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CERTIFIED PUBLIC ACCOUNTANTS

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LUIGI PERIN
PAOLO ZANOTTI
MINDY PIATOFF DAYNE

A. ADELCHI ROSSI
Principal

SHELDON SATLIN
of Counsel

APPENDIX 13

Report of the auditors of ADF Holdings (USA) Ltd. and its Subsidiary ADF Foods (USA) Ltd. ('the Company'), to Kalyaniwalla & Mistry LLP, auditors of ADF Foods Limited Group

We have audited the attached Balance Sheet of ADF Holdings (USA) Ltd. and its Subsidiary ADF Foods (USA) Ltd. ('the Company'), as at March 31, 2017, the statement of Profit and Loss of the above mentioned entity for the year ended on that date, annexed thereto and the accompanying special purpose financial information of the Company, together called the Fit for Consolidation Accounts (FFC).

Management's responsibility for the Fit for Consolidation Accounts (FFC)

The Company's Management is responsible for the preparation and fair presentation of the FFC in accordance with the instructions received from ADF Foods Limited and Kalyaniwalla & Mistry LLP, the auditors of ADF Foods Limited and the accounting policies set out in the group audit instructions. This responsibility includes the design, implementation, and maintenance of internal controls that were operating effectively for ensuring the accuracy and completeness of the accounting records relevant to the preparation and presentation of the FFC 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 FFC based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the FFC are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the FFC. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the FFC, 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 FFC.

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

Opinion

As requested by you, vide your communication dated March 22, 2017, and solely for your use for expressing an audit opinion on the Consolidated Financial Statements of ADF Foods Limited, we report that the attached FFC present fairly, in all material respects, the financial position of the Company as at March 31, 2017 and of its financial performance and cash flows for the year then ended and are properly prepared in accordance with the group accounting policies and the instructions referred to above and are in conformity with Group Accounting Policies and Instructions on a basis consistent with that of the preceding year.

We further state that, in our judgment and for the purpose as mentioned above, there are no other matters that need to be reported to you other than what is stated below:

Other matters

In particular and with respect to ADF Foods Limited and the other components in the ADF Foods Limited Group, referred to in Appendix 3 of the Group Audit Instructions, we are independent and comply with the applicable requirements of the International Standards on Auditing.

The FFC has been prepared for purposes of providing information to ADF Foods Limited to enable it to prepare the consolidated financial statements of ADF Foods Limited. The special purpose financial information is not a complete set of financial statements of the Company and thus not suitable for any other purpose. This report is intended solely for the purpose of expressing an audit opinion on the Consolidated financial statements of ADF Foods Limited by Kalyaniwalla & Mistry LLP and should not be used for any other purpose or distributed to other parties.

For **Funaro & Co. P.C.**
Certified Public Accountants

Sonny Anand

Sonny Anand
Partner

New York
April 28, 2017

Consolidated ADF (Holdings) USA Limited and Subsidiary

Balance sheet as at 31st March 2017

PARTICULARS	Note No.	As at 31-Mar-17 Consolidated In USD	As at 31-Mar-16 Consolidated In USD
EQUITY AND LIABILITIES			
Shareholders' Funds			
(a) Share capital	1	9,915,000	9,500,000
(b) Reserves and surplus	2	(5,554,067)	(5,383,582)
		4,360,933	**4,116,418**
Current Liabilities			
(a) Short-term borrowings	3	-	396,575
(b) Trade payables	4	217,952	265,319
(c) Other current liabilities	5	507,428	485,722
		725,380	**1,147,616**
TOTAL		**5,086,313**	**5,264,034**
ASSETS			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets	6	12,485	80,075
(ii) Intangible assets	6	1,433,333	1,833,333
		1,445,818	**1,913,408**
(b) Deferred tax assets (net)	7	2,344,253	2,264,910
(c) Long term loans and advances	8	7,102	7,102
		3,797,173	**4,185,420**
Current assets			
(a) Inventories	9	40,869	38,028
(b) Trade receivables	10	420,350	815,911
(c) Cash & cash equivalents	11	633,434	166,632
(d) Short-term loans and advances	12	194,487	58,043
		1,289,140	**1,078,614**
TOTAL		**5,086,313**	**5,264,034**

For Funaro & Co. P.C.
Certified Public Accountants

Sonny Anand

(Sonny Anand)
Partner

For and behalf of Board of Directors
ADF Holdings (USA) Ltd. and Subsidiary

(Bimal R. Thakkar)
Managing Director

Place: New York
Date: April 28, 2017

Funaro & Co., P.C.

