tax related to Assets and Liabilities from a Single Transaction

These standards, amendments and interpretations are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

**4 Summary of significant accounting policies**

**4.1 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.

**4.2 Foreign currency**

**Functional currency**

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

**4.3 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.

**Strategic Foods International Co. LLC**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended March 31, 2023**

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

**4.3 Property, plant and equipment (continued)**

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.

**4.4 Financial instruments**

**Recognition 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.

**Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

- amortised cost
- fair value through profit or loss (FVTPL), or
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

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

Strategic Foods International Co. LLC  
Financial Statements

Notes to the financial statements (continued)  
For the year ended March 31, 2023

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

**4.4 Financial instruments (continued)**

**Subsequent measurement of financial assets**

**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

**Financial assets at fair value through profit or loss (FVTPL)**

Financial assets held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

**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.

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');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- '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.

Strategic Foods International Co. LLC  
Financial Statements

Notes to the financial statements (continued)  
For the year ended March 31, 2023

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

**4.4 Financial instruments (continued)**

**Classification and subsequent measurement of financial liabilities (continued)**

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.

**4.5 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.

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.

**4.6 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.

**4.7 Equity and reserves**

Share capital represents the nominal value of shares that have been issued. Retained earnings/(accumulated losses) include all current and prior period retained profits and losses.

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. (32) of 2021, as described in note 12.2.



Notes to the financial statements (continued)  
For the year ended March 31, 2023

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

**4.8 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 U.A.E. Labour Law and is reported as separate line item under non-current liabilities.

The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service year as specified in U.A.E. Labour Law. The expected costs of these benefits are accrued over the year of employment.

**4.9 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.

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.

**4.10 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.

Notes to the financial statements (continued)  
For the year ended March 31, 2023

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

**4.10 Leases (continued)**

**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.

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.

**4.11 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.

**Strategic Foods International Co. LLC**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended March 31, 2023**

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

**4.11 Revenue (continued)**

- 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.

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.

**4.12 Operating expenses**

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

**4.13 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.

**Strategic Foods International Co. LLC**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended March 31, 2023**

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

**4.14 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 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.

Strategic Foods International Co. LLC  
Financial Statements

Notes to the financial statements (continued)  
For the year ended March 31, 2023

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

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

**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 (continued)  
For the year ended March 31, 2023

**5 Property, plant and equipment**

|  | Buildings<br>AED | Plant and<br>machinery<br>AED | Motor vehicle<br>AED | Furniture, fixtures<br>and equipment<br>AED | Total<br>AED     |
|--|------------------|-------------------------------|----------------------|---|------------------|
| <b>2023</b>                                  |                  |                               |                      |   |                  |
| <b>Gross carrying amount</b>                 |                  |                               |                      |   |                  |
| Balance at April 1, 2022                     | 24,880,659       | 87,320,127                    | 420,958              | 4,825,647                                   | 117,447,391      |
| Additions during the year                    | -                | 354,350                       | 147,500              | 34,562                                      | 536,412          |
| Balance at March 31, 2023                    | 24,880,659       | 87,674,477                    | 568,458              | 4,860,209                                   | 117,983,803      |
| <b>Accumulated depreciation</b>              |                  |                               |                      |   |                  |
| Balance at April 1, 2022                     | 24,764,333       | 76,723,804                    | 378,093              | 4,524,348                                   | 106,390,578      |
| Charge for the year                          | 10,510           | 1,620,791                     | 41,498               | 103,856                                     | 1,776,655        |
| Balance at March 31, 2023                    | 24,774,843       | 78,344,595                    | 419,591              | 4,628,204                                   | 108,167,233      |
| <b>Net carrying amount at March 31, 2023</b> | <b>105,816</b>   | <b>9,329,882</b>              | <b>148,867</b>       | <b>232,005</b>                              | <b>9,816,570</b> |

