



**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHARE HOLDERS OF SUNDROP FOODS LANKA (PRIVATE) LIMITED**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Sundrop Foofs Lanka (Private) Limited, which comprise the statement of financial position as at 31<sup>st</sup> March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Board's Responsibility for the Financial Statements**

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**Report on Other Legal and Regulatory Requirements**

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we state the following:

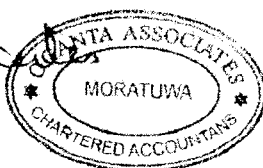
- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion :

We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,

The financial statements of the Company give a true and fair view of the financial position as at 31st March 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards

The financial statements of the Company , comply with the requirements of Section 151 (2)of the Companies Act No. 07 of 2007.

*Oganta Assoc*  
**OGANTA ASSOCIATES**  
Chartered Accountants  
Colombo  
20th April 2018

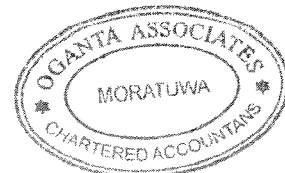
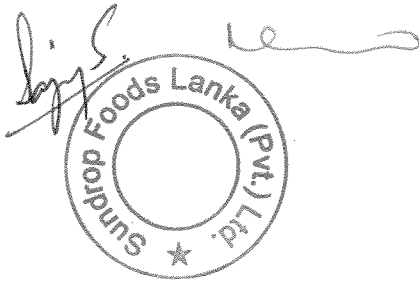


**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED ENDED 31<sup>ST</sup> MARCH,**

		2018	2017
	Note	(LKR)	(LKR)
Revenue - Sales		2,171,394	-
Cost of Sales	4	(2,397,249)	-
<b>Gross Profit/(Loss)</b>		<u>(225,855)</u>	<u>-</u>
Administrative Expenses		(5,619,494)	(6,120,744)
Finance Income	5	1,550,699	1,954,808
<b>Loss before Tax</b>	6	<u>(4,294,650)</u>	<u>(4,165,936)</u>
Income Tax	7	515,358	483,227
<b>Loss for the Period</b>		<u>(3,779,292)</u>	<u>(3,682,709)</u>
<b>Other Comprehensive Income</b>		<u>-</u>	<u>-</u>
<b>Total Comprehensive Income/(Loss) for the Period</b>		<u><u>(3,779,292)</u></u>	<u><u>(3,682,709)</u></u>
<b>Loss per Share</b>	8	(0.76)	(0.74)

The Accounting Policies and Notes form an integral part of these Financial Statements.

*Figures in brackets indicate deductions.*



SUNDROP FOODS LANKA (PRIVATE) LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 31<sup>ST</sup> MARCH,

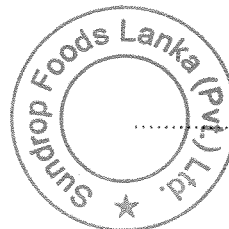
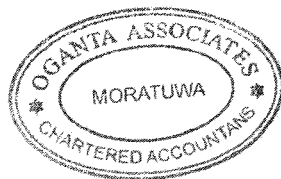
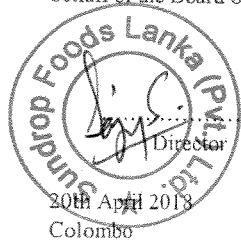
	Note	2018 (LKR)	2017 (LKR)
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Capital Work-in-Progress	9	10,445,975	7,726,359
Deferred Tax Asset	10	1,537,138	1,021,780
<b>Total Non Current Assets</b>		<b>11,983,113</b>	<b>8,748,139</b>
<b>Current Assets</b>			
Inventory	11	3,700,164	-
Other Receivables	12	7,905,120	8,593,504
Cash and Cash Equivalents	13	16,103,824	24,119,833
<b>Total Current Assets</b>		<b>27,709,107</b>	<b>32,713,336</b>
<b>TOTAL ASSETS</b>		<b>39,692,220</b>	<b>41,461,475</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated Capital	14	50,000,000	50,000,000
Accumulated Loss		(12,835,879)	(9,056,587)
<b>Total Equity</b>		<b>37,164,121</b>	<b>40,943,413</b>
<b>Current Liabilities</b>			
Other Payables	15	593,000	518,062
Amounts due to Related Parties	16	1,935,099	-
<b>Total Current Liabilities</b>		<b>2,528,099</b>	<b>518,062</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>39,692,220</b>	<b>41,461,475</b>

The Accounting Policies and Notes form an integral part of these Financial Statements.

I certify that the Financial Statements have been prepared in compliance with the requirement of the Companies Act No. 07 of 2007.

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Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board of Directors of Sundrop Foods Lanka (Private) Limited.



