Aussee Oats Milling (Private) Limited

2016-17

AUSSEE OATS MILLING (PVT) LTD

FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT

FOR THE YEAR ENDED
31 MARCH 2017

SJMS
ASSOCIATES
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AUSSEE OATS MILLING (PVT) LTD

Report on the Financial Statements
We have audited the accompanying financial statements of Aussee Oats Milling (Pvt) Ltd, ("the Company"), which comprise the statement of financial position as at 31 March 2017, and statement of profit and 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.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 the Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw your attention to note 28 of the financial statements.

Report on Other Legal and Regulatory Requirements
As required by Section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above
b) In our opinion:
   - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company, and
   - the financial statements of the Company, comply with the requirements of Section 151 of the Companies Act.

SJMS ASSOCIATES
Chartered Accountants
Colombo
08th May 2017

F. L. A. Jayasekera FCMA, M. B. Ismail, Mrs. S. L. Jayasekera
C. J. Good, Mrs. F. M. Marikar, Mr. M. S. J. Hussy, R. H. M. Muller, Mrs. S. V. Kulatunga

AUSSEE OATS MILLING (PVT) LTD
STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2017

	Note	2016/2017 USD	2015/2016 USD
Revenue	4	1,848,460	65,091
Cost of sales		(2,503,157)	(316,693)
Gross loss		(654,697)	(251,602)
Other income	5	68,235	9,029
Pre-operational expenses		-	(133,565)
Administrative expenses		(671,751)	(146,874)
Selling & distribution expenses		(107,433)	(5,269)
Finance cost	6	(951,517)	(200,258)
Loss before taxation	7	(2,317,163)	(728,538)
Tax expenses	8	(21,521)	-
Loss for the year		(2,338,685)	(728,538)
Other comprehensive income /(expenses):			
Actuarial (loss) / gain on retirement benefit obligations		196	-
Total comprehensive income/(expenses) for the year		(2,338,488)	(728,538)

The accounting policies and notes from 1 to 28 form an integral part of these financial statements.

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Tel:0115 444 400
CHARTERED ACCOUNTANTS

AUSSEE OATS MILLING (PVT) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2017

	Note	31.03.2017 USD	31.03.2016 USD
Assets			
Non Current Assets			
Property, plant & equipment	9	11,015,068	11,598,242
Intangible assets	10	516	806
Land-right to use lease land	11	186,747	192,827
Capital work in progress		86,352	174,964
Total Non Current Assets		11,288,682	11,966,839
Current Assets			
Inventory	12	517,654	706,020
Payments to machinery suppliers awaiting shipment		-	5,593
Amounts due from related parties		3,764	-
Trade and other receivables	13	336,518	55,932
Deposits, advances and prepayments	14	45,872	35,979
Cash and cash equivalents	15	10,950	16,446
Total Current Assets		914,757	819,970
Total Assets		**12,203,439**	**12,786,809**
Equity and Liabilities			
Capital and Reserves			
Stated capital	16	3,277,503	1,777,503
Accumulated losses		(3,266,537)	(928,049)
Total Shareholder's fund		10,966	849,454
Non Current Liabilities			
Deferred tax liability	17	21,495	-
Interest bearing borrowings	18	7,609,556	9,027,597
Retirement benefit obligations	19	8,206	1,675
Total Non Current Liabilities		7,639,257	9,029,272
Current Liabilities			
Short term borrowings	20	3,112,748	2,542,394
Amounts due to related parties	21	519,920	233,514
Trade and other payables	22	918,113	118,650
Bank overdraft	23	2,426	13,525
Income tax payable		8	-
Total current liabilities		4,553,216	2,908,083
Total Equity and Liabilities		**12,203,439**	**12,786,809**

I certify that the financial statements comply with the requirements of the Companies Act No 07 of 2007.

.....
Head of finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and signed for and on behalf of the Board of Directors by the following on 8th May 2017.

....
Director Director

The accounting policies and notes from 1 to 28 form an integral part of these financial statements.

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AUSSEE OATS MILLING (PVT) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2017

	Stated Capital Ordinary Shares USD	Stated Capital Preference Shares USD	Accumulated Loss USD	Total USD
Balance as at 01.04.2015	1,777,503	-	(199,511)	1,577,992
Loss for the year	-	-	(728,538)	(728,538)
Balance as at 31.03.2016	1,777,503	-	(928,049)	849,454
Share issue during the year		1,500,000	-	1,500,000
Loss for the year	-	-	(2,338,685)	(2,338,685)
Other comprehensive income/(expense)				
Actuarial gain on retirement benefit obligation	-	-	196	196
Balance as at 31.03.2017	1,777,503	1,500,000	(3,266,537)	10,966

The accounting policies and notes from 1 to 28 form an integral part of these financial statements.

