

**Agro Tech Foods (Bangladesh) Pvt. Ltd.**

Auditor's report and financial statements  
as at and for the year ended 31 March 2017

## Independent auditor's report to the shareholders of Agro Tech Foods (Bangladesh) Pvt. Ltd.

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### **Report on the financial statements**

We have audited the accompanying financial statements of Agro Tech Foods (Bangladesh) Pvt. Ltd. ("the Company") which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### ***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs) and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 Agro Tech Foods (Bangladesh) Pvt. Ltd. as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards.

**Report on other legal and regulatory requirements**

In accordance with the Companies Act 1994, we also report the following:

- a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the statement of financial position and the statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

***Rahman Rahman Huq***  
***Dhaka, 30 April 2017***

Agro Tech Foods (Bangladesh) Pvt. Ltd.  
Statement of financial position

<i>In Taka</i>	<b>Note</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
<b>Assets</b>			
Property, plant and equipment	5	<b>115,790,503</b>	108,752,263
<b>Non-current assets</b>		<b>115,790,503</b>	108,752,263
Advances, deposits and prepayments	6	<b>1,418,651</b>	1,050,039
Deferred tax asset	7	<b>4,820,472</b>	4,830,471
Cash and cash equivalents	8	<b>20,241,769</b>	38,115,172
Inventories	9	-	1,510,532
<b>Current assets</b>		<b>26,480,892</b>	45,506,214
<b>Total assets</b>		<b>142,271,395</b>	154,258,477
<b>Equity</b>			
Share capital	10	<b>150,000,000</b>	100,000,000
Share money deposit	11	-	50,000,000
Retained earnings		<b>(8,944,591)</b>	(8,961,158)
<b>Total equity</b>		<b>141,055,409</b>	141,038,842
<b>Liabilities</b>			
Trade and other payables	12	<b>1,214,612</b>	13,218,663
Current tax liabilities	13	<b>1,374</b>	972
<b>Current liabilities</b>		<b>1,215,986</b>	13,219,635
<b>Total liabilities</b>		<b>1,215,986</b>	13,219,635
<b>Total equity and liabilities</b>		<b>142,271,395</b>	154,258,477

*The notes from pages 7 to 23 are an integral part of these financial statements.*

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Director

\_\_\_\_\_  
Director

As per our report of same date.

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Auditor

Dhaka, 30 April 2017

Agro Tech Foods (Bangladesh) Pvt. Ltd.  
Statement of profit or loss and other comprehensive income

<i>In Taka</i>	<i>Note</i>	For the year ended 31 March	
		2017	2016
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Other income	14	<b>6,372,633</b>	-
Administrative expenses	15	<b>(6,479,653)</b>	(4,867,950)
<b>Operating loss</b>		<b>(107,020)</b>	(4,867,950)
Finance income		<b>133,988</b>	323,896
Finance costs		-	-
<b>Net finance costs</b>	16	<b>133,988</b>	323,896
<b>Profit/(loss) before tax</b>		<b>26,968</b>	(4,544,054)
Income tax (expenses)/income	17	<b>(10,401)</b>	1,589,447
<b>Profit/(loss) for the year</b>		<b>16,567</b>	(2,954,607)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<b>16,567</b>	(2,954,607)

*The notes from pages 7 to 23 are an integral part of these financial statements.*

\_\_\_\_\_  
Director

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Director

As per our report of same date.