Consolidated ADF (Holdings) USA Limited and Subsidiary

Statement of Profit and Loss for the period ended 31st March 2017

Particulars	Note No.	31-Mar-17	31-Mar-16
		Consolidated	Consolidated
		In USD	In USD
CONTINUING OPERATIONS:			
Revenue from operations (net)	13	5,462,505	7,329,607
Other Income	14	138,963	3,213
Total revenue		**5,601,468**	**7,332,820**
Expenses			
(a) Cost Of Material Consumed	15 (a)	-	2,229,021
(b) Cost of traded goods sold	15 (b)	3,155,433	1,537,488
(c) Change in inventories of finished goods	15 (b)	(2,841)	374,076
(d) Employee benefits expenses	16	530,650	1,691,834
(e) Finance cost	17	3,590	34,362
(f) Depreciation and amortization expenses	18	429,638	618,043
(g) Other expenses	19	1,733,095	2,698,344
Total expenses		**5,849,565**	**9,183,168**
Loss before tax		**(248,097)**	**(1,850,348)**
Tax expenses (benefit):			
(a) Current tax expenses for the year		(1,650)	-
(b) Deferred tax		79,343	605,036
		77,693	**605,036**
Profit/(Loss) for the year		**(170,404)**	**(1,245,312)**

For Funaro & Co. P.C.
Certified Public Accountants

Sonny Anand

(Sonny Anand)
Partner

Place: New York
Date: April 28, 2017

For and behalf of Board of Directors
ADF Holdings (USA) Ltd. and Subsidiary

(Bimal R. Thakkar)
Managing Director

Funaro & Co., P.C.

Consolidated ADF (Holdings) USA Limited and Subsidiary

Notes forming part of the financial statements

Particulars	AS at 31-Mar-17 Consolidated	AS at 31-Mar-16 Consolidated
	In USD	In USD
Note 1		
SHARE CAPITAL		
Authorised		
100,000 Preferred stock (Previous year 100,000) @ $0.001 par value	100	100
100,000 Common stock (Previous year 100,000) @ $0.001 par value	100	100
Issued, Subscribed and Paid Up		
11,000 Preferred stock (Previous year 10,000) @ $0.001 par value	11	10
12,000 Common stock (Previous year 12,000) @ $0.001 par value	12	12
Additional paid in capital	9,914,977	9,499,978
	9,915,000	9,500,000
Note 2		
RESERVES & SURPLUS		
Foreign currency translation reserve:	-	-
Balance as per last financial statements		-
Foreign currency translation reserve		
Deductions during the period	-	
Closing balance	-	-
Surplus / (deficit) in Statement of Profit & Loss Account		
Balance as per last financial statements	(5,383,582)	(4,138,270)
Loss for the year as per note A given below	(170,485)	(1,245,312)
Closing balance	(5,554,067)	(5,383,582)
Loss for intangible depreciation in previous periods	-	
Total	(5,554,067)	(5,383,582)
Note A		
Loss for the year	(170,404)	(1,245,312)
	-	-
Less: Dividend on preference shares	81	-
	(170,485)	(1,245,312)
Note 3		
Short Term Borrowings		
Loans and advances from related parties:		
ADF Foods Limited	-	1,575
ADF Foods (UK) Limited	-	395,000
ADF Holdings (USA) Limited	-	-
Total	-	396,575
Note 4		
Trade Payables		
Other	217,952	265,319
Total	217,952	265,319
Note 5		
Other Current Liabilities		
Others	507,428	485,722
Total	507,428	485,722

Funaro & Co., P.C.