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AUSSEE OATS MILLING (PVT) LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2017

	2016/2017 USD	2015/2016 USD
Cash Flows from Operating Activities		
Loss before tax	(2,317,163)	(728,538)
Adjustments for		
Depreciation of property, plant and equipment	854,111	212,989
Gain from asset disposal	(42)	-
Amortization of Land right to use	6,080	6,358
Amortization of intangible assets	290	-
Gratuity	6,753	1,675
Operating loss before working capital changes	(1,449,971)	(507,516)
Changes in Working Capital		
(Increase)/decrease in inventory	188,366	(706,020)
(Increase)/decrease in payments to machinery suppliers awaiting shipment	5,593	-
(Increase)/decrease in receivables	(280,586)	(45,243)
Increase/(decrease) in amount due from related parties	(3,764)	-
(Increase)/decrease in deposits and prepayments	(9,893)	(21,435)
Increase/(decrease) in amount due to related parties	286,406	97,077
Increase/(decrease) in trade and other payables	799,464	(21,146)
Net cash flows used in operating activities	(464,386)	(1,204,283)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment & intangible assets	(271,554)	(42,312)
Sales of property, plant and equipment	618	-
Payments made to machinery suppliers	-	(1,124,265)
Net movement in capital work in progress	88,612	(1,962,357)
Net cash flows used in investing activities	(182,326)	(3,128,934)
Cash Flows from Financing Activities		
Net movement in borrowings	652,313	3,424,770
Net cash flows generated from financing activities	652,313	3,424,770
Net increase/(decrease) in cash and cash equivalents	5,601	(908,447)
Cash and cash equivalents at the beginning of the period	2,921	911,368
Cash and cash equivalents at the end of the period	8,523	2,921
Cash and cash equivalents comprises of		
Bank overdraft	(2,426)	(13,525)
Cash in hand and at bank	10,950	16,446
	8,523	2,921

The accounting policies and notes from 1 to 28 form an integral part of these financial statements.

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AUSSEE OATS MILLING (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

1. Corporate Information

1.1 Domicile and Legal Form

Aussee Oats Milling (Pvt) Ltd. is a private limited liability company incorporated and domiciled in Sri Lanka. The registered office and the principal place of business of the company are located at 28, BOI EPZ, Mirigama, Sri Lanka.

1.2 Principal Activities and Nature of Operations

Principal activity of the company is to produce oats based products such as rolled oats, flavoured oats, oats muesli, oats flour, oat bars and oat cookies & etc.

1.3 Ultimate Parent Entity

In the opinion of the Directors, the company's ultimate parent undertaking and the controlling party is Future Consumer Enterprise Limited, which is incorporated in India.

1.4 Date of Authorization for Issue

The financial statements of the company for the year ended 31st March 2017 were authorized for issue by the board of directors on 08th May 2017.

2. Basis of Preparation

These financial statements have been prepared on a going concern basis and in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka. All values appearing in the financial statement are presented in United States Dollars (USD) rounded to nearest Dollar. The basis of measurement used is the historical cost basis, except where otherwise stated in the accounting policies below. Previous year's figures and phrases are rearranged wherever necessary to conform to the current year's presentation.

2.1 Functional and Presentation Currency

With effect from 1st of April 2015 the Company has changed the functional currency of the company from Sri Lanka Rupee to United States Dollars. As such, the financial statements are presented in United States Dollars. All financial information presented has been rounded to the nearest dollar, unless otherwise stated.

No adjustment is made for inflationary factors affecting the accounts, and where appropriate the policies are explained in the succeeding notes.

2.2 Foreign Currency Transactions and Balances

All foreign currency transactions are converted to United States Dollars which is the company's functional & reporting currency, using the rates of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to United States Dollars equivalent using the spot foreign exchange rate as at the year end. All exchange differences arising on such transactions are charged to the statement of profit or loss and other comprehensive income.

2.3 Presentation of Financial Statements

The items presented in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements.

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Presentation of Financial Statements (Contd...)
In compliance with LKAS 1 (Financial Statement Presentation), each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss and other comprehensive income unless required or permitted by accounting standards or interpretations, and is specifically disclosed in the accounting policies.

The sundry income has categorised as revenue and adjusted the comparatives accordingly in in the statement of profit or loss and comprehensive income.

2.4 Statement of Cash Flows
The cash flow statement has been prepared by using 'The Indirect Method' in accordance with the LKAS 7 (Statement of Cash Flows), whereby gross cash receipts and gross cash payments of operating activities, finance activities and investing activities have been recognized. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.5 Use of Estimates and judgments
The preparation of financial statement in conformity with SLFRS s 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 those estimates and judgmental decisions.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.6 Going Concern
The Directors have made an assessment of the company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the company. Therefore, the financial statements continue to be prepared on the going concern basis.

3. Summary of Significant Accounting Policies

3.1 Revenue recognition
Revenue from sale of goods is recognized when risk and rewards of goods has been passed to the buyer. Revenue is measured at the fair value of the consideration received or receivable net of discounts and sales related taxes collected.

