ANNEXURE- 'A'

IFB AGRO MARINE (FZE)

Financial statements and independent auditor's report
Year ended 31 March 2020

IFB AGRO MARINE (FZE)

Financial statements and independent auditor's report
Year ended 31 March 2020

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PKF - Sharjah Branch
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PKF
Accountants & business advisers

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of IFB AGRO MARINE (FZE)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **IFB AGRO MARINE (FZE)** (the "Establishment"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other 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 Establishment as at 31 March 2020, and of 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Establishment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the UAE, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) to the financial statements, which states that the Establishment incurred a loss of AED 652,699 for the year ended 31 March 2020 and at that date, the Establishment's losses aggregated to AED 3,300,018, its current liabilities exceeded its current assets by AED 574,310 and it had a net deficit of AED 600,018 in shareholder's equity funds. Further, uncertainty due to recent COVID-19 outbreak may adversely affect the financial position, results of operations and cash flows of the Establishment. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Establishment's ability to continue as a going concern. However, the shareholder has agreed to continue with the operations of the Establishment and to provide continuing financial support to enable the Establishment to discharge its liabilities as and when they fall due. Accordingly, these financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITOR'S REPORT
(continued)

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for their compliance with the provisions of Implementing procedures issued by Sharjah Airport International Free Zone Authority pursuant to Law No. 2 of 1995, 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 Establishment'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 Establishment or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Establishment's financial reporting process.

Auditor's 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 Establishment's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT
(continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Establishment's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Establishment to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements
We confirm that the above financial statements comply with the Implementing Procedures issued by the Sharjah Airport International Free Zone Authority pursuant to Law No. 2 of 1995, except for the matter stated in Note 23 to the financial statements with respect to maintaining minimum net assets as required by the said regulations. We further confirm that we have obtained all the information and explanations necessary for our audit and proper books of account and other records have been maintained in accordance with the said regulation.

For PKF

S. D. Pereira
Partner
Auditor registration no. 552
Sharjah
United Arab Emirates
19 May 2020

AUDITORS PKF U.A.E.

IFB AGRO MARINE (FZE)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020 AED	2019 AED
ASSETS			
Non-current assets			
Property, plant and equipment	6	**54,302**	54,882
Current assets			
Trade and other receivables	7	**570,725**	2,556,757
Other current assets	8	**47,834**	21,833
Other financial assets	9	**50,000**	50,000
Cash and cash equivalents	10	**23,197**	86,041
		691,756	2,714,631
Total assets		**746,058**	2,769,513
EQUITY AND LIABILITIES			
Shareholder's equity funds			
Share capital	11	**2,700,000**	2,700,000
Accumulated losses		**(3,300,018)**	(2,647,319)
Total (deficit)/equity funds		**(600,018)**	52,681
Non-current liabilities			
Provision for staff end-of-service benefits	12	**80,010**	79,900
Current liabilities			
Short-term borrowings	14	**208,264**	1,113,358
Trade and other payables	15	**957,403**	1,462,381
Other current liabilities	16	**100,399**	61,193
		1,266,066	2,636,932
Total liabilities		**1,346,076**	2,716,832
Total equity and liabilities		**746,058**	2,769,513

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 3.

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgments underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

Approved and authorised for issue by the shareholder on 12 May 2020 and signed on their behalf by Allen Lawrence.

For **IFB AGRO MARINE (FZE)**

Lawrence

Allen Lawrence
(Director)

اي اف بي اجرو مارين (م.م.ح)
IFB AGRO MARINE (FZE)
P.O.Box: 124734, SAIF ZONE, SHARJAH - U.A.E

IFB AGRO MARINE (FZE)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 AED	2019 AED
Revenue	18	**11,932,204**	10,715,338
Purchases of inventory		**(11,276,155)**	(10,017,237)
Gross profit		**656,049**	698,101
Other income	19	**141,538**	20,820
Staff costs	20	**(691,656)**	(1,005,269)
Depreciation	6	**(9,255)**	(9,685)
Other operating expenses	21	**(702,343)**	(661,065)
Finance costs	22	**(47,032)**	(12,056)
LOSS FOR THE YEAR		**(652,699)**	(969,154)
Other comprehensive income:			
Other comprehensive income for the year		**--**	--
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(652,699)**	(969,154)

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 3.