Consolidated ADF (Holdings) USA Limited and Subsidiary

Notes forming part of the financial statements

Note 6

Fixed assets (In USD)

	GROSS BLOCK				DEPRECIATION AND AMORTIZATION				NET BLOCK
DESCRIPTION	As at 1st April 2016	Additions	Deductions	As at 31st March 2017	Upto 31st March 2016	For the year	Deductions	As at 31st March 2017	As at 31st March 2017
Tangible Assets:									
Plant & Machinery	404,936	34,861	392,412	47,385	346,368	20,228	321,126	45,470	1,915
Computers	50,151	-	15,376	34,775	34,814	6,639	14,007	27,446	7,329
Furniture & Fixtures	14,632	-	525	14,107	8,462	2,771	367	10,866	3,241
	469,719	**34,861**	**408,313**	**96,267**	**389,644**	**29,638**	**335,500**	**83,782**	**12,485**
Intangible Assets:									
Trade Marks/Brands	4,000,000	-	-	4,000,000	2,166,667	400,000	-	2,566,667	1,433,333
	4,000,000	-	-	**4,000,000**	**2,166,667**	**400,000**	-	**2,566,667**	**1,433,333**
TOTAL	**4,469,719**	**34,861**	**408,313**	**4,096,267**	**2,556,311**	**429,638**	**335,500**	**2,650,449**	**1,445,818**

Funaro & Co., P.C.

Consolidated ADF (Holdings) USA Limited and Subsidiary

Notes forming part of the financial statements

Particulars	AS at 31-Mar-17 Consolidated	AS at 31-Mar-16 Consolidated
	In USD	In USD
Note 7		
Deferred tax Liability / (Asset) at the period end comprise timing differences on account of:		
Particulars		
Carried forward loss (Opening)	2,264,910	1,659,874
Carried forward loss for the period	79,343	605,036
Net deferred tax (Liability / Asset)	2,344,253	2,264,910
Note 8		
Long term loans and advances		
Unsecured		
Other deposits	7,102	7,102
	7,102	7,102
Note 9		
Inventories		
(At lower of cost and net realizable value)		
(As valued & certified by the management)		
Traded goods	40,869	38,028
Total	40,869	38,028
Note 10		
Trade Receivable		
Unsecured, considered good	420,350	815,911
Total	420,350	815,911
Note 11		
Cash and cash equivalent		
Cash on Hand	109	-
Balance with banks		
In Current accounts	633,325	166,632
Total	633,434	166,632
Note 12		
Short Term Loans and Advances		
Unsecured		
(a) Loans and advances to related parties		
Considered good		
ADF Foods Limited	2,731	-
ADF Foods (USA) Limited	-	
(b) Prepaid expenses	21,756	45,371
(c) Others (Considered good)		
Considered good		
(i) Interest receivable	-	-
(ii) Others	170,000	12,672
Total	194,487	58,043

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Consolidated ADF (Holdings) USA Limited and Subsidiary

Notes forming part of the financial statements

	31-Mar-17	31-Mar-16
	Consolidated	Consolidated
	In USD	In USD
Note 13		
Revenue from operations		
Sale of products	5,462,505	7,329,607
	5,462,505	**7,329,607**
Sale of products		
Frozen foods	5,462,505	7,329,607
Total - Sale of finished goods	**5,462,505**	**7,329,607**
Note 14		
Other income		
Interest income	-	-
Other non-operating income (net of expenses directly attributable to such income) Note (A) below	138,963	3,213
Total	**138,963**	**3,213**
Note (A)		
Other non-operating income comprises:		
Miscellaneous income	138,963	3,213
Total - Other non-operating income	**138,963**	**3,213**
Note 15		
15 (a) Cost of Material Consumed		
Raw Materials Consumed :		
Opening Stock	-	172,560
Add : Purchases	-	1,290,919
Other manufacturing expenses	-	320,875
Carriage Inward	-	27,587
	-	**1,811,941**
Less : Closing Stock	-	-
Cost of raw material consumed	-	**1,811,941**
Raw material consumed comprises:		
Frozen foods	-	192,536
Organic flour	-	109,737
Soy concentrate	-	75,566
Others	-	1,434,102
Total	-	**1,811,941**
Packing Materials Consumed :		
Opening Stock	-	72,344
Add : Purchases	-	344,736
	-	**417,080**
Less : Closing Stock	-	-
Cost of packing material consumed	-	**417,080**
Packing material consumed comprises:		
		-
Costco PJ cartons	-	44,056
Trader Joe's meatless bags	-	37,948
Cartons	-	51,573
Others	-	283,503
Total	-	**417,080**
Total Consumption of materials	-	**2,229,021**
15 (b) Cost of sale of traded goods:		
Opening Stock	-	-
Add : Purchases	3,155,433	1,537,488
Cost of traded goods sold	**3,155,433**	**1,537,488**
Traded goods comprises:		
Frozen foods (Includes purchases from related party $ 206,866)	3,155,433	1,537,488
Total	**3,155,433**	**1,537,488**
15 (b) Changes in inventories of finished goods, work-in-progress and stock in trade		
Inventories at the end of the period.		
Finished Goods	40,869	38,028
	40,869	**38,028**
Inventories at the beginning of the year.		
Finished Goods	38,028	412,104
	38,028	**412,104**
Net (increase) / decrease	**(2,841)**	**374,076**