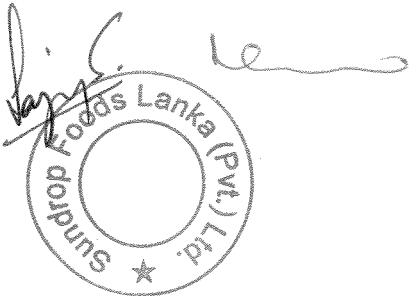
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Director

SUNDROP FOODS LANKA (PRIVATE) LIMITED  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018

	Stated Capital (LKR)	Accumulated Loss (LKR)	Total (LKR)
Balance as at 01 <sup>st</sup> April 2016	50,000,000	(5,373,878)	44,626,122
Loss for the period	-	(3,682,709)	(3,682,709)
Balance as at 31 <sup>st</sup> March 2017	<u>50,000,000</u>	<u>(9,056,587)</u>	<u>40,943,413</u>
Balance as at 01 <sup>st</sup> April 2017	50,000,000	(9,056,587)	40,943,413
Loss for the period	-	(3,779,292)	(3,779,292)
Balance as at 31 <sup>st</sup> March 2018	<u>50,000,000</u>	<u>(12,835,879)</u>	<u>37,164,121</u>

The Accounting policies and notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



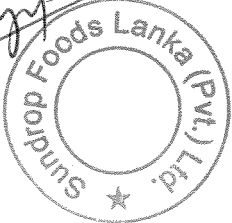
**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH,**

	Note	2018	2017
		(LKR)	(LKR)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before Tax		(4,294,650)	(4,165,936)
Adjustments for :			
Interest Income		1,550,699	1,954,808
<b>Operating Loss before Working Capital Changes</b>		<b>(5,845,349)</b>	<b>(6,120,744)</b>
<b>Changes in Working Capital</b>			
(Increase)/Decrease Inventory		(3,700,164)	-
(Increase)/Decrease Other Receivables		(2,810,090)	340,841
Increase/(Decrease) Other Payables		74,938	(179,683)
Increase/(Decrease) Amounts due to Related Parties		1,935,099	(7,945,996)
		<b>(10,345,566)</b>	<b>(13,905,582)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest Received on Fixed Deposits		2,329,557	1,017,215
Advance Paid on Purchase of Assets		-	(2,491,378)
<b>Net Cash Generated from Operating Activities</b>		<b>2,329,557</b>	<b>(1,474,163)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of shares		-	-
<b>Net Cash Generated from Financing Activities</b>		<b>-</b>	<b>-</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(8,016,009)</b>	<b>(15,379,745)</b>
Cash and Cash Equivalents at the beginning of the year	13	24,119,833	39,499,578
Cash and Cash Equivalents at the end of the period	13	16,103,824	24,119,833

Notes to the Financial Statements form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

*[Handwritten Signature]*




**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018**

**1. REPORTING ENTITY**

**1.1 Domicile and Legal Form**

The Sundrop Foods Lanka (Private) Limited (the company) is a limited liability company, incorporated and domiciled in Sri Lanka under the Companies Act no. 07 of 2007. The registered office and principal place of the Company is located at No.232, A S P Liyanage Mawatha, Hekitta, Wattala, Sri Lanka.

**1.2 Principal Activities and Nature of Operation**

The Company is principally involved in the business of manufacturing, processing and packaging food and Trading products under various brand names.

**1.3 Parent Entity**

Agro Tech Foods Limited is the Parent Company of Sundrop Foods Lanka (Private) Limited, which is incorporated and domiciled in India. The registered office and the principal place of the company is located at No.31, Sarojini Devi Road, Secunderabad -500 003, India.

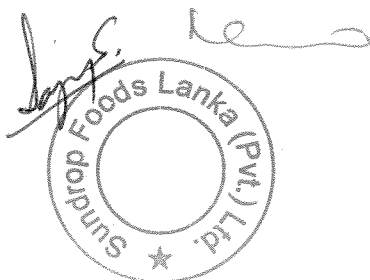
**1.4 Date of Authorization for Issue**

The Financial Statements were authorized for issue by the Board of Directors in accordance with the resolution passed by the Board of Directors on 20<sup>th</sup> April 2018.

**2. BASIS OF PREPARATION**

**2.1 Statement of Compliance**

The financial Statement of the Company, comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in equity and Statement of Cash Flows, together with the Notes to the Financial Statements. These Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Companies Act No. 7 of 2007.



**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018**

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and its subsidiaries as per the provisions of the Companies Act No. 7 of 2007 and the Sri Lanka Accounting Standards (SLFRSs/LKASs).

**2.2 Basis of Measurement**

The Financial Statements have been prepared on the historical cost basis. The directors have made an assessment of the company's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

**2.3 Functional and Presentation Currency**

The Financial Statements are presented in Sri Lankan Rupees (LKR) which is the Company's functional currency.

