Zee Store PJSC

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

31 DECEMBER 2020

Zee Store PJSC

DIRECTORS' REPORT

31 DECEMBER 2020

مخازن زي
ZEE STORES

DIRECTORS' REPORT

31 December 2020

The Directors have the pleasure to present their report, together with the audited financial statements of Zee Store PJSC (the "Company"), for the year ended 31 December 2020

Principal activities

The principal activities of the Company include the trading and importing of fresh consumables, canned, preserved and frozen foods and providing re-packaging and wrapping services.

Results

Revenue for the year amounted to AED 289,029,171 (2019: AED 302,999,460) and profit for the year was AED 12,295,273 (2019: AED 18,636,453).

Release

The Directors release from liability the management and the external auditor in connection with their duties for the year ended 31 December 2020.

Auditors

A resolution proposing the reappointment of Ernst & Young as auditors of the Company for the year ending 31 December 2021 will be put to the shareholders at Annual General Meeting.

For and on behalf of the Board of Directors

Chairman
Date: 10th February 2021

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Zee Store PJSC

FINANCIAL STATEMENTS

31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ZEE STORE PJSC

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Zee Store PJSC (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 Company in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ZEE STORE PJSC continued

Report on the Audit of the Financial Statements continued

Revenue recognition
Revenue recognition is considered to be a key area of focus given that revenue is material and an important determinant of the Company's performance and profitability. The Company mainly provides food items to its customers and recognises revenue from contracts with customers at the point in time at which the control of the goods is transferred to the customers (refer note 3 to the financial statements for the revenue recognition policy of the Company).

During the year ended 31 December 2020, total revenue of the Company amounted to AED 289,029,171. Given the magnitude of the amount and inherent risk of revenue overstatement, we consider revenue recognition to be a key audit matter.

To address the above risk, we performed the following procedures among others:

- Undertook procedures to assess whether the revenue recognition criteria adopted by the Company is appropriate and is in line with the Company's accounting policy;
- Assessed the compliance of such policies with the applicable International Financial Reporting Standards;
- Inspected contracts with customers, on sample basis, to test the total contract values, invoicing and payment terms;
- Obtained a representative sample of transactions and tested their occurrence, accuracy and recognition, by tracing them back to supporting documents;
- Performed cut off procedures, including selecting the sample of transactions before and after the year end to evaluate the recognition in the current reporting period;
- Performed analytical procedures, including gross profit margin analysis, to identify inconsistencies and/or unusual movements during the year; and
- Assessed the adequacy of the Company's disclosure in the financial statements in connection with revenue recognition.

Other information
Other information consists of the information included in the Directors' report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ZEE STORE PJSC continued

Report on the Audit of the Financial Statements continued

Responsibilities of management and those charged with governance for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Memorandum and Articles of Association of the Company and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ZEE STORE PJSC continued

Report on the Audit of the Financial Statements continued

Auditor's responsibilities for the audit of the financial statements 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 13 April 2020.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ZEE STORE PJSC continued

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and the Memorandum and Articles of Association of the Company;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Chairman's report is consistent with the books of account and records of the Company;

v) based on the information that has been made available to us the Company has not purchased any shares or stocks during the year ended 31 December 2020;

vi) note 22 reflects the disclosures relating to material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2020, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2020; and

viii) during the year, the Company made no social contributions.

Signed by:
Raed Ahmad
Partner
Ernst & Young
Registration No 811

10 February 2021
Abu Dhabi

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	***2020 AED***	*2019 AED*
Revenue from contract with customers	5	**289,029,171**	302,999,460
Cost of sales	6	**(257,007,754)**	(271,940,850)
GROSS PROFIT		**32,021,417**	31,058,610
General and administrative expenses	7	**(19,825,149)**	(12,117,683)
Finance cost	8	**(478,052)**	(466,628)
Other income		**577,057**	162,154
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,295,273**	18,636,453
BASIC EARNING PER SHARE	10	**0.80**	1.21

The attached notes 1 to 27 form part of these financial statements.