Strategic Foods International Co. LLC  
Financial Statements

Notes to the financial statements (continued)  
For the year ended March 31, 2023

**5 Property, plant and equipment (continued)**

|                                       | Buildings<br>AED | Plant and machinery<br>AED | Motor vehicle<br>AED | Furniture, fixtures and<br>equipment<br>AED | Total<br>AED |
|---------------------------------------|------------------|----------------------------|----------------------|---|--------------|
| 2022                                  |                  |                            |                      |   |              |
| Gross carrying amount                 |                  |                            |                      |   |              |
| Balance at April 1, 2021              | 24,880,659       | 87,305,527                 | 420,958              | 4,799,498                                   | 117,406,642  |
| Additions during the year             | -                | 14,600                     | -                    | 168,114                                     | 182,714      |
| Written off during the year           | -                | -                          | -                    | (141,965)                                   | (141,965)    |
| Balance at March 31, 2022             | 24,880,659       | 87,320,127                 | 420,958              | 4,825,647                                   | 117,447,391  |
| Accumulated depreciation              |                  |                            |                      |   |              |
| Balance at April 1, 2021              | 24,747,333       | 75,110,502                 | 342,353              | 4,552,855                                   | 104,753,043  |
| Charge for the year                   | 17,000           | 1,613,302                  | 35,740               | 113,458                                     | 1,779,500    |
| Written off during the year           | -                | -                          | -                    | (141,965)                                   | (141,965)    |
| Balance at March 31, 2022             | 24,764,333       | 76,723,804                 | 378,093              | 4,524,348                                   | 106,390,578  |
| Net carrying amount at March 31, 2022 | 116,326          | 10,596,323                 | 42,865               | 301,299                                     | 11,056,813   |

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 on cost. 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 (continued)**  
**For the year ended March 31, 2023**

**5 Property, plant and equipment (continued)**

Depreciation charged to statement of comprehensive income is as follows:

|               | 2023<br>AED      | 2022<br>AED      |
|---------------|------------------|------------------|
| Direct cost   | 1,696,037        | 1,703,010        |
| Indirect cost | 80,618           | 76,490           |
|               | <u>1,776,655</u> | <u>1,779,500</u> |

**6 Right-of-use asset**

|                                       | 2023<br>AED      | 2022<br>AED      |
|---------------------------------------|------------------|------------------|
| <b>Cost</b>                           |                  |                  |
| Balance as at April 1,                | 3,524,251        | 3,524,251        |
| Balance as at March 31,               | <u>3,524,251</u> | <u>3,524,251</u> |
| <b>Accumulated depreciation</b>       |                  |                  |
| Balance as at April 1,                | 2,114,562        | 1,409,706        |
| Charge for the year                   | 704,856          | 704,856          |
| Balance as at March 31,               | <u>2,819,418</u> | <u>2,114,562</u> |
| <b>Carrying value as at March 31,</b> | <u>704,833</u>   | <u>1,409,689</u> |

The Company has a leasehold land for factory located in Al-Quoz Industrial Area, Dubai, UAE. The depreciation on right-of-use asset is classified under direct cost.

**7 Inventories**

|  | 2023<br>AED      | 2022<br>AED      |
|--|------------------|------------------|
| Raw and packing material                 | 2,707,265        | 3,588,133        |
| Finished goods                           | 164,905          | 1,047,362        |
| Machinery spares                         | 429,847          | 452,008          |
|  | <u>3,302,017</u> | <u>5,087,503</u> |
| Less: Provision for obsolete inventories | <u>(53,122)</u>  | <u>(234,614)</u> |
|  | <u>3,248,895</u> | <u>4,852,889</u> |

Movement of provision for obsolete inventories is as follows:

|                                    | 2023<br>AED      | 2022<br>AED     |
|------------------------------------|------------------|-----------------|
| Balance as on April 1,             | 234,614          | 230,614         |
| Add: charge for the year (note 17) | -                | 32,380          |
| Less: inventories written off      | <u>(181,492)</u> | <u>(28,380)</u> |
| Balance as on March 31,            | <u>53,122</u>    | <u>234,614</u>  |