**2.4 Use of Estimates and Judgments**

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLFRSs/LKASs) requires management make judgments, estimates and assumptions that affect the application and accounting policies and the reported amounts of assets and liabilities income and expenses. Actual results may differ from these estimates.

Estimates and underline assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

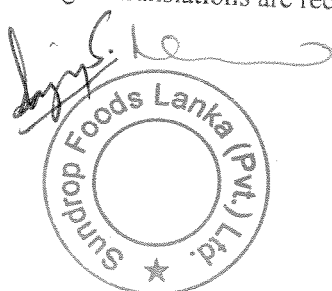
**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

**3.1 Foreign Currency**

All transactions involving foreign currencies are translated in to Rupees at the foreign exchange rate prevailing at the time of such transactions were effect.

Monitory assets and liabilities denominated in foreign currencies at the reporting date are translated into Rupees at the foreign exchange rate prevailing on that date. The foreign exchange differences arising on translations are recognized in the statement of Profit or Loss.



**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018**

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Non-monitory assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determinate. Foreign currency differences arising on re-translations are recognized in Profit or Loss.

**3.2 Assets and Bases of Their Valuation**

Assets classified as Current Assets in the statement of Financial Position are cash and those which are expected to be realized in cash, during the normal operating cycle of the Company's business or within one year from the reporting date whichever is shorter. Assets other than Current Assets are those, which the company intends to hold beyond a period of one year from the reporting date.

**3.2.1 Property Plant and Equipment**

**3.2.1.1 Recognition and Measurement**

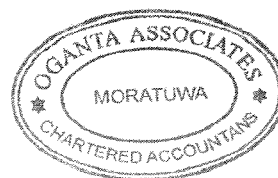
Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulate impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. The cost of self constructed assets includes the following.

- The cost of material and direct labour
- Any other cost directly attributable to bring the asset to a working condition for their intended use
- When the company has obligation to remove the assets or restore the site, an estimate of the cost of dismantling and removing the item and restoring the site on the which they are located; and
- Capitalized borrowing cost

**3.2.1.2 Reclassification to Investment Property**

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in the revaluation reserve in equity. Any loses are immediately recognized in the statement of comprehensive income.





**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018**

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**3.2.1.3 Subsequent Expenditure**

Expenditure incurred to replace a component of an item of property plant and equipment that is accounted for separately including major inspection and overhaul expenditure is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized only when it increases the future economic benefit embodied in the item of property, plant and equipment. All other expenditure is recognized in the profit or loss as an expense as and when incurred.

**3.2.1.4 Depreciation**

Depreciation is charged to the profit or loss on all property plant and equipment other than free hold land, on the straight line basis over the estimated useful life.

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier date that the asset is classified as held for sale and the date that the asset is derecognized.

**3.2.1.5 Gains and Losses on Disposal**

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income/ other expenses" in profit or loss.

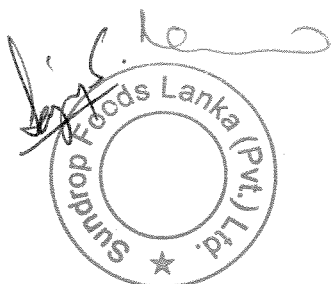
**3.2.1.6 Capital Work-in-Progress**

Capital expenses incurred during the year which are not completed as at the reporting date are shown as capital work-in-progress, while the capital assets which have been completed during the year and put to use are transferred to property, plant and equipment.

**3.2.1.7 Leasehold Assets**

Leases in terms of which the company assumes substantially all the risk and reward of ownership, are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with accounting policy applicable to that asset.

The cost of improvements to or on leased property is capitalized, and depreciated over the unexpired period of the lease or the estimated useful lives of improvements, whichever is shorter.



### **3.2.2 Investment Property**

#### **3.2.2.1 Classification**

The land and building held either to earn rental income or for capital appreciation or for both but not for the sale in the ordinary course of business, use in production or supply of goods or services or for the administrative purpose, are classified as investment properties.

#### **3.2.2.2 Valuation**

Investment properties are stated at 'Fair Value' accounting which describe value or amount for which land and buildings could be exchanged between knowledgeable, willing parties at an arm length transaction.

#### **3.2.2.3 Initial Recognition**

Investment property will be recognized based on a valuation done by an Independent Professional Valuer and the differences between the Cost and Revalued amount will be transferred to Statement of Profit or Loss.

#### **3.2.2.4 Subsequent Recognition**

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions as at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Profit or Loss in the year in which they arise.

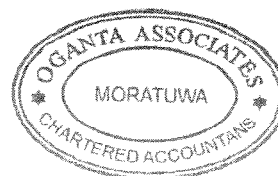
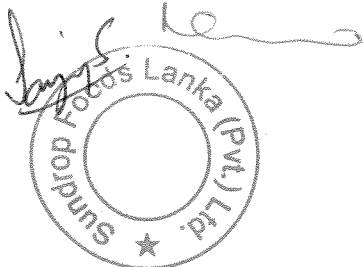
#### **3.2.2.5 Derecognition**

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the Statement of Profit or Loss in the year of retirement or disposal.

