

**Financials of Subsidiary Companies**



# Agro Tech Foods Limited

## Sundrop Foods India Private Limited

(formerly Sundrop Foods India Limited)

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUNDROP FOODS INDIA PRIVATE LIMITED

#### Report on the Financial Statements

We have audited the accompanying financial statements of Sundrop Foods India Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and 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 the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 Company's preparation and fair presentation of the financial statements 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 the 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 and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- in our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Act, to the extent applicable; and
- on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For **B S R and Co**  
Chartered Accountants  
Firm's Registration No. 128510W

**Vijay Mathur**  
Partner  
Membership No. 046476

Place : Mumbai  
Date : 21 April 2014

### ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

The Annexure referred to in the Independent Auditors' Report to the Members of Sundrop Foods India Private Limited ("the Company") for the year ended 31 March 2014. We report that:

- The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain services provided are for the specialized requirements of the buyer for which suitable alternative sources do not exist for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to rendering of services. The activities of the Company do not include sales of goods, purchase of inventory and fixed assets. We have not observed any major weakness in the internal control system during the course of the audit.
- In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- The Company has not accepted any deposits from the public.
- In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- The Central Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for any services rendered by the Company.
- According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' state insurance, Income-tax, Service tax and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in few cases. As explained to us, the Company did not have any dues on account of sales-tax, wealth tax, customs duty, excise duty and investor education and protection fund.  
According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2014 for a period of more than six months from the date they became payable.
- According to the information and explanations given to us, there are no dues of Income-tax, Sales tax, Wealth tax, Service tax, Customs duty and Excise duty which have not been deposited with the appropriate authorities on account of any dispute.
- The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- In our opinion and according to the information and explanations given to us, the Company did not have any dues outstanding to any financial institution, banks or debenture holders during the year.
- The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- The Company did not have any term loans outstanding during the year.
- According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- The Company has not made any preferential allotment of shares to companies/ firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- The Company did not have any outstanding debentures during the year.
- The Company has not raised any money by public issues.
- According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.
- The other clause (i) and (ii) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, is not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

For **B S R and Co**  
Chartered Accountants  
Firm's Registration No. 128510W

**Vijay Mathur**  
Partner  
Membership No. 046476

Place : Mumbai  
Date : 21 April 2014

## Agro Tech Foods Limited

### Sundrop Foods India Private Limited

(formerly Sundrop Foods India Limited)  
(all amounts in Indian Rupees, except share data and otherwise stated)

#### BALANCE SHEET AS AT 31 MARCH 2014

Particulars	Note No.	As at 31 March 2014	As at 31 March 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share capital	2.1	20,000,000	20,000,000
Reserves and surplus	2.2	2,521,739	(101,115)
<b>Non-current liabilities</b>			
Long-term provisions	2.3	914,616	1,439,697
<b>Current liabilities</b>			
Trade payables	2.4	929,348	2,069,854
Other current liabilities	2.5	3,053,821	2,987,342
Short-term provisions	2.6	107,199	208,116
		<b>27,526,723</b>	<b>26,603,894</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Long-term loans and advances	2.7	534,401	—
Deferred tax asset	2.19	315,742	493,741
<b>Current assets</b>			
Trade receivables	2.8	22,078,222	21,350,364
Cash and cash equivalents	2.9	1,520,107	1,841,030
Short-term loans and advances	2.10	3,078,251	2,918,759
		<b>27,526,723</b>	<b>26,603,894</b>
<b>Significant accounting policies</b>	1		
<b>Notes to accounts</b>	2		

The notes referred to above form an integral part of the balance sheet.

As per our report of even date attached

for **BSR and Co**  
Chartered Accountants  
Firm's Registration No. 128510W

for **Sundrop Foods India Private Limited**

**Vijay Mathur**  
Partner  
Membership No. 046476

**Dr. Pradip Ghosh Chaudhuri**  
Director

**N Narsimha Rao**  
Director

Place : Mumbai  
Date : 21 April 2014

Place : Gurgaon  
Date : 21 April 2014

#### STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2014

Particulars	Note No.	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>Revenue from operations</b>			
Sale of services	2.11	54,510,625	64,056,422
Other income	2.12	71,550	—
		<b>54,582,175</b>	<b>64,056,422</b>
<b>Expenses</b>			
Employee benefits expense	2.13	34,252,924	40,385,746
Other expenses	2.14	16,383,825	18,822,415
		<b>50,636,749</b>	<b>59,208,161</b>
<b>Profit before tax</b>		<b>3,945,426</b>	<b>4,848,261</b>
<b>Tax expense</b>	2.15	<b>1,322,572</b>	<b>1,498,193</b>
<b>Profit after tax</b>		<b>2,622,854</b>	<b>3,350,068</b>
<b>Earnings per share</b>			
Basic and diluted - Par value ₹10 per share	2.16	1.31	1.68
<b>Significant accounting policies</b>	1		
<b>Notes to accounts</b>	2		

The notes referred to above form an integral part of statement of profit and loss.

As per our report of even date attached

for **BSR and Co**  
Chartered Accountants  
Firm's Registration No. 128510W

for **Sundrop Foods India Private Limited**

**Vijay Mathur**  
Partner  
Membership No. 046476

**Dr. Pradip Ghosh Chaudhuri**  
Director

**N Narsimha Rao**  
Director

Place : Mumbai  
Date : 21 April 2014

Place : Gurgaon  
Date : 21 April 2014

## Sundrop Foods India Private Limited

(formerly Sundrop Foods India Limited)  
(all amounts in Indian Rupees, except share data and otherwise stated)

### 1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PREPARATION OF ACCOUNTS

The financial statements of Sundrop Foods India Private Limited have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, read with the General Circular 15/2013 dated September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013, other pronouncements of Institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### CURRENT AND NON-CURRENT CLASSIFICATION

All assets and liabilities are classified into current and non-current.