3.2 Other Income
Other income is recognised on accrual basis. Gains and losses on the disposal of property, plant and equipment have been accounted for in the statement of profit or loss and comprehensive income.

3.3 Expenditure Recognition
Expenses are recognized in the statement of profit or loss and other comprehensive income on the basis of a direct association between the cost incurred and the earning specific items of income.

For the purpose of presentation of the statement of profit or loss and other comprehensive income the "function of expenses" method has been adopted on the basis that it presents fairly the elements of the company.

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the loss for the year.

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3.4 Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of the plants are capitalized and other borrowing costs are recognized in the statement of profit or loss and other comprehensive income using the effective interest rate method.

3.5 Taxation

Pursuant to the agreement dated 14th August 2014 entered into with the Board of Investment of Sri Lanka under section 17 of the Board of Investment Law, the company is exempt from income tax arising from the business of the of oats based products, for a period of 9 years from the year in which the enterprise commences to make profits or any year of assessment not later than two years from the date on which the enterprise commences commercial operations, whichever is earlier, as may be specified in a certificate issued by the board. After the expiration of the tax exemption period, the profits and income of the enterprise shall, be charged at the rate specified in the Inland Revenue Act No. 10 of 2006 and amendments thereto. However, other income is taxed at the applicable tax rate.

Deferred tax

Deferred tax is recognized as per the ruling and guidelines for financial reporting issued by the Institute of Chartered Accountants of Sri Lanka as per LKAS 12 Income Taxes (Effective from 1 January 2012) to entities enjoying a Tax Holiday period.

Currently the company is enjoying a tax exemption period and has recognised deferred tax in its financial statements for temporary differences, where the reversal of such differences extend beyond the tax exemption period.

a) Where the company is entitled to claim the total value or any part of expenditure made during the tax holiday period, as deductions for tax purposes after the tax holiday period, the company will treat the said amount of expenditure as part of the tax base throughout the tax holiday period for the purpose of recognising deferred tax.

b) Where the company is not entitled to claim the total value or any part of expenditure made during the tax holiday period, as deductions for tax purposes after the tax holiday period, the company will take into consideration such amount of expenditure in determining the tax base in each accounting period throughout the tax holiday period for the purpose of recognising deferred tax.

The tax rate would be the enacted or substantially enacted tax rates that are expected to apply after the tax exemption period.
Property, plant and equipment purchased during the tax holiday period would have a tax base for the purpose of the Standard provided that taxable economic benefits will flow to the entity after the tax exemption period.

3.6 Property, Plant & Equipment

a) Recognition

Property, plant & equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period. Property, plant & equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the company and cost of the asset can be reliably measured.

b) Measurement

Items of property, plant & equipment are measured at cost or at fair value less accumulated depreciation and accumulated impairment losses.

The cost of property, plant & equipment includes expenditures that directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs or dismantling and removing the items and restoring the site on which they are located.

When parts of and item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment

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c) **Subsequent cost**

Subsequent costs are included in the asset's carrying amount recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the company and the cost of the item can be measured reliably. The cost of the day to-day servicing of property, plant & equipment are recognized in the statement of profit or loss and other comprehensive income.

d) **Impairment**

Carrying amount of property, plant & equipment are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

e) **De-recognition**

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognized.

f) **Depreciation**

Depreciation is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis on the cost or the amount substituted for cost of all PP&E in order to allocate depreciable amounts over the estimated useful life of such assets.

	Depreciation Rates
Building	7%
Plant and Machinery	7%
Fire Extinguishers	20%
Furniture and Fittings	20%
Motor Vehicles	25%
Office Equipment	20%
Computer Equipment	25%
Electrical Equipment	20%

g) **Amortization of intangible assets**

Amortization is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis on the cost or the amount substituted for cost of all intangible assets in order to allocate amortizable amounts over the estimated useful life of such assets.

	Amortization Rate
Computer Software	25%

3.7 **Leasehold Property – Rights to Use the Leasehold Land**

The land obtained on lease is classified as an operating lease and annual payments made on such arrangement is recognized as an expense in the statement of profit or loss and other comprehensive income. The upfront fee paid in obtaining the land is amortized over the lease period of thirty-five years.

3.8 **Capital Work in Progress**

The expenses incurred on constructing the milling plant are capitalized, if such expenses are directly attributable to the construction.

Advances paid on machinery and civil construction work are classified as advance under current assets, until such time, that the machinery have arrived to the site or progress bills relating to the completed work are received. Once machinery is received and civil construction work is completed, cost of the same will be transferred to the capital work in progress.

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3.9 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the price at which inventories can be sold in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. Cost incurred in bringing inventories to its present condition and location is determined as follows.

Raw materials	– At actual cost on first in first out (FIFO) basis
Packing Materials	– At actual cost on first in first out (FIFO) basis
Finished goods	– At 90% of the selling price using the retail method

3.10 Impairment of non-financial assets

At each reporting date, property are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.
If an impairment loss for a non-financial asset other than goodwill subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.11 Financial Assets

Receivables are initially recognised at the transaction price. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

3.12 Stated Capital

Ordinary shares are classified as equity.