### **3.2.3 Financial Instruments**

#### **3.2.3.1 Non-derivative Financial Assets**

The company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date the company becomes a party to contractual provisions of the instrument.



**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018**

The Company derecognizes a financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in such transferred financial assets that is created or retained by the company is recognized as separate asset or liability.

Financial assets and liabilities are offset and net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the assets and settle the liability simultaneously.

The company classifies non-derivative financial assets into the following categories; financial assets at fair value through profit or loss, hold to maturity financial assets, loans and receivables and available for sale financial assets.

**Financial Asset is classified as at Fair Value through Profit or Loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the company manages such investment and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction cost are recognized in profit or loss as incurred Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

**Held-to-Maturity Financial Assets**

If the company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable cost.

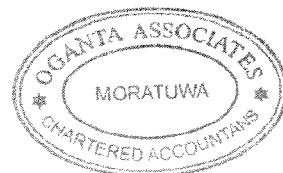
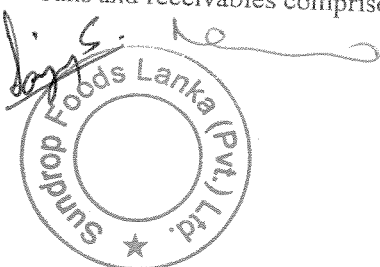
Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

**Loans and Receivables**

Loans and receivables are financial assets with fixed or determinable that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to the initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.



**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018**

**Available for-sale Financial Assets**

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in the equity. When an investment is recognized, the gain or loss accumulated in equity is classified to profit or loss.

**3.2.3.2 Non-derivative Financial Assets**

The company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument.

The company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The company classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

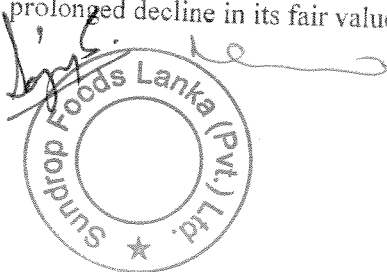
Other financial liabilities comprise loans and borrowings, debt securities issues, bank overdrafts and trade and other payables. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as component of cash and cash equivalents for the statement of cash flows.

**3.2.4. Impairment**

**3.2.4.1. Non-derivative financial assets**

A financial asset not classified at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence; that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.



**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018**

**Financial assets measured at amortized cost**

The Company considers evidence of impairment for financials assets measured at amortized cost (loans and receivables and hold to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are, then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are, collectively assessed for impairment by grouping together assets with similar characteristics.

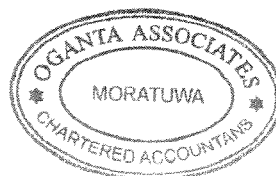
In assessing collective impairment, the Company uses historical trend of probability of default, the timing of recoveries and the amount loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the deference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in Profit or Loss and reflected in an allowance account against loans and receivables or held-to maturity investment securities. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Available-for sale financial assets**

Impairment losses on available-for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The accumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for sale equity security is recognized in other comprehensive income.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.



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**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018**

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**3.2.4.2. Non-financial asset**

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For impairment testing, assets are grouped together in to the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any Goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of Goodwill is not reversed. For other assets, an impairment loss is reverse only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortization, if no impairment loss had been recognized.

**3.2.5. Provisions**

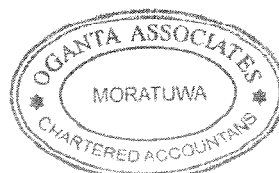
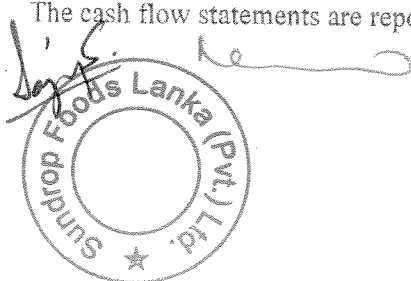
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably; and it is probable that an out flow, of economic benefits will be required to settle the obligation.

**3.2.6. Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash in hand and demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of statement of cash flow, cash and cash equivalents consists of cash in hand and deposits in banks net of outstanding bank overdrafts.

The cash flow statements are reported based on the indirect method.



**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
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**3.2.7. Stated Capital**

As per the Companies Act No.7 of 2007, section 58 (1), stated capital in relation to a Company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of call in arrears.

**3.2.8. Employee Benefit**

**3.2.8.1. Defined Benefit Plan – Retirement Gratuity**

The company has provided full provision on account of gratuity for all employees who fall due for payment and completed one year of service in accordance with Sri Lanka Accounting Standard LKAS -19, Employee Benefits.