##### Assets

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in the Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Apart from the above, current assets also include the current portion of non-current financial assets. All other assets are classified as non-current.

##### Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within 12 months after the reporting date; or
- the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counter party, result in its settlement by the issue of equity instruments do not affect its classification.

Apart from the above, current liabilities also include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

##### Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

#### REVENUE RECOGNITION

Revenue is recognised on accrual basis as and when services are rendered and billed to the customer in accordance with the terms of the contract (the parent company).

#### EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date.

#### EMPLOYEE BENEFITS

Gratuity which is defined benefit plan, is accrued based on an actuarial valuation using the projected unit credit method at the Balance Sheet date.

The Company's contribution payable to the recognised provident fund, which is defined contribution scheme, is charged to the Statement of Profit and Loss.

The employees can carry-forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

All actuarial gains and losses arising during the year are recognised in the Statement of Profit and Loss of the year.

#### INCOME TAX EXPENSE

Income tax expense comprises current tax and deferred tax charge or credit.

##### Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

##### Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

The break-up of the major components of the deferred tax assets and liabilities as at Balance Sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

#### PROVISIONS AND CONTINGENT LIABILITIES

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

# Agro Tech Foods Limited

## Sundrop Foods India Private Limited

(formerly Sundrop Foods India Limited)  
(all amounts in Indian Rupees, except share data and otherwise stated)

### 2. NOTES TO ACCOUNTS

Particulars	As at 31 March 2014	As at 31 March 2013
<b>2.1 : Share capital</b>		
<b>Authorised :</b>		
<b>Equity shares</b>		
2,000,000 (previous year: 2,000,000), ₹10 each par value	20,000,000	20,000,000
	<b>20,000,000</b>	<b>20,000,000</b>
<b>Issued :</b>		
<b>Equity shares</b>		
2,000,000 (previous year: 2,000,000), ₹10 each par value	20,000,000	20,000,000
	<b>20,000,000</b>	<b>20,000,000</b>
<b>Subscribed and fully paid-up :</b>		
<b>Equity shares</b>		
2,000,000 (previous year: 2,000,000), ₹10 each fully paid up	20,000,000	20,000,000
	<b>20,000,000</b>	<b>20,000,000</b>

#### a. Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid. Failure to pay any amount called up on shares may lead to forfeiture of the shares. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

#### b. The reconciliation of the number of equity shares outstanding is set out below

Particulars	As at 31 March 2014		As at 31 March 2013	
	Number of Shares	Amount in ₹	Number of Shares	Amount in ₹
Shares outstanding at the beginning of the year	2,000,000	20,000,000	2,000,000	20,000,000
Shares issued during the year	—	—	—	—
Shares bought back during the year	—	—	—	—
<b>Shares outstanding at the end of the year</b>	<b>2,000,000</b>	<b>20,000,000</b>	<b>2,000,000</b>	<b>20,000,000</b>

#### c. The details of shareholder holding more than 5% equity shares is set out below:

Name of shareholder	As at 31 March 2014		As at 31 March 2013	
	Number of shares held	% of Holding	Number of shares held	% of Holding
Agro Tech Foods Limited (along with its nominees)	2,000,000	100	2,000,000	100

d. Agro Tech Foods Limited is the holding company and ConAgra Foods Inc. is the ultimate holding company.

Particulars	As at 31 March 2014	As at 31 March 2013
<b>2.2 : Reserves and surplus</b>		
Surplus/(loss) balance in the statement of profit and loss		
Opening balance	(101,115)	(3,451,183)
Add: Profit for the year	2,622,854	3,350,068
Closing balance	<b>2,521,739</b>	<b>(101,115)</b>
<b>2.3 : Long-term provisions</b>		
Provision for employee benefits		
Gratuity	337,107	440,899
Leave encashment	577,509	998,798
	<b>914,616</b>	<b>1,439,697</b>

Particulars	As at 31 March 2014	As at 31 March 2013
<b>2.4 : Trade payables</b>		
Due to micro and small enterprises (refer note 2.20)	—	—
Other trade payables	929,348	2,069,854
	<b>929,348</b>	<b>2,069,854</b>
<b>2.5 : Other current liabilities</b>		
Statutory liabilities	277,777	852,337
Payable to employees	2,776,044	2,135,005
	<b>3,053,821</b>	<b>2,987,342</b>
<b>2.6 : Short-term provisions</b>		
Provision for income tax (net of advance tax)	—	49,947
Provision for employee benefits		
Gratuity	798	1,020
Leave encashment	106,401	157,149
	<b>107,199</b>	<b>208,116</b>
<b>2.7 : Long-term loans and advances</b>		
Other loans and advances		
Advance income tax (net of provisions)	534,401	—
	<b>534,401</b>	<b>—</b>
<b>2.8 : Trade receivables *</b>		
Unsecured, considered good		
Outstanding for period exceeding six months	7,193,941	7,193,941
Other trade receivables	14,884,281	14,156,423
	<b>22,078,222</b>	<b>21,350,364</b>
(*Amount represents amount due from holding company)		
<b>2.9 : Cash and cash equivalents</b>		
Balance with banks		
Current accounts	1,520,107	1,841,030
	<b>1,520,107</b>	<b>1,841,030</b>
<b>2.10 : Short-term loans and advances</b>		
Advances to related party (holding company)		
Unsecured, considered good	2,737,758	2,737,758
Others		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	328,986	125,889
Advances with government and public bodies	11,507	55,112
	<b>3,078,251</b>	<b>2,918,759</b>
Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>2.11 : Sale of services</b>		
Revenue from distribution services	54,510,625	64,056,422
	<b>54,510,625</b>	<b>64,056,422</b>
<b>2.12 : Other income</b>		
Interest income	71,550	—
	<b>71,550</b>	<b>—</b>
<b>2.13 : Employee benefits expense</b>		
Salaries and bonus	30,450,203	35,000,600
Contribution to provident and other funds	3,802,721	5,385,146
	<b>34,252,924</b>	<b>40,385,746</b>
<b>2.14 : Other expenses</b>		
Rates and taxes	119,161	2,160
Insurance	83,570	147,491
Communication expenses	1,517,702	2,194,700
Travelling	12,816,006	14,465,297
Auditors' remuneration	281,660	280,730
Printing and stationery	4,523	67,601
Professional charges	1,534,258	1,642,389
Legal charges	4,398	—
Bank charges	864	2,135
Miscellaneous expenses	21,683	19,912
	<b>16,383,825</b>	<b>18,822,415</b>
<b>2.15 : Tax expense</b>		
Current tax	1,144,573	1,991,934
Deferred tax charge/ (credit)	177,999	(493,741)
	<b>1,322,572</b>	<b>1,498,193</b>

