



**LATTENO FOOD CORP.**  
**FINANCIAL STATEMENTS**  
**First Quarter 2014**  
**March 31, 2014**

**LATTENO Food Corp.**  
**Formally, B&D Food Corp.**  
**Financial Statements**  
**March 31, 2014**

<b>Latteno Food Corp.</b>			
<b>Income Statement</b>			
<b>1st QUARTER ENDED March 31, 2014</b>			
	<b>31-Mar-14</b>	<b>31-Mar-13</b>	<b>31-Dec-13</b>
	3 Months	3 months	12 Months
Sales, net	\$ 3,795,855	\$ 3,615,018	\$ 15,100,739
Cost of goods sold	\$ 3,354,445	3,146,765	\$ 13,116,384
Gross profit	\$ 441,410	468,253	\$ 1,946,311
Revenue from financial activities			
Financial Expenses			
Advertising and marketing, cost of sales	\$ 63,450	13,450	\$ 75,422
Salary - management expenses	\$ 5,565	61,885	\$ 115,903
Professional, legal and accounting	\$ 8,000	25,000	\$ 62,575
Depreciation and amortization	\$ 18,656	36,660	\$ 83,386
			\$ 381,327
Other selling, general and administrative expenses	\$ 138,345	44,878	\$ 117,757
Total selling, general and administrative expenses	\$ 234,016	181,873	\$ 836,370
Profit (Loss) from operations	\$ 207,395	286,380	\$ 1,109,941
Other income (expense):	65,774	2454	-\$ 67,889
Other expenses	2,145	1965	\$ 58,949
Interest expense, net		0	
Total other income (expense)	67,919	489	-\$ 126,838
Loss from operations before income taxes	275,314	286,869	\$ 983,103
			\$ -
Provision for income taxes	22,345	-	\$ 73,784
			\$ -
<b>Net Profit (Loss)</b>	<b>252,969</b>	<b>286,869</b>	<b>\$ 909,319</b>

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<b>Latteno Food Corp.</b>			
<b>Balance Sheet</b>			
<b>1st QUARTER ENDED March 31, 2014</b>			
	<b>31-Mar-14</b>	<b>31-Mar-13</b>	<b>31-Dec-13</b>
<b>ASSETS</b>	3 months	3 months	
<b>Current assets:</b>			
Cash and cash equivalents	\$ 75,885	\$ 65,433	\$ 76,453
Accounts receivable	\$ 393,399	\$ 202,422	\$ 356,743
Inventory	\$ 246,990	\$ 98,676	\$ 224,362
Prepaid expenses	\$ 278,665	\$ 150,565	\$ 298,450
Short-term Prepaid Expenses	\$ 19,339	\$ 6,548	\$ 16,743
Taxes (Deferred VAT Tax)	\$ 39,887	\$ 25,767	\$ 55,747
<b>Total current assets</b>	<b>\$ 1,054,165</b>	<b>\$ 549,411</b>	<b>\$ 1,028,498</b>
Long Term Receivables	\$ 56,876	\$ 40,678	\$ 64,343
Fixed assets, net of accumulated amortization	\$ 955,655	\$ 986,765	\$ 946,632
Property Plant and Equipment			
<b>Total Assets</b>	<b>\$ 2,009,820</b>	<b>\$ 1,536,176</b>	<b>\$ 1,975,130</b>
<b>LIABILITIES</b>			
Bank Indebtedness	\$ 8,765	\$ 186,544	\$ 4,323
Accounts payable	\$ 145,883	\$ 113,485	\$ 154,336
Taxes payable	\$ 25,868	\$ 12,454	\$ 49,030
Accrued expenses - advances	\$ 64,345	\$ 75,445	\$ 67,886
Long Term Convertible Note	\$ 450	\$ 85,000	\$ 85,000
Long Term Convertible Note	\$ 50,000	\$ 50,000	\$ 50,000
Long Term Convertible Note	\$ -	\$ 100,000	\$ 8,000
Long Term Convertible Note	\$ -	\$ 125,000	\$ 11,000
Long Term Convertible Note	\$ -	\$ 115,000	\$ 15,194
Long Term Convertible debentures payable	\$ 100,000		
Long Term Convertible debentures payable	\$ 100,000		
<b>Total liabilities</b>	<b>\$ 495,311</b>	<b>\$ 676,384</b>	<b>\$ 440,446</b>
<b>Total liabilities</b>	<b>\$ 495,311</b>	<b>\$ 676,384</b>	<b>\$ 440,446</b>
<b>STOCKHOLDERS' DEFICIT</b>			
<b>Stockholders' deficit:</b>			
Common shares: \$0.001 par value; Authorized: 10,000,000,000 shares; Issued and outstanding: 4,496,869,714	\$ 4,496,869	\$ 226,382	\$ 3,109,425
<b>Preferred Shares</b>			
Series A convertible preferred stock, \$0.001 par value, 10,000,000 shares authorized, 10m shares to be issued and outstanding re GTG acquisition	\$ 10,000	\$ 10,000	\$ 10,000
Additional paid-in capital	\$ 29,337,278	\$ 29,337,278	\$ 29,337,278
Accumulated deficit	-\$ 37,491,524	-\$ 38,593,828	-\$ 40,801,979
GTG owner equity	\$ 240,046	\$ 240,046	\$ 240,046
<b>Total stockholders' deficit</b>	<b>-\$ 9,658,755</b>	<b>-\$ 9,879,960</b>	<b>-\$ 9,879,960</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$ 2,009,820</b>	<b>\$ 1,536,176</b>	<b>\$ 1,975,130</b>