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3.13 Employee Retirement Benefits

3.13.1 Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan as defined in Sri Lanka Accounting Standard – LKAS 19 (Employee Benefits). The formula method has used to determine the valuation of the defined benefit obligation of the Company that adopts the actuarial valuation method in computing the provision required in accordance with LKAS 19.

The defined benefit obligation is calculated annually using the projected unit credit method. The projected unit credit method projects the current data using the actuarial assumptions and calculates projected benefits at the participants' assumed retirement date.

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation. Actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan is recognized in other comprehensive income during the period in which it occurs. Provision is made for defined benefit plan liability for all employees from the first year of service in conformity with LKAS 19 (6) - Employee Benefits.

However, under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of five years of continued service.

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3.13.2 Defined Contribution Plans EPF and ETF

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the statement of profit or loss and other comprehensive income as in the periods during which services are rendered by employees.

Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the approved provident fund.

Employees' Trust Fund

The company contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.14 Financial Liabilities

Financial liabilities are initially recognised at the transaction price (including transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest.

3.15 Interest Bearing Liabilities

Interest bearing liabilities are initially measured at transaction price and are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and other costs, that are an integral part of the EIR.

3.16 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.17 Capital Commitments and Contingencies

Capital commitments and contingent liabilities as at the reporting date are disclosed in the respective notes to the financial statements.

3.18 Events after the reporting period

All material events after the reporting period have been considered and where necessary adjustments have been made in the financial statements.

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		2016/2017 USD	2015/2016 USD
4.	**Revenue**		
	Export sales	1,743,633	64,986
	Local sales	104,827	105
		1,848,460	65,091
5.	**Other Income**		
	Local sales - Scrap	66,393	8,959
	Interest income	30	70
	Sundry income	160	-
	Exchange gain	1,653	-
		68,235	9,029
6.	**Finance Cost**		
	Loan interest	873,738	184,879
	Bank charges	24,419	3,049
	LC interest	12,709	4,262
	Bank interest	40,651	5,459
	Exchange loss	-	2,611
		951,517	200,258

7. **Loss Before Taxation**

Loss from operations is stated after charging all expenses including the following;

Salaries, wages and allowances	422,329	69,349
Defined contribution plan cost	29,631	5,683
Defined benefit plan cost	6,753	1,675
Depreciation	854,144	211,063
Amortization	290	150
Leasehold right amortization	6,080	1,516
Directors remuneration	326,916	54,654
Auditor's remuneration	6,820	4,080
Other auditor's remuneration	1,541	-
Legal cost	8,597	248

8.	**Tax expense**		
	Current tax expense	26	
	Deferred tax expense	21,495	
		21,521	

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	31.03.2017 USD	31.03.2016 USD
9. Property, Plant & Equipment		
Freehold property, plant & equipment *(Note 9.1)*	11,015,068	11,598,241
	11,015,068	11,598,241

9.1 Property, Plant & Equipment

	Building USD	Plant and Machinery USD	Fire Extinguisher USD	Furniture & Fittings USD	Computer Equipment USD	Motor Vehicle USD	Office Equipment USD	Electrical Equipments USD	Total USD
Cost									
Balance as at 01.04.2015	-	1,190	-	1,998	4,444	3,025	4,545	-	15,201
Additions during the year	-	1,964	696	1,527	6,977	-	-	745	11,908
Transferred to intangible assets	-	-	-	-	(590)	-	-	-	(590)
Transferred from CWIP	2,878,818	8,817,778	-	89,182	-	-	-	-	11,785,778
Balance as at 31.03.2016	2,878,818	8,820,932	696	92,707	10,831	3,025	4,545	745	11,812,298
Additions for the year	5,774	257,448	-	1,609	5,587		311	826	271,554
Disposals during the year	-	-	-	(659)	-	-	-	-	(659)
Balance as at 31.03.2017	2,884,592	9,078,379	696	93,657	16,418	3,025	4,856	1,571	12,083,193
				(5,458)					
Accumulated Depreciation									
Balance as at 01.04.2015	-	58	-	208	485	83	324	-	1,158
Depreciation for the year	50,241	153,926	67	5,032	1,972	758	912	81	212,989
Amortization transferred to intangible assets	-	-	-	-	(90)	-	-	-	(90)
Balance as at 31.03.2016	50,241	153,984	67	5,240	2,367	841	1,236	81	214,057
Depreciation for the year	201,718	628,503	140	18,583	3,246	756	947	218	854,111
Disposals during the year	-	-	-	(42)	-	-	-	-	(42)
Balance as at 31.03.2017	251,959	782,486	207	23,781	5,614	1,597	2,183	299	1,068,126
Carrying Value									
Balance as at 31.03.2016	2,828,577	8,666,948	629	87,467	8,464	2,184	3,309	664	11,598,241
Balance as at 31.03.2017	**2,632,633**	**8,295,893**	**489**	**69,876**	**10,804**	**1,428**	**2,673**	**1,272**	**11,015,068**