# Agro Tech Foods Limited

## Sundrop Foods India Private Limited

(formerly Sundrop Foods India Limited)  
(all amounts in Indian rupees, except share data and otherwise stated)

### 2. NOTES TO ACCOUNTS (continued)

#### 2.16: Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise net profit after tax. The number of shares (nominal value of ₹ 10) used in computing basic earnings per share is the weighted average number of shares outstanding during the year.

Computation of Earnings per share (EPS):

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Profit after tax	2,622,854	3,350,068
Weighted average number of equity shares of ₹ 10 each outstanding during the year	2,000,000	2,000,000
Earnings per share of par value ₹ 10 (basic and diluted)	1.31	1.68

Since, the Company does not have any potential equity shares hence, the basic and diluted earnings per share are the same.

#### 2.17: Related party transactions

##### A) Related parties where control exists

S.No.	Name of the Company	Relationship
1	Agro Tech Foods Limited	Holding company
2	ConAgra Foods Inc.	Ultimate holding company

##### B) Particulars of related party transactions

The following is a summary of significant related party transactions

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Agro Tech Foods Limited:		
Revenue received from holding Company	54,510,625	64,056,422

##### C) The Company has the following amounts due from/to related parties

Particulars	As at 31 March 2014	As at 31 March 2013
<i>Receivable from related parties:</i>		
Agro Tech Foods Limited		
Trade receivables	22,078,222	21,350,364
Loans and advances (net)	2,737,758	2,737,758

#### 2.18: Segment Information

The Company is engaged in the business of providing distribution services to its holding company, Agro Tech Foods Limited, with operations in India. Accordingly, no segment disclosure is made in the financial statements, as the Company has only one geographical and business segment.

#### 2.19: Deferred taxation

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax asset		
On expenditure allowed on payment basis	315,742	493,741
	315,742	493,741

#### 2.20: Amounts payable to micro, small and medium enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2014 has been made in the financial statements based on information received and available with the Company. The Company has not received any claim for interest from any supplier under the said Act.

#### 2.21: Auditors' remuneration (excluding service tax) :

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
As Auditor		
Statutory audit	165,000	165,000
Tax audit	110,000	110,000
Reimbursement of expenses	6,660	5,730
	281,660	280,730

#### 2.22: Employee benefits

a) The employee benefit schemes are as under:

##### i. Provident fund :

All employees of the Company receive benefits under the Provident Fund which is a defined contribution plan wherein obligation of the Company is limited to the contribution equal to 12% of the employees' salary.

##### ii. Gratuity :

In accordance with the 'The Payment of Gratuity Act, 1972' of India, the Company provides for Gratuity, a defined retirement benefit scheme (the Gratuity Plan), covering eligible employees. Liabilities with regard to such Gratuity Plan are determined by an actuarial valuation as at the end of the year and are charged to the statement of profit and loss. The Gratuity Plan is an unfunded.

##### iii. Compensated absences :

The accrual for unutilised leave is determined for the entire available leave balance standing to the credit of the employees at the year end. The value of such leave balances that are eligible for carry forward, is determined by an actuarial valuation as at the end of the year and is charged to the statement of profit and loss.

b) The following table sets out the particulars of the employee benefits as required under the Accounting Standard 15 (Revised) - "Employee Benefits"

Particulars	Gratuity	
	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>Reconciliation of opening and closing balances of the present value of the defined obligation :</b>		
Opening defined benefit obligation	441,919	—
Current service cost	410,973	441,919
Interest cost	69,937	—
Actuarial (gain)/ loss	(584,924)	—
Benefits paid	—	—
Transfer in	—	—
Closing defined benefit obligation	337,905	441,919
<b>Expense recognised in statement of profit and loss under employee benefits expense</b>		
Current service cost	410,973	441,919
Interest cost	69,937	—
Net actuarial (gains) /losses	(584,924)	—
Total	(104,014)	441,919
<b>Actual return on plan assets</b>	—	—

##### Amount recognised in the balance sheet

Particulars	As at 31 March 2014	As at 31 March 2013
Present value of unfunded obligation	337,905	441,919
Less: Fair value of plan assets	—	—
Net liability / (assets)	337,905	441,919
Discount rate	9.00%	8.20%
Salary escalation rate	7.00%	7.00%

2.23: Previous year figures have been regrouped / reclassified wherever necessary, to conform to current year classification.