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Auditor

Dhaka, 30 April 2017

Agro Tech Foods (Bangladesh) Pvt. Ltd.  
Statement of changes in equity

For the year ended 31 March 2017

<i>In Taka</i>	Share capital	Retained earnings	Total
At 1 April 2015	100,000,000	(6,006,551)	93,993,449
<b>Total comprehensive income/(loss)</b>			
Loss for the year	-	(2,954,607)	(2,954,607)
Other comprehensive income	-	-	-
Total comprehensive income/(loss)	-	(2,954,607)	(2,954,607)
<b>Transactions with owners of the Company</b>			
<b>Contributions and distributions</b>			
Issue of ordinary shares	-	-	-
<b>Total transactions with owners of the Company</b>	-	-	-
<b>Balance at 31 March 2016</b>	100,000,000	(8,961,158)	91,038,842
At 1 April 2016	100,000,000	(8,961,158)	91,038,842
<b>Total comprehensive income/(loss)</b>			
Profit for the year	-	16,567	16,567
Other comprehensive income	-	-	-
Total comprehensive income/(loss)	-	16,567	16,567
<b>Transaction with owners of the Company</b>			
<b>Contributions and distributions</b>			
Issue of ordinary shares	50,000,000	-	50,000,000
<b>Total transactions with owners of the Company</b>	50,000,000	-	50,000,000
<b>Balance at 31 March 2017</b>	150,000,000	(8,944,591)	141,055,409

*The notes from pages 7 to 23 are an integral part of these financial statements.*

Agro Tech Foods (Bangladesh) Pvt. Ltd.  
Statement of cash flows

<i>In Taka</i>	<i>Note</i>	For the year ended 31 March	
		2017	2016
<b>Cash flows from operating activities</b>			
Net profit/(loss) before tax for the year		26,968	(4,544,054)
Adjustment for:			
– Depreciation	5	82,564	-
		<b>109,532</b>	<b>(4,544,054)</b>
Changes in:			
– Advances, deposits and prepayments	6	(368,612)	1,570,477
– Trade and other payables	12	(12,004,051)	(1,633,120)
– Inventories	9	1,510,532	12,856
Cash generated from/(used in) operating activities		<b>(10,752,599)</b>	<b>(4,593,841)</b>
Income tax paid	13.1	-	(434)
<b>Net cash from operating activities</b>		<b>(10,752,599)</b>	<b>(4,594,275)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	5	(7,120,804)	(13,980,127)
<b>Net cash used in investing activities</b>		<b>(7,120,804)</b>	<b>(13,980,127)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		-	50,000,000
<b>Net cash generated from financing activities</b>		-	50,000,000
<b>Net increase/(decrease) in cash and cash equivalent</b>		<b>(17,873,403)</b>	31,425,598
Cash and cash equivalents at the beginning of year		38,115,172	6,689,574
<b>Cash and cash equivalents at the end of year</b>		<b>20,241,769</b>	38,115,172

The notes from pages 7 to 23 are an integral part of these financial statements.

### 1. Reporting entity

Agro Tech Foods (Bangladesh) Pvt. Ltd. ("the Company") was registered in Bangladesh on 8 April 2012 with an authorised share capital of Tk 50,000,000 divided into 5,000,000 ordinary shares of Tk 10 each. In 2014, the Company increased its authorised share capital to Tk 200,000,000 divided into 20,000,000 ordinary shares of Tk 10 each. It is a subsidiary company of Agro Tech Foods Limited, India.

The Company has taken an initiative to set up a production plant in Bangladesh and is mainly engaged in "ACT-II" pop-corn. The commercial production has not yet started; it is likely to start by June 2017. Hence no revenue and corresponding cost of sales were recognised during this year.

The address of the registered office of the Company is 20, Comrade Moni Singha Road (Old: 62/1, Purana Paltan), Level-4, Motijheel C/A, Dhaka-1000.

### 2. Basis of accounting

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs) and the Companies Act 1994.

The title and format of these financial statements follow the requirements of BFRS which is slightly different from the requirement of the Companies Act 1994. However, such differences are not material and in the view of management, BFRS format as mentioned in BAS 1 gives a better presentation to the shareholders.

These financial statements have been authorised for issue by the Board of Directors of the Company on 30 April 2017.

### 3. Functional and presentation currency

The financial statements are prepared in Bangladesh Taka (Taka/Tk), which is the Company's functional currency. All financial information presented in Taka has been rounded to the nearest integer, except where otherwise indicated.