The gratuity liability is valued using projected unit credit method (PUC) method, considering the assumptions required to arrive at the present value of defined benefit obligation. The actuarial gains or Losses arising are recognized in the Other Comprehensive Income. The liability is not externally funded nor actuarially valued.

**3.2.8.2. Defined Contribution Plan – Employees’ Provident fund and Trust Fund**

All employees who are eligible for Employees’ Provident Fund contribution and Employees’ Trust Fund contribution are covered by relevant contribution funds in line with the respective statute. Contribution to the defined contribution plans are recognized as an expense in the statement of income when occurred.

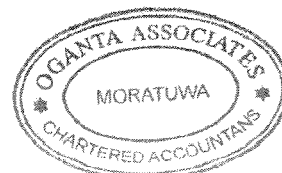
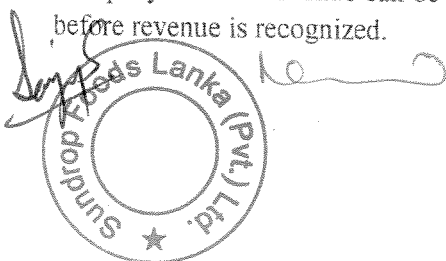
**3.2.9. STATEMENT OF PROFIT OR LOSS**

**3.2.10. Revenue**

Revenue represents the amounts derived from the services, which fall within the Company’s ordinary activities net of trade discounts and turnover related taxes.

**3.2.1.1.1 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognized.



**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018**

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**3.2.10.1.2. Rental Income**

Revenue represents the rental income derived from letting out the Companies premises. Rental income is accrued on a time proportion basis and is matched with the related expenditure in accordance with LKAS 18- Revenue.

**3.2.10.1.3. Interest Income**

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in financial income in the income statement.

**3.2.10.1.4. Other Income**

All other income is recognized on an accrual basis

**3.2.10.2. Expenditure Recognition**

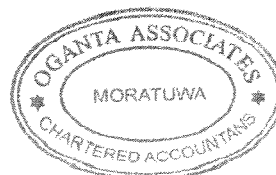
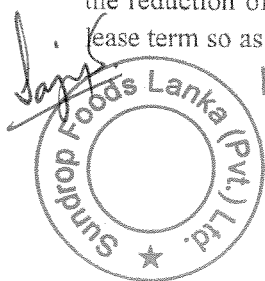
All expenditure incurred in running the business and in maintaining the property, plant and equipment and investment property in a state of efficiency has been charged to Statement of Comprehensive Income in arriving at the profit/(loss) for the year. Expenditure incurred for the purpose of acquiring and extending or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

**3.2.10.2.1. Finance Cost**

Finance cost comprise interest expenses on borrowings, unwinding of the discount on provisions and losses on disposal available-for sale financial assets, fair value losses of financial assets at fair value through profit or loss and impairment losses recognized on financial assets (other than trade receivables)

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Minimum lease payments made under the finance leases are apportioned between finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.





**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
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**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018**

**3.2.10.3. Taxation**

**3.2.10.3.1. Current Taxation**

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements adjusted for taxation purposes and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

**3.2.10.3.2. Deferred Taxation**

Deferred taxation is provided using the liability method. The tax effect of all the temporary differences which occur where items are allowed for income tax purposes in a period different from that they are recognized in financial statements is included in the provision for deferred taxation at current rates of taxation.

Deferred tax Assets (debits) are recognized for all deductible temporary differences and carried forward unused tax losses, to the extent that it is probable that future taxable profit will be available against which such unused tax losses and deductible temporary differences can be utilized. The Carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**3.2.11. STATEMENT OF CASH FLOWS**

The statement of Cash flows has been prepared using the "indirect method". Interest paid are classified as operating cash flows, interest and dividends received are classified as investing cash flows for the purpose of presentation of the Statement of Cash Flows.

**3.2.12. RELATED PARTY TRANSACTIONS**

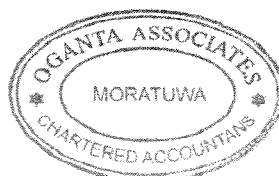
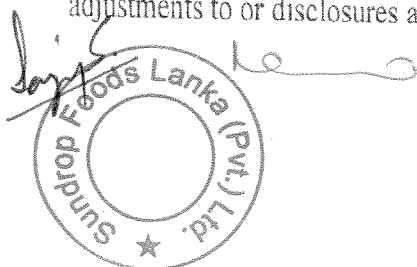
Disclosures has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operation decisions of the other, irrespective of whether a price is being charged.

**3.2.13. GENERAL**

**3.2.13.1. Events Occurring after the Reporting Date**

Events after the reporting date are those events favorable and unfavorable that occurs between the end of the reporting period and the date when the financial statements are authorized for issue.