As per our report of even date attached

for **B S R and Co**  
Chartered Accountants  
Firm's Registration No. 128510W

for **Sundrop Foods India Private Limited**

**Vijay Mathur**  
Partner  
Membership No. 046476

**Dr. Pradip Ghosh Chaudhuri**  
Director

**N Narsimha Rao**  
Director

Place : Mumbai  
Date : 21 April 2014

Place : Gurgaon  
Date : 21 April 2014

## Agro Tech Foods Limited

### Sundrop Foods India Private Limited

(formerly Sundrop Foods India Limited)  
(all amounts in Indian Rupees, except share data and otherwise stated)

#### CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>A. CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Net profit before tax	3,945,426	4,848,261
Adjustments	—	—
Operating profit before working capital changes	3,945,426	4,848,261
Adjustments for:		
Decrease/(increase) in trade receivables, loans and advances	(887,350)	(4,618,004)
(Decrease)/increase in trade payables and other current liabilities	(1,650,078)	580,916
<b>Net cash generated from operations</b>	<b>1,407,998</b>	811,173
Income taxes paid	(1,728,921)	(854,504)
<b>Net cash used in operating activities</b>	<b>(320,923)</b>	(43,331)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>	—	—
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>	—	—
<b>Net decrease in cash and cash equivalents</b>	<b>(320,923)</b>	(43,331)
<b>Opening cash and cash equivalents</b>	<b>1,841,030</b>	1,884,361
<b>Closing cash and cash equivalents (refer note 2.9)</b>	<b>1,520,107</b>	1,841,030

Note:

a) The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

As per our report of even date attached

for **B S R and Co**  
Chartered Accountants  
Firm's Registration No. 128510W

for **Sundrop Foods India Private Limited**

**Vijay Mathur**  
Partner  
Membership No. 046476

**Dr. Pradip Ghosh Chaudhuri**  
Director

**N Narsimha Rao**  
Director

Place : Mumbai  
Date : 21 April 2014

Place : Gurgaon  
Date : 21 April 2014

# Agro Tech Foods Limited

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

### Directors' Report For the year from 1st April 2013 to 31st March 2014

To

The Members

The Directors take this opportunity to present the Second Directors' Report along with Audited Financial Statements for the year from 1st April 2013 to 31st March 2014 for your consideration and approval.

This Report is prepared in compliance with Section 184 of the Companies Act, 1994.

#### Financial Results:

The financial Results, summarised, are as under.

Particulars	For the year 1st April 2013 to 31st March 2014 Taka	Period from 8th April 2012 to 31st March 2013 Taka
Income	—	—
Net Profit/ (Loss) before tax	(2,998,965)	(1,093,885)
Provision for income tax	1,538,669	—
Balance transferred to Balance Sheet	(1,460,296)	(1,093,885)

#### Operation:

The Company has not started operations in Bangladesh as the manufacturing facilities for the food plants are under construction and are in due course for completion, post which the marketing of the food products will commence. During this period of reporting there was no uneven or unusual event which caused any substantial or remarkable loss or damage to the assets and equity of the company.

#### Directors:

Name of the Director(s)	Designation
Mr. N. Narasimha Rao	Chairman
Dr. Pradip Ghosh Chaudhuri	Director

#### Auditors:

The Auditors, M/s. Rahman Rahman Huq, Chartered Accountants, will retire at the conclusion of the ensuing Annual General Meeting and will be eligible for re-appointment.

#### Acknowledgement:

The Directors wish to express their grateful appreciation for the continued valuable assistance, co-operation and support received by the Company from Clients and other business associates. Your directors also place on record the continued support rendered by the Members, officers and staff.

On behalf of the Board

**N. Narasimha Rao**  
Chairman

**Dr. Pradip Ghosh Chaudhuri**  
Director

Date: 21st April, 2014

### Independent Auditor's Report to the Shareholders of Agro Tech Foods (Bangladesh) Pvt. Ltd.

#### 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 2014 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 a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards, and for 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.

#### 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 our 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, we consider 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 2014, 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; and
- 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.

As per our report of same date

Dhaka, 21 April 2014

**Rahman Rahman Huq**  
Auditor

## Agro Tech Foods Limited

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

#### Statement of financial position as at 31 March 2014

Particulars	Note	31 March 2014		31 March 2013	
		Taka	Rupees	Taka	Rupees
<b>Assets</b>					
Property, plant and equipment	5	67,483,106	52,245,661	24,051,616	16,729,814
<b>Non-current assets</b>		<b>67,483,106</b>	<b>52,245,661</b>	24,051,616	16,729,814
Advances, deposits and prepayments	6	3,096,434	2,397,270	15,019,911	10,447,544
Accounts receivables	7	—	—	46,812	32,561
Deferred tax asset	8	1,538,669	1,191,243	—	—
Cash and cash equivalents	9	30,769,500	23,821,856	12,982,605	9,030,435
<b>Current assets</b>		<b>35,404,603</b>	<b>27,410,369</b>	28,049,328	19,510,540
<b>Total assets</b>		<b>102,887,709</b>	<b>79,656,030</b>	52,100,944	36,240,354
<b>Equity</b>					
Share capital	10	100,000,000	77,420,354	50,000,000	34,778,980
Foreign currency translation reserve		—	53,215	—	(14,710)
Retained earnings		(2,554,181)	(2,030,670)	(1,093,885)	(746,174)
<b>Total equity</b>		<b>97,445,819</b>	<b>75,442,899</b>	48,906,115	34,018,096
<b>Liabilities</b>					
Due to related parties	11	4,907,700	3,799,559	2,885,006	2,006,751
Accounts payable	12	194,795	150,811	102,170	71,068
Accrued expenses	13	339,395	262,761	207,653	144,439
<b>Current liabilities</b>		<b>5,441,890</b>	<b>4,213,131</b>	3,194,829	2,222,258
<b>Total liabilities</b>		<b>5,441,890</b>	<b>4,213,131</b>	3,194,829	2,222,258
<b>Total equity and liabilities</b>		<b>102,887,709</b>	<b>79,656,030</b>	52,100,944	36,240,354

The notes are an integral part of these financial statements.