Zee Store PJSC

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	*2020 AED*	*2019 AED*
ASSETS			
Non-current assets			
Property, plant and equipment	12	**19,700,743**	15,342,758
Right-of-use asset	13	**7,089,122**	7,246,689
		26,789,865	22,589,447
Current assets			
Inventories	14	**8,627,282**	5,610,869
Trade and other receivables	15	**8,393,861**	7,651,368
Amounts due from related parties	22	**105,763,723**	93,238,771
Cash and bank balances	16	**160,878,459**	62,349,605
		283,663,325	168,850,613
TOTAL ASSETS		**310,453,190**	191,440,060
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**100,000,000**	1,000,000
Contributed capital	17	**12,294,193**	12,294,193
Statutory reserve	18	**1,729,527**	500,000
Retained earnings		**47,377,369**	125,836,166
Total equity		**161,401,089**	139,630,359
Non-current liabilities			
Provision for employees' end of service benefits	19	**3,821,827**	3,318,741
Lease liability	13	**7,369,897**	7,237,500
		11,191,724	10,556,241
Current liabilities			
Trade and other payables	20	**54,628,199**	38,672,743
Amounts due to related parties	22	**2,939,445**	2,296,511
Loan from a related party	22	**80,000,000**	-
Lease liability	13	**292,733**	284,206
		137,860,377	41,253,460
Total liabilities		**149,052,101**	51,809,701
TOTAL EQUITY AND LIABILITIES		**310,453,190**	191,440,060

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share capital AED	*contributed capital AED*	*Statutory reserve AED*	*Retained earnings AED*	*Total equity AED*
As at 1 January 2019	1,000,000	12,294,193	500,000	113,199,713	126,993,906
Total comprehensive income for the year	-	-	-	18,636,453	18,636,453
Dividends (note 21)	-	-	-	(6,000,000)	(6,000,000)
Balance at 31 December 2019	1,000,000	12,294,193	500,000	125,836,166	139,630,359
As at 1 January 2020	1,000,000	12,294,193	500,000	125,836,166	139,630,359
Total comprehensive income for the year	-	-	-	12,295,273	12,295,273
Increase in share capital (note 17)	99,000,000	-	-	(99,000,000)	-
Transfer of profit for the year to statutory reserve (note 18)	-	-	1,229,527	(1,229,527)	-
Share based payments (note 11)	-	-	-	33,148,200	33,148,200
Share based payments - awards to personnel of the parent and ultimate parent companies (note 11)	-	-	-	(23,672,743)	(23,672,743)
Balance at 31 December 2020	**100,000,000**	**12,294,193**	**1,729,527**	**47,377,369**	**161,401,089**

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	*2020* *AED*	*2019* *AED*
OPERATING ACTIVITIES			
Profit for the year		**12,295,273**	18,636,453
Adjustments for:			
Depreciation of property, plant and equipment	12	**1,987,293**	1,547,444
Write off of property, plant and equipment	12	**-**	1,436,030
Gain on disposal of property and equipment		**-**	(15,000)
Share based payments	11	**9,475,457**	-
Depreciation of right-of-use asset	13	**157,567**	157,134
Provision for expected credit losses on trade and other receivables	15	**94,883**	376,126
Provision (reversal of provision) for expected credit losses on amounts due from related parties	22	**45,997**	(75,600)
Provision for employees' end of service benefits	19	**597,761**	359,205
Finance cost	8	**478,052**	466,628
		25,132,283	22,888,420
Working capital adjustments:			
Inventories		**(3,016,413)**	931,431
Trade and other receivables		**(837,376)**	2,629,715
Amounts due from related parties		**(12,563,182)**	29,985,391
Trade and other payables		**15,955,456**	(13,353,464)
Amounts due to related parties		**642,934**	(1,220,939)
Cash generated from operations		**25,313,702**	41,860,554
Employees' end of service benefits paid	19	**(102,442)**	(111,775)
Finance cost paid		**(52,922)**	(50,432)
Net cash flows from operating activities		**25,158,338**	41,698,347
INVESTING ACTIVITIES			
Purchase of property and equipment	12	**(6,345,278)**	(2,236,052)
Proceeds from disposal of property and equipment		**-**	15,000
Net cash used in investing activities		**(6,345,278)**	(2,221,052)
FINANCING ACTIVITIES			
Repayment of lease liability	13	**(284,206)**	(275,928)
Dividend paid	21	**-**	(6,000,000)
Loan from a related party	22	**80,000,000**	-
Net cash flows from (used in) financing activities		**79,715,794**	(6,275,928)
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**98,528,854**	33,201,367
Cash and cash equivalents at 1 January		**62,349,605**	29,148,238
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	**160,878,459**	62,349,605

The attached notes 1 to 27 form part of these financial statements.

