

**SUNDROP FOODS LANKA (PRIVATE)
LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31ST MARCH 2016**



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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SUNDROP FOODS LANKA (PRIVATE) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Sundrop Foods Lanka (Private) Limited, ("the Company"), which comprise the statement of financial position as at 31st March 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, statement of cash flows for the 15 months period then ended, and notes, comprising of a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") are 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 control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 control relevant to the entity's preparation and fair presentation 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 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 2016, and of its financial performance and cash flows for the 15 months period 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:

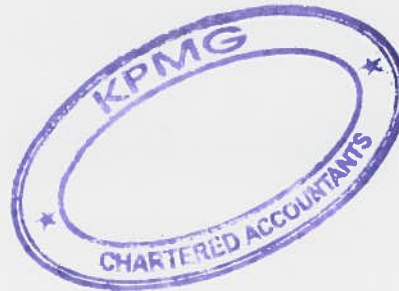
- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,

-The financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

CHARTERED ACCOUNTANTS

Colombo

09th September 2016



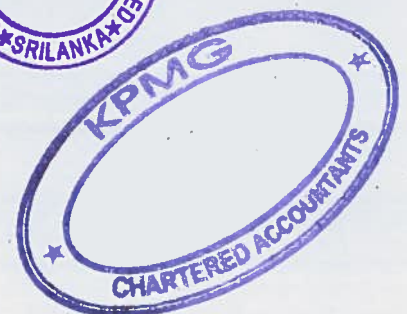
SUNDROP FOODS LANKA (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED ENDED 31ST MARCH,

	Note	2016 (15 Months) (LKR)
Revenue		-
Cost of Sales		-
Gross Profit		<u>-</u>
Administrative Expenses		(6,413,801)
Finance Income	4	501,370
Loss before Tax	5	<u>(5,912,431)</u>
Income Tax	6	538,553
Loss for the Period		<u>(5,373,878)</u>
Other Comprehensive Income		<u>-</u>
Total Comprehensive Income/(Loss) for the Period		<u><u>(5,373,878)</u></u>
Loss per Share	7	(1.07)

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

Figures in brackets indicate deductions.

P. S. S. L.
25/4/2016



Handwritten signature
25/4/2016

SUNDROP FOODS LANKA (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH,

	Note	2016 (LKR)
ASSETS		
Non Current Assets		
Capital Work-in-Progress	8	7,945,996
Deferred Tax Asset	9	538,553
Total Non Current Assets		8,484,549
Current Assets		
Other Receivables	10	5,285,736
Cash and Cash Equivalents	11	39,499,578
Total Current Assets		44,785,314
TOTAL ASSETS		53,269,863
EQUITY AND LIABILITIES		
Equity		
Stated Capital	12	50,000,000
Accumulated Loss		(5,373,878)
Total Equity		44,626,122
Current Liabilities		
Other Payables	13	697,745
Amounts due to Related Parties	14	7,945,996
Total Current Liabilities		8,643,741
TOTAL EQUITY AND LIABILITIES		53,269,863

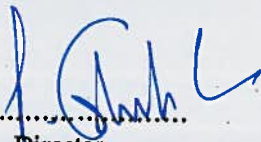
The Accounting Policies and Notes form an integral part of these Financial Statements.

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

.....
Accountant

bt:

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.


.....
Director

25/4/2016

Colombo




.....
Director



SUNDROP FOODS LANKA (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

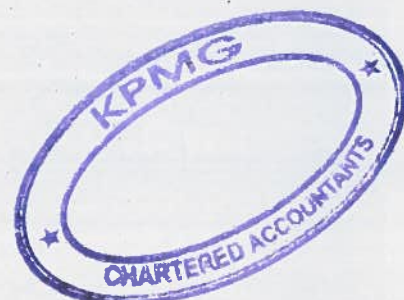
	Stated Capital (LKR)	Accumulated Loss (LKR)	Total (LKR)
Issue of Shares	50,000,000	-	50,000,000
Loss for the period	-	(5,373,878)	(5,373,878)
Balance as at 31st March 2016	50,000,000	(5,373,878)	44,626,122

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

Figures in brackets indicate deductions.

J. D. Silva

He



SUNDROP FOODS LANKA (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31ST MARCH,

Note **2016**
(15 Months)
(LKR)

CASH FLOW FROM OPERATING ACTIVITIES

Loss before Tax (5,912,431)

Adjustments for :

Interest Income (501,370)

Operating Loss before Working Capital Changes (5,411,061)

Changes in Working Capital

(Increase)/Decrease Other Receivables (5,787,106)

Increase/(Decrease) Other Payables 697,745

Net Cash Generated from Operating Activities (10,500,422)

CASH FLOW FROM FINANCING ACTIVITIES

Issue of shares 50,000,000

Net Cash Generated from Financing Activities 50,000,000

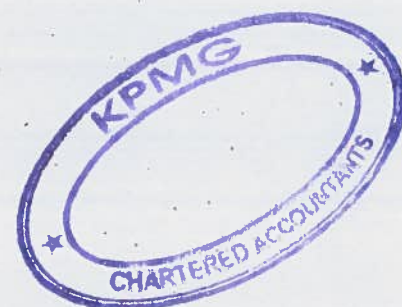
Net Increase/(Decrease) in Cash and Cash Equivalents 39,499,578

Cash and Cash Equivalents at the beginning of the year 11 -

Cash and Cash Equivalents at the end of the period 11 **39,499,578**

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

Figures in brackets indicate deductions.