**Strategic Foods International Co. LLC**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended March 31, 2023**

**8 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**

|   | 2023             | 2022              |
|---|------------------|-------------------|
|   | AED              | AED               |
| Al-Sallan Foods Ind. Co. SAOC, Oman               | 4,841,719        | 2,075,732         |
| Britannia and Associate (Dubai) Pvt. Company Ltd. | 2,671,670        | 2,811,712         |
| Britannia Industries Limited                      | 1,291,591        | 6,474,256         |
|   | <u>8,804,980</u> | <u>11,361,700</u> |

**Loan from the Holding Company**

|   | 2023     | 2022              |
|---|----------|-------------------|
|   | AED      | AED               |
| Britannia and Associate (Dubai) Pvt. Company Ltd. | <u>-</u> | <u>11,003,203</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") at market interest rates. On March 15, 2023, the loan was repaid by the Company.

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

|   | 2023          | 2022          |
|---|---------------|---------------|
|   | AED           | AED           |
| Purchases of goods/services   | 109,987,139   | 106,906,129   |
| Royalty (note 18)   | 8,072,812     | 7,302,147     |
| Other expenses recharged by related parties   | 1,840,185     | 2,493,024     |
| Sale of goods   | 160,726       | -             |
| Other expenses recharged to related parties   | 591,775       | 2,529,704     |
| Interest on loan from the Holding Company   | 596,599       | 382,795       |
| Expense incurred in respect of selling and promotion expense on behalf of a related party | 11,423,883    | 9,584,721     |
| Claims raised in respect of selling and promotion expense on behalf of a related party    | 9,015,712     | 12,017,035    |
| Repayment of loan from the Holding Company  | 11,003,203    | -             |
| <b>Compensation to key management personnel is as follows:</b>                            |               |               |
| Salaries and other benefits   | 773,102       | 763,825       |
| Employees' end of service benefits  | <u>64,425</u> | <u>63,652</u> |

Strategic Foods International Co. LLC  
Financial Statements

Notes to the financial statements (continued)  
For the year ended March 31, 2023

**9 Trade and other receivables**

|                                     | 2023<br>AED       | 2022<br>AED       |
|-------------------------------------|-------------------|-------------------|
| <i>Financial assets</i>             |                   |                   |
| Trade receivables                   | 16,776,496        | 28,047,875        |
| Deposits                            | 183,236           | 183,237           |
| Other receivables                   | 540,756           | 63,876            |
|                                     | <u>17,500,488</u> | <u>28,294,988</u> |
| <i>Non-financial assets</i>         |                   |                   |
| Prepayments                         | 1,268,518         | 1,307,633         |
| Advances to suppliers and employees | 1,811,621         | 1,888,979         |
|                                     | <u>3,080,139</u>  | <u>3,196,612</u>  |
|                                     | <u>20,580,627</u> | <u>31,491,600</u> |

**10 Cash and cash equivalents**

|               | 2023<br>AED       | 2022<br>AED       |
|---------------|-------------------|-------------------|
| Cash on hand  | 12,860            | 28,881            |
| Cash at banks | 28,646,139        | 42,482,791        |
|               | <u>28,658,999</u> | <u>42,511,672</u> |