<b>Latteno Food Corp.</b>	
<b>CASH FLOW</b>	
<b>1st QUARTER ENDED March 31, 2014</b>	
	<b>31-Mar-14</b>
Cash flows from operating activities:	
NetProfit (Loss)	\$ 286,380
(Increase) decrease in accounts receivable	-\$ 36,656
Increase (decrease) in accounts payable	\$ 8,453
Increase (decrease) in inventory	\$ 22,628
Increase (decrease) in long term receivables	-\$ 7,467
Increase (decrease) in accrued liabilities	
Increase (decrease) in taxes payable	\$ 25,868
Increase (decrease) in bank indebtedness	-\$ 4,442
Increase (decrease) in accrued expenses	-\$ 568
Increase (decrease) in prepaid expenses	-\$ 446
Net cash used in operating activities	\$ 241,739
Purchases of investment securities	
Sales of investment securities	\$ -
Purchase of Intellectual Property	\$ -
Purchases of property and equipment	\$ -
<i>Taxes payable</i>	
Net cash provided by (used in) investing activities	\$ -
Cash flows from financing activities:	
Discount on Conversion of Loan Notes secured convertible notes	\$ -
Issuance of common stock	\$ -
Net cash provided by financing activities	
Net increase\decrease) in cash and cash equivalents	-\$ 568
Cash and cash equivalents at beginning of period	\$ 76,453
Cash and Cash equivalents at end of period	\$ 75,885

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Latteno Food Corp.						
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY						
(UNAUDITED)						
	Common Stock		Preferred Stock		Additional	Accumulated
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit
<b>Balance - December 31, 2013</b>	3,109,425,314	\$3,109,425	0	\$0	\$ 29,337,278	-\$ 40,801,979
10,000,000 Preferred Shares to be issued GTG			10,000,000	\$10,000		
		\$0				
<b>Net Profit (Loss) for the Quarter Ended March 31, 2014</b>	-	-				
<b>Balance - March 31, 2014</b>	4,496,869,714	\$3,109,425	\$0		\$ 29,337,278	-\$ 37,491,524

## NOTES TO FINANCIAL STATEMENTS

### **Note 1 - Organization and summary of significant accounting policies:**

Following is a summary of the Company's organization and significant accounting policies:

#### **Organization and nature of business –**

Latteno Food Corp., formally, B&D Food Crop. (the "Company"), was incorporated in the state of Delaware on August 24, 1994.