The materiality of the events occurring after the reporting period is considered and appropriate adjustments to or disclosures are made in the financial statements, where necessary.



**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018**

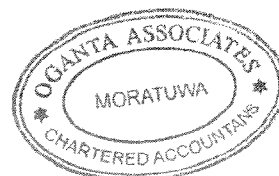
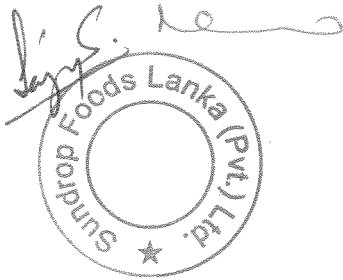
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**3.2.13.2. Earning/Loss per Share**

The Company Presents basis earning/loss per share for its ordinary shares. Basic earning/loss per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

**3.2.13.3. Capital commitments and contingencies**

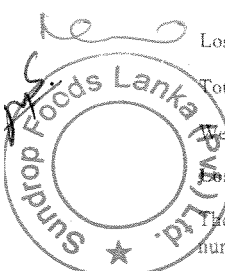
Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control. All material capital commitments and contingencies of the Company are disclosed in the notes to the financial statements.



**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH,**

	2018	2017
<b>4 COST OF GOODS SOLD</b>		
Opening Stock	-	-
Purchases	6,097,413	-
Less:- Closing Stock	<u>(3,700,164)</u>	<u>-</u>
	<u>2,397,249</u>	<u>-</u>
<b>5 FINANCE INCOME</b>		
Interest Income on Fixed Deposits	(LKR) <u>1,550,699</u>	(LKR) <u>1,954,808</u>
	<u>1,550,699</u>	<u>1,954,808</u>
<b>6 LOSS BEFORE INCOME TAX EXPENSE</b>		
<i>Is stated after charging all expenses including the following;</i>		
Auditors' Remuneration	58,500	117,150
Salaries	-	1,430,400
Professional Fees	902,115	969,022
Contribution to EPF & ETF	-	124,560
Rent Expenses	3,345,948	3,207,948
Marketing Expenses	<u>1,125,000</u>	<u>-</u>
<b>7 INCOME TAX EXPENSE / (REFUND)</b>		
<b>7.1 Current Tax Expense</b>		
Current Income Tax Expense	-	-
Reversal of Deferred Tax (Note 09)	(515,358)	(483,227)
<b>Total Tax Expense on Profit or Loss</b>	<u>(515,358)</u>	<u>(483,227)</u>
In accordance with the provisions set out in the Inland Revenue Act No.10 of 2006 and subsequent amendments thereto, the Company is liable to income tax at the following rates.		
- Business Profits		
<b>7.2 Reconciliation from Accounting Profit/ (Loss) to Taxable Profit/(Loss)</b>		
Loss Before Tax	(4,294,650)	(4,165,936)
Add: Aggregate disallowed items	-	139,048
Allowable expenses	<u>(4,294,650)</u>	<u>(4,026,888)</u>
<b>Business Loss for the period</b>	<u>(4,294,650)</u>	<u>(4,026,888)</u>
Other Sources of Income	1,550,699	1,954,808
<b>Total Statutory Income</b>	<u>1,550,699</u>	<u>1,954,808</u>
<b>Taxable Income</b>	<u>-</u>	<u>-</u>
<b>Tax at the Rate of 28%</b>	<u>-</u>	<u>-</u>
<b>7.3 Tax Losses Carried Forward</b>		
Balance at the beginning of the period	(8,514,831)	(4,487,943)
Add: Tax Loss during the period	<u>(4,294,650)</u>	<u>(4,026,888)</u>
<b>Balance as at the end of the period</b>	<u>(12,809,481)</u>	<u>(8,514,831)</u>
<b>8 LOSS PER SHARE</b>		
Loss attributable to Ordinary Shareholders (LKR)	2018	2017
	(3,779,292)	(3,682,709)
Total number of Ordinary Shares in issue (No.)	5,000,000	5,000,000
Weighted Average number of Ordinary Shares in issue (No.)	5,000,000	5,000,000
<b>Loss Per Share (Rs.)</b>	<u>(0.76)</u>	<u>(0.74)</u>

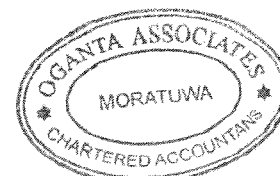
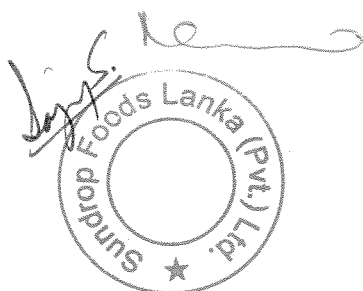
The calculation of loss per share is based on the loss for the period attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.