**11 Financial assets**

The Company's financial assets comprises of quoted bonds traded in active market. The carrying amounts of financial assets in each category are as follows:

| 2023                          | Amortised cost<br>AED | FVTPL<br>AED      | Total<br>AED      |
|-------------------------------|-----------------------|-------------------|-------------------|
| <i>Long-term investments</i>  |                       |                   |                   |
| Quoted bonds                  | 26,357,102            | 6,977,750         | 33,334,852        |
| <i>Short-term investments</i> |                       |                   |                   |
| Quoted bonds                  | -                     | 1,101,900         | 1,101,900         |
|                               | <u>26,357,102</u>     | <u>8,079,650</u>  | <u>34,436,752</u> |
| <br>                          |                       |                   |                   |
| 2022                          | Amortised cost<br>AED | FVTPL<br>AED      | Total<br>AED      |
| <i>Long-term investments</i>  |                       |                   |                   |
| Quoted bonds                  | -                     | 8,295,679         | 8,295,679         |
| <i>Short-term investments</i> |                       |                   |                   |
| Quoted bonds                  | -                     | 1,873,080         | 1,873,080         |
|                               | <u>-</u>              | <u>10,168,759</u> | <u>10,168,759</u> |

**Strategic Foods International Co. LLC**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended March 31, 2023**

**11 Financial assets (continued)**

**11.1 Financial assets at amortised cost**

Financial assets at amortised cost include publicly traded bonds with fixed coupon rates between 4.75% and 7%. Their maturity date ranges from 2025 to 2026. The carrying amounts (measured at amortised cost) and fair values of these bonds as at the reporting date are as follows:

|   | 2023<br>AED | 2022<br>AED |
|---|-------------|-------------|
| <i>Carrying amount at amortised cost:</i> |             |             |
| Quoted bonds                              | 26,357,102  | -           |
| <i>Fair value at the reporting date:</i>  |             |             |
| Quoted bonds                              | 25,621,508  | -           |

Fair values of these bonds have been estimated by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 1 of the fair value hierarchy.

The movement in financial assets at amortised cost can be analysed as follows:

|  | 2023<br>AED | 2022<br>AED |
|--|-------------|-------------|
| Additions during the year                  | 26,645,213  | -           |
| Amortisation on financial assets (note 19) | (288,111)   | -           |
| At March 31,                               | 26,357,102  | -           |

**11.2 Financial assets at fair value through profit or loss (FVTPL)**

Financial assets at FVTPL include publicly traded bonds with fixed coupon rates between 5.13% and 6.13%. Their maturity date ranges from 2023 to 2029. The Company made the irrevocable election to account for it at FVTPL and hence continues to account for it at FVTPL.

|  | 2023<br>AED | 2022<br>AED |
|--|-------------|-------------|
| <i>Long-term investments at FVTPL</i>  |             |             |
| Quoted bonds                           | 6,977,750   | 8,295,679   |
| <i>Short-term investments at FVTPL</i> |             |             |
| Quoted bonds                           | 1,101,900   | 1,873,080   |
|  | 8,079,650   | 10,168,759  |

**Strategic Foods International Co. LLC**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended March 31, 2023**

**11 Financial assets (continued)**

**11.2 Financial assets at fair value through profit or loss (FVTPL) (continued)**

The movement in financial assets at fair value through profit or loss (FVTPL) can be analysed as follows:

|                                  | 2023             | 2022              |
|----------------------------------|------------------|-------------------|
|                                  | AED              | AED               |
| Balance at April 1,              | 10,168,759       | -                 |
| Additions during the year        | -                | 10,671,892        |
| Matured during the year          | (1,922,026)      | -                 |
| Net unrealised loss for the year | (167,083)        | (503,133)         |
| Balance at March 31,             | <u>8,079,650</u> | <u>10,168,759</u> |
| Less: current portion            | <u>1,101,900</u> | <u>1,873,080</u>  |
| Non-current portion              | <u>6,977,750</u> | <u>8,295,679</u>  |

**12 Equity**

**12.1 Share capital**

|  | 2023              | 2022              |
|--|-------------------|-------------------|
|  | AED               | AED               |
| Issued and fully paid-up:                |                   |                   |
| 13,000 ordinary shares of AED 1,500 each | <u>19,500,000</u> | <u>19,500,000</u> |

**12.2 Statutory reserve**

In accordance with UAE Federal Law No. (32) of 2021, a minimum of 5% (2021: 10%) of the net profit of the Company is required to be allocated to statutory reserve every year. Such transfers are required to be made until the balance on the statutory reserve equals one half of the Company's paid-up share capital. 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 sole discretion of the Company. An amount of AED 6.3 million was repaid in the current year as agreed between the Company and the Shareholder.