IFB AGRO MARINE (FZE)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Share Capital AED	Accumulated losses AED	Total AED
Balance at 1 April 2018	1,800,000	(1,678,165)	121,835
Issue of share capital	900,000	--	900,000
Total comprehensive income for the year	--	(969,154)	(969,154)
Balance at 31 March 2019	2,700,000	(2,647,319)	52,681
Total comprehensive income for the year	--	(652,699)	(652,699)
Balance at 31 March 2020	**2,700,000**	**(3,300,018)**	**(600,018)**

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 3.

IFB AGRO MARINE (FZE)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	2020 AED	2019 AED
Cash flows from operating activities		
Loss for the year	**(652,699)**	(969,154)
Adjustments for:		
Depreciation of property, plant and equipment	**9,255**	9,685
Provision for staff end-of-service benefits	**25,298**	40,005
Finance costs	**47,032**	12,056
	(571,114)	(907,408)
Changes in:		
- Trade and other receivables	**1,986,032**	(2,526,581)
- Other current assets	**(26,001)**	(21,833)
- Trade and other payables	**(504,978)**	1,368,177
- Other current liabilities	**39,206**	(80,567)
Staff end-of service gratuity paid	**(25,188)**	--
Cash generated from/ (used in) operations	**897,957**	(2,168,212)
Interest paid	**(47,032)**	(12,056)
Net cash from / (used in) operating activities	**850,925**	(2,180,268)
Cash flows from investing activities		
Payments for property, plant and equipment	**(8,675)**	--
Net cash used in investing activities	**(8,675)**	--
Cash flows from financing activities		
Issue of share capital	--	900,000
Net cash from financing activities	--	900,000
Net increase/(decrease) in cash and cash equivalents	**842,250**	(1,280,268)
Cash and cash equivalents at beginning of year	**(1,027,317)**	252,951
Cash and cash equivalents at end of year	**(185,067)**	(1,027,317)
Cash and cash equivalents comprise:		
Cash and cash equivalents (Note 10)	**23,197**	86,041
Bank overdraft (Note 14)	**(208,264)**	(1,113,358)
	(185,067)	(1,027,317)

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 3.

1. **LEGAL STATUS AND BUSINESS ACTIVITY**

a) **IFB AGRO MARINE (FZE)** (the "Establishment") under trade license No.18085 is registered as a free zone establishment with limited liability on 20 April 2017 in Sharjah Airport International Free Zone, Sharjah, UAE, pursuant to Law No. 2 of 1995. The registered address is P.O. Box 124734, SAIF office P8-07-25, Sharjah, UAE.

The Establishment has also obtained a licence from Department of Economic Development for representative office in the name of "IFB Agro Marine – Dubai Branch – Representative Office" in the emirate of Dubai. Accordingly, the assets, liabilities and operating results of the representative office are included in these financial statements.

b) The principal activity of the Establishment as per trade licence is general trading. The Establishment's main activity during the year was trading in frozen foods.

c) The Establishment is wholly owned subsidiary of IFB Agro Industries Limited, a company incorporated in India.

2. **BASIS OF PREPARATION**

a) **Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning 1 January 2019, and the requirements of Sharjah Airport International Free Zone Authority Implementing Regulations pursuant to Law No.2 of 1995.

b) **Basis of measurement**

The financial statements are prepared using historical cost. Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

c) **Going concern**

The financial statements are prepared on a going concern basis.
When preparing the financial statements, management makes an assessment of the Establishment's ability to continue as a going concern. Financial statements are prepared on a going concern basis unless management either intends to liquidate the Establishment or to cease operations, or has no realistic alternative but to do so.