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10. Intangible Assets

	Computer Software 31.03.2017 USD
Cost	
Balance as at 31.03.2015	-
Additions during the year	567
Transferred from tangible assets	590
Balance as at 31.03.2016	1,157
Additions during the year	-
Balance as at 31.03.2017	1,157
Accumulated Amortization	
Balance as at 31.03.2015	-
Amortization for the year	261
Amortization transferred from tangible assets	90
Balance as at 31.03.2016	351
Amortization for the year	290
Amortization transferred from tangible assets	-
Balance as at 31.03.2017	641
Carrying Value	
Balance as at 31.03.2016	806
Balance as at 31.03.2017	**516**

11. Leasehold Property - Right to Use Lease Land

	Leasehold Land USD	Total USD
Cost		
Balance as at 01.04.2015	202,684	202,684
Additions during the year	-	-
Balance as at 31.03.2016	202,684	202,684
Additions during the year	-	-
Balance as at 31.03.2017	202,684	202,684
Accumulated Amortization		
Balance as at 01.04.2015	3,760	3,760
Charge for the year	6,097	6,097
Balance as at 31.03.2016	9,857	9,857
Charge for the year	6,080	6,080
Balance as at 31.03.2017	15,937	15,937
Carrying Value		
Balance as at 31.03.2016	192,827	192,827
Balance as at 31.03.2017	186,747	186,747

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The right to use the leasehold land includes the upfront cost incurred in obtaining the land in Mirigama Export Zone from the Board of Investment of Sri Lanka for a period of 35 years commencing from 14th August 2014. The said cost is amortized over a period of 35 years and charged to the statement of comprehensive income.

		31.03.2017 USD	31.03.2016 USD
12.	**Inventories**		
	Raw material	281,121	521,124
	Work-in-progress	7,203	40,311
	Finished goods	150,232	118,804
	Packing material	79,098	25,781
		517,654	706,020
13.	**Trade and other Receivables**		
	Trade receivable - Related companies *(Note 13.1)*	89,406	39,486
	Trade receivable - Export sales *(Note 13.2)*	181,482	-
	Trade receivable - MT sales *(Note 13.3)*	40,393	-
	Trade receivable - others *(Note 13.4)*	12,412	105
	VAT receivable	12,566	12,026
	WHT receivable	3	-
	Other sundry debtors	255	266
	LC margin receivables	-	4,049
		336,518	55,932
13.1	**Related Company Trade Receivables**		
	Future Consumer Enterprise Limited	-	27,225
	SVA India Ltd	-	12,261
	Aussee Oats India (Pvt) Ltd	89,406	-
		89,406	39,486
13.2	**Trade receivable - Export Sales**		
	Eastern Condiment Middle East FZE	79,425	-
	Kellog India (Pvt) Ltd	83,857	-
	Symega Savoury Technology Ltd	18,200	-
		181,482	

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		31.03.2017 USD	31.03.2016 USD
13.3	**Trade Receivable - MT Sales**		
	Airport Garden Hotel Ltd	222	-
	Al Fathaah Happy Price Super Market	42	-
	Amco Trading (Pvt)Ltd	3,518	-
	Branas Super Market	961	-
	Cargills Foods Company (Pvt)Ltd	20,254	-
	CBL Food International (Pvt) Ltd	94	-
	Ceylon Biscuits Ltd	58	-
	Ceysand Resorts Ltd	296	-
	Diana Trading Company (Pvt) Ltd	33	-
	JayKay Marketing Service(Pvt)Ltd	2,254	-
	Laugfs Supermarkets (Pvt) Ltd	1,964	-
	Maria Farm Shop(Pvt)Ltd	30	-
	Mr.M.B.Thirimanna	3	-
	Mr.M.B.Wicramasinghe	3	-
	Mr.P.D.Rahaman	2	-
	MT -Ice Land Building	14	-
	Nestle Lanka PLC	592	-
	Nihal Super Stores (Pvt) Ltd	14	-
	Richard Pieris Distributors Ltd	9,777	-
	Sales From Exhibitions	98	-
	Samudra Super Market (Pvt) Ltd	42	-
	United Hotels Co (Pvt) Ltd	15	-
	WoW.lk	106	-
		40,393	-

13.4	**Trade Receivable - Others**		
	Agro Bio Fuel (Pvt) Ltd	9,611	-
	Brandex Entimate (Pvt) Ltd	95	-
	Delgoda Stables	386	-
	Gamini Jayarathna	0	-
	Graigie Lea Estate	222	-
	Jayarathne VIP Services(Pvt)Ltd	405	-
	Kotagala Plantation	310	-
	Maliban Biscuits Manufactories Ltd	181	-
	Maruthu Estate (Pvt)Ltd	3	-
	Mountvernan Lankem Plantation	210	-
	South Asian Textile	165	-
	Super Feed Pvt Ltd	823	-
		12,412	-