**13 Guarantees and contingent liabilities**

**Contingent liability**

The Company is currently involved in a legal dispute with one of its vendors regarding termination of a contract. During the year, the Court of First Instance awarded the vendor an amount of AED 17,761,546, which includes outstanding dues of AED 12,252,046 that were previously recorded in the Company's books. This decision was upheld by Court of Appeal upon appeal by the vendor. As a result, the Company has recognized an additional provision of AED 5,509,500 (refer note 18) in the financial statements for the year ended March 31, 2023.

The vendor has further appealed the decision to the Court of Cassations, and the outcome of appeal is uncertain. However, the Company believes that appeal is unlikely to result in a different outcome from the earlier award by the Court of First Instance and the Court of Appeal, and therefore, the Company does not expect the appeal to have a material impact on its financial statements for the year ended March 31, 2023.

Strategic Foods International Co. LLC  
Financial Statements

Notes to the financial statements (continued)  
For the year ended March 31, 2023

**13 Guarantees and contingent liabilities (continued)**

|                   | 2023           | 2022           |
|-------------------|----------------|----------------|
|                   | AED            | AED            |
| Guarantees        | 105,000        | 105,000        |
| Letters of credit | <u>640,818</u> | <u>432,204</u> |

**14 Finance lease liabilities**

|                            | 2023             | 2022             |
|----------------------------|------------------|------------------|
|                            | AED              | AED              |
| Balance as at April 1,     | 1,462,220        | 2,161,198        |
| Finance cost (note 19)     | 35,815           | 57,022           |
| Repayments during the year | <u>(756,000)</u> | <u>(756,000)</u> |
| Balance as at March 31,    | <u>742,035</u>   | <u>1,462,220</u> |
| <i>Non-current</i>         | 742,035          | 742,035          |
| <i>Current</i>             | -                | 720,185          |
|                            | <u>742,035</u>   | <u>1,462,220</u> |

Finance lease liabilities are repayable as follows:

|               | Within 1 year  | 1-2 years | Total            |
|---------------|----------------|-----------|------------------|
|               | AED            | AED       | AED              |
| <b>2023</b>   |                |           |                  |
| Finance lease | <u>742,035</u> | -         | <u>742,035</u>   |
| <b>2022</b>   |                |           |                  |
| Finance lease | 720,185        | 742,035   | <u>1,462,220</u> |

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

|                       | Within 1 year   | 1-2 years       | Total            |
|-----------------------|-----------------|-----------------|------------------|
|                       | AED             | AED             | AED              |
| <b>March 31, 2023</b> |                 |                 |                  |
| Lease payments        | 756,000         | -               | 756,000          |
| Finance charges       | <u>(13,965)</u> | -               | <u>(13,965)</u>  |
| Net present value     | <u>742,035</u>  | -               | <u>742,035</u>   |
| <b>March 31, 2022</b> |                 |                 |                  |
| Lease payments        | 756,000         | 756,000         | 1,512,000        |
| Finance charges       | <u>(35,815)</u> | <u>(13,965)</u> | <u>(49,780)</u>  |
| Net present value     | <u>720,185</u>  | <u>742,035</u>  | <u>1,462,220</u> |

**15 Employees' end of service benefits**

|                          | 2023             | 2022             |
|--------------------------|------------------|------------------|
|                          | AED              | AED              |
| Balance at April 1,      | 3,832,568        | 3,275,819        |
| Charge for the year      | 572,496          | 568,586          |
| Payments during the year | <u>(152,374)</u> | <u>(11,837)</u>  |
| Balance at March 31,     | <u>4,252,690</u> | <u>3,832,568</u> |