The Establishment incurred a loss of AED 652,699 for the year ended 31 March 2020 and at that date, the Establishment's losses aggregated to AED 3,300,018, its current liabilities exceeded its current assets by AED 574,310 and it had a net deficit of AED 600,018 in shareholder's equity funds. Further, uncertainty due to recent COVID-19 outbreak may adversely affect the financial position, results of operations and cash flows of the Establishment. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Establishment's ability to continue as a going concern.

However, the shareholder has agreed to continue with the operations of the Establishment and to provide continuing financial support to enable the Establishment to discharge its liabilities as and when they fall due. Accordingly, these financial statements have been prepared on a going concern basis.

d) **Adoption of new International Financial Reporting Standards**

Standards, amendments, improvements and interpretations effective for the current period

The International Financial Reporting Standard, amendments, improvements and interpretation that became effective for the current reporting period are as follows:

- IFRS 16: Leases
- Amendments to IFRS 9: Prepayment Features with Negative Compensation and Modification of financial liabilities
- Amendments to IAS 28: Investment in Associates and Joint Ventures relating to long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle:
  - IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements
  - IAS 12 Income Taxes
  - IAS 23 Borrowing Costs
- Amendments to IAS 19: Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23: Uncertainty over Income Tax Treatments

The impact of adoption of the above standard, amendments, improvements and interpretation and the new accounting policies are explained below in more detail:

IFRS 16: Leases

Impact of adoption

IFRS 16 was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019, which supersedes the previous guidance in IAS 17 leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases – Initiatives and SIC-27 evaluating the substance of transactions involving the legal form of a lease. The standard requires lessees to account for most leases under a single on-balance sheet model and sets out the principles for the recognition, measurement, presentation and disclosure of leases. Lessor accounting remains similar to previous accounting policies. Lessors will continue to classify leases as either operating or finance leases using similar principals as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Establishment is the lessor.

Adoption of IFRS 16 did not have any significant impact on the Establishment's financial statements.

IFRS 16 accounting policies

The application of the new standard required the management to apply the new accounting policy, which is summarised in note 3 (d) to the financial statements under significant accounting policies.

Other amendments, improvements and interpretation

The following amendments, improvements and interpretation which became effective 1 January 2019, did not have any significant impact on the Establishment's financial statements:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation and Modification of financial liabilities
- Amendments to IAS 28: Investment in Associates and Joint Ventures relating to long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle:
  - IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements
  - IAS 12 Income Taxes
- IAS 23 Borrowing Costs
- Amendments to IAS 19: Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23: Uncertainty over Income Tax Treatments

New and revised IFRSs in issue but not yet effective

The following International Financial Reporting Standard and amendments that are assessed by management as likely to have an impact on the financial statements, have been issued by the IASB prior to the date the financial statements were recognised for issue, but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods.

- Amendments to IAS 1 and IAS 8: Definition of Material (1 January 2020)
- The Conceptual Framework for Financial Reporting (1 January 2020)

e) **Functional and presentation currency**

The Establishment's functional currency is US Dollars since significant portion of its sales and purchases are denominated and settled in that currency. However, the financial statements are presented in UAE Dirhams ("AED") being the currency of country of domicile. Amounts in UAE Dirhams are translated to US Dollars using the exchange rate of 1 US$ = AED 3.6725.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted, and which have been consistently applied, are as follows:

a) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value of furniture, fixtures and office equipment, where material, is depreciated from the date the asset is available for use until it is derecognised, using the written down value (WDV) method over the estimated useful lives of 6-7 years.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the expenditure will flow to the Establishment and such cost can be measured reliably. Such cost includes the cost of replacing part of the property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the Establishment recognises such parts as individual assets with specific useful lives and depreciates them accordingly. The carrying amount of replaced parts is recognised.