1 ACTIVITIES

Zee Store PJSC (the "Company") is a private joint stock company incorporated under the UAE Federal Law No. (2) of 2015. The registered address of the Company is P.O. Box 53314, Abu Dhabi, United Arab Emirates.

On 5 November 2020, the shareholders resolved to change the legal form of the Company from a limited liability company to a private joint stock company and to increase the share capital of the Company to AED 100,000,000 (refer to note 17). On 23 December 2020, the Company has listed its ordinary shares on the secondary market of Abu Dhabi Securities Exchange ("ADX").

The principal activities of the Company include the trading and importing of fresh consumables, canned, preserved and frozen foods and providing re-packaging and wrapping services.

International Holding Company PJSC (formerly International Holdings Company PJSC) is the Parent and Royal Group Holding LLC is the Ultimate Parent of the Company.

The financial statements of the Company for the year ended 31 December 2020 were approved and authorised for issue by the Board of Directors on 10 February 2021.

2.1 BASIS OF PREPARATION

These financial statements have been prepared on a historic cost basis.

The financial statements have been presented in United Arab Emirates Dirhams ("AED"), which is also the functional currency of the Company.

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of the UAE Federal Law No. (2) of 2015. Federal Decree-Law No. 26 of 2020, which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies, was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new standards, interpretations and amendments effective as of 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 16: Covid-19 Related Rent Concessions
- Conceptual Framework for Financial Reporting issued on 29 March 2018

These amendments did not have a material impact on the financial statements of the Company.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Reference to the Conceptual Framework - Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16
- Onerous Contracts - Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities
- IAS 41 Agriculture - Taxation in fair value measurements

The Company does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its financial statements:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. Revenue is adjusted for expected discounts and volume discounts, which are estimated based on the historical data or forecast and projections. The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify 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.

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

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

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

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.

Sale of goods
The Company is in the business of providing goods, mainly food items, to its customers. Revenue from sale of goods is recognised at the point in time when control is transferred to the customer, generally on delivery of the goods at the customer's location.

A receivable is recognised by the Company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis at rates estimated to depreciate the assets concerned over their useful lives in the business as follows:

Building and leasehold improvements	20 years
Plant and machinery	15 years
Computer and office equipment	5 years
Motor vehicles	5 years

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising in derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the statement of comprehensive income in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, at each financial year end, and adjusted prospectively, if appropriate.

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Land	50

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the 'impairment of non-financial assets' section below.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued

ii) Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in - substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of property (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 and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Impairment of non-financial assets
At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that it reverses previously recorded revaluation gains.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition as financial assets at fair value through profit or loss, fair value through OCI or amoritsed cost. All financial assets are recognised initially at fair value plus in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Company's financial assets include cash and bank balances, amounts due from related parties and trade and other receivables.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at fair value through profit or loss
- Financial assets at fair value through OCI
- Amortised cost

The Company's financial assets are classified as amortised cost.

Amortised cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. The losses arising from impairment (if any) are recognised in the statement of comprehensive income. This category generally applies to cash and bank balances, due from related parties, loan from a related party and trade and other receivables.

Impairment of financial assets
The Company recognises 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 Company 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.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued
Impairment of financial assets continued
The Company consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company 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:
  - the Company has transferred substantially all the risks and rewards of the asset, or
  - the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities and equity instruments
Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through statement of comprehensive income are recognised immediately in statement of comprehensive income.

Classification as debt or equity
Debt and equity instruments issued by a company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities and equity instruments continued
Financial liabilities
Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is charged to statement of comprehensive income.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The financial liabilities of Company include lease liability, trade and other payables, loan from a related party and amounts due to related parties.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Inventories
Inventories are stated at the lower of cost and net realisable value after adjusting allowance for any slow and non-moving items. Inventories are valued on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production, or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances which are subject to an insignificant risk of changes in value.

Foreign currencies
For the purpose of these financial statements, the UAE Dirhams (AED) is the functional and the presentation currency of the Company.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Employees' end of service benefits
The Company provides end of service benefits to its employees determined in accordance with the UAE labour law. The entitlements to these benefits are based upon the employees' final salaries and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows 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 the receivable can be measured reliably.