N Narsimha Rao  
Director

Dr. Pradip Ghosh Chaudhuri  
Director

As per our report of same date

Dhaka, 21 April 2014

Rahman Rahman Huq  
Auditor

Note: The exchange rate used to convert Taka to Rupees 0.774204 / Taka for balance sheet items.

"The columns in Rupees are not part of the audited financial statements and the audit opinion does not apply to them."

## **Agro Tech Foods Limited**

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

#### **Statement of profit or loss and other Comprehensive Income**

Particulars	Note	For the year ended 31 March 2014		For the period ended 31 March 2013	
		Taka	Rupees	Taka	Rupees
Revenue		—	—	—	—
Cost of sales		—	—	—	—
		—	—	—	—
Foreign exchange gain		295,289	232,456	72,740	50,083
General and administrative expenses	14	<b>(3,294,254)</b>	<b>(2,599,179)</b>	(1,166,625)	(796,257)
<b>Loss before tax</b>		<b>(2,998,965)</b>	<b>(2,366,723)</b>	(1,093,885)	(746,174)
Income tax income	15	1,538,669	1,182,942	—	—
<b>Loss for the year</b>		<b>(1,460,296)</b>	<b>(1,183,781)</b>	(1,093,885)	(746,174)
<b>Other comprehensive income</b>		—	—	—	—
<b>Total comprehensive income for the year/ period</b>		<b>(1,460,296)</b>	<b>(1,183,781)</b>	(1,093,885)	(746,174)

The notes are an integral part of these financial statements.

**N Narsimha Rao**  
Director

**Dr. Pradip Ghosh Chaudhuri**  
Director

As per our report of same date

Dhaka, 21 April 2014

**Rahman Rahman Huq**  
Auditor

Note: The exchange rate used to convert Taka to Rupees 0.774204 / Taka for balance sheet items.

\*The columns in Rupees are not part of the audited financial statements and the audit opinion does not apply to them.\*

## Agro Tech Foods Limited

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

#### Statement of Changes in Equity for the year /period ended 31 March

Particulars	Share capital		Retained loss		Total	
	Taka	Rupees	Taka	Rupees	Taka	Rupees
<b>For the year ended 31 March 2014</b>						
<b>Balance as at 1 April 2013</b>	<b>50,000,000</b>	<b>34,778,980</b>	<b>(1,093,885)</b>	<b>(746,174)</b>	<b>48,906,115</b>	<b>34,032,805</b>
<b>Total comprehensive income/(loss) for the year</b>						
Profit/(Loss) for the year	—	—	(1,460,296)	(1,183,781)	(1,460,296)	(1,183,781)
Add/less: Exchange difference(net)	—	—	—	(100,715)	—	(100,715)
Issue of ordinary shares	50,000,000	42,641,374	—	—	50,000,000	42,641,374
<b>Balance as at 31 March 2014</b>	<b>100,000,000</b>	<b>77,420,354</b>	<b>(2,554,181)</b>	<b>(2,030,670)</b>	<b>97,445,819</b>	<b>75,389,683</b>
<b>For the period ended 31 March 2013</b>						
<b>Balance as at 8 April 2012</b>	50,000,000	34,778,980	—	—	50,000,000	34,778,980
<b>Total comprehensive income/(loss) for the period</b>						
Profit/(Loss) for the period	—	—	(1,093,885)	(746,174)	(1,093,885)	(746,174)
<b>Balance as at 31 Marcho 2013</b>	<b>50,000,000</b>	<b>34,778,980</b>	<b>(1,093,885)</b>	<b>(746,174)</b>	<b>48,906,115</b>	<b>34,032,805</b>

The notes are an integral part of these financial statements.

Note: The exchange rate used to convert Taka to Rupees 0.774204 / Taka for balance sheet items.

"The columns in Rupees are not part of the audited financial statements and the audit opinion does not apply to them."

#### Notes to the Financial Statements as at and for the year ended 31 March 2014

##### 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. This year, 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. The commercial production has not yet started; it is likely to start by the end of the year 2014. 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 (BFRS). They were authorised for issue by the Board of Directors on 21 April 2014.

Details of the Company's accounting policies, including changes during the year, are included in Notes 25 and 26.

##### 3. Functional and presentation currency

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

##### 4. Use of estimates and judgments

The preparation of financial statements in conformity with BFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