SUNDROP FOODS LANKA (PRIVATE) LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 AS AT 31<sup>ST</sup> MARCH,

	2018 (LKR)	2017 (LKR)
<b>9 CAPITAL WORK-IN-PROGRESS</b>		
Cost		
Purchase of Assets from Agro Tech Foods Limited	10,445,975	7,726,359
Balance as at the end of the year	<u>10,445,975</u>	<u>7,726,359</u>
<b>10 DEFERRED TAX ASSETS</b>		
Balance at the beginning of the period	1,021,780	538,553
Reversal/(Provision) during the period - Profit or Loss	515,358	483,227
Balance at the end of the period	<u>1,537,138</u>	<u>1,021,780</u>
The Deferred Tax Liability is arrived at by applying the effective income tax rate applicable for the year of assessment 2016/2017 to the temporary difference as at 31st March 2017.		
	2018	
	Temporary Difference (LKR)	Tax Effect on Temporary Difference (LKR)
Tax loss (Note 7.2)	<u>(4,294,650)</u>	<u>(515,358)</u>
<b>11 INVENTORY</b>		
Finish Goods	2,885,966	-
Goods in Transit	814,198	-
	<u>3,700,164</u>	<u>-</u>
<b>12 OTHER RECEIVABLES</b>		
Trade Receivables	1,480,322	-
Advances	1,481,175	2,719,616
With Holding Tax on Interest Income	334,384	101,696
Prepayment - Land Lease Tax	1,119,870	1,567,818
Prepayment - Insurance	69,264	5,411
Refundable Deposit paid on Rent	2,760,000	2,760,000
Interest Receivable	660,105	1,438,963
	<u>7,905,120</u>	<u>8,593,504</u>
<b>13 CASH AND CASH EQUIVALENTS</b>		
Fixed Deposits	13,000,000	22,000,000
Cash at Bank	3,103,824	2,119,833
<i>Cash and Cash Equivalent for the Purpose of Statement of Cash Flows</i>	<u>16,103,824</u>	<u>24,119,833</u>
<b>14 STATED CAPITAL</b>		
Issued and fully paid		
5,000,000 Ordinary shares	<u>50,000,000</u>	<u>50,000,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the share holders or one vote per share in the case of a poll.



SUNDROP FOODS LANKA (PRIVATE) LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 AS AT 31<sup>ST</sup> MARCH,

	2018 (LKR)	2017 (LKR)
<b>15 OTHER PAYABLES</b>		
Accrued Expenses	593,000	518,062
	<u>593,000</u>	<u>518,062</u>

<b>16 AMOUNTS DUE TO RELATED PARTIES</b>		
Agro Tech Foods Limited	1,935,099	-
	<u>1,935,099</u>	<u>-</u>

**17 FINANCIAL INSTRUMENTS**

**17.1 Financial Risk Management**

**Overview**

The Company has exposure to the following risks arising from financial instruments.

- Credit Risk
- Liquidity Risk
- Market risk

This note present qualitative and quantitative information about the Company's exposure to each of the above risks, the Company's objectives, policies and procedures for measuring and managing risk.

**Risk Management Framework**

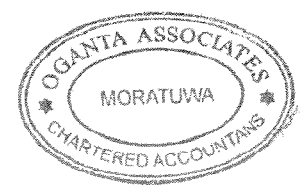
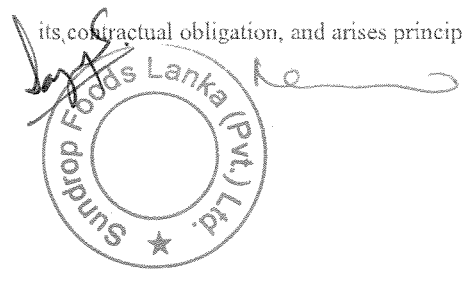
The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

**17.2 Financial Instruments**

	2018 (LKR)	2017 (LKR)
<b>Financial Assets</b>		
<b>Loans &amp; Receivables</b>		
Other Receivables	660,105	1,438,963
<b>Cash &amp; Cash equivalents</b>	16,103,824	24,119,833
	<u>16,763,928</u>	<u>25,558,795</u>
<b>Financial Liabilities</b>		
<b>Other Financial Liabilities</b>		
Accrued Expenses	593,000	518,062
Amounts due to Related Parties	1,935,099	-
	<u>2,528,099</u>	<u>518,062</u>

**17.3 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the Company's receivables from customers and investment securities.