All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

An assessment of depreciation method, useful lives and residual values is undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised within 'other operating income/expenses' in profit or loss.

b) **Staff end-of-service benefits**

Provision is made for end-of-service benefits payable to non-UAE national employees at the reporting date in accordance with the local labour laws.

c) **Revenue recognition**

The principal activity of the Establishment as per trade license is general trading. The Establishment's main activity during the year was trading in frozen foods.

Revenue from contracts with customers is recognised when the control of the goods is transferred to the customer at an amount that reflects the consideration to which the Establishment expects to be entitled in exchange for those goods.

The Establishment recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

1. Identify the contracts with customers: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

3. Determine the transaction price: The transaction price is the amount of consideration to which the Establishment expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Establishment will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Establishment expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the Establishment satisfies a performance obligation at a point in time or over time.

The Establishment satisfies a performance obligation and recognised revenue over time, if one of the following criteria is met:

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

The Establishment is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognised revenue.

Sale of goods
The Establishment has concluded that revenue from sale of goods should be recognised at a point in time when the control of the asset is transferred to the customer, generally on delivery of the goods.

d) **Leases**

Short-term leases
The Establishment applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

e) **Cash and cash equivalents**
Cash and cash equivalents comprise cash and bank current account.

f) **Other financial assets**
Other financial assets measured at amortised cost comprise margin deposits under encumbrance and/or with a maturity date of more than three months from the date of deposit.

g) **Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

h) **Provisions**

A provision is recognised when the Establishment has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, it's carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

i) **Value added tax**

As per the Federal Decree-Law No. (08) of 2017, effective from January 1, 2018, Value Added Tax (VAT), is charged at 5% standard rate or 0% (as the case may be) on every taxable supply and deemed supply made by the taxable person. The Establishment is required to file its VAT returns and compute the payable tax (which is output tax less input tax) for the allotted tax periods and deposit the same within the prescribed due dates of filing VAT return and tax payment.

j) **Current versus non-current classification**

The Establishment presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period. Or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period. Or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Establishment classifies all other liabilities as non-current.

k) **Financial instruments**

Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; FVTOCI – equity investment; or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Establishment's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrumental level.

The Establishment's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cashflows, selling the financial assets, or both.

Financial liabilities are classified as financial liabilities at FVTPL or at amortised cost. The Establishment determines the classification of its financial liabilities at initial recognition.

Recognition

Financial assets and financial liabilities are recognised when, and only when, the Establishment becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Establishment commits to purchase or sell the asset.

Derecognition
Financial assets are de-recognised when, and only when,

- The contractual rights to receive cash flows expire or
- The Establishment has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Establishment has transferred substantially all the risks and rewards of the asset, or
  (b) the Establishment has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities are de-recognised when, and only when, they are extinguished i.e. when obligation specified in the contract is discharged, cancelled or expired.

Measurement
A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Transactions costs of financial assets carried at FVTPL are expensed in profit or loss.

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

Financial assets at amortised cost
Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through other comprehensive income on initial recognition) using the effective interest method. All other financial assets are subsequently measured at fair value.

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The financial assets at amortised cost comprise of trade and other receivables, other financial assets and cash and cash equivalents.

Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost comprise of short-term borrowings and trade and other payables.

Impairment of financial assets

The Establishment recognised an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Establishment expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Loss allowances are measured on either of the following basis:

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

The Establishment measures the loss allowance at an amount equal to lifetime ECLs, except for the following which are measured as 12-month ECLs:

- Bank balance and other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Establishment has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs. The Establishment applies a simplified approach in calculating expected credit losses. The Establishment does not track changes in credit risk, but instead recognised a loss allowance based on lifetime expected credit losses at each reporting date. The Establishment has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

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

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

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

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset. For financial assets carried at FVTOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Offsetting

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

Equity

Equity instruments issued by the Establishment are recorded at the value of proceeds received from the proprietor towards capital of the Establishment.

l) **Fair value measurement**

The Establishment measures financial instruments, such as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Establishment also discloses the fair value of financial instruments measured at amortised cost.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interests.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. **SIGNIFICANT JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES**

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Classification of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Establishment's business model for managing them.