Strategic Foods International Co. LLC  
Financial Statements

Notes to the financial statements (continued)  
For the year ended March 31, 2023

**16 Trade and other payables**

|                                | 2023              | 2022              |
|--------------------------------|-------------------|-------------------|
|                                | AED               | AED               |
| <i>Financial liabilities</i>   |                   |                   |
| Trade payables*                | 18,266,683        | 20,886,434        |
| Accrued staff benefits         | 2,306,830         | 2,174,364         |
| Deposits                       | 1,980,932         | 1,980,932         |
| Accrued expenses*              | 32,540,015        | 22,043,676        |
|                                | <u>55,094,460</u> | <u>47,085,406</u> |
| <i>Non-financial liability</i> |                   |                   |
| Advance from customers         | 2,490,609         | 959,102           |
| VAT payable, net               | 147,332           | -                 |
|                                | <u>57,732,401</u> | <u>48,044,508</u> |

\* Trade payables and accrued expenses includes an amount of AED 17,761,546 which is currently subject to litigation. Refer note 13.

**17 Cost of sales**

|   | 2023               | 2022               |
|---|--------------------|--------------------|
|   | AED                | AED                |
| Material costs                              | 129,793,754        | 130,414,974        |
| Staff and related costs                     | 3,974,489          | 3,710,155          |
| Utilities                                   | 992,836            | 1,037,276          |
| Rent, rates and taxes                       | 813,715            | 818,970            |
| Repairs and maintenance                     | 734,108            | 545,681            |
| Provision for obsolete inventories (note 7) | -                  | 32,380             |
| Other direct production overheads           | 105,675            | 252,055            |
|   | <u>136,414,577</u> | <u>136,811,491</u> |

**18 Administrative, selling and general expenses**

|  | 2023              | 2022              |
|--|-------------------|-------------------|
|  | AED               | AED               |
| Selling and promotion expenses           | 26,942,590        | 25,690,073        |
| Staff and related costs                  | 8,878,542         | 9,371,814         |
| Royalty (note 8)                         | 8,072,812         | 7,302,147         |
| Provision for litigation claim (note 13) | 5,509,500         | -                 |
| Legal and professional fees              | 1,506,146         | 1,144,910         |
| Bank charges                             | 366,955           | 501,474           |
| Travelling expenses                      | 656,017           | 345,843           |
| Telephone and fax                        | 208,014           | 293,904           |
| Other                                    | 572,611           | 723,401           |
|  | <u>52,713,187</u> | <u>45,373,566</u> |

Strategic Foods International Co. LLC  
Financial Statements

Notes to the financial statements (continued)  
For the year ended March 31, 2023

**19 Finance cost**

|  | 2023<br>AED    | 2022<br>AED    |
|--|----------------|----------------|
| Interest on loan from the Holding Company (note 8) | 596,599        | 382,795        |
| Interest on lease liabilities (note 14)            | 35,815         | 57,022         |
| Amortisation expense on financial assets           | 288,111        | -              |
|  | <u>920,525</u> | <u>439,817</u> |

**20 Interest income**

|                                  | 2023<br>AED      | 2022<br>AED    |
|----------------------------------|------------------|----------------|
| Interest income on bank deposits | 518,950          | 458,661        |
| Interest income on quoted bonds  | 1,563,380        | 333,981        |
|                                  | <u>2,082,330</u> | <u>792,642</u> |

**21 Other income**

|                                | 2023<br>AED    | 2022<br>AED    |
|--------------------------------|----------------|----------------|
| Rental income                  | 714,584        | 705,208        |
| Miscellaneous income           | 186,845        | 126,006        |
| Foreign currency exchange gain | 24,519         | 28,809         |
|                                | <u>925,948</u> | <u>860,023</u> |

**22 Financial instruments risk**

**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.

**22.1 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 with AED.

**Strategic Foods International Co. LLC**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended March 31, 2023**

**22 Financial instruments risk (continued)**

**22.1 Market risk (continued)**

**Price risk**

Price risk is the risk that the value of a financial instrument would 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 price risk with respect to its investments in quoted bonds.