Share-based payments
Employees (including key management personnel) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 11.

That cost is recognised in staff cost (Note 9), together with a corresponding increase in equity (retained earnings), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Fair value measurement
The Company measures financial instruments such as financial assets at fair value through other comprehensive income at fair value at each statement of financial position date. 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 principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A 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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Fair value for measurement and/or disclosure purposes in these financial statements is determined on the basis as explained above, except for share-based payment transactions that are within the scope of IFRS 2; leasing transactions that are within the scope of IFRS 16 and measurements that have some similarities to fair value, but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Current versus non-current classification
The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized 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 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 Company classifies all other liabilities as non-current.

Value added tax ("VAT")
Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

- When receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Dividend
The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

While applying the accounting policies as stated in note 3, management of the Company has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimate made by management are summarised as follows:

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Key estimates and assumptions
The key assumptions 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 discussed below:

Useful lives of property, plant and equipment
The useful life of each item of property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset.

Impairment of non-financial assets
The Company determines whether property, plant and equipment and right-of-use asset are impaired when events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indicator of impairment exists, the Company determines the value in use of the cash generating units, where an indicator has been identified. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating units and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Management has determined no impairment indicators existed as of 31 December 2020 and the carrying values of property and equipment and right-of-use asset are fully recoverable.

Allowance for slow moving inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and allowance for impairment applied according to the inventory type and the degree of ageing or obsolescence, based on Company's policy for inventory provisioning.

No provision for slow moving inventories were made as at 31 December 2020 and 2019.

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

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

In determining whether provision for expected credit losses should be recorded in the statement of comprehensive income, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. As per ECL model, the impairment loss allowance for trade receivables at 31 December 2020 is AED 847,885 (2019: AED 753,002).

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Key estimates and assumptions continued

Leases - Estimating the incremental borrowing rate

Where the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Impact of Covid-19

The outbreak of novel coronavirus (COVID-19) continues to progress and evolve, causing disruption to business and economic activity. During the year, there has been macro economic uncertainty with regards to prices and demand for commodities. However, the scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition. The Company is monitoring the evolution of the COVID 19 pandemic and will continue to assess further impacts going forward.

The currently known impacts of COVID-19 on the Company are:

- There is a slight delay in customers collections due to Covid-19 but management is closely monitoring the situation and has kept adequate provision for expected credit losses.
- The reduction of economic activities during the lock-down period has resulted in a slight reduction in sales of goods.

However, these factors have not significantly impacted the results of the Company for the year ended 31 December 2020 and management does not anticipate a future material impact of this outbreak on the Company's financial statements at this stage.

5 REVENUE FROM CONTRACT WITH CUSTOMERS

	2020	*2019*
	AED	*AED*
Types of goods or services		
Sale of goods	**289,029,171**	302,999,460

All the sales were made in United Arab Emirates and were recorded at point in time.

6 COST OF SALES

	2020	*2019*
	AED	*AED*
Cost of goods sold	**248,691,287**	265,003,841
Staff costs (note 9)	**6,688,204**	5,673,721
Depreciation (note 12)	**1,470,696**	1,106,154
Depreciation of right of use-of-assets (note 13)	**157,567**	157,134
	257,007,754	271,940,850

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 *AED*	*2019* *AED*
Staff costs (note 9)	**14,916,892**	7,606,338
Office expenses	**1,298,487**	395,488
Transportation expenses	**784,079**	740,108
Utility expenses	**680,663**	487,044
Repairs and maintenance expenses	**380,672**	310,056
Legal and professional expenses	**583,321**	155,378
Depreciation (note 12)	**516,597**	441,290
Property and equipment written off (note 12)	**-**	1,436,030
Rent	**158,307**	-
Insurance	**145,735**	136,982
Others	**360,396**	408,969
	19,825,149	12,117,683

8 FINANCE COST

	2020 *AED*	*2019* *AED*
Bank charges	**52,922**	50,432
Interest expense on lease liability (note 13)	**425,130**	416,196
	478,052	466,628

9 STAFF COSTS

	2020 *AED*	*2019* *AED*
Salaries	**10,634,290**	9,181,805
Share based payments (note 11)	**9,475,457**	-
Management remuneration (note 22)	**897,588**	3,739,049
Employees' end of service benefits (note 19)	**597,761**	359,205
	21,605,096	13,280,059
Staff cost is allocated as follows:		
Cost of sales (note 6)	**6,688,204**	5,673,721
General and administrative expenses (note 7)	**14,916,892**	7,606,338
	21,605,096	13,280,059

10 BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year of the Company by the weighted average number of shares in issue throughout the year as follows:

	2020	*2019*
Profit attributable to the owners of the Company (AED)	**12,295,273**	18,636,453
Weighted average number of shares (No.)*	**15,411,781**	15,411,781
Basic earnings per share for the year (AED)	**0.80**	1.21

*The weighted average number of shares takes into account the weighted average effect of increase in number of shares during the year.