**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT 31<sup>ST</sup> MARCH 2018**

**17.4 Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal or stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

To measure and mitigate liquidity risk, Company closely monitor its net operating cash flow, maintain a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Non-derivative financial liabilities	Carrying amount (LKR)	Contractual cash flows (LKR)	6 months or less (LKR)	6 - 12 months (LKR)	More than 1 year (LKR)
Accrued Expenses	593,000	-	(593,000)	-	-
	<u>593,000</u>	<u>-</u>	<u>(593,000)</u>	<u>-</u>	<u>-</u>

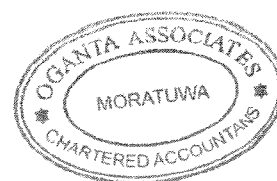
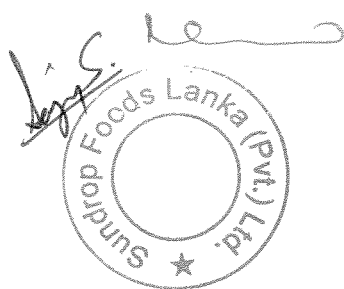
**17.5 Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and etc., will affect the Company's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns.

**17.5.1. Interest Rate Risk**

At the reporting date the interest rate portfolio of the company's financial instruments were:

Fixed Rate Instruments	2018 (LKR)	2017 (LKR)
Financial Assets		
Fixed Deposits	<u>13,000,000</u>	<u>30,000,000</u>



18 RELATED PARTY TRANSACTIONS

During the year the Company has purchased Goods from the following Related Parties. The material transactions have been disclosed below.

Related Party	Nature of Interest	Nature of Transaction	2018 Amount (Paid)/ Received (LKR)
Agro Tech Foods limited - India	Parent Company	CIF value of Imports	(3,493,031)

18.1 Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS) 24 - 'Related Party Disclosures', Key Management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors has been classified as Key Management Personnel of the Company. The compensation of the Directors is Nil for the year ended 31<sup>st</sup> March 2018.

19 COMMITMENTS AND CONTINGENCIES

19.1 CAPITAL EXPENDITURE COMMITMENTS

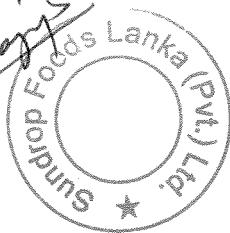
There is no capital expenditure commitments as at the reporting date.

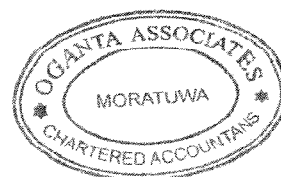
19.2 CONTINGENT LIABILITY

There is no significant contingent liabilities as at the reporting date.

20 EVENTS OCCURRING AFTER THE REPORTING DATE

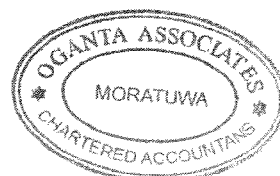
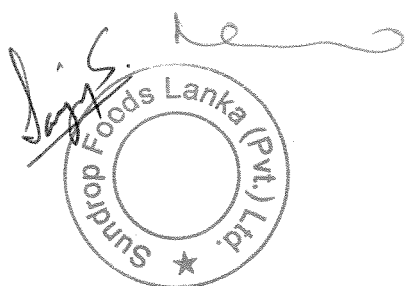
There have been no material events occurring after the reporting date that require adjustments or disclosure in the Financial Statements.

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**SUNDROP FOODS LANKA (PRIVATE) LIMITED**  
**DETAILED NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT 31ST MARCH 2018**

	2018	2017
	(LKR)	(LKR)
<b><u>ADMINISTRATIVE EXPENSE</u></b>		
Salaries	-	1,430,400
Employees Provident Fund	-	99,648
Employees Trust Fund	-	24,912
Staff Welfare - Lunch and snack	-	47,676
	<u>-</u>	<u>1,602,636</u>
Local conveyance excl.travel	-	59,722
Travel - Hotel Expenses-Domestic	-	31,650
Courier charges	-	7,320
Telephone - Office - Cell Phone	-	15,000
Professional charges	902,115	969,022
Audit Fee	58,500	117,150
Out of Pocket expenses	5,200	6,898
Bank Charges	52,755	78,354
Insurance - Plant & Machinery	39,362	21,644
ETF Surcharge	13,642	
Exchange Loss	13,972	
Logistic & Marketing Expenses	1,125,000	
Rent - Office	3,345,948	3,207,948
Office expenses	63,000	3,400
	<u>5,619,494</u>	<u>4,518,108</u>
	<u>5,619,494</u>	<u>6,120,744</u>





SUNDRUP FOODS LANKA (PRIVATE) LIMITED

TAX COMPUTATION

YEAR OF ASSESSMENT 2017/2018

	LKR
Net Profit / (Loss) before tax	(4,294,650)
Add: <u>Disallowable Expenses</u>	-
Total Statutory Income	<u>(4,294,650)</u>
<u>Adjusted profit/(Loss) for Income tax purpose</u>	<u>(4,294,650)</u>
<u>Income tax @ 12%</u>	<u>-</u>
<u>Tax credit</u>	
Withholding Tax on Interest Income	232,688
Self Assessment payment	-
<u>Total Tax Credit</u>	<u>(232,688)</u>