Impairment

At each reporting date, management conducts an assessment of property, plant and equipment to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made.

The Establishment applies expected credit loss (ECL) model to measure loss allowance in case of financial assets on the basis of 12-month ECLs or Lifetime ECLs depending on credit risk characteristics and how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

Recognition of revenue and allocation of transaction price

Identification of performance obligations

The Establishment determined that the sale of goods are provided as a single component to customers and accordingly it becomes single performance obligation in respect of the goods being sold.

Determine timing of satisfaction of performance obligation

The Establishment concluded that the revenue from sales of goods is to be recognised at a point in time when the control of the goods has transferred to the customers. Payment of the transaction price is due immediately at the point the customer purchases the goods.

5. **KEY SOURCES OF ESTIMATION UNCERTAINTY**

Key assumptions made concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Carrying values of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Impairment
Assessments of net recoverable amounts of property, plant and equipment are based on assumptions regarding future cash flows expected to be received from the related assets.

Impairment of financial assets
The loss allowance for financial assets are based on assumptions about the risk of default and expected loss rates. The management uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3 (k).

Staff end-of-service benefits
The Establishment computes the provision for the liability to staff end-of-service benefits stated at AED 80,010 (previous year AED 79,900), assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment AED
Cost	
At 1 April 2019 and at 31 March 2019	71,728
Additions	8,675
At 31 March 2020	**80,403**
Accumulated depreciation	
At 31 March 2018	7,161
Depreciation for the year	9,685
At 31 March 2019	16,846
Depreciation for the year	9,255
At 31 March 2020	**26,101**
Carrying amount	
At 31 March 2018	64,567
At 31 March 2019	54,882
At 31 March 2020	**54,302**

		2020	2019
		AED	AED
7.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**532,779**	2,533,182
	Other receivables	**11,871**	--
	Deposits	**26,075**	23,575
		570,725	2,556,757

There is no allowance for expected credit losses for trade receivables (previous year AED Nil).

The age analysis of trade receivables not impaired are as follows:

0-30 days	**478,991**	872,613
31-60 days	**24,055**	487,489
61-90 days	**7,345**	1,152,076
Over 90 days	**22,388**	21,004
	532,779	2,533,182

At the reporting date, the Establishment does not hold any collateral against trade receivables (previous year letters of credit were held amounting to AED 1,166,533 as security against certain trade receivables).

8.	**OTHER CURRENT ASSETS**		
	Prepayments	**29,830**	12,458
	VAT receivable (net)	**18,004**	9,375
		47,834	21,833
9.	**OTHER FINANCIAL ASSETS**		
	Margin deposit at amortised cost [(a)]	**50,000**	50,000

(a) Margin deposit is held as security against guarantees issued by the bank (note 25).

10.	**CASH AND CASH EQUIVALENTS**		
	Cash on hand	**4,556**	3,862
	Bank balance in current account	**18,641**	82,179
		23,197	86,041
11.	**SHARE CAPITAL**		
	Issued and paid up:		
	18 shares of AED 150,000 each held by IFB Agro Industries Limited, India.	**2,700,000**	2,700,000

		2020 AED	2019 AED
12.	**PROVISION FOR STAFF END-OF-SERVICE BENEFITS**		
	Opening balance	**79,900**	39,895
	Provision for the year	**25,298**	40,005
	Less: Paid during the year	**(25,188)**	--
	Closing balance	**80,010**	79,900

13. RELATED PARTIES

The Establishment enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business and are at prices determined by the management.

Related parties comprise the shareholder, key management personnel and companies under common ownership and/or common management control.

