

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SUNDROP FOODS LANKA (PRIVATE) LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sundrop Foods Lanka (Private) Limited which comprise the statement of financial position as at March 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at March 31, 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium Sized enterprises.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAUSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for small and medium sized enterprises and such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAUSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

Oganta Associates
OGANTA ASSOCIATES
Chartered Accountants,
Colombo
20th April 2021



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

		2021	2020
	Note	(LKR)	(LKR)
Revenue - Sales		1,769,184	4,622,045
Cost of Sales	4	(4,934,027)	(6,497,595)
Gross Profit/(Loss)		(3,164,843)	(1,875,550)
Administrative Expenses		(3,365,346)	(13,136,823)
Other Expenses - Loss on Machinery Disposal		-	(1,162,165)
Finance Income	5	41,469	155,598
Loss before Tax	6	(6,488,720)	(16,018,940)
Income Tax	7	2,142,248	7,176,195
Loss for the Period		(4,346,471)	(8,842,745)
Other Comprehensive Income		-	-
Total Comprehensive Income/(Loss) for the Period		(4,346,471)	(8,842,745)
Loss per Share	8	(0.87)	(1.77)

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 31ST MARCH,

	Note	2021 (LKR)	2020 (LKR)
ASSETS			
Non Current Assets			
Deferred Tax Asset	9	12,522,879	10,380,631
Total Non Current Assets		<u>12,522,879</u>	<u>10,380,631</u>
Current Assets			
Inventory	10	-	2,230,641
Trade and Other Receivables	11	1,700,968	9,949,536
Cash and Cash Equivalents	12	1,340,308	5,288,237
Total Current Assets		<u>3,041,276</u>	<u>17,468,413</u>
TOTAL ASSETS		<u>15,564,155</u>	<u>27,849,044</u>
EQUITY AND LIABILITIES			
Equity			
Stated Capital	13	50,000,000	50,000,000
Accumulated Loss		(34,885,095)	(30,538,624)
Total Equity		<u>15,114,905</u>	<u>19,461,376</u>
Current Liabilities			
Other Payables	14	449,250	7,005,129
Amounts due to Related Parties	15	-	1,382,539
Total Current Liabilities		<u>449,250</u>	<u>8,387,668</u>
TOTAL EQUITY AND LIABILITIES		<u>15,564,155</u>	<u>27,849,044</u>

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.

.....
 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.

.....
 Director

20th April 2021
 Colombo



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 Director

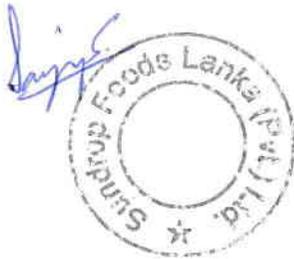


SUNDROP FOODS LANKA (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2021

	Stated Capital (LKR)	Accumulated Loss (LKR)	Total (LKR)
Balance as at 01 st April 2019	50,000,000	(21,695,879)	28,304,121
Loss for the period	-	(8,842,745)	(8,842,745)
Balance as at 31st March 2020	<u>50,000,000</u>	<u>(30,538,624)</u>	<u>19,461,376</u>
Balance as at 01 st April 2020	50,000,000	(30,538,624)	19,461,376
Loss for the period	-	(4,346,471)	(4,346,471)
Balance as at 31st March 2021	<u>50,000,000</u>	<u>(34,885,095)</u>	<u>15,114,905</u>

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

Figures in brackets indicate deductions.




SUNDROP FOODS LANKA (PRIVATE) LIMITED**CASH FLOW STATEMENT****FOR THE PERIOD ENDED 31ST MARCH,**

	Note	2021	2020
		(LKR)	(LKR)
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before Tax		(6,488,720)	(16,018,940)
Adjustments for :			
Loss on disposal of Machinery		-	1,162,165
Interest Income		(41,469)	(155,598)
Operating Loss before Working Capital Changes		(6,530,189)	(15,012,373)
Changes in Working Capital			
(Increase)/Decrease Inventory		2,230,641	(1,555,556)
(Increase)/Decrease Other Receivables		8,241,531	(2,164,334)
Increase/(Decrease) Other Payables		(6,555,879)	5,644,529
Increase/(Decrease) Amounts due to Related Parties		(1,382,539)	718,478
		(3,996,434)	(12,369,256)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest Received on Fixed Deposits		48,506	178,497
Advance Paid on Purchase of Assets		-	-
Net Cash Generated from Operating Activities		48,506	178,497
CASH FLOW FROM FINANCING ACTIVITIES			
Sales Proceeds on Machinery Disposal		-	9275210
Issue of shares		-	-
Net Cash Generated from Financing Activities			9,275,210
Net Increase/(Decrease) in Cash and Cash Equivalents		(3,947,929)	(2,915,549)
Cash and Cash Equivalents at the beginning of the year	13	5,288,237	8,203,785
Cash and Cash Equivalents at the end of the period	13	1,340,308	5,288,237

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

Figures in brackets indicate deductions.