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

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. 2B, Charles De Soysa Place, Idama, Moratuwa, Sri Lanka.

1.2. Principal Activities and Nature of Operations

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

1.3. Parent Entity

Agrotech Foods Limited is the Parent Company of Sundrop Foods Lanka (Private) Limited, which is also incorporated and domiciled in India. The registered office and 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 25th April 2016.

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 Companies Act No 7 of 2007.

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and its subsidiaries as per provisions of Companies Act No, 07 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.



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 into Rupees at the foreign exchange rate prevailing at the time of such transactions were effect.

Monetary 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 translation are recognized in the Statement of Profit or Loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised 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



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

are those, which the Company intends to hold beyond a period of one year from the reporting date.

3.2.1. Property, Plant & 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 asset. The cost of self constructed assets includes the following:

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

3.2.1.2. Reclassification to Investment properties.

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

3.2.1.3. Subsequent Expenditure

Expenditure incurred to replace a component of an item of Property, Plant & 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 & 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 & equipment other than freehold land, on the straight line basis over the estimated useful lives.



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

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 risks and rewards 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 the 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 buildings 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 describes value or amount for which land and buildings could be exchanged between knowledgeable, willing parties at an arm length transaction.



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

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 that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset 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 asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the 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 asset 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.



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

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 investments 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 costs 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 transaction costs.

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 payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to 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.

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 equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

3.2.3.2. Non-derivative financial liabilities

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,



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

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 the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. 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 issued, 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 a 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 to 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 the 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.

Financial assets measured at amortized cost

The Company considers evidence of impairment for financial assets measured at amortize 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 risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of 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.



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference 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 cumulative 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 to 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.

3.2.4.2. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each 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 costs 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 into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

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 amounts 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 reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been 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 outflow, 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, 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 the Statement of Cash Flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

3.2.7. Stated Capital

As per the Companies Act No. 07 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 No. 19, Employee Benefits.

The gratuity liability is valued using projected credit unit (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.



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

3.2.8.2. Defined contribution plans - Employees' Provident Fund and Employees' Trust Fund

All employees who are eligible for employees' provident fund contribution and Employees' trust fund contributions are covered by relevant contribution funds in line with the respective statute. Contributions 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 provision of services, which fall within the Company's ordinary activities net of trade discounts and turnover related taxes

3.2.10.1.1. 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 recognition criteria must also be met before revenue is recognized.

3.2.10.1.2. Rental Income

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

3.2.10.1.3. Interest Income

For all financial instruments measured at amortised 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 finance 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



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

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 Costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and losses on disposal of available for sale financial assets, fair value losses on 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 finance leases are apportioned between the 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.

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 temporary differences which occur where items are allowed for income tax purposes in a period different from that when 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 is no longer probable that the related tax benefit will be realized.



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

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

Disclosure 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 operating 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.

3.2.13.2. Earnings/Loss per Share

The Company presents basic earnings/loss per share for its ordinary shares. Basic earnings/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.

3.2.14. New Accounting Standards issued but not yet adopted

The standards and interpretations issued but not yet effective up to the date of issuance of the consolidated financial statements are listed below. The Group intends to adopt these standards as and when they become effective.



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED 31ST MARCH 2016

SLFRS 9 – Financial Instruments

SLFRS 9 as issued reflects the replacement of LKAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in LKAS 39. This standard becomes effective for annual periods beginning on or after 01st January 2018. The adoption of SLFRS 9 will have an impact on classification and measurement of the Group's financial assets and liabilities