11 SHARE BASED PAYMENTS

On 5 November 2020, ordinary shares of the Company were granted to key management personnel of the Company, as well as certain personnel of the Parent Company, Ultimate Parent Company and their related entities. The share awards did not have any service or performance conditions ('vesting condition') and, therefore, vested immediately on the grant date. The breakup of the shares awarded is as follows;

	Number of shares
Share awards to key management personnel of the Company	6,000,000
Share awards to personnel of the parent and ultimate parent companies	15,000,000
	21,000,000

The fair value at the grant date (being the measurement date) was estimated at AED 1.58 per share considering the terms and conditions on which the shares were granted. The total fair value of the share awards amounted to AED 33,148,200 and was recorded as follows, with a corresponding increase in the Company's equity.

	Number of shares	***2020 AED***
Charged to general and administrative expenses (staff cost)	6,000,000	**9,475,457**
Charged to retained earnings	15,000,000	**23,672,743**
	21,000,000	**33,148,200**

12 PROPERTY, PLANT AND EQUIPMENT

	Building and leasehold improvements AED	*Plant and machinery AED*	*Computer and office equipment AED*	*Motor vehicles AED*	*Capital work in progress AED*	*Total AED*
2020						
Cost:						
At 1 January 2020	15,316,128	2,136,998	2,924,730	3,654,309	87,090	24,119,255
Transfers	-	3,440	2,850	-	(6,290)	-
Additions	151,700	704,861	674,444	1,261,008	3,553,265	6,345,278
At 31 December 2020	**15,467,828**	**2,845,299**	**3,602,024**	**4,915,317**	**3,634,065**	**30,464,533**
Depreciation:						
At 1 January 2020	2,811,642	1,303,245	2,037,546	2,624,064	-	8,776,497
Charge for the year	628,264	463,326	376,717	518,986	-	1,987,293
At 31 December 2020	**3,439,906**	**1,766,571**	**2,414,263**	**3,143,050**	**-**	**10,763,790**
Net carrying amount:						
31 December 2020	**12,027,922**	**1,078,728**	**1,187,761**	**1,772,267**	**3,634,065**	**19,700,743**
2019						
Cost:						
At 1 January 2019	3,755,994	1,108,498	1,761,350	2,828,109	13,968,282	23,422,233
Additions	1,105,626	-	114,136	929,200	87,090	2,236,052
Disposals	-	-	-	(103,000)	-	(103,000)
Transfers	11,890,538	1,028,500	1,049,244	-	(13,968,282)	-
Write offs	(1,436,030)	-	-	-	-	(1,436,030)
At 31 December 2019	15,316,128	2,136,998	2,924,730	3,654,309	87,090	24,119,255
Depreciation:						
At 1 January 2019	2,239,477	909,403	1,701,651	2,481,522	-	7,332,053
Charge for the year	572,165	393,842	335,895	245,542	-	1,547,444
Disposals	-	-	-	(103,000)	-	(103,000)
At 31 December 2019	2,811,642	1,303,245	2,037,546	2,624,064	-	8,776,497
Net carrying amount:						
31 December 2019	12,504,486	833,753	887,184	1,030,245	87,090	15,342,758

The depreciation charge for the year has been allocated as follows:

	***2020* AED**	*2019 AED*
Cost of sales (note 6)	**1,470,696**	1,106,154
General and administrative expenses (note 7)	**516,597**	441,290
	1,987,293	1,547,444

13 RIGHT OF USE OF ASSET AND LEASE LIABILITY

The Company has taken a land on lease for a warehouse in KIZAD from Abu Dhabi Ports Company PJSC (the "lessor") for a period of 50 years. Set out below are the carrying amounts of the Company's right-of-use asset and lease liability and the movements during the year:

	2020	*2019*
	AED	*AED*
As at 1 January	**7,246,689**	-
Recognised upon adoption of IFRS 16	-	7,403,823
Depreciation expense	**(157,567)**	(157,134)
As at 31 December	**7,089,122**	7,246,689

The movement in lease liability are as follows:

	2020	*2019*
	AED	*AED*
As at 1 January	**7,521,706**	-
Recognised upon adoption of IFRS 16	-	7,381,438
Interest expense	**425,130**	416,196
Payments during the year	**(284,206)**	(275,928)
As at 31 December	**7,662,630**	7,521,706

The lease liability is classified in the statement of financial position as follows:

	2020	*2019*
	AED	*AED*
Non-current	**7,369,897**	7,237,500
Current	**292,733**	284,206
	7,662,630	7,521,706

The Company does not face a significant liquidity risk with regard to its liabilities. Lease liability is monitored within the Company's treasury function. Maturity analysis of the undiscounted lease payments as at 31 December 2020 is disclosed under Note 24.

Amounts recognised in statement of comprehensive income:

	2020	*2019*
	AED	*AED*
Depreciation of right-of-use asset *(cost of sales)*	**157,567**	157,134
Interest expense on lease liability *(finance cost)*	**425,130**	416,196
	582,697	573,330

14 INVENTORIES

	2020 *AED*	*2019* *AED*
Finished goods	**8,613,090**	5,604,004
Packing and other materials	**14,192**	6,866
Finished goods	**8,627,282**	5,610,869

No provision for slow moving inventories were made as at 31 December 2020 and 2019.

15 TRADE AND OTHER RECEIVABLES

	2020 *AED*	*2019* *AED*
Trade receivables	**5,981,189**	6,125,727
Less: provision for expected credit losses	**(847,885)**	(753,002)
	5,133,304	5,372,725
Advances to suppliers	**1,516,033**	565,412
Deposits and other receivables	**1,218,459**	1,247,917
Prepaid expenses	**493,758**	277,167
Staff receivables	**32,307**	188,147
	8,393,861	7,651,368

As at 31 December 2020, trade receivables of AED 847,885 (2019: AED 753,002) were impaired. Movements in the provision for expected credit losses were as follows:

	2020 *AED*	*2019* *AED*
As at 1 January	**753,002**	376,876
Charge for the year	**94,883**	376,126
As at 31 December	**847,885**	753,002

The carrying amounts of the Company's trade receivables are denominated in the UAE Dirham and approximate their fair value as at 31 December 2020 and 2019. The maximum exposure to credit risk at the reporting date is the carrying value of each class of the receivables mentioned above. The Company does not hold any collateral as security

15 TRADE AND OTHER RECEIVABLES continued

Below is the information about the credit risk exposure on the Company's trade receivables:

	Not past due AED	*1 - 30 AED*	*31 - 60 AED*	*61 -90 AED*	*91-180 AED*	*181 – 360 AED*	*> 360 AED*	*Total AED*
31 December 2020								
Expected credit loss	**0.28%**	**0.28%**	**0.28%**	**0.28%**	**0.28%**	**75.95%**	**100.00%**	**14.18%**
Estimated total gross carrying amount as default	**1,926,747**	**1,835,558**	**705,293**	**405,701**	**256,421**	**74,639**	**776,830**	**5,981,189**
Expected credit loss	**5,395**	**5,140**	**1,975**	**1,136**	**718**	**56,691**	**776,830**	**847,885**
31 December 2019								
Expected credit loss	0.86%	0.86%	0.86%	0.86%	0.86%	0.86%	95.28%	12.29%
Estimated total gross carrying amount as default	2,422,623	1,648,181	736,314	363,690	153,847	59,571	741,501	6,125,727
Expected credit loss	20,916	14,230	6,357	3,140	1,328	514	706,517	753,002

16 CASH AND BANK BALANCES

	2020 AED	*2019 AED*
Cash in hand	**33,040**	33,054
Bank balances – current account	**160,845,419**	62,316,551
Cash and cash equivalents	**160,878,459**	62,349,605

17 SHARE CAPITAL

	2020 AED	*2019 AED*
Authorised, issued and fully paid shares		
100,000,000 ordinary shares (2019: 100,000 shares) of AED 1 each (2019: AED 10 each)	**100,000,000**	1,000,000

On 5 November 2020, the shareholders approved the increase in the Company's share capital from AED 1,000,000 to AED 100,000,000, with the reduction of the par value per share from AED 10 to AED 1 and the issuance of 99,900,000 new shares.