A handwritten signature.



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

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 Ground Floor, No. 149, Madiwela Road, Embuldeniya, Nugegoda, 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.

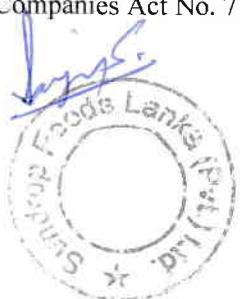
1.4 Date of Authorization for Issue

The Financial Statements were authorized for issue by the Board of Directors in accordance with the resolution passed by the Board of Directors on 20th April 2021.

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 31ST MARCH 2021

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 into 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.


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SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

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 31ST MARCH 2021

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.



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

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 31ST MARCH 2021

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 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.

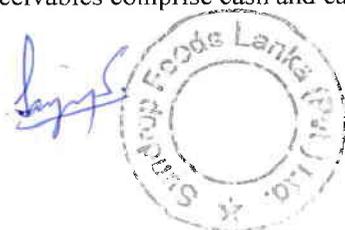
Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

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 31ST MARCH 2021

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 dated 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 31ST MARCH 2021

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.

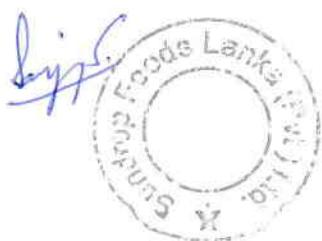
In assessing collective impairment, the Company uses historical trend of probability of default, the timing of recoveries and the amount loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser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



SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

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 into 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

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.



SUNDRUP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

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

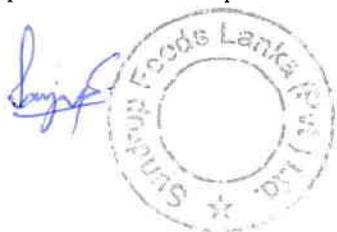
All expenditure incurred in running the business and in maintaining the property, plant and equipment and investment property in a state of efficiency has been charged to Statement of Comprehensive Income in arriving at the profit/(loss) for the year. Expenditure incurred for the purpose of acquiring 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2021

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. 24 of 2017 and 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 31ST MARCH 2021

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.



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SUNDROP FOODS LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH,

	2021	2020
	(LKR)	(LKR)
4 COST OF GOODS SOLD		
Opening Stock	2,230,641	675,085
Reversal of Provision for Non moving and slow moving Stocks	(356,798)	-
Purchases	3,060,184	8,053,151
Less:- Closing Stock	-	(2,230,641)
	<u>4,934,027</u>	<u>6,497,595</u>
Cost of sales includes Reversal of Provision for Stocks of Rs.356,798/- and Current year Stock Written off of Rs2,657,307/-.		
5 FINANCE INCOME		
Interest Income on Fixed Deposits	41,469	155,598
	<u>41,469</u>	<u>155,598</u>
6 LOSS BEFORE INCOME TAX EXPENSE		
<i>Is stated after charging all expenses including the following;</i>		
Auditors' Remuneration	58,500	58,500
Professional Fees	85,250	537,705
Rent Expenses	583,871	3,240,951
Marketing Expenses	775,151	2,700,000
7 INCOME TAX EXPENSE / (REFUND)		
7.1 Current Tax Expense		
Current Income Tax Expense	-	-
Reversal of Deferred Tax (Note 10)	(2,142,248)	(7,176,195)
Total Tax Expense on Profit or Loss	<u>(2,142,248)</u>	<u>(7,176,195)</u>
In accordance with the provisions set out in the Inland Revenue Act No.24 of 2017, the Company is liable to income tax at the following rates,		
7.2 Reconciliation from Accounting Profit/ (Loss) to Taxable Profit/(Loss)		
Loss Before Tax	(6,488,720)	(16,018,940)
Add: Aggregate disallowed items	(41,469)	8,435,287
Less: Allowable expenses	(6,756,798)	-
Business Loss for the period	<u>(13,286,987)</u>	<u>(7,583,653)</u>
Other Sources of Income	41,469	155,598
Total Assessable Income	<u>41,469</u>	<u>155,598</u>
Taxable Income	<u>-</u>	<u>-</u>
Tax at the Rate of 28%	<u>-</u>	<u>-</u>
7.3 Tax Losses Carried Forward		
Balance at the beginning of the period	(30,316,885)	(22,888,831)
Add:- Tax Loss during the period	(13,286,987)	(7,583,653)
Less:- Loss Deducted for the year	41,469	155,598
Balance as at the end of the period	<u>(43,562,403)</u>	<u>(30,316,885)</u>
8 LOSS PER SHARE	2021	2020
Loss attributable to Ordinary Shareholders (LKR)	(4,346,471)	(8,842,745)
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
Loss Per Share (Rs.)	<u>(0.87)</u>	<u>(1.77)</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 31ST MARCH,