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		31.03.2017 USD	31.03.2016 USD
14.	**Deposits, Advances and Prepayments**		
	Advance for travelling	-	167
	Other advances	738	-
	Deposits	26,931	29,565
	Prepaid - Insurance	2,146	-
	Prepaid rent- Strawberry properties	-	6,247
	Prepaid - Exhibition expenses	663	-
	Prepaid - Staff welfare	68	-
	Prepaid - Renewal fee whole grain membership	667	-
	Prepaid - Rent	14,659	-
		45,872	35,979
15.	**Cash and Cash Equivalents**		
	State Bank of India C/A -USD	21	48
	Hatton National Bank PLC C/A - LKR	10,203	1,130
	Fixed deposit	-	14,000
	Cash in hand	726	1,268
		10,950	16,446
16.	**Stated Capital**		
	Ordinary shares issued and fully paid shares - 23,404,377	1,777,503	1,777,503
	Cumulative redeemable preference shares issued - 22,760,310	1,500,000	-
		3,277,503	1,777,503
17.	**Deferred Tax Liability**		
	Balance at the beginning of the year	-	-
	Deferred tax provision/(reversal)	21,495	-
	Balance at the end of the year	21,495	-
18.	**Interest Bearing Borrowings**		
	Current		
	Punjab National Bank International Ltd. *(Note 20)*	2,282,374	2,026,046
	Non-current		
	Punjab National Bank International Ltd.	3,631,238	5,897,182
	FCEL - SIA Account	3,227,828	1,775,846
	SVA India - SIA Account	750,489	1,354,569
		7,609,556	9,027,597
		9,891,930	11,053,643

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		31.03.2017 USD	31.03.2016 USD
19.	**Retirement Benefit Obligation**		
	Balance at the beginning of the year	1,675	-
	Current service cost	6,576	1,675
	Interest cost	152	-
	Actuarial losses / (gains)	(196)	-
	Payments made during the year	-	-
	Balance at the end of the year	8,206	1,675

The principal assumptions used in determining the cost of retirement benefits during the year were:

Discount rate	12.03%
Future salary increase	12.50%
Retirement age	55

The company used half month basis for gratuity provision in previous year

20.	**Short Term Borrowings**		
	Current portion of Interest bearing borrowings	2,282,374	2,026,046
	LC margin	-	394,586
	Cash credit loan A/c	830,373	121,762
		3,112,748	2,542,394
21.	**Amounts Due to Related Parties**		
	Amounts due to directors *(Note 21.1)*	516,980	232,370
	Aussee Oats India (Pvt) Ltd	2,941	-
	Amount due to Future Consumer Enterprise Limited	-	1,144
		519,920	233,514
21.1	**Amounts Due to Directors**		
	Mr. Abhinav Gupta	165,816	27,000
	Mr. Vinod Gupta	192,571	178,370
	Mr. Raghav Gupta	158,593	27,000
		516,980	232,370
22.	**Trade and Other payables**		
	Trade payables	15,731	2,204
	Other payables	20,085	24,346
	LC payable	699,752	-
	Accrued expenses	182,545	92,100
		918,113	118,650
23.	**Bank overdraft**		
	State Bank of India C/A -LKR	2,426	13,525

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24.

Lender	Securities Pledged
Punjab National Bank International Ltd.	All shares issued have been mortgaged when obtaining the loan from Punjab National Bank International Ltd. Plant, machinery and equipment and movable building structures have been mortgaged as a security for the loans amounting to $6.7 million provided by the Punjab National Bank.
State Bank of India	The entire stock and plant, machinery and equipment and movable building structures have been mortgaged as a security for the credit facility of $ 1.5 million obtained from the State Bank of India- Sri Lanka Branch.

25. Related Party Disclosures

25.1 Related Party Transactions

Name of Company	Relationship	Nature of Transaction	Transaction Value USD	Balance as at 31.03.2017 USD
Future Consumer Enterprises Ltd.	Parent company	Loans obtained	1,879,851	
		Interest provision	463,317	
		Amount converted to equity	700,000	
		Closing loan balance		2,814,511
SVA India	Affiliate	Loans obtained	-	
		Interest provision	284,489	
		Amount converted to equity	700,000	
		Closing loan balance		516,000
		Trade sales	12,720	
		Trade purchase	14,945	
		Cash payment	15,404	
Aussee Oats India (Pvt) Ltd	Sister company	Trade - Sales	1,005,098	
		Cash received -Sales	915,691	
		Trade receivables		86,465
		Trade purchases	278,601	

25.2 Transactions with Directors and Other Key Management Personnel

Related parties include Key Management Personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company and its related companies. Such key managerial persons include the board of directors of the company, key employees who are holding directorship in other related companies and key executives who meet the criteria described.