Note 5	Property plant and equipment
Note 19	Contingent liability

## Agro Tech Foods Limited

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

#### Notes to the Financial Statements (continued)

#### 5. Property, plant and equipment

Particulars	Land		Building		Capital work in progress (Note - 5.1)		Total	
	Taka	Rupees	Taka	Rupees	Taka	Rupees	Taka	Rupees
<b>Cost</b>								
Balance as at 8 April 2012	—	—	—	—	—	—	—	—
Additions	21,374,850	14,867,910	34,925	24,293	2,642,401	1,838,001	24,052,176	16,730,204
Disposals/transfer	—	—	—	—	—	—	—	—
Balance as at 31 March 2013	21,374,850	14,867,910	34,925	24,293	2,642,401	1,838,001	24,052,176	16,730,204
Balance as at 1 April 2013	<b>21,374,850</b>	<b>14,867,910</b>	<b>34,925</b>	<b>24,293</b>	<b>2,642,401</b>	<b>1,838,001</b>	<b>24,052,176</b>	<b>16,730,204</b>
Additions *	<b>133,100</b>	<b>1,783,622</b>	—	<b>2,746</b>	<b>43,300,136</b>	<b>33,730,874</b>	<b>43,433,236</b>	<b>35,517,242</b>
Disposals/transfer	—	—	—	—	—	—	—	—
<b>Balance as at 31 March 2014</b>	<b>21,507,950</b>	<b>16,651,532</b>	<b>34,925</b>	<b>27,039</b>	<b>45,942,537</b>	<b>35,568,875</b>	<b>67,485,412</b>	<b>52,247,446</b>
<b>Accumulated depreciation</b>								
Balance as at 8 April 2012	—	—	—	—	—	—	—	—
Depreciation for the period	—	—	560	390	—	—	560	390
Adjustment for disposal	—	—	—	—	—	—	—	—
Balance as at 31 March 2013	—	—	560	390	—	—	560	390
Balance as at 1 April 2013	—	—	<b>560</b>	<b>390</b>	—	—	<b>560</b>	<b>390</b>
Depreciation for the year	—	—	<b>1,746</b>	<b>1,395</b>	—	—	<b>1,746</b>	<b>1,395</b>
Adjustment for disposal	—	—	—	—	—	—	—	—
<b>Balance as at 31 March 2014</b>	—	—	<b>2,306</b>	<b>1,785</b>	—	—	<b>2,306</b>	<b>1,785</b>
<b>Carrying amounts</b>								
As at 31 March 2013	21,374,850	14,867,910	34,365	23,904	2,642,401	1,838,001	24,051,616	16,729,814
<b>As at 31 March 2014</b>	<b>21,507,950</b>	<b>16,651,532</b>	<b>32,619</b>	<b>25,254</b>	<b>45,942,537</b>	<b>35,568,875</b>	<b>67,483,106</b>	<b>52,245,661</b>

\*Includes the currency rate differences INR/Taka

#### 5.1 Capital work-in-progress

Capital work-in-progress represents expenses incurred solely for establishment of the factory in Gazipur, Dhaka.

## Agro Tech Foods Limited

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

#### Notes to the Financial Statements (continued)

##### 6. Advances, deposits and prepayments (Note 26.6)

Particulars	2014		2013	
	Taka	Rupees	Taka	Rupees
Buildtex Technologies Ltd.	—	—	11,433,067	7,952,609
Regency Power Limited	597,000	462,200	264,000	183,633
Modern Structures Limited	—	—	3,322,844	2,311,302
Transcom Distribution Co Ltd	1,575,522	1,219,774	—	—
Dhaka Palli Vidyut Samiti - 1	367,912	284,839	—	—
<b>Advances</b>	<b>2,540,434</b>	<b>1,966,813</b>	15,019,911	10,447,544
Security deposit to Dhaka Polly Vidyut Samity for electricity	556,000	430,457	—	—
<b>Deposits</b>	<b>556,000</b>	<b>430,457</b>	—	—
	<b>3,096,434</b>	<b>2,397,270</b>	15,019,911	10,447,544

##### 7. Account receivables

Particulars	2014		2013	
	Taka	Rupees	Taka	Rupees
VAT receivable	—	—	46,812	32,561

##### 8. Deferred tax (Note 26.9.2)

Particulars	2014		2013	
	Taka	Rupees	Taka	Rupees
Total business income/(loss) current year and previous year	(4,103,118)		—	—
Applicable tax rate	37.5%		37.5%	—
Deferred tax asset	1,538,669	1,191,243	—	—

##### 9. Cash and cash equivalents

Particulars	2014		2013	
	Taka	Rupees	Taka	Rupees
Cash in hand	—	—	—	—
Cash at bank (Note 9.1)	30,769,500	23,821,856	12,982,605	9,030,435
	<b>30,769,500</b>	<b>23,821,856</b>	12,982,605	9,030,435

##### 9.1. Cash at bank

Cash at bank represents balance amount as at 31 March 2014 with The Hongkong and Shanghai Banking Corporation (HSBC). Details are given below:

Particulars	2014		2013	
	Taka	Rupees	Taka	Rupees
Name of bank				
HSBC				
Name of branch				
Main branch				
Account type				
Current	30,769,500	23,821,856	12,982,605	9,030,435
	<b>30,769,500</b>	<b>23,821,856</b>	12,982,605	9,030,435

##### 10. Share capital

Particulars	2014		2013	
	Taka	Rupees	Taka	Rupees
<b>a) Authorised:</b>				
20,000,000 ordinary shares of Taka 10 each (2013: 5,000,000)	200,000,000	154,840,708	50,000,000	34,778,980
<b>b) Issued, subscribed and fully paid up:</b>				
10,000,000 ordinary shares of Taka 10 each (2013: 5,000,000)	100,000,000	77,420,354	50,000,000	34,778,980

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

Name of shareholders	Status	2014		2013	
		% of share holding	Total no. of shares	% of share holding	Total no. of shares
Agro Tech Foods Limited, India	Company	99.990%	9,999,000	99.980%	4,999,000
Mr. N. Narasimha Rao	Individual	0.005%	500	0.010%	500
Dr. Pradip Ghosh Chaudhuri	Individual	0.005%	500	0.010%	500
		<b>100.000%</b>	<b>10,000,000</b>	100.000%	5,000,000

## Agro Tech Foods Limited

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

#### Notes to the Financial Statements (continued)

##### 11. Due to related parties (Note 17)

Particulars	2014		2013	
	Taka	Rupees	Taka	Rupees
Agro Tech Foods Limited, India	4,907,700	3,799,559	2,885,006	2,006,751
	<b>4,907,700</b>	<b>3,799,559</b>	2,885,006	2,006,751

##### 12. Accounts payable

Particulars	2014		2013	
	Taka	Rupees	Taka	Rupees
Buildtex Technologies Ltd.	34,030	26,346	34,030	23,671
Account payable - services	160,765	124,465	68,140	47,397
	<b>194,795</b>	<b>150,811</b>	102,170	71,068