	2021 (LKR)	2020 (LKR)
9 DEFERRED TAX ASSETS		
Balance at the beginning of the period	10,380,631	3,204,436
Reversal/(Provision) during the period - Profit or Loss	2,142,248	7,176,195
Balance at the end of the period	12,522,879	10,380,631
	2021	
	Temporary Difference (LKR)	Tax Effect on Temporary Difference (LKR)
Tax loss (Note 7.2)	(13,286,987)	(7,583,653)
10 INVENTORY		
Finish Goods	-	1,188,309
Goods in Transit	-	1,399,130
Less:- Provision for non moving and slow moving stock	-	(356,798)
	-	2,230,641
11 TRADE AND OTHER RECEIVABLES		
Trade Receivables	747,651	7,148,807
Advances	-	1,791,630
Prepayment - Land Lease Tax	-	-
Prepayment - Insurance	-	48,746
Refundable Deposit paid on Rent	550,000	550,000
With Holding Tax on Interest Income	403,317	403,317
Interest Receivable	-	7,037
	1,700,968	9,949,536
12 CASH AND CASH EQUIVALENTS		
Fixed Deposits	-	1,000,000
Cash at Bank	1,340,308	4,288,237
<i>Cash and Cash Equivalent for the Purpose of Statement of Cash Flows</i>	1,340,308	5,288,237
13 STATED CAPITAL		
Issued and fully paid		
5,000,000 Ordinary shares	50,000,000	50,000,000

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,

	2021 (LKR)	2020 (LKR)
14 OTHER PAYABLES		
Provision for Sales Promotion - Display	-	6,400,000
Accrued Expenses	<u>449,250</u>	<u>605,129</u>
	<u>449,250</u>	<u>7,005,129</u>
15 AMOUNTS DUE TO RELATED PARTIES		
Agro Tech Foods Limited	-	<u>1,382,539</u>

16 FINANCIAL INSTRUMENTS

16.1 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

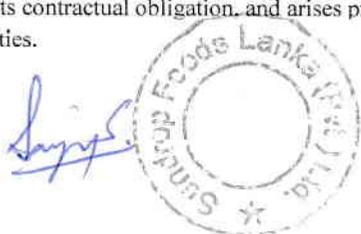
The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor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

16.2 Financial Instruments

<i>Financial Assets</i>	2021 (LKR)	2020 (LKR)
Loans & Receivables		
Trade and Other Receivables	1,700,968	9,949,536
Cash & Cash equivalents	<u>1,340,308</u>	<u>5,288,237</u>
	<u>3,041,276</u>	<u>15,237,772</u>
Financial Liabilities		
Other Financial Liabilities		
Provision for Sales Promotion - Display	-	6,400,000
Accrued Expenses	449,250	605,129
Amounts due to Related Parties	-	1,382,539
	<u>449,250</u>	<u>8,387,668</u>

16.3 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 31ST MARCH 2021**16.4 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)
Accrued Expenses	(449,250)	-	(449,250)	-
	<u>(449,250)</u>	<u>-</u>	<u>(449,250)</u>	<u>-</u>

16.5 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.

16.5.1. Interest Rate Risk

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

	2021 (LKR)	2020 (LKR)
Fixed Rate Instruments		
Financial Assets		
Fixed Deposits	-	<u>1,000,000</u>



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SUNDROP FOODS LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST MARCH 2021

17 RELATED PARTY TRANSACTIONS

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

Company has purchased goods From Agro-Tech Foods Limited- India. Deatails Given below

Related Party	Name of the Directors	Nature of Interest	Nature of Transaction	Amount (Paid)/ Received (LKR)
Agro Tech Foods limited - India		Parent Company	CIF value of Import Purchases	(1,440,036)

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 31st March 2021.

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 2021

	2021	2020
	(LKR)	(LKR)
<u>ADMINISTRATIVE EXPENSE</u>		
Professional charges	85,250	537,705
Audit Fee	58,500	58,500
Out of Pocket expenses	5,600	12,350
Bank Charges	12,375	50,091
Insurance - Plant & Machinery	-	8,014
Insurance - Stock	48,746	86,445
Exchange Loss	25,514	21,767
Sales Promotion - Display	1,770,339	6,400,000
Logistic & Marketing Expenses	775,151	2,700,000
Rent - Office	583,871	3,240,951
Office and Other expenses	-	21,000
	<u>3,365,346</u>	<u>13,136,823</u>
	<u>3,365,346</u>	<u>13,136,823</u>



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