The following table illustrates the sensitivity of total comprehensive income/(loss) and equity to a reasonably possible change in interest rates of +/- 2% (2022: +/- 2%). The sensitivity analysis has been determined based on the exposure to financial asset price risks at the end of the reporting period.

|                | Total comprehensive income/(loss) for the year |           | Retained Earnings |           |
|----------------|--|-----------|-------------------|-----------|
|                | AED  | AED       | AED               | AED       |
|                | +1%  | -1%       | +1%               | -1%       |
| March 31, 2023 | 161,594  | (161,594) | 161,594           | (161,594) |
| March 31, 2022 | 203,376  | (203,376) | 203,376           | (203,376) |

**22.2 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:

|  | 2023<br>AED       | 2022<br>AED       |
|--|-------------------|-------------------|
| Financial assets (current and non-current) (note 11) | 34,436,752        | 10,168,759        |
| Amounts due from related parties (note 8)            | 8,804,980         | 11,361,700        |
| Trade and other receivables (note 9)                 | 17,500,488        | 28,294,988        |
| Cash at banks (note 10)                              | 28,646,139        | 42,482,791        |
|  | <u>89,388,359</u> | <u>92,308,238</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.

*Financial assets*

All the Group's investments in bonds are considered to have low credit risk and the loss allowance recognised is based on the 12 months expected loss. Management consider "low credit risk" for listed bonds and to be those with high quality external credit ratings (investment grade).



**Strategic Foods International Co. LLC**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended March 31, 2023**

**22 Financial instruments risk (continued)**

**22.2 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*

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.

**22.3 Liquidity risk analysis**

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<br>1 year<br>AED | 1 to 2<br>years<br>AED | Total<br>AED      |
|-------------------------------------|-------------------------|------------------------|-------------------|
| <b>March 31, 2023</b>               |                         |                        |                   |
| Trade and other payable (note 16)   | 55,094,460              | -                      | 55,094,460        |
| Finance lease liabilities (note 14) | 756,000                 | -                      | 756,000           |
|                                     | <u>55,850,460</u>       | <u>-</u>               | <u>55,850,460</u> |
|                                     | Within<br>1 year<br>AED | 1 to 2<br>years<br>AED | Total<br>AED      |
| <b>March 31, 2022</b>               |                         |                        |                   |
| Trade and other payable (note 16)   | 47,085,406              | -                      | 47,085,406        |
| Loan from Holding Company (note 8)  | 11,003,203              | -                      | 11,003,203        |
| Finance lease liabilities (note 14) | 756,000                 | 756,000                | 1,512,000         |
|                                     | <u>58,844,609</u>       | <u>756,000</u>         | <u>59,600,609</u> |

**Strategic Foods International Co. LLC**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended March 31, 2023**

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**23 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.

**24 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).

The following table shows the levels within the hierarchy of financial assets measured at fair value:

|                            | Level 1<br>AED    | Level 2<br>AED | Level 3<br>AED | Total<br>AED      |
|----------------------------|-------------------|----------------|----------------|-------------------|
| March 31, 2023             |                   |                |                |                   |
| Financial assets (note 11) | <u>8,079,650</u>  | -              | -              | <u>8,079,650</u>  |
|                            | Level 1<br>AED    | Level 2<br>AED | Level 3<br>AED | Total<br>AED      |
| March 31, 2022             |                   |                |                |                   |
| Financial assets (note 11) | <u>10,168,759</u> | -              | -              | <u>10,168,759</u> |

Financial assets represent investment in quoted bonds which are traded in active market. Fair values have been determined by reference to their quoted closing prices at the reporting date.