##### 13. Accrued expenses

Particulars	2014		2013	
	Taka	Rupees	Taka	Rupees
Audit fees	157,500	121,937	121,500	84,513
Legal and professional fees	95,725	74,111	16,961	11,798
Office rent	5,450	4,219	—	—
Tax deducted at source	24,500	18,968	—	—
VAT deducted at source	37,020	28,661	21,020	14,621
Other taxes payable	—	—	48,172	33,507
Payable to employee	19,200	14,865	—	—
	<b>339,395</b>	<b>262,761</b>	207,653	144,439

##### 14. General and administrative expenses

Particulars	2014		2013	
	Taka	Rupees	Taka	Rupees
Salary and allowances	1,334,336	1,046,845	400,000	275,410
Bonus	100,000	83,504	—	—
Travelling and conveyance	538,132	416,873	392,402	267,048
Rent expense	69,000	54,408	40,000	27,120
Rates and taxes	—	—	11,600	7,867
Audit fees	201,250	157,686	155,250	104,582
Professional fees	892,681	714,038	122,242	83,539
License fees	12,386	9,487	—	—
Bank charges	21,700	16,784	7,590	5,137
Printing and stationery	14,415	11,348	6,440	4,376
Depreciation expenses - building	1,746	1,366	560	381
Pest control expenses	96,000	77,885	—	—
Miscellaneous expenses	12,608	8,955	30,541	20,797
	<b>3,294,254</b>	<b>2,599,179</b>	1,166,625	796,257

##### 15. Income tax (Note 26.9.1)

Particulars	2014		2013	
	Taka	Rupees	Taka	Rupees
Current year tax expense	—	—	—	—
Deferred tax income	1,538,669	1,182,942	—	—
	<b>1,538,669</b>	<b>1,182,942</b>	—	—

## Agro Tech Foods Limited

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

#### Notes to the Financial Statements (continued)

##### 16. 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. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

##### 16.1 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, clients are grouped according to their risk profile, i.e. their legal status, financial condition etc.

##### 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:

Particulars	2014		2013	
	Taka	Rupees	Taka	Rupees
Cash and cash equivalents	30,769,500	23,821,856	12,982,605	9,030,435
	30,769,500	23,821,856	12,982,605	9,030,435

##### 16.2 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.

##### 16.3 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.

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

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

Particulars	31 March 2014	31 March 2013
	Rupees	Rupees
Foreign currency denominated liabilities		
Inter-company payables	3,799,559	2,006,751
Legal and professional fees payables	74,111	11,798

##### 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.

##### 17. Related party disclosures

During the year ended 31 March 2014, 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.

##### 17.1 Related party transactions

Particulars	Transaction values for the year ended 31 March				Balance outstanding as at 31 March			
	2014		2013		2014		2013	
	Taka	Rupees	Taka	Rupees	Taka	Rupees	Taka	Rupees
<b>A. Due to related parties</b>								
Agro Tech Foods Limited, India	103,487,696	44,434,182	52,957,398	36,785,731	4,907,700	3,799,559	2,885,006	2,006,751

Inter-company payable comprises of various expenses reimbursement due to Agro Tech Foods Limited, India.

**Notes to the Financial Statements (continued)**

**18. Capital expenditure commitment**

Commitment for capital expenditure as at 31 March 2014 was Tk 20,409,129 equivalent Rupees 15,800,820 in respect of construction of the factory in Bangladesh.

**19. Contingent liability**

There is no contingent liability as at 31 March 2014.

**20. Particulars of employees**

The number of employees engaged by the Company for the whole year or part thereof who received a total salary of Tk 36,000 or above was '1'.

**21. 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.

**22. Basis of measurement**

The financial statements have been prepared on historical cost basis.

**23. Reporting period**

he financial period of the Company encompasses the period from 1 April to 31 March each year and is followed consistently. These financial statements cover one year from 1 April 2013 to 31 March 2014.

**24. Going concern**

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.

**25. Changes in accounting policies**

Except for the changes below, the Company has consistently applied the accounting policies set out in Note 26 to all periods presented in these financial statements. The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with date of initial application of 1 January 2013.

**(a) Fair value measurement**

BFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other BFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other BFRSs, including BFRS 7.

In accordance with the transitional provisions of BFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

**(b) Presentation of items of OCI**

As a result of the amendments to BAS 1, the Company has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

**26. Significant accounting policies**

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

**26.1 Property, plant and equipment**

**26.1.1 Recognition and measurement**

Items of property, plant and equipment have been stated at cost less accumulated depreciation and impairment losses; if any.

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

- the cost of materials and direct labour, and cost of materials includes purchase price, import duties and non-refundable taxes, after deducting trade discount and rebates;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

**26.1.2 Subsequent costs**

The cost of replacing part of an item of property, plant 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, plant and equipment are recognised in the statement of comprehensive income as incurred.

**26.1.3 Depreciation**

Depreciation is recognised in the statement of comprehensive income on a straight line basis over the estimated useful lives of each property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Property, plant and equipment (both owned and leased assets) are depreciated from the month of purchase. In case of disposals, no depreciation is charged in the month of disposal.

Useful lives of assets for depreciation purpose are as follows:

Building	20 years
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**26.1.4 Retirements 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 as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as gain or loss from disposal of asset in the statement of comprehensive income.

**26.2 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.

**26.3 Financial Instrument**

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

The Company recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the contractual rights to receive the cash flows of the

**Notes to the Financial Statements (continued)**

financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company derecognises a financial liability when it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expired.

Non-derivative financial instruments comprise cash and cash equivalents, creditors and accruals and inter-company payables.

