

IFB AGRO MARINE (FZE)

Financial statements and independent auditor's report
Year ended 31 March 2019

IFB AGRO MARINE (FZE)

Financial statements and independent auditor's report Year ended 31 March 2019

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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 2019, 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 2019, 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 has incurred a loss of 969,154 for the year ended 31 March 2019, and as at that date, the Establishment's losses aggregated to AED 2,647,319. These 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 has agreed 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.

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.

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INDEPENDENT AUDITOR'S REPORT

(continued)

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.
- 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.

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INDEPENDENT AUDITOR'S REPORT

(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 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 22 to the financial statements regarding the maintenance of 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

5 May 2019



IFB AGRO MARINE (FZE)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019 AED	2018 AED
ASSETS			
Non-current assets			
Property, plant and equipment	6	54,882	64,567
Current assets			
Trade and other receivables	7	2,556,757	30,176
Other current assets	8	21,833	--
Other financial assets	9	50,000	50,000
Cash and cash equivalents	10	86,041	252,951
		2,714,631	333,127
Total assets		2,769,513	397,694
EQUITY AND LIABILITIES			
Shareholder's equity funds			
Share capital	11	2,700,000	1,800,000
Accumulated losses		(2,647,319)	(1,678,165)
		52,681	121,835
Non-current liabilities			
Provision for staff end-of-service benefits	12	79,900	39,895
Current liabilities			
Short-term borrowings	14	1,113,358	--
Trade and other payables	15	1,462,381	94,204
Other current liabilities	16	61,193	141,760
		2,636,932	235,964
Total liabilities		2,716,832	275,859
Total equity and liabilities		2,769,513	397,694

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 28 April 2019 and signed on their behalf by Mr. Allen Lawrence.

For IFB AGRO MARINE (FZE)


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 2019

	Notes	01.04.2018 to 31.03.2019 (Note 25) AED	20.04.2017 to 31.03.2018 (Note 25) AED
Revenue from contracts with customers	18	10,715,338	2,156,124
Purchases of inventory		<u>(10,017,237)</u>	<u>(2,037,881)</u>
Gross profit		698,101	118,243
Other income		20,820	32,448
Staff costs	19	(1,005,269)	(1,161,649)
Depreciation	6	(9,685)	(7,161)
Other operating expenses	20	(661,065)	(660,046)
Finance cost	21	<u>(12,056)</u>	<u>--</u>
LOSS FOR THE YEAR/PERIOD		<u>(969,154)</u>	<u>(1,678,165)</u>
Other comprehensive income:			
Other comprehensive income for the year/period		<u>--</u>	<u>--</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>(969,154)</u>	<u>(1,678,165)</u>

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 2019

	Share capital AED	Accumulated losses AED	Total AED
Issue of share capital	1,800,000	--	1,800,000
Total comprehensive income for the period	--	(1,678,165)	(1,678,165)
Balance at 31 March 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

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 2019

	01.04.2018 to 31.03.2019 (Note 25) AED	20.04.2017 to 31.03.2018 (Note 25) AED
Cash flows from operating activities		
Loss for the year/period	(969,154)	(1,678,165)
Adjustments for:		
Depreciation of property, plant and equipment	9,685	7,161
Provision for staff end-of-service benefits	40,005	39,895
Finance costs	12,056	--
	<u>(907,408)</u>	<u>(1,631,109)</u>
Changes in:		
- Trade and other receivables	(2,526,581)	(30,176)
- Other current assets	(21,833)	--
- Accruals	1,368,177	94,204
- Other current liabilities	(80,567)	141,760
Cash generated from operations	<u>(2,168,212)</u>	<u>(1,425,321)</u>
Interest paid	(12,056)	--
Net cash used in operating activities	<u>(2,180,268)</u>	<u>(1,425,321)</u>
Cash flows from investing activities		
Payment for additions to property, plant and equipment	--	(71,728)
Increase in other financial assets	--	(50,000)
Net cash used in investing activities	<u>--</u>	<u>(121,728)</u>
Cash flows from financing activities		
Issue of share capital	900,000	1,800,000
Net cash from financing activities	<u>900,000</u>	<u>1,800,000</u>
Net (decrease)/increase in cash and cash equivalents	(1,280,268)	252,951
Cash and cash equivalents at beginning of year/period	252,951	--
Cash and cash equivalents at end of year/period	<u>(1,027,317)</u>	<u>252,951</u>
Cash and cash equivalents comprise:		
Cash and cash equivalents (Note 10)	86,041	252,951
Bank overdraft (Note 14)	(1,113,358)	--
	<u>(1,027,317)</u>	<u>252,951</u>