### 4. Use of estimates and judgments

The preparation of financial statements in conformity with the Bangladesh Accounting Standard (BAS) and Bangladesh Financial Reporting Standards (BFRS) requires management to make judgment, estimates and assumptions that affects the reported amounts of the assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the year reported. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 5      Property plant and equipment  
Note 12     Trade and other payables

**5. Property, plant and equipment**

See accounting policies in Notes 27 (D)

<i>In Taka</i>	Land	Building	Plant and machinery	Equipment and appliances	Furniture and fixtures	Computers and peripherals	Capital work in progress (Note - 5.1)	Total
<b>Cost</b>								
Balance at 1 April 2015	21,374,850	-	-	-	-	-	73,397,286	94,772,136
Additions	-	-	-	-	-	-	13,980,127	13,980,127
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2016</b>	<b>21,374,850</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,377,413</b>	<b>108,752,263</b>
Balance at 1 April 2016	<b>21,374,850</b>	-	-	-	-	-	<b>87,377,413</b>	<b>108,752,263</b>
Additions	-	<b>5,832,489</b>	<b>1,455,973</b>	-	-	-	-	<b>7,288,462</b>
Disposals/Adjustments	-	<b>(34,030)</b>	-	-	-	-	-	<b>(34,030)</b>
Transfers	-	<b>58,857,223</b>	<b>27,931,954</b>	<b>94,731</b>	<b>428,591</b>	<b>64,914</b>	<b>(87,377,413)</b>	-
Effect of movement in exchange rates	-	-	<b>(133,628)</b>	-	-	-	-	<b>(133,628)</b>
<b>Balance at 31 March 2017</b>	<b>21,374,850</b>	<b>64,655,682</b>	<b>29,254,299</b>	<b>94,731</b>	<b>428,591</b>	<b>64,914</b>	-	<b>115,873,067</b>
<b>Accumulated depreciation</b>								
Balance at 1 April 2015	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Adjustment for disposal	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balance at 1 April 2016	-	-	-	-	-	-	-	-
Depreciation for the year	-	<b>44,285</b>	<b>36,668</b>	<b>259</b>	<b>1,174</b>	<b>178</b>	-	<b>82,564</b>
Adjustment for disposal	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>-</b>	<b>44,285</b>	<b>36,668</b>	<b>259</b>	<b>1,174</b>	<b>178</b>	-	<b>82,564</b>
<b>Carrying amounts</b>								
Balance at 1 April 2015	21,374,850	-	-	-	-	-	73,397,286	94,772,136
At 31 March 2016	21,374,850	-	-	-	-	-	87,377,413	108,752,263
<b>At 31 March 2017</b>	<b>21,374,850</b>	<b>64,611,397</b>	<b>29,217,631</b>	<b>94,472</b>	<b>427,417</b>	<b>64,736</b>	-	<b>115,790,503</b>

**5.1 Capital work in progress**

See accounting policies in Notes 27 (D)

<i>In Taka</i>	2017	2016
Building	-	58,857,223
Plant and machinery	-	27,931,954
Equipment and appliances	-	94,731
Furniture and fixtures	-	428,591
Computers and peripherals	-	64,914
	-	87,377,413

**6. Advances, deposits and prepayments**

See accounting policy in Notes 27 (F) (i)

<i>In Taka</i>	2017	2016
<b>Advances</b>		
AKR Enterprise	458,398	-
Digital Engravers Ltd.	316,653	316,653
Advance to employee	50,000	30,000
Withholding tax	-	109,786
	<b>825,051</b>	<b>456,439</b>
<b>Deposits</b>		
Dhaka Palli Vidyut Samiti for electricity	593,600	593,600
	<b>593,600</b>	<b>593,600</b>
<b>Prepayments</b>		
	-	-
	<b>1,418,651</b>	<b>1,050,039</b>

**7. Deferred tax asset**

See accounting policy in Notes 27 (G) (ii)

**31 March 2017**

<i>In Taka</i>	Note	Carrying amount on reporting date	Tax base	(Taxable)/ deductible temporary differences
Property, plant and equipment excluding CWIP	5	115,790,503	97,019,264	(18,771,239)
Carry forward of tax losses	7.1	-	13,690,215	13,690,215
Unabsorbed tax depreciation	7.2	-	18,853,803	18,853,803
				13,772,779
Tax rate				35%
<b>Deferred tax asset</b>				<b>4,820,472</b>