During the year Mr.Abhinav Gupta , Mr.Vinod Gupta and Mr.Raghav Gupta were directors of the company

Compensation to Key Management Personnel	31.03.2017 USD	31.03.2016 USD
Short term employee benefits (Directors remuneration & other benefits)	327,416	305,100

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26. Capital Commitments and Contingent Liabilities

There were no capital commitments and contingent liabilities as at the end of the reporting period which require adjustments to or disclosures in the financial statements.

27. Events after the End of the Reporting Period

No material events have taken place after the end of the reporting period, which require adjustments to or disclosures in the financial statements.

28. Going Concern

The Company had commenced operations during the last quarter of the previous year and has not operated at its full capacity during the current year. As a result, the company has recorded an accumulated loss of USD 3,266,537 and this has caused to serious loss of capital to the company. However, the Company expects to make profits in the coming years from existing and new orders and accordingly to reduce its accumulated losses.

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AUSSEE OATS MILLING (PVT) LTD

DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

AUSSEE OATS MILLING (PVT) LTD
DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

			2016/2017 USD	2015/2016 USD
1.	**Gross profit/(loss) based on actual capacity utilization**			
	Plant capacity	MT	20,736.00	5,184.00
	Actual production	MT	2,119.00	227.93
	Capacity utilisation	%	10%	4%
	Plant depreciation	USD	830,220.84	204,104.16
	Direct employee cost	USD	369,034.04	54,139.70
1.1	**Reconciliation to gross profit/(Loss) based on actual capacity utilization**			
	Revenue	USD	1,848,459.95	65,091.00
	Cost of sales without plant depreciation & direct employee cost	USD	(1,303,901.80)	(58,449.02)
	Absorbed plant depreciation	USD	(84,839.79)	(8,973.85)
	Absorbed direct employee cost	USD	(37,711.38)	(2,380.36)
	Gross Margin	USD	422,006.98	(4,712.23)
	Gross margin %	%	23%	-7%
	Unabsorbed plant depreciation	USD	745,381.05	195,130.31
	Unabsorbed direct employee cost	USD	331,322.66	51,759.34
	Gross Profit/Loss		(654,696.73)	(251,601.88)
	Gross Profit/Loss as per Financials		(654,696.73)	(251,601.88)

Note: Gross profit/(loss) arrived at, as stated in the Statement of Profit or Loss and Other Comprehensive Income (Page 2), is based on the company's accounting policy which was specifically adopted for depreciation of plant and direct employee costs. However, for management purposes, this financial performance on gross profit/(Loss) has been presented in the above note based on actual capacity utilization .

2.	**Cost of Sales**		
	Add: finished goods as at 01.04.2016	118,804	-
	Cost of production *(Note 1.1)*	2,534,585	435,496
	Less: Finished goods at the end of the year	(150,232)	(118,804)
		2,503,157	316,693
2.1	**Cost of Production**		
	Opening stock - Raw material	546,905	712,653
	Add: Raw material purchases	936,328	-
	Less: Raw material inventories at the end of the year	(360,219)	(546,905)
	Material consumed during the period	1,123,014	165,749
	Opening stock - Work-in-progress	40,311	
	Add: Direct expenses *(Note 2.1.1)*	369,034	54,140
	Prime cost	1,532,359	219,888
	Add: Production overheads *(Note 2.1.2)*	1,009,428	255,919
	Less: Work-in-progress at the end of the year	(7,203)	(40,311)
		2,534,585	435,496

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	2016/2017 USD	2015/2016 USD
2.1.1 Direct Expenses		
Salaries & wages	138,823	27,398
Employees Provident Fund	16,713	3,288
Employees Trust Fund	4,178	822
Bonus & leave pay	1,207	163
Gratuity	4,364	816
Overtime	22,526	2,493
Travelling allowances	60,878	14,949
Casual salary	42,553	4,211
Consultancy charges	68,659	-
Staff welfare	4,790	-
Staff house rent	3,572	-
Visa charges	773	-
	369,034	54,140
2.1.2 Production Overheads		
Clearing & forwarding charges	20,965	2,621
Forklift & generator expenses	3,529	103
Marine insurance	24,864	29
BOI entry permit charges	151	247
Staff welfare	-	192
Consultancy charges	-	27,201
Depreciation	830,221	204,104
Electricity charges	50,651	10,368
Factory maintenance	7,264	1,747
Machinery maintenance	5,866	543
Water charges	2,845	553
Transport	22,757	3,759
Ground rent BOI	12,669	3,167
Laboratory & fumigation expenses	17,556	1,285
Compliance audit fees	2,420	-
Stationery	33	-
Custom duty	7,637	-
	1,009,428	255,919
3. Pre-operational expenses		
Salaries	-	23,638
Casual salaries	-	5,040
ETF 3%	-	709
EPF 12%	-	2,836
Office rent	-	13,726
Telephone expenses	-	4,608
Water payment	-	200
Business promotional expenses	-	887
Office expenses	-	803
Postage and courier	-	389
Staff welfare	-	2,256
Medical expenses	-	1,345
Secretarial charges	-	490
Meal & tea expenses	-	7,210