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)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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 office 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 is 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 2018 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 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 has incurred a loss of 969,154 for the year ended 31 March 2019, and as at that date, the Establishment's losses aggregated to AED 2,647,319. The financial statements are prepared on a going concern basis as the shareholder has agreed to continue with the operation of the Establishment and has agreed to provide continuing financial support to enable the Establishment to discharge its liabilities as and when they fall due for payment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

Standards and interpretations effective for the current period

The International Financial Reporting Standards, amendments thereto and Interpretations that became effective for the current reporting period and which are applicable to the Establishment are as follows:

- IFRS 9: Financial instruments
- IFRS 15: Revenue from Contracts with Customers

The impact of adoption of these standards and the new accounting policies are explained below in more detail:

IFRS 9: Financial instruments

Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Changes in accounting policies resulting from the adoption of IFRS 9 have not resulted in any material impact on opening balances of retained earnings or equity as of 1 April 2018.

(i) Classification and measurement

On the date of initial application of IFRS 9, i.e. 1 April 2018, the Establishment's management has assessed which business models apply to the financial assets held by the Establishment and has classified its financial instruments into the appropriate IFRS 9 categories. Management has concluded that there is no material reclassification of financial assets other than disclosed below.

Financial assets	Original classification under IAS 39	New classification under IFRS 9
Trade and other receivables	Loans and receivables	Amortised cost
Other financial assets	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

The adoption of IFRS 9 has not resulted in any change in classification or measurement of financial liabilities.

(ii) Impairment of financial assets

The Establishment has the following types of financial assets that are subject to IFRS 9's new Expected Credit Loss (ECL) model:

- Trade and other receivables
- Other financial assets
- Cash and cash equivalents

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

For trade receivables, the Establishment has applied simplified approach permitted by IFRS 9. Further, the simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected losses, trade receivables have been grouped based on credit risk characteristics and past dues. The impact of adoption of new ECL model was immaterial.

For other financial assets, cash and cash equivalents and other receivables, the Establishment has applied 12-month ECL model and the identified impairment loss was immaterial.

IFRS 9 accounting policies

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

IFRS 15: Revenue from contracts with customers

Impact of adoption

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards. The new standard established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange of transferring goods or services to customers.

The standard requires the Establishment to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining contract and the costs directly related to fulfilling a contract.

The Establishment has adopted IFRS 15 using the cumulative effect method (without practical expedients), in which the effect of initially applying this standard are recognised at the date of initial application (i.e. 1 April 2018). Accordingly, the information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Changes in accounting policies resulting from the adoption of IFRS 15 have not resulted in any material impact on the opening balance of retained earnings/equity as of 1 April 2018.

IFRS 15 accounting policies

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

New and revised IFRSs in issue but not yet effective

The following International Financial Reporting Standards, amendments thereto and interpretations 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 authorised for issue, but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods.

- **IFRS 16: Leases (1 January 2019)**

IFRS 16, published in January 2016 replaces 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. Under this revised guidance, leases will be brought onto the lessee's statement of financial position, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for lease classification test.

The revised guidance has an increased focus on who controls the asset and may change which contracts are leases.

The above standard is currently being assessed by the management to determine any material impact on the financial statements.

e) **Functional and presentation currency**

The Establishment's functional currency is US Dollars since a significant portion of its sales and purchases are denominated and settled in that currency. However, the financial statements are presented in UAE Dirhams ("AED") which is the currency of the country of domicile of the Establishment.

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 derecognised.

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.

During the year, the accounting policy for depreciation has been changed from straight-line method to written down value method. The net effect of the changes in the current financial year was a decrease in depreciation expense of AED 1,074.

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 from contract with customers

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.

Revenue from contracts with customers is recognised when the control of the goods or services 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 or services.

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.

IFB AGRO MARINE (FZE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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 recognises 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.

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 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 recognising 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.