Funaro & Co., P.C.

Consolidated ADF (Holdings) USA Limited and Subsidiary

Notes forming part of the financial statements

	31-Mar-17	31-Mar-16
	Consolidated	**Consolidated**
Note 16		
Employee benefit expenses		
Salaries and wages	530,650	1,691,834
Total	**530,650**	**1,691,834**
Note 17		
Finance costs		
(a) Interest expenses on:		
(i) Borrowings	-	22,828
- Interest expense to related party	-	-
(ii) Others	-	6,593
(b) Other borrowing cost	3,590	4,941
(c) Net (gain) / loss on foreign currancy transaction and translation (considered as finance cost)	-	-
Total	**3,590**	**34,362**
Note 18		
Depreciation / Ammortization		
Tangible Assets	29,638	218,043
Intangible Assets	400,000	400,000
	429,638	**618,043**
Note 19		
Other Expenses		
Power & Fuel	-	198,577
Rent including lease rent	100,266	298,437
Reapairs and maintainance - Building	-	87,879
Insurance	41,923	8,275
Rates & Taxes	5,728	14,127
Communication Expenses	19,409	35,935
Travelling & Conveyance Expenses	28,558	32,372
Sales commission	131,805	235,885
Advertisement	1,108,155	1,043,773
Sales and marketing exp - International	163,202	411,969
Legal and professional Fees	54,202	101,685
Management fee expenses	-	-
Royalty expenses	-	-
As Auditors - Statutory audit	52,425	52,500
Total	**52,425**	**52,500**
Loss on fixed assets sold / scraped / written off	-	1,457
Miscellaneous Expenses (net)	27,422	175,473
Total	**1,733,095**	**2,698,344**

Fumero & Co., P.C.

Notes to Consolidated statements for the year ended 31st March 2017

Accounting policies and notes to consolidated accounts

1. Corporate information

ADF Holdings (USA) Ltd. (the "Company") was incorporated on September 29, 2010 under the laws of the State of Delaware. The Company is a wholly owned subsidiary of ADF Foods (UK) Ltd. (the "Parent"), a company incorporated in United Kingdom which is ultimately owned by ADF Foods Ltd., a company incorporated in India. The Company has no other material operations apart from managing its subsidiary. The Company owned eighty nine percent (89%) of ADF Foods (USA) Ltd. (the "Subsidiary"), a Delaware Corporation and the remaining eleven percent (11%) that was previously owned by Peter Sartorio (5%) and The Mark Cooley and Joan D Ambrosio Revocable Trust (6%) was bought back by the Subsidiary in the year 2014 to be kept back as treasury stock. Subsequent to the purchase of the shares held by the minority shareholders as treasury stock, the Company effectively now owns 100% of the Subsidiary.

On November 3, 2010, the Company purchased the inventory, plant, equipment and certain rights from Elena's Food Specialties Inc., a California Corporation pursuant to an Asset Purchase Agreement (the "Purchase Agreement"). The Company's corporate office is currently located in San Mateo, California from where the Subsidiary markets and sells premium natural and organic food products of various food categories with well-known brands including PJ's, Nates, Elena's, and Nonna's sold retail, private label and food service customers located in the United States.