**31 March 2016**

<i>In Taka</i>	Note	Carrying amount on reporting date	Tax base	(Taxable)/ deductible temporary differences
Property, plant and equipment excluding CWIP	5	-	-	-
Carry forward of tax losses	7.1	-	13,801,346	13,801,346
Unabsorbed tax depreciation	7.2	-	-	-
				13,801,346
Tax rate				35%
<b>Deferred tax asset</b>				<b>4,830,471</b>

**7.1 Business loss**

<i>In Taka</i>	Note	For the year ended 31 March	
		2017	2016
Business loss b/f	7.4	13,801,346	13,801,346
Business (income)/loss		(111,131)	-
<b>Business loss c/f</b>		<b>13,690,215</b>	<b>13,801,346</b>

**7.2 Unabsorbed depreciation**

<i>In Taka</i>	Total
For the year 2016 - 2017	18,853,803
<b>Depreciation loss c/f</b>	<b>18,853,803</b>
<b>Business loss and unabsorbed depreciation carried forward</b>	<b>32,544,018</b>

Deferred tax assets have been recognised in respect of these items because it is probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

## Notes to the financial statements (continued)

**7.3 Deferred tax (expense)/income**

<i>In Taka</i>	<b>2017</b>	<b>2016</b>
Deferred tax assets at the end of the year	<b>4,820,472</b>	4,830,471
Deferred tax assets at the beginning of the year	<b>4,830,471</b>	3,240,052
Deferred tax (expense)/income	<b>(9,999)</b>	1,590,419
Deferred tax (expense)/income resulting from reduction in tax rate	-	-
Deferred tax (expense)/income related to the origination and reversal of temporary differences	<b>(9,999)</b>	1,590,419
<b>Deferred tax (expense)/income recognised</b>	<b>(9,999)</b>	1,590,419

**7.4 Business loss b/f**

<i>In Taka</i>	<b>Total</b>
For the financial year 2012 - 2013	1,100,310
For the financial year 2013 - 2014	3,002,808
For the financial year 2014 - 2015	5,154,174
For the financial year 2015 - 2016	4,544,054
	<b>13,801,346</b>

**8. Cash and cash equivalents**

See accounting policy in Notes 27 (F) (ii)

<i>In Taka</i>	<b>Note</b>	<b>2017</b>	<b>2016</b>
Cash at bank	8.1	<b>20,241,769</b>	38,115,172
		<b>20,241,769</b>	38,115,172

**8.1. Cash at bank**

Cash at bank represents balance amount at 31 March with Hongkong and Shanghai Banking Corporation Limited (HSBC). Details are given below:

<i>In Taka</i>			<b>2017</b>	<b>2016</b>
<b>Name of bank</b>	<b>Name of branch</b>	<b>Account type</b>		
HSBC	Main branch	Current	<b>20,241,769</b>	38,115,172
			<b>20,241,769</b>	38,115,172

**9. Inventories**

See accounting policy in Notes 27 (B)

<i>In Taka</i>	<b>2017</b>	<b>2016</b>
Raw materials and consumables	<b>1,510,532</b>	1,523,388
Loss on damaged goods/Provision for damaged inventory	<b>(1,510,532)</b>	(12,856)
	-	1,510,532

**10. Share capital**

See accounting policy in Notes 27 (F) (iv)

<i>In Taka</i>	<b>2017</b>	<b>2016</b>
<b>a) Authorised:</b>		
20,000,000 ordinary shares of Taka 10 each	<b>200,000,000</b>	200,000,000
<b>b) Issued, subscribed and fully paid up:</b>		
15,000,000 ordinary shares of Taka 10 each	<b>150,000,000</b>	100,000,000
	<b>150,000,000</b>	100,000,000

The shareholdings position at current and corresponding year were as follows:

<b>Name of shareholders</b>	<b>Status</b>	<b>% of share holding</b>	<b>2017</b>		<b>2016</b>	
			<b>Total no. of shares</b>	<b>Value (Tk.)</b>	<b>Total no. of shares</b>	<b>Value (Tk.)</b>
Agro Tech Foods Limited, India	Company	99.993%	<b>14,999,000</b>	<b>149,990,000</b>	9,999,000	99,990,000
Mr. N. Narasimha Rao	Individual	0.003%	<b>500</b>	<b>5,000</b>	500	5,000
Dr. Pradip Ghosh Chaudhuri	Individual	0.003%	<b>500</b>	<b>5,000</b>	500	5,000
		<b>100.000%</b>	<b>15,000,000</b>	<b>150,000,000</b>	10,000,000	100,000,000

**11. Share money deposit**

<i>In Taka</i>	<b>2017</b>	<b>2016</b>
Opening balance	<b>50,000,000</b>	-
Received from Agro Tech Foods Limited, India	-	50,000,000
Transferred to share capital	<b>(50,000,000)</b>	-
Closing balance	-	50,000,000

The Company received advance share call money from Agro Tech Foods Limited, India with intents to increase the share capital.

**12. Trade and other payables**

See accounting policy in Notes 27 (F) (ii)

<i>In Taka</i>	<b>Note</b>	<b>2017</b>	<b>2016</b>
Due to related parties	12.1	-	12,169,326
Other than related parties	12.2	<b>146,618</b>	165,934
Accrued expenses	12.3	<b>1,067,994</b>	883,403
		<b>1,214,612</b>	13,218,663

**12.1 Due to related parties**

<i>In Taka</i>	<b>2017</b>	<b>2016</b>
Agro Tech Foods Limited, India	-	12,169,326
	-	12,169,326

**12.2 Other than related parties**

<i>In Taka</i>	<b>Note</b>	<b>2017</b>	<b>2016</b>
Buildtex Technologies Ltd.		-	34,030
Accounts payable - services	12.2.1	<b>146,618</b>	131,904
		<b>146,618</b>	165,934

**12.2.1 Accounts payable - services**

<i>In Taka</i>	<b>2017</b>	<b>2016</b>
Ahmed Mashuque & Co.	133,970	108,504
Cannon Pest Management (Bangladesh) Private Limited	-	23,400
Dhaka Palli Vidyut Samiti - 1	12,648	-
	<b>146,618</b>	<b>131,904</b>

**12.3 Accrued expenses**

See accounting policy in Notes 27 (F) (i)

<i>In Taka</i>	<b>2017</b>	<b>2016</b>
Audit fees	360,000	270,000
Legal and professional fees	249,558	258,100
Office rent	5,750	5,450
Tax deducted at source	40,000	35,000
VAT deducted at source	60,000	52,500
Other taxes payable	31,756	11,151
Packaging Development	251,202	251,202
Security charges	47,878	-
Pest control expenses	21,850	-
	<b>1,067,994</b>	<b>883,403</b>

**13. Current tax assets/(liabilities)**

See accounting policy in Note 27 (G) (i)

<i>In Taka</i>	<b>Note</b>	<b>2017</b>	<b>2016</b>
Advance income tax	13.1	1,320	1,320
Provision for income tax	13.2	(2,694)	(2,292)
		<b>(1,374)</b>	<b>(972)</b>

**13.1 Advance income tax**

<i>In Taka</i>	<b>2017</b>	<b>2016</b>
Opening balance	1,320	886
Add: Paid during the year	-	434
	<b>1,320</b>	<b>1,320</b>
Less: Adjustment against completed tax assessment	-	-
	<b>1,320</b>	<b>1,320</b>

**13.2 Provision for income tax**

<i>In Taka</i>	<b>2017</b>	<b>2016</b>
Opening balance	2,292	1,320
Add: Provision made during the year	402	972
	<b>2,694</b>	<b>2,292</b>
Less: Adjustment against completed tax assessment	-	-
	<b>2,694</b>	<b>2,292</b>

**14. Other income**

<i>In Taka</i>	2017	2016
Inter-company payable written off	6,372,633	-
	6,372,633	-

During the year, Agro Tech Foods Limited, India, the parent company, wrote down its receivables from Agro Tech Foods (Bangladesh) Private Limited.