Contributed capital

Contributed capital represents a long term interest free advance from shareholders with no fixed terms of repayment. The shareholders have confirmed that this will not be called in the foreseeable future, and that, on dissolution of the company, the rights, benefits and obligations in the residual net assets and liabilities, attached to the balance in the additional shareholder contribution account, shall rank pari passu with those attached to the share capital of the company. Therefore, this advance is more akin to an equity instrument rather than a liability, and accordingly the balance has been presented within equity.

18 STATUTORY RESERVE

In accordance with the UAE Federal Law No. 2 of (2015), and the Company's Articles of Association, 10% of the profit for the year is transferred to legal reserve, which is non-distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the share capital of the Company.

19 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2020 ***AED***	*2019* *AED*
At 1 January	**3,318,741**	2,811,037
Provided during the year	**597,761**	359,205
Transfer from a related party (note 22)	**7,767**	260,274
Paid during the year	**(102,442)**	(111,775)
At 31 December	**3,821,827**	3,318,741

20 TRADE AND OTHER PAYABLES

	2020 ***AED***	*2019* *AED*
Trade accounts payable	**49,672,680**	31,003,116
Accrued and other payables	**4,955,519**	7,669,627
	54,628,199	38,672,743

21 DIVIDENDS

During the year, the Company paid a cash dividend of nil (2019: AED 6,000,000) to the shareholders out of its retained earnings.

22 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, associated companies, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Balances due from related parties included in the statement of financial position are as follows:

	2020 *AED*	*2019* *AED*
Amounts due from related parties:		
Entities under common control		
Al Yasat Catering and Restaurant Supplies LLC	**1,306,091**	4,542,435
Sarha Ship	**2,831,432**	2,982,061
Cine Royal Cinema LLC	**69,524**	194,851
Others	**4,625,751**	5,383,656
	8,832,798	13,103,003
Other related parties		
The Private Affairs Department of Sheikha Fatima	**73,229,148**	52,354,150
Meena Palace	**22,814,664**	25,751,788
H.H. Sheikh Hamdan Bin Zayed Al Nahyan	**1,083,043**	238,427
H.H. Sheikh Abdulla Bin Zayed Al Nahyan	**446,961**	1,485,158
National Projects and Construction LLC	**-**	285,315
Office of H.H. Sheikh Tahnoon Bin Zayed Al Nahyan	**8,846**	672,099
	106,415,460	93,889,940
Less: allowance for excepted credit losses	**(651,737)**	(651,169)
	105,763,723	93,238,771

Set out below is the movement in the allowance for expected credit losses of due from related parties:

	2020 *AED*	*2019* *AED*
As at 1 January	**651,169**	3,435,422
Write off during the year	**(45,429)**	(2,708,653)
Provision (reversal of provision) for expected credit losses	**45,997**	(75,600)
As at 31 December	**651,737**	651,169
Balances with a financial institution ***(other related party)***	**160,845,419**	62,316,551

22 RELATED PARTY TRANSACTIONS AND BALANCES continued

Balances due to related parties included in the statement of financial position are as follows:

	2020 *AED*	*2019* *AED*
Amounts due to related parties:		
Entities under common control		
Alliance Foods Co. LLC	**2,238,099**	1,262,737
Al Ajaban Poultry LLC	**-**	347,327
Others	**301,346**	286,447
	2,539,445	1,896,511
Other related parties		
H.H. Sheikh Tahnoon Bin Zayed Al Nahyan	**400,000**	400,000
	2,939,445	2,296,511
Loan from a related party		
IHC Food Holdings LLC*	**80,000,000**	-

*On 29 December 2020, the Company obtained a loan from IHC Food Holdings LLC (direct parent) amounting to AED 80,000,000, to finance future investments and other business operations. The loan is payable on demand, unsecured and carries interest at the rate of 1% per annum.