On November 1, 2010, pursuant to purchase Agreement, the Company purchased certain assets, rights, and assumed certain liabilities from Elena's Food Specialties Inc., a California Corporation for a total cash price of $900,000. The fair market values assigned to the purchase of the assets and the assumption of liabilities are as follows:

Plant, Equipment and Machinery	$ 642,785
Inventories	$ 369,854
Computer Equipment	$ 9,383
Leasehold improvements	$ 25,007
Deferred Interest	$ 19,481
Capital Lease Obligation Assumed	$ (166,240)
Total	**$ 900,000**

In the year 2010, the Company also purchased certain trademarks including "PJs", "Nates" and "Elena's Food Specialties" and all related service marks utilizing those names from ADF Foods (Mauritius) Ltd., an affiliate, for a total purchase price of $4,000,000

During the year ended March 31, 2016, the Company shut down its own manufacturing facility in California. The Company sold, leased, transferred and abandoned most of its fixed assets, raw materials and packaging material. Further, the Company entered into a manufacturing and co-packaging agreement for a term of two years with another packaged food manufacturing facility in Cleveland, Ohio.

Notes to Consolidated statements for the year ended 31st March 2017

2. Significant accounting policies

a. **Basis of preparation:**

The consolidated financial statements of the Company have been prepared on accrual basis under the historical cost convention and ongoing concern basis in accordance with the Generally Accepted Accounting Principles in India (Indian **GAAP')** to comply with the Accounting Standards specified under section 133 of The Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of The Companies Act, 2013 (_the Act') / The Companies Act, 1956, as applicable.

Current / non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

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

a) it is expected to be realized in, or is intended for sale or consumption in, the entity's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is expected to be realized within twelve month after the balance sheet date; or
d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve month after the balance sheet date.

All other assets are classified as non-current,

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

a) it is expected to be settled in, the entity's normal operating cycle;
b) it is held primarily for the purpose of being traded;
c) it is due to be settled within twelve months after the balance sheet date; or
d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

All other liabilities are classified as non-current.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out above which are in accordance with the Schedule III to the Act.

Based on the nature of services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

b. Use of estimates

The preparation of consolidated financial statements is in conformity with Generally Accepted Accounting Principles (GAAP) in India requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities, revenues and expenses and disclosures relating to contingent liabilities as at the date of financial statements. Changes in estimates are recognized in the year these arise.

c. Fixed Assets

i. **Tangible assets**
Tangible fixed assets are carried at cost less accumulated depreciation and impairment if any. Cost comprises the purchase price or construction cost including any attributable cost of bringing the asset to its working condition for its intended use.

ii. **Intangible assets**
Intangible fixed assets are carried at cost less accumulated amortization and impairment if any. Cost comprise the purchase consideration paid for brands and goodwill and any attributable cost of bringing internally generated asset to its working condition for its intended use.

iii. **Capital work** in **progress**
Capital work in progress includes the acquisition/commissioning cost of assets under expansion/acquisition and pending commissioning. Expenditure of revenue nature related to such acquisition/expansion is also treated as capital work in progress and capitalized along with asset on completion of the expansion project or otherwise on of commercial use of the asset.

d. Depreciation

i) Tangible assets

Depreciation has provided under the straight-line method on all Fixed Assets at the rates specified as per Schedule II to the Companies Act, 2013 except in case of carboys and pallets where a lower rate of depreciation i.e. five years under straight line method is applied based on technical advice obtained by the company. Depreciation on additions to assets or where any asset has been sold or discarded, is calculated on a pro-rata basis from the date of such addition or up to the date of such sale or discard as the case may be.

ii) Intangible assets

Intangible assets are amortized over a period of 5 years in the case of Goodwill and over a period of 10 years in the case of Brands purchased / acquired.

iii) Leasehold land

Cost of leasehold land is amortized over the balance period of the lease.

iv) Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

e. Valuation of inventories

i. In determining cost of raw materials packing materials, traded items, semi-finished goods, finished goods, stores spares and consumables, weighted average cost method is used. Cost of inventory comprises all cost of purchase, duties, taxes (other than those subsequently recoverable from tax authorities) and all other costs incurred in bringing the inventory to their present location and condition. Damaged, unserviceable and inert stock are suitably written down.

ii. Traded goods and finished goods are valued at cost or net realizable value whichever is lower cost of finished goods and semi-finished goods includes the cost of raw materials packing materials, an appropriate share of fixed and variable production overheads, excise duty as applicable and other costs incurred in bringing the indentures to their present location

f. Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Exchange differences arising on foreign exchange transaction settled during the year are recognized in statement of profit and loss of the year.