**15. Administrative expenses**

<i>In Taka</i>	Note	2017	2016
Salary and allowances		2,059,380	1,602,000
Bonus		188,000	138,000
Staff welfare expense		36,334	11,789
Travelling and conveyance		13,801	828,784
Rent expense		68,400	65,400
Audit fees		477,250	357,000
Professional fees		968,800	870,325
License fees		42,855	24,622
Bank charge		20,540	38,242
Printing and stationery		1,795	4,251
Legal charges		80,426	-
Depreciation expenses	5	82,564	-
Pest control expenses		258,750	310,500
Security charges		512,478	526,237
Communication expenses		12,791	7,956
Loss on damaged goods	9	1,510,532	12,856
Miscellaneous expenses		144,957	69,988
		6,479,653	4,867,950

**16. Net finance costs**

See accounting policy in Note 27 (J)

<i>In Taka</i>	2017	2016
Net foreign exchange gain	133,988	323,896
Finance income	133,988	323,896
Finance costs	-	-
<b>Net finance costs recognised in profit or loss</b>	<b>133,988</b>	<b>323,896</b>

**17. Income tax (expenses)/income**

See accounting policy in Notes 27 (G)

<i>In Taka</i>	Note	2017	2016
<b>Current tax expense</b>			
Current year tax (expenses)/income	13.2	(402)	(972)
		(402)	(972)
<b>Deferred tax expense</b>			
Deferred tax (expense)/income resulting from carry forward of tax losses	7.3	(9,999)	1,590,419
		(9,999)	1,590,419
		(10,401)	1,589,447

**18. Financial risk management**

The management 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 risks and adherence to limits. The company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

**18.1 Credit risk**

Credit risk is the risk of a financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from its customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

**a) Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

<i>In Taka</i>	<b>2017</b>	<b>2016</b>
Cash and cash equivalent	<b>20,241,769</b>	38,115,172
	<b>20,241,769</b>	38,115,172

**18.2 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, based on time line of payment of financial obligations and accordingly arrange for sufficient liquidity/fund to make the expected payments within due dates. Moreover, the Company has short term credit facilities with scheduled commercial banks to ensure payment of obligation in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flow projections and credit lines with banks are negotiated accordingly.

**Exposure to liquidity risk**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

## Notes to the financial statements (continued)

The maturity of financial liability is given below:

<b>31 March 2017</b>	<b>Total</b>	<b>6 months or less</b>	<b>More than 6 months</b>
<i>In Taka</i>			
<b>Trade and other payables</b>			
<b>Due to related parties</b>			
Agro Tech Foods Limited, India	-	-	-
	-	-	-
<b>Other than related parties</b>			
Buildtex Technologies Ltd.	-	-	-
Account payable - services	146,618	146,618	-
	146,618	146,618	-
<b>Accrued expenses and provision</b>			
Audit fees	360,000	360,000	-
Legal and professional fees	249,558	249,558	-
Office rent	5,750	5,750	-
Tax deducted at source	40,000	40,000	-
VAT deducted at source	60,000	60,000	-
Other taxes payable	31,756	31,756	-
Packaging Development	251,202	-	251,202
Security charges	47,878	47,878	-
Others	21,850	21,850	-
	1,067,994	816,792	251,202
<b>31 March 2016</b>			
<i>In Taka</i>			
<b>Trade and other payables</b>			
<b>Due to related parties</b>			
Agro Tech Foods Limited, India	12,169,326	5,711,741	6,457,585
	12,169,326	5,711,741	6,457,585
<b>Other than related parties</b>			
Buildtex Technologies Ltd.	34,030	-	34,030
Account payable - services	131,904	131,904	-
	165,934	131,904	34,030
<b>Accrued expenses and provision</b>			
Audit fees	270,000	270,000	-
Legal and professional fees	258,100	258,100	-
Office rent	5,450	5,450	-
Tax deducted at source	35,000	35,000	-
VAT deducted at source	52,500	52,500	-
Other taxes payable	11,151	11,151	-
Packaging Development	251,202	-	251,202
	883,403	632,201	251,202

## Notes to the financial statements (continued)

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### 18.3 Market risk

Market risk is the risk that any change in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Currently the Company is exposed to nominal market risk.