At the reporting date, significant balances with key management personnel were as follows:

	2020	2019
Provision for staff end-of-service benefits	**40,005**	26,633
Included in accruals	--	19,050

All balances are unsecured and are expected to be settled in cash except for stand by letter of credit received from the parent company, IFB Agro Industries Limited, India for AED 3,491,250 (equivalent to USD 950,000).

Significant transactions with related parties during the year were as follows:

	Key management personnel AED	Companies under common ownership and/or common management control AED	Total 2020 AED	Total 2019 AED
Management remuneration and benefits (Note 20)	304,100	--	**304,100**	
	306,050	--		306,050
Staff end-of-service benefits	13,372	--	**13,372**	
	13,335	--		13,335
Included in other expenses	--	15,000	**15,000**	
	--	57,304		57,304
Commission income (Note 19)	--	133,210	**133,210**	
	--	--		--

The Establishment also receives funds from related parties as and when required as working capital facilities, free of interest.

	2020 AED	2019 AED
14. SHORT-TERM BORROWINGS		
Overdraft from United Arab Bank	**208,264**	1,113,358

Bank facilities are secured by way of:

- Stand by letter of credit from HDFC Bank- India of amount of 105% of the requested credit facility and
- Promissory note.

	2020 AED	2019 AED
15. TRADE AND OTHER PAYABLES		
Trade payables	**930,501**	1,406,970
Accruals	**26,812**	38,761
Other payables	**90**	16,650
	957,403	1,462,381

The entire trade and other payables are due for settlement within one year from the reporting date.

	2020 AED	2019 AED
16. OTHER CURRENT LIABILITIES		
Advance received from customers	**100,399**	--
Accruals for staff benefits	**--**	61,193
	100,399	61,193

17. MANAGEMENT OF CAPITAL

The Establishment's objectives when managing capital are to ensure that the Establishment continues as a going concern and to provide the shareholder with a rate of return on their investment commensurate with the level of risk assumed.

Capital comprises equity funds as presented in the statement of financial position. Debt comprises total amount owing to third parties, net of cash and cash equivalents.

The Establishment is subject to externally imposed capital requirements as per Implementation Procedures issued by the Sharjah Airport International Free Zone Authority pursuant to Law No. 2 of 1995 (refer note 23).

Funds generated from internal accruals are retained in the business, according to the business requirements and to maintain capital at desired levels.

18. REVENUE

The Establishment generates revenue from the transfer of goods and services at a point in time. The disaggregated revenue from contracts with customers by geographical segments, type of goods and timing of revenue recognition is presented below. The management believes that this best depicts the nature, amount, timing and uncertainty of the Establishment's revenue and cash flows.

	2020 AED	2019 AED
Primary Geographical segments		
- UAE	**8,650,759**	6,354,314
- Other Middle East countries	**1,989,099**	1,135,462
- Asian countries	**157,733**	243,615
- African countries	**--**	832,741
- American countries	**1,134,613**	2,149,206
	11,932,204	10,715,338
Major goods/service lines		
Trading		
- Frozen sea food	**11,932,204**	10,715,338
Timing of revenue recognition		
- At a point in time	**11,932,204**	10,715,338

19. OTHER INCOME

Exchange gain (net)	**9,328**	20,820
Commission income	**132,210**	--
	141,538	20,820

20. STAFF COST

Managerial remunerations and benefits	**304,100**	306,050
Staff salaries and benefits	**362,258**	659,214
Staff end-of-service benefits	**25,298**	40,005
	691,656	1,005,269

21. OTHER OPERATING EXPENSES

Operating lease expenses	**74,250**	74,249
Commission paid	**135,189**	98,789
Legal and professional charges	**40,388**	92,990
Travelling expenses	**164,875**	134,319
Other expenses	**287,641**	260,718
	702,343	661,065

22. FINANCE COSTS

On overdrafts	**47,032**	12,056

23. **SHARJAH AIRPORT FREE ZONE AUTHORITY REGULATIONS**

As the net assets of the Establishment are below 75 percent of its share capital in accordance with the Implementation Procedure issued by the Sharjah Airport Free Zone Authority pursuant to Law No. 2 of 1995, the directors are required to communicate to the Sharjah Airport Free Zone Authority and increase the net assets to meet the requirements of the law.