Monetary assets and liabilities denominated in foreign currencies which are outstanding as at the year-end are translated at the closing exchange rate and the resultant exchange differences are recognized in the statement of Profit and Loss.

Forward contracts, other than those entered to hedge foreign currency risk on unexecuted firm commitments or highly probable forecast transactions, are treated as foreign currency transactions and accounted accordingly as per Accounting Standard 11 ["the effect of changes in foreign exchange rates']. Exchange differences arising on such contracts are recognized in the period in which they arise.

The premium / discount on a foreign currency forward contract is accounted as expense / income over the period of the contract.

Gains and losses arising on account of roll over / cancellation of forward contracts are recognized as income / expenses of the period in which such rollover / cancellation takes place.

The Company has adopted Accounting Standard 30, Financial Instruments; Recognition and Measurement (AS 30) issued by ICAI to the extent the adoption of AS 30 does not conflict with existing Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006 and other authoritative pronouncements.

Accordingly, the resultant gains or losses or fair valuation / settlement of the derivative contracts covered under Accounting Standard (AS) 30 ["Financial instruments; Recognition and Measurement"] are recognized in the statement of profit and loss or balance sheet as the case may be after applying the test of hedge effectiveness. Where the hedge is effective, the gains or losses are recognized in the "Hedging Reserve" which forms part of "Reserves and Surplus" in the Balance Sheet, while the same is recognized in the statement of Profit and Loss where the hedge is ineffective. The amount recognized in the "Hedging Reserve" is transferred to the statement of Profit and Loss in period in which the underlying Hedge item affects the statement of profit and loss.

g. Revenue recognition

Revenue from sale of good is recognized on transfer of all significant risk and rewards of ownership to the buyer on dispatch of goods and is net of sales return, taxes and excise duty.

Scrap sales are accounted upon sales,

Dividend income is recognized when the right to receive payment is established.

Interest, export benefits and other income are recognized on accrual basis.

h. Research and development

Research and Development costs (other than the cost of fixed assets acquired) are charges as expenses in the year in which these are incurred.

i. Provisions and contingencies

The Company creates a provision when there exist a present obligation as a result of past events and 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. When there is a possible obligation or present obligation in respect of which likelihood of outflow of resources is remote, no provision or disclosure is made.

Notes to Consolidated statements for the year ended 31st March 2017

j. Investments

Investments which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credit statement of Profit and Loss.

k. Lease accounting

i) Where the Company is lessee

Leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial costs of less are capitalized.

A leased asset is d dated on a straight-line basis over the useful life of the asset or the useful life envisaged in Schedule II to the Companies Act, 2013, whichever is lower. However, if there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset, the lease term or the useful life envisaged in Schedule II to the Companies Act, 2013.

Where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, such leases are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

ii) Where the Company is the lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognized in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

l. Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

m. Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that (i) the Company will comply with the conditions attached to them, and (ii) the grant/subsidy will be received.

When the grant or subsidy relates to revenue it is recognized as income on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs, which they are intended to compensate. Where the grant relates to an asset it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

n. Taxation

Tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the Income, tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of the 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 recognized using the tax rates and tax loss that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized only to that extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward loss under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date to reassess realization.

o. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

p. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than conversion and potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares

Notes to Accounts:

1. For financial reporting purposes, minimum lease payments relating to the equipment are capitalized. As at March 31, 2017 and 2016, there are no capital leased equipment.

2. In the opinion of the management, all current assets, loans and advances are approximately of the values stated, if realized in the ordinary course of business. The provision for all known liabilities are adequate and are not in excess of the amounts considered reasonably necessary. Trade receivables, trade payables and loans and advances are subject to confirmation.

3. The company has reviewed the valuation of its intangible assets and investments, based on management estimates. Such valuation does not reflect any impairment of value requiring provision of additional asset amortization amounts.