#### a) Currency risk/foreign exchange rate risk

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	<u>2017</u>	<u>2016</u>
	INR	INR
<i>Foreign currency denominated liabilities</i>		
Due to related parties	-	10,321,735

#### b) Interest rate risk

The company is not exposed to any significant interest rate risk because there are no fixed rate or floating rate instruments.

**19. Related party disclosures**

**a) Key management personnel**

<u>Name</u>	<u>Designation</u>
Mr. Pinku Roy	Country Manager

Mr. Pinku Roy has the authority and responsibility for planning, directing and controlling the activities of the Company.

**b) Transactions with key management personnel**

Key management personnel compensation comprised the following.

<u>In Taka</u>	<u>2017</u>	<u>2016</u>
Short term employee benefits (salary and other allowances)	<b>2,244,000</b>	1,740,000

**c) Other related party transactions**

During the year ended 31 March 2017, the Company entered into a number of transactions with related parties in the normal course of business. The names of the related parties, and amount thereof have been set out below in accordance with the provisions of *BAS 24: Related Party Disclosures*.

<u>In Taka</u>	<u>Transaction values for the year ended 31 March</u>		<u>Balance outstanding as at 31 March</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>

**Due to related parties**

Agro Tech Foods Limited, India	-	6,415,376	-	12,169,326
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Inter-company payable comprises of various expenses reimbursement due to Agro Tech Foods Limited, India.

**20. Capital expenditure commitment**

Commitment for capital expenditure as at 31 March 2017 was Taka 2,420,971 (2016: Taka 10,337,914) in respect of construction of the factory in Bangladesh.

**21. Contingent liability**

There is no contingent liability as at 31 March 2017 (2016: Nil).

**22. Particulars of employees**

The number of employees engaged by the Company for the whole year or part thereof who received a total remuneration of Taka 36,000 or above was 3 (2016: 3).

**23. Events after the reporting date**

No material events had occurred after the reporting period to the date of issue of these financial statements, which could affect the values stated in the financial statements.

### 24. Basis of measurement

The financial statements have been prepared on the historical cost basis except inventories which is measured at lower of cost and net realisable value on each reporting date.

### 25. Reporting period

The financial period of the Company covers one year from 1 April to 31 March and is followed consistently.

### 26. Going concern assumption

The Company has adequate resources to continue in operation in the foreseeable futures. For this reason going concern basis is adopted in preparing the financial statements. The current resources of the Company provide sufficient fund to meet the present requirements of its existing business.

### 27. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

A.	Revenue	18
B.	Inventory	18
C.	Foreign currency transaction	18
D.	Property, plant and equipment	19
E.	Impairment	19
F.	Financial instruments	20
G.	Income tax	21
H.	Provisions	22
I.	Contingencies and commitment	22
J.	Finance income and expenses	22
K.	Statement of cash flows	22

#### A. Revenue

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of return, discount and VAT. Revenue is recognised at the time of raising of sales invoice, when significant risks and rewards of ownership have been transferred to the buyer and recovery of the consideration is probable. transfer of risks and rewards occur from the sale of goods when the product is delivered to the distributors or customers along with dispatch documents and invoices.

#### B. Inventory

Both raw materials and finished goods inventories are valued at the lower of cost or net realisable value. Cost includes all expenditure incurred for acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is defined as the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

#### C. Foreign currency transaction

Transactions in foreign currencies are translated to Bangladesh Taka currency at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Resulting exchange differences are recognised in the profit and loss account.

### D. Property, plant and equipment

#### Recognition and measurement

Items of property plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and bringing to the location and condition necessary for it to be capable of operating in the intended manner. The cost of self constructed asset includes the cost of material, direct labour and any other cost directly attributable to bringing the assets to a working condition for their intended use.

#### Subsequent cost

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the profit and loss account as incurred.

#### Depreciation

Depreciation on property, plant and equipment is recognised against profit or loss on a straight line method over the estimated useful lives of each part of an item of property, plant and equipment as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. Depreciation is charged from the date of acquisition and no depreciation is charged in the month of disposal.