24. **FINANCIAL INSTRUMENTS**

The net carrying amounts and fair values as at the reporting date of financial assets and financial liabilities are as follows:

	At amortised cost	
	2020	2019
	AED	AED
Financial assets		
Trade and other receivables	**570,725**	2,556,757
Other financial assets	**50,000**	50,000
Cash and cash equivalents	**23,197**	86,041
	643,922	2,692,798
Financial liabilities		
Short-term borrowings	**208,264**	1,113,358
Trade and other payables	**957,403**	1,462,381
	1,165,667	2,575,739

Management of risk

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed, which are unchanged from the previous year, comprise credit risks, liquidity risks and market risks (including currency risks, interest rate risks).

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up.

Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with banks in order to manage exposure to liquidity risk.

The Establishment buys and sells goods and services in foreign currencies. Exposure in foreign currencies is minimised where possible by denominating such transactions in US Dollars to which the UAE Dirham is pegged.

Borrowing facilities are regularly reviewed to ensure that the Establishment obtains the best available pricing, terms and conditions on its borrowings.

Exposures to the aforementioned risks are detailed below:

Credit risk
Financial assets that potentially expose the Establishment to concentrations of credit risk comprise principally cash and cash equivalents, trade and other receivables and other financial assets.

The Establishment's current account and margin deposit is placed with high credit quality financial institutions.

The management assesses the credit risk arising from trade and other receivables taking into account their financial position, past experience and other factors. Based on the assessment individual risk limits are determined.

At the reporting date, the Establishment's maximum exposure to credit risk from such receivables situated outside the UAE is as follows:

	2020	2019
	AED	AED
AGCC countries	**--**	433,834
American countries	**--**	1,148,585
Asian countries	**74,543**	81,202

At the reporting date 96% of trade receivables were due from two customers (previous year 99% of trade receivables was due from four customers). Trade receivables mainly represent amounts receivable from customers engaged in trading business of frozen food items.

The Establishment uses an allowance matrix to measure the expected credit losses of trade receivables, which comprise a large number of small balances. Loss rates are calculated using a 'flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Flow rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of goods sold/service availed.

Based on the assessment, the management believes that the new impairment requirement under IFRS 9 does not have any significant impact on the financial statements.

Currency risk
There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed.

Interest rate risk

Short-term borrowings are subject to floating interest rates at levels generally obtained in the UAE or are linked to LIBOR and are therefore exposed to cash flow interest rate risk.

At the reporting date, if interest rates had been 1% higher or lower, interest expense on variable rate debt would have been AED 2,083 higher or lower (previous year AED 11,134) resulting in equity being higher or lower by AED 2,083 (previous year AED 11,134).

Fair values

The management assesses the fair values of all its financial assets and financial liabilities at each reporting date.

The fair values of cash and cash equivalents, other financial assets, trade and other receivables, short-term bank borrowings and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

		2020	2019
		AED	AED
25.	**CONTINGENT LIABILITIES**		
	Bankers' letters of guarantee	**50,000**	50,000

26. **SIGNIFICANT EVENTS**

During the last quarter of the year, there was an outbreak of Covid-19 (Coronavirus) across the globe, causing disruptions to economic activity and business operations. Thus, the Establishment's operations may have been affected by this outbreak of Covid-19. However, the extent to which the Covid-19 may impact the operating results, financial position, and cash flows will depend on future events, which are highly uncertain and an estimate of the potential impact cannot be made as of the date of these financial statements {(Note 2(c)}.

For **IFB AGRO MARINE (FZE)**

Hawrence

Allen Lawrence
(Director)

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