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		2016/2017 USD	2015/2016 USD
3.	**Pre-operational expenses** - *(Contd.)*		
	Printing and stationery	-	2,742
	Security charges	-	10,503
	R & D expenses	-	10,962
	Trade mark registration	-	442
	Recruitment expenses	-	774
	Computer equipment maintenance	-	243
	Car hiring charges	-	5,490
	Staff house expenses	-	2,294
	Electricity	-	3,759
	Advertisement	-	235
	Auditor's remuneration	-	1,509
	Professional fees	-	460
	Insurance	-	5,553
	Ground rent - BOI	-	9,501
	Depreciation	-	1,926
	Amortization- leasehold rights	-	4,581
	Amortization - computer equipment & software	-	111
	Samples and testing charges	-	505
	Subscription	-	1,480
	Utility payment for city office	-	1,368
	Legal fees	-	1,432
	Website & logo creation expenses	-	2,561
	Generator expenses	-	998
		-	133,565

4.	**Administration Expenses**		
	Director's remuneration	248,400	54,000
	Directors' travelling & other expenses	35,316	654
	Salaries	56,220	15,291
	ETF 3%	1,539	267
	EPF 12%	6,155	1,070
	Casual salaries	424	44
	Overtime	4,273	666
	Travelling allowances	35,429	2,306
	PAYE expense	-	10,282
	Staff bonus & leave pay	51,779	253
	Gratuity	2,035	860
	Staff welfare	12,152	1,543
	Consultation charges	-	1,727
	Local and foreign travel	-	211
	Maintenance and fuel expenses	836	785
	Telephone expenses	7,274	2,225
	Travelling & transport charges	12,832	13,527
	Computer maintenance	721	379
	Electricity charges	7,569	1,020
	Meal & tea	7,184	1,675
	Maintenance	5,550	309
	Office rent	547	7,217

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		2016/2017 USD	2015/2016 USD
4.	**Administration Expenses** - *(Contd.)*		
	Printing & stationery	2,369	553
	Visa charges	2,090	672
	Clearing & forwarding charges	-	1,520
	Air conditioners repair charges	-	239
	Amortization - computer equipment & software	290	150
	Amortization- leasehold rights	6,080	1,516
	Car hiring charges	16,899	2,625
	Depreciation	23,923	6,959
	JCB hiring charges	-	46
	Auditor's remuneration	6,820	4,080
	Other auditor's fees	1,541	-
	Legal fees	8,597	248
	License & registration	52	665
	Postage & courier	3,270	587
	Recruitment expenses	1,291	100
	Security charges	23,522	4,852
	Utility payment for city office	16,230	406
	Staff house expenses	1,403	2,215
	Employee compensation	-	1,060
	Insurance	2,737	727
	Medical charges	2,059	27
	Staff house rent	29,556	1,162
	Water charges	378	154
	BOI pass charges	797	-
	Professional charges	585	-
	Secretarial charges	1,168	-
	Seminar fees	153	-
	Subscription	507	-
	Donation	2,431	-
	Compensation	261	-
	Stamp duty	8,343	-
	Valuation charges	2,426	-
	NBT expense	1,305	-
	ESC expense	8,434	-
		671,751	146,874

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		2016/2017 USD	2015/2016 USD
5.	**Selling & Distribution Expenses**		
	Salary	7,722	1,575
	EPF	837	189
	ETF	209	47
	Travelling expenses	22,030	2,150
	Marketing expenses	13,551	1,308
	Gratuity	354	-
	Bonus & leave pay	68	-
	Business development	1,657	-
	Husk incentive	349	-
	Overtime	429	-
	Stationery	53	-
	Telephone expenses	287	-
	Custom duty	5,281	-
	Marine insurance	1,243	-
	Loading & unloading charges	993	-
	Fumigation charges	2,684	-
	Clearing & forwarding charges	34,952	-
	Registration fees	350	-
	Supplier registration	7	-
	Exhibition expenses	11,896	-
	BOI Entry permit charges	1,529	-
	Professional expenses	954	-
		107,433	5,269
6.	**Trade Creditors**		
	Acme Printing & Packaging PLC	6	-
	CMC Engineering Export	1,080	-
	Econopack Industries (Pvt) Ltd	384	-
	Lanka Spin	3,007	-
	Packwell Lanka (Pvt) Ltd	1,029	-
	Texton (Pvt) Ltd	144	-
	Tinpack (Pvt) Ltd	5,024	-
	Uni walker Packaging (Pvt) Ltd	1,380	-
	Wimro Packaging Industries	3,496	-
	Pan Middleeast	181	-
		15,731	-
7.	**Other Payables**		
	Consumable suppliers	625	8,612
	Payable to asset suppliers	5,281	2,910
	Employee compensation payable	-	1,060
	Retention - Contactors	14,179	11,763
		20,085	24,346

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