#### **History of Names Changes-**

formerly: B&D Food Corp. (filings through 2009-10-02)

formerly: REII INC (filings through 2005-07-11)

formerly: BAP ACQUISITION CORP (filings through 1998-05-20)

#### Financing

In the summer of 2008, the Company ceased operations in the coffee division and began to restructure its debt and equity in an effort to position itself for strategic acquisitions. The first phase of this restructuring involved the sale of the BD FC subsidiary and the leasing back of the land and building where the coffee plant operations were located. This eliminated much of the debt that was associated with the BDFC subsidiary, but still enabled the Company to enter back into the coffee industry at the appropriate time in the future. Concurrent with the sale and leaseback transaction, senior management agreed to convert all existing convertible debentures into preferred shares, thus further reducing the overall debt requirements.

As the second phase of the Company's efforts to restructure itself, the Company filed an information statement with the SEC on September 14, 2009 notify stockholders of the following:

On or about September 1, 2009, the Company received written consents in lieu of a meeting of Stockholders from holders of 72,654,538 shares representing approximately 46% of the 154,986,955 shares of the total issued and outstanding shares of voting stock of the Company and shareholders holding 3,373,956 Series A Convertible Preferred shares which represent 337,395,600 voting shares of common stock. The holders of the Series A Convertible Preferred shares, have the right to vote 100 times the number of shares of common stock that the Series A Convertible Preferred is convertible into on all matters submitted to the shareholders. The Series A Convertible Preferred shares are each convertible into one hundred shares of common stock.

Therefore the 3,373,956 Series A Convertible Preferred shares are convertible into 337,395,600 common shares and the shareholders have the right to vote one hundred times the number of shares pursuant to the rights designated to the Series A Convertible Preferred Shares and has voted such amount in favor of approving of the Company (the "Majority Stockholders") to effect a 20-for-1 reverse stock split (pro-rata reduction of outstanding shares) of our issued and outstanding shares of Common Stock (the "Reverse Stock Split") authorizing the Company's Board of Directors, to effect a reverse split of the Company's common stock of 20:1 (pursuant to which the number of authorized shares of common stock will remain 400,000,000 following such reverse stock split); any fractional shares post-split will be rounded up to the next whole share. Additionally the Reverse Stock Split will affect the conversion ratio for all instruments convertible into shares of the Company's Common Stock including its convertible notes, warrants and outstanding preferred stock.

On December 14, 2009 the 3,735,956 Series A Convertible Preferred shares were converted into 16,869,781 shares of the Company's common stock.

On September 1, 2009, the Board of Directors of the Company approved the above-mentioned actions, subject to stockholder approval. The Majority Stockholders approved the actions by written consent in lieu of a meeting on September 1, 2009, in accordance with the Delaware Business Corporation Act ("DBCA").

On September 1, 2009, the Company's Board of Directors and persons owning a majority of the Company's voting securities approved a resolution authorizing the Company to amend the Articles of Incorporation to change the Company's name to "Latteno Food Corp." The Board believes that the name change better reflects the nature of the Company's current and anticipated operations. The Company had operated under the name B&D Food Corp. which reflected the Company's prior business operations.

The next phase of restructuring was completed on May 31, 2010, whereby the Company converted \$3,470,000 into common stock. In addition, the Global Milk subsidiary had negotiated the necessary supplier lines of credit for its Brazilian dairy division.

In the 4th quarter of 2012, the Company made a change in management and refocused its operations as an independent investment, management, and holding company focusing on international distribution and management of high-growth food, beverage, and health-related products and systems. The Company issued 200,000,000 restricted common shares to KCN Capital LLC. Commencing in Q2 2013, a debtor of the company converted a portion of its note into free trading common shares.

**Basis of presentation** – Our accounting and reporting policies conform to U.S. generally accepted accounting principles applicable to development stage enterprises. Changes in classification of 2009 amounts have been made to conform to current presentations.

**Use of estimates** -The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition** - In accordance with Accounting Standards Codification 605.25.05, we have determined that certain of our contractual arrangements contain multiple deliverables which represent separate units of accounting, specifically, the initial hearing screening and the subsequent delivery of the hearing aid and any follow up services necessary. Revenue related to initial screening services is recognized upon delivery of the screening services as there is no further obligation to provide subsequent service, objective and reliable evidence of the fair value of these services exists and the delivery of these services have value to the customer on a stand-alone basis. Revenue is recognized on the delivery of hearing aids