The Establishment considers whether there are other promises in the contract that are separate performance obligations to which a portion of transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Establishment considers the effect of significant financing components. The Establishment receives short-term advance from its customers. As the period between the transfer of promised goods or services to the customer and when the customer pays for those goods or services is expected to be less than one year, the Establishment has used the practical expedient in IFRS 15 and not adjusted the consideration for significant financing component.

Sale of services

The Establishment provides consultancy services that are sold separately. The services can be obtained from other providers and do not significantly modify or customise the services to be rendered.

IFB AGRO MARINE (FZE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

The Establishment has concluded that revenue from sale of services should be recognised over time using output, 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 entity has an enforceable right to payment or 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.

Commission income

Commission income is recognised at the point in time when the services are rendered to the customer.

d) Leases

Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

e) 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.

f) 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, its 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.

g) **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.

h) **Financial instruments**

IFRS 9 contains three principal classification categories for financial assets - i.e. measured at: amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). The existing IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale are removed.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Classification

Under IFRS 9, 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 depends on the Establishment's business model for managing the financial assets that whether the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the cash flows that whether contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Management determines the classification of its investment at initial recognition.

Financial liabilities within the scope of IFRS 9 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.

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 trade and other payables and short-term borrowings.

Impairment of financial assets

IFRS 9 Replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVTOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than IAS 39.

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

Under IFRS 9, 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 balances, other financial assets and other receivables, 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 recognises 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.

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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 realising 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 towards interest in share capital of the Establishment.

i) 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 and non-financial assets such as property plant and equipment at fair value at each reporting date. 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 and services are provided as a single component to customers and accordingly it becomes single performance obligation in respect of the goods being sold or services being rendered.

Determine timing of satisfaction of performance obligation

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

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:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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 (h).

Staff end-of-service benefits

The Establishment computes the provision for the liability to staff end-of-service benefits stated at AED 79,900 (previous period AED 39,895), 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	
Additions	71,728
At 1 April 2018 and 31 March 2019	71,728
Accumulated depreciation	
Depreciation for the period	7,161
At 31 March 2018	7,161
Depreciation for the year	9,685
At 31 March 2019	16,846
Carrying amount	
At 31 March 2018	64,567
At 31 March 2019	54,882

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	2019 AED	2018 AED
7. TRADE AND OTHER RECEIVABLES		
Trade receivables	2,533,182	6,017
Staff advances	--	584
Deposits	23,575	23,575
	<u>2,556,757</u>	<u>30,176</u>
The Establishment holds letters of credit in favour of the Establishment amounting to AED 1,166,533 (previous period AED Nil) as security against trade receivables.		
8. OTHER CURRENT ASSETS		
Prepayments	12,458	--
VAT receivables (net)	9,375	--
	<u>21,833</u>	<u>--</u>
9. OTHER FINANCIAL ASSETS		
Financial asset at amortised cost - margin deposit ^(a)	50,000	50,000
(a) Margin deposit is held as security against guarantees issued by the bank (note 24).		
10. CASH AND CASH EQUIVALENTS		
Cash on hand	3,862	908
Bank balances in current accounts	82,179	252,043
	<u>86,041</u>	<u>252,951</u>
11. SHARE CAPITAL		
Issued and paid up:		
18 shares of AED 150,000 each (previous period 1 share of AED 1,800,000) held by IFB Agro Industries Limited, India.	2,700,000	1,800,000
During the year, vide amendments to the memorandum of association dated 28 August 2018, the share capital of the Establishment was increased to AED 2,700,000. Further, the share denomination was changed from 1 share of AED 1,800,000 to 18 shares of AED 150,000 each.		
12. PROVISION FOR STAFF END-OF-SERVICE BENEFITS		
Opening balance	39,895	--
Provision for the year/period	40,005	39,895
Closing balance	<u>79,900</u>	<u>39,895</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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 related parties were as follows:

	Key management personnel	Companies under common ownership and/or common management control	Total 2019	Total 2018
	AED	AED	AED	AED
Provision for staff end-of-service benefits	26,633	--	26,633	
	13,298	--		13,298
Included in accruals	19,050	--	19,050	
	28,015	49,842		77,857