4. The Company leased premises for office space under an operating lease from April 1, 2016 and ending on March 31, 2018. Minimum future rental payments, which are subject to customary escalation clauses and have remaining terms in excess of one year as at March 31, 2017, are as follows:

In USD

	2016-17	**2015-16**
i) Not later than one year	85,224	78,864
ii)Later than one year and not later than five years	0	85,224
iii) Later than five years	0	0

5. Deferred tax asset at year-end comprise timing differences on account of following components:

Particulars	**As at 03-31-2017**	**As at 03-31-2016**
	In US$	In US$
Net operation loss	2,028,323	2,006,528
Depreciation	(2,782)	(18,490)
Trademarks	290,888	245,555
Sec 163j interest	16,795	16,795
263A inventory	830	922
PTO accrual	10,200	13,600
	2,344,254	**2,264,910**
Less: valuation allowances	0	0
Net deferred tax assets	**2,344,254**	**2,264,910**

Notes to Consolidated statements for the year ended 31st March 2017

6. **Related party disclosures**: Related parties with whom transactions that took place in the years are as follows:

Sr. No	Related party relationship	Name of the related parties
1.	ADF Foods Limited	Ultimate parent company
2.	ADF Foods (UK) Limited	Parent company

Particulars	Financial Year	Ultimate parent company	Parent company	Total
Service provided	2016-17	-	-	-
	2015-16	60,000	-	60,000
Purchase of traded goods	2016-17	206,866	-	206,866
	2015-16	56,000	-	56,000
Sale of fixed assets	2016-17	40,000	-	40,000
	2015-16	-	-	-

Balance outstanding as at end of the year:

Particulars	Financial Year	Ultimate parent company	Parent company	Total
Short term borrowing (receivable)	2016-2017	(2,731)	-	(2,731)
	2015-2016	1,575	395,000	396,575
Equity shares	2016-2017	-	3,275,000	3,275,000
	2015-2016	-	3,275,000	3,275,000
Preference (Series A)	2016-2017		6,225,000	6,225,000
	2015-2016	-	6,225,000	6,225,000
Preference (Series B)	2016-2017		415,000	415,000
	2015-2016	-	-	-

In December 2015, the Company converted parent loan into preferred stock issuing 10,000 Preferred (Series A) stock with $0.001 par value for a total amount of 6,225,000.

In March 2017, the Company converted parent loan into preferred stock issuing 1,000 Preferred (Series B) stock with $0.001 par value for a total amount of 415,000.

Notes to Consolidated statements for the year ended 31st March 2017

7. Computation of earnings per share

Basic earnings per share	2016-17	2015-16
Number of shares at the beginning of the year	12,000	12,000
Issued during the year	0	0
Number of shares at the end of the year	12,000	12,000
Number of shares (basic weighted average)	12,000	12,000
Profit for the year (In US$)	(170,404)	(1,245,312)
Basic earnings per share (weighted average)	(14.20)	(103.77)
Number of shares (diluted)	12,000	12,000
Diluted earnings per share (weighted average)	(14.20)	(103.77)

8. Value of Imported and indigenous raw materials and packing materials consumed

Raw materials

	2016-17		2015-16	
	Amount	%of consumption	Amount	%of consumption
Imported	-	-	-	-
Indigenous	-	-	1,811,941	100.00
	-	-	**1,811,941**	**100.00**

Packing materials

	2016-17		2015-16	
	Amount	%of consumption	Amount	%of consumption
Imported	-	-	-	-
Indigenous	-	-	417,080	100.00
	-	-	**417,080**	**100.00**

9. Value of imports calculated on C.I.F. basis

	2016-17	2015-16
	In US$	In US$
Traded goods	206,866	56,000
Capital goods	31,731	-
Total	**238,597**	**56,000**

10. Expenditure in foreign currency

	2016-17	2015-16
	In US$	In US$
Advertisement	-	-
Sales commission	-	-
Total	-	-

Notes to Consolidated statements for the year ended 31st March 2017

11. **Concentration of credit risk**: for the years ended March 31, 2017 and March 31, 2016 four customers accounted for approximately 85% and 79% of sales and accounted for approximately 91% and 96% of accounts receivable.

12. **Economic dependency**: the Company purchases substantially all its finished goods from one supplier. At March 31, 2017 and March 31, 2016, amount due to this supplier is 78% and 92% of the accounts payable.

13. **Financing from parent**: the Company and its Subsidiary have experienced significant consolidated losses since inception and are reliant on the Parent for financial support. The Company and the Subsidiary have received a letter from the Parent pledging continued support through March 31, 2018.

Schedules referred to above form an integral part of the Consolidated Balance Sheets and Income Statements of ADF Holdings (USA) Ltd. and Subsidiary.