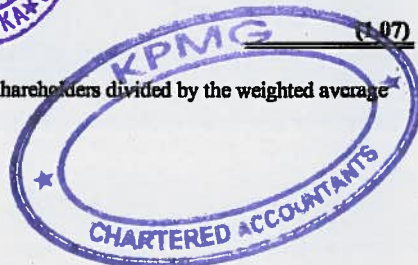


SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH,

	2016 (15 Months) (LKR)
4. FINANCE INCOME	
Interest Income on Fixed Deposits	501,370
	<u>501,370</u>
5. LOSS BEFORE INCOME TAX EXPENSE	
<i>Is stated after charging all expenses including the following;</i>	
Auditors' Remuneration	58,500
Salaries	2,145,600
Professional Fees	500,111
Contribution to EPF & ETF	178,320
Rent Expenses	1,603,974
6. INCOME TAX EXPENSE / (REFUND)	
6.1 Current Tax Expense	
Current Income Tax Expense	-
Reversal of Deferred Tax (Note 09)	(538,553)
Total Tax Expense on Profit or Loss	<u>(538,553)</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	28%
6.2 Reconciliation from Accounting Profit/ (Loss) to Taxable Profit/(Loss)	
Loss Before Tax	(5,912,431)
Add: Aggregate disallowed items	1,424,488
Allowable expenses	-
Business Loss for the period	<u>(4,487,943)</u>
Other Sources of Income	501,370
Total Statutory Income	<u>501,370</u>
Taxable Income	<u>-</u>
Tax at the Rate of 28%	<u>-</u>
6.3 Tax Losses Carried Forward	
Balance at the beginning of the period	-
Add: Tax Loss during the period	(4,487,943)
Balance as at the end of the period	<u>(4,487,943)</u>
7. LOSS PER SHARE	
Loss attributable to Ordinary Shareholders (LKR)	(5,373,878)
Total number of Ordinary Shares in issue (No.)	5,000,000
Weighted Average number of Ordinary Shares in issue (No.)	5,000,000
Loss Per Share (Rs.)	<u>(1.07)</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.

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

	2016 (LKR)
8. CAPITAL WORK-IN-PROGRESS	
Cost	-
Purchase of Assets from Agro Tech Foods Limited	7,945,996
Balance as at the end of the year	<u>7,945,996</u>

9. DEFERRED TAX ASSETS	
Balance at the beginning of the period	-
Reversal/(Provision) during the period - Profit or Loss	538,553
Balance at the end of the period	<u>538,553</u>

The Deferred Tax Liability is arrived at by applying the effective income tax rate applicable for the year of assessment 2015/2016 to the temporary difference as at 31st March 2016.

	2016	
	Temporary Difference (LKR)	Tax Effect on Temporary Difference (LKR)
Tax loss (Note 6.2)	<u>(4,487,943)</u>	<u>(538,553)</u>

10. OTHER RECEIVABLES	
Advances	2,024,366
Refundable Deposit paid on Rent	2,760,000
Interest Receivable	501,370
	<u>5,285,736</u>

11. CASH AND CASH EQUIVALENTS	
Fixed Deposits	30,000,000
Cash at Bank	9,499,578
<i>Cash and Cash Equivalent for the Purpose of Statement of Cash Flows</i>	<u>39,499,578</u>

12. STATED CAPITAL	
Issues and fully paid	
5,000,000 Ordinary shares	<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.

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SUNDROP FOODS LANKA (PRIVATE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**AS AT 31ST MARCH,2016
(LKR)**13. OTHER PAYABLES**

Staff Cost Payable	479,565
Accrued Expenses	218,180
	<u>697,745</u>

14. AMOUNTS DUE TO RELATED PARTIES

Agro Tech Foods Limited	<u>7,945,996</u>
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15. FINANCIAL INSTRUMENTS**15.1 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.

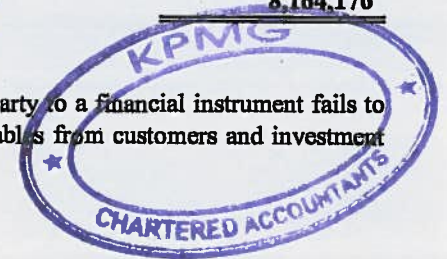
15.2 Financial Instruments

<i>Financial Assets</i>	2016 (LKR)
Loans & Receivables	
Other Receivables	501,370
Cash & Cash equivalents	
	<u>39,499,578</u>
	<u>40,000,948</u>
Financial Liabilities	
Other Financial Liabilities	
Accrued Expenses	218,180
Amounts due to Related Parties	7,945,996
	<u>8,164,176</u>

15.3 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.

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SUNDROP FOODS LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MARCH 2016

15.4 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	218,180	-	(218,180)	-	-
Amounts due to Related Parties	7,945,996	-	(7,945,996)	-	-
	8,164,176	-	(8,164,176)	-	-

15.5 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 optimising the returns.

15.5.1 Interest Rate Risk

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

Fixed Rate Instruments	2016
<i>Financial Assets</i>	(LKR)
Fixed Deposits	30,000,000

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SUNDROP FOODS LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MARCH 2016

16. RELATED PARTY TRANSACTIONS

During the year the Company has entered into transactions with the following Related Parties. The material transactions have been disclosed below.

Related Party	Name of the Directors	Nature of Interest	Nature of Transaction	2016 Amount (Paid) Received (LKR)
Agro Tech Foods limited	Mr. Pradip Ghosh Chaudhuri	Common Director	Purchase of Assets	7,945,996

16.1 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 15 months ended 31st March 2016.

17. COMMITMENTS AND CONTINGENCIES

17.1 CAPITAL EXPENDITURE COMMITMENTS

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

17.2 CONTINGENT LIABILITY

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

18. 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.