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	Companies under common ownership and/or common management control	Total 01.04.2018 to 31.03.2019 (Note 25)	Total 20.04.2017 to 31.03.2018 (Note 25)
	AED	AED	AED	AED
Management remuneration and benefits	306,050	--	306,050	
	268,050	--		268,050
Staff end-of-service benefits	13,335	--	13,335	
	13,298	--		13,298
Included in other expenses	--	57,304	57,304	
	--	172,068		172,068

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	2019 AED	2018 AED
14. SHORT-TERM BORROWINGS		
Overdraft from United Arab Bank	<u>1,113,358</u>	<u>--</u>
Bank facilities are secured by way of:		
• Stand by letter of credit from HDFC Bank- India of amount of 110% of the requested credit facility and		
• Promissory note.		
15. TRADE AND OTHER PAYABLES		
Trade payables	1,406,970	--
Accruals	38,761	94,204
Other payables	16,650	--
	<u>1,462,381</u>	<u>94,204</u>
The entire trade and other payables are due for settlement within one year from the reporting date.		
16. OTHER CURRENT LIABILITIES		
Accruals – Staff benefits	<u>61,193</u>	<u>141,760</u>
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 22).		
Funds received from the shareholder are retained in the business, according to the business requirements and to maintain capital at desired levels.		
18. REVENUE FROM CONTRACTS WITH CUSTOMERS		
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.		

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

	01.04.2018 to 31.03.2019 (Note 25) AED	20.04.2017 to 31.03.2018 (Note 25) AED
Primary Geographical segments		
- UAE	6,354,314	1,542,310
- Other Middle East countries	1,135,462	588,064
- Asian countries	243,615	25,750
- African countries	832,741	--
- American countries	2,149,206	--
	<u>10,715,338</u>	<u>2,156,124</u>
Major goods/service lines		
<i>Trading</i>		
- Frozen sea food	10,471,723	2,130,374
<i>Services</i>		
- Commission income	243,615	25,750
	<u>10,715,338</u>	<u>2,156,124</u>
Timing of revenue recognition		
At a point in time	<u>10,715,338</u>	<u>2,156,124</u>
19. STAFF COST		
Managerial remunerations and benefits	287,000	268,050
Staff salaries and benefits	678,264	853,704
Staff end-of-service benefits	40,005	39,895
	<u>1,005,269</u>	<u>1,161,649</u>
20. OTHER OPERATING EXPENSES		
Operating lease expenses	74,249	126,118
Commission paid	98,789	46,887
Legal and professional charges	92,990	105,092
Travelling expenses	134,319	172,068
Other expenses	260,718	209,881
	<u>661,065</u>	<u>660,046</u>
21. FINANCE COSTS		
On overdrafts	<u>12,056</u>	<u>--</u>

IFB AGRO MARINE (FZE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

22. 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.

23. FINANCIAL INSTRUMENTS

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

At 31 March 2019	At amortised cost AED
Financial assets	
Trade and other receivables	2,556,757
Other financial assets	50,000
Cash and cash equivalents	86,041
	<u>2,692,798</u>
Financial liabilities	
Short-term borrowings	1,113,358
Accruals	1,462,381
	<u>2,575,739</u>

The effect of initially applying IFRS 9 on the Establishment's financial instruments is described in Note 2(d). Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

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 comprise credit risks, liquidity risks and market risks (including currency risks and fair value 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. As part of the Establishment's credit risk management, where it is considered necessary, such receivables are covered by letters of credit in favour of the Company, issued by high credit quality financial institutions.

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.

IFB AGRO MARINE (FZE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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, other financial assets and outstanding receivables.

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:

	2019	2018
	AED	AED
AGCC countries	433,834	--
American countries	1,148,585	--
Asian countries	81,202	6,017

At the reporting date 99% of trade receivables were due from four customer (previous year 100% of trade receivables was due from one customer). 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.

IFB AGRO MARINE (FZE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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 11,134 higher or lower (previous year AED Nil) resulting in equity being higher or lower by AED 11,134 (previous year AED Nil).

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 and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

	2019 AED	2018 AED
24. CONTINGENT LIABILITIES		
Bankers' letters of guarantee	50,000	50,000

25. **COMPARATIVE INFORMATION**

Current year's figures are for a period of twelve months (1 April 2018 to 31 March 2019) and hence not strictly comparable with those of the previous period which is from 20 April 2017 to 31 March 2018.

For IFB AGRO MARINE (FZE)



Allen Lawrence
(Director)