Transactions with related parties entered during the year were as follows:

	2020 *AED*	*2019* *AED*
Transfer of provision for employees' end of service benefit from other related party (note 19)	**7,767**	260,274
Share based payments - awards to personnel of the parent and ultimate parent companies (note 11)	**23,672,743**	-
Revenues		
Entities under common control	**7,707,851**	13,391,459
Other related parties	**256,155,081**	267,439,976
	263,862,932	280,831,435
Purchases		
Entities under common control	**7,441,676**	13,255,125
Other related parties	**34,829**	51,729
	7,476,505	13,306,854

22 RELATED PARTY TRANSACTIONS AND BALANCES continued

Compensation of key management personnel
The remuneration of members of key management during the year was as follows:

	2020 *AED*	*2019* *AED*
Management remuneration (note 9)	**897,588**	3,739,049
Employees' end of service benefits	**85,044**	84,811
Share based payments (note 11)	**9,475,457**	-
	10,458,089	3,739,050

23 CONTINGENT LIABILITIES

	2020 *AED*	*2019* *AED*
Bank guarantees	**823,803**	983,403

The above bank guarantees have been issued from a local bank in the ordinary course of business on which the bank charges a fee of 1% per annum.

24 FINANCIAL RISK MANAGEMENT

Capital management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

There were no changes in the Company's approach to capital management during the year.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. net debt is calculated as total borrowings less cash and short-term deposits. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

	2020 *AED*	*2019* *AED*
Lease liability	**7,662,630**	7,521,706
Loan from a related party	**80,000,000**	-
Cash and bank balances	**(160,878,459)**	(62,349,605)
Net debt	**(73,215,829)**	(54,827,899)
Equity	**161,401,089**	139,630,359
Debt/equity ratio	**-**	-

For the purpose of the Company's capital risk management, capital includes share capital, contributed capital, statutory reserve and retained earnings attributable to the equity holders of the Company.

24 FINANCIAL RISK MANAGEMENT continued

Financial risk management objectives
The Company's finance department monitors and manages the financial risks relating to the operations of the Company. These risks include credit risk and liquidity risk. The Company does not enter into or trade in derivative financial instruments for speculative or risk management purposes.

Market risk management
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, such as commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company does not have significant exposure to any of these risks as most of its monetary assets and liabilities are denominated in UAE Dirhams and the Company does not have any financial instrument with a floating interest rate.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risks from its operating activities (primarily for Trade and other receivable and amounts due from related parties) and from its financing activities, including bank balance and cash.

In order to minimise credit risk, the management develop and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, management uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

There are policies in place to ensure that services are rendered to customers with an appropriate credit history. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk management
Liquidity risk is the risk that the Company will be unable to meet its funding requirements. The maturity profile of financial liabilities is monitored by management to ensure adequate liquidity is maintained.

Ultimate responsibility for liquidity risk rests with the majority shareholder's team, which has built an appropriate liquidity risk management framework for the planning of the Company's short, medium and long-term funding and liquidity management requirements.

24 FINANCIAL RISK MANAGEMENT continued

Liquidity risk management continued
The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	1 year or less AED	*1 to 5 years AED*	*Over 5 years AED*	*Total AED*
At 31 December 2020				
Trade and other payables	**54,628,199**	-	-	**54,628,199**
Lease liability	**292,733**	**1,600,782**	**25,248,620**	**27,142,135**
Loan from a related party	**80,000,000**	-	-	**80,000,000**
Amounts due to related parties	**2,939,445**	-	-	**2,939,445**
Total	**137,860,377**	**1,600,782**	**25,248,620**	**164,709,779**
At 31 December 2019				
Trade and other payables	38,672,743	-	-	38,672,743
Lease liability	284,206	1,554,158	25,587,977	27,426,341
Amounts due to related parties	2,296,511	-	-	2,296,511
Total	41,253,460	1,554,158	25,587,977	68,395,595

Currency risk management
Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge foreign currency exposure.

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and liabilities. Financial assets consist of cash and bank balances, trade and other receivable and amounts due from related parties. Financial liabilities consist of trade and other payable, amounts due to related parties and loan from a related party.

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date.

26 COMPARATIVE INFORMATION

Certain comparative figures have been reclassified, wherever necessary, to confirm to the presentation adopted in the current year financial statements. Such reclassification has no impact on previously reported profit or equity of the Company.

27 SUBSEQUENT EVENTS

Subsequent to year end, the Company acquired 60% equity interest in Royal Horizon Holding LLC, a privately held Company in UAE for AED 40 million.