**26.3.1 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less which are available for use by the Company without any restriction. Bank overdraft that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

**26.3.2 Creditors and accruals**

Creditors represent payables to suppliers and accruals represent the amount due for current year related expenses and due to employees for leave encashment, performance bonus etc.

**26.3.3 Inter-company payables**

Inter-company payables represents the amount payable for various services and reimbursement of expenses provided by Agro Tech Foods Limited, India.

**26.3.4 Impairment****Non-derivative non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**26.4 Leases**

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased assets are measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to those assets.

**26.4.1 Lease payments**

Lease payments made under 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.

**26.5 Inventories**

Inventories are measured at lower of cost and estimated net realisable value. The cost of inventories is valued at weighted average cost method and includes expenditure for acquiring the inventories and bringing them to their existing location and condition. In the case of work in progress, cost includes an approximate share of service overheads on field service based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

**26.6 Advances, deposits and prepayments**

Advances are initially measured at cost. After initial recognition advances are carried at cost less deductions, adjustments or charges to other account heads such as PPE, expenses, etc.

Deposits are measured at payment value.

Prepayments are initially measured at cost. After initial recognition, prepayments are carried at cost less charges to the statement of comprehensive income.

**26.7 Provisions**

A provision is recognised on the reporting date if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

**26.8 Contingencies****26.8.1 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.

**26.8.2 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 must 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.

**26.9 Taxation****26.9.1 Provision for tax**

Provision for taxation is made on the basis of the Income Tax Ordinance 1984 and Finance Act 2012.

Current tax is provided in the financial statements at the rate applicable tax rate of 37.5% on profit as per the Income Tax Ordinance 1984.

**26.9.2 Deferred tax**

Deferred tax is recognised in accordance with Bangladesh Accounting Standard-12. Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for financial reporting purpose. Adjustments arising from such accounting is recorded in the current year's statement of comprehensive income. The tax rate prevailing at the reporting date is used to determine deferred tax.

**26.10 Foreign currency**

Transactions in foreign currencies are translated to Taka at the foreign exchange rates prevailing on the date of transaction. All monetary assets and liabilities denominated in foreign currencies at reporting date are retranslated to Taka at the rates of exchange prevailing on that date. Resulting exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of comprehensive income as per BAS 21: The Effects of Changes in Foreign Exchange Rates.

**Notes to the Financial Statements (continued)**

**26.11 Revenue recognition**

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns, 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.

**26.12 Finance income and expense**

Finance income comprises interest income on funds invested in FDR and Short Notice Deposit (SND) accounts. Interest income is recognised on accrual basis.

Finance expense comprises interest expense on overdraft, LTR, term loan and finance lease. These are recognised in the statement of comprehensive income.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**26.13 Statement of cash**

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

**26.14 Events after reporting period**

Events after reporting date that provide additional information about the Company's position at the reporting date are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

## Agro Tech Foods Limited

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

#### Statement of Cash Flows for the year ended 31 March 2014

Particulars	For the year ended 31 March 2014		For the period ended 31 March 2013	
	Taka	Rupees	Taka	Rupees
<b>Cash flows from operating activities</b>				
Net profit/(loss) before tax for the year/period	(2,998,965)	(2,366,723)	(1,093,885)	(746,174)
Adjustment for:				
- Depreciation	1,746	1,366	560	381
- Foreign exchange (gain)/loss	(295,289)	(232,456)	(72,740)	(50,083)
	(3,292,508)	(2,597,813)	(1,166,065)	(795,876)
Changes in:				
- Advances, deposits and prepayments	(3,096,434)	(2,397,270)	—	—
- Accounts receivable	46,812	32,561	(46,812)	(32,561)
- Due to related parties	2,317,983	1,928,241	2,885,006	2,006,751
- Accounts payable	92,625	79,743	174,910	121,149
- Accrued expenses and provisions	131,742	118,322	207,653	144,439
<b>Cash generated from operating activities</b>	<b>(3,799,780)</b>	<b>(2,836,216)</b>	2,054,692	1,443,903
<b>Net cash from operating activities</b>	<b>(3,799,780)</b>	<b>(2,836,216)</b>	2,054,692	1,443,903
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment *	(133,100)	(1,783,622)	(24,052,176)	(16,730,204)
Payments for capital work in progress	(28,280,225)	(23,283,330)	(15,019,911)	(10,447,544)
<b>Net cash from investing activities</b>	<b>(28,413,325)</b>	<b>(25,066,952)</b>	(39,072,087)	(27,177,748)
<b>Cash flows from financing activities</b>				
Proceed from issue of share capital	50,000,000	42,641,374	50,000,000	34,778,980
<b>Net cash from financing activities</b>	<b>50,000,000</b>	<b>42,641,374</b>	50,000,000	34,778,980
<b>Net increase/(decrease) in cash and cash equivalent</b>	<b>17,786,895</b>	<b>14,738,207</b>	12,982,605	9,045,135
Exchange difference on translation of foreign currency transactions and balances	—	53,215	—	(14,701)
<b>Cash and cash equivalents at 1 April/ 8 April</b>	<b>12,982,605</b>	<b>9,030,433</b>	—	—
<b>Cash and cash equivalents at 31 March (Note 9)</b>	<b>30,769,500</b>	<b>23,821,855</b>	12,982,605	9,030,433

\*Includes the currency rate differences INR/Taka

The notes are an integral part of these financial statements.

N Narsimha Rao  
Director

Dr. Pradip Ghosh Chaudhuri  
Director

As per our report of same date

Dhaka, 21 April 2014

Rahman Rahman Huq  
Auditor

Note: The exchange rate used to convert Taka to Rupees 0.774204 / Taka for balance sheet items.  
\*The columns in Rupees are not part of the audited financial statements and the audit opinion does not apply to them.\*