The estimated useful lives for the current and comparative periods are as follows:

- Building:	20 years
- Plant & machinery:	10 years
- Factory equipment and sundry tools:	20 years
- Vehicles:	5 years
- Equipment and appliances:	5 years
- Computers and peripherals:	5 years
- Furniture and fixtures:	5 years
- Other assets:	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### Retirement and disposals

An asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from the retirement or disposal of an asset is determined by the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Capital work in progress

Capital work in progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use which is measured at cost.

### E. Impairment

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised in the statement of comprehensive income if the carrying amount of asset exceeds its estimated recoverable amount.

## Notes to the financial statements (continued)

### F. Financial instruments

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

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

#### (i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises 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 of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial 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 realise the asset and settle the liability simultaneously.

#### (ii) Non-derivative financial assets – measurement

##### Financial assets 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. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

##### Held-to-maturity financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

##### Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

##### Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash at bank, cash in hand and cash in transit that are an integral part of the Company's cash management.

##### Receivable

Receivables are stated at nominal values as reduced by the appropriate allowances for estimated doubtful amounts. However, there was no allowance for doubtful amounts in 2016.

### **Payables**

Trade and other payables are stated at their nominal values.

#### **Due from/to related parties**

Due from/to related parties are stated at their nominal values.

#### **Available-for-sale financial assets**

These assets are initially recognised 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 debt instruments are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

#### **(iii) Non-derivative financial liabilities – measurement**

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

#### **(iv) Share capital**

##### **Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

### **G. Income tax**

Income tax expenses comprises current and deferred tax. It is recognised in profit and loss except to the extent that relates to an item recognised directly in equity or in other comprehensive income (OCI).

#### **(i) Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. As a private limited company, the applicable tax rate for the reporting period was 35% with minimum tax at the rate of zero point six zero (0.60%) percent on gross receipts for the year.

#### **(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined at the effective income tax rate prevailing at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. Deferred tax is not recognised for:

- a) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable profit or loss.
- b) Temporary differences related to investment in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future, and
- c) Taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**H. Provisions**

Provisions are recognised on the reporting date if the Company has a legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate thereof can be made.

**I. Contingencies and commitment**

Contingencies arising from claims, litigation assessments, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can reasonably be measured.

**Contingent liability**

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability should not be recognised in the financial statements, but may require disclosure. A provision should be recognised in the period in which the recognition criteria of provision have been met.

**Contingent asset**

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent asset should not be recognised. Only when the realisation of the related economic benefits is virtually certain should recognition take place provided that it can be measured reliably because, at that point, the asset is no longer contingent.

**J. Finance income and expenses**

The Company's finance income and finance costs include:

- interest income
- interest expense
- foreign exchange gain
- foreign exchange loss

**K. Statement of cash flows**

Cash flows from operating activities is presented under indirect method as per BAS 7: Statement of cash flows.

**28. Standards adopted but not yet effective**

The Institute of Chartered Accountants of Bangladesh (ICAB) has adopted the following new standards and amendments to standards as of today. All previously adopted reporting standards are consistently applied by the Company to the extent relevant for the Company.

New standards	Summary of the requirements	Possible impact on financial statements
BFRS 9 Financial Instruments	<p>BFRS 9, published in July 2014, replaces the existing guidance in BAS 39 Financial Instruments: Recognition and Measurement. BFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from BAS 39.</p> <p>BFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>	The Company is assessing the potential impact on its financial statements resulting from the application of BFRS 9.
BFRS 15 Revenue from Contracts with Customers	<p>BFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including BAS 18 Revenue, BAS 11 Construction Contracts and BFRIC 13 Customer Loyalty Programmes.</p> <p>BFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>	The Company is assessing the potential impact on its financial statements resulting from the application of BFRS 15.

**29. Comparatives**

Comparative information have been disclosed in respect of 2017 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

To facilitate comparison, certain relevant balances pertaining to the previous year have been rearranged/restated/ reclassified whenever considered necessary to conform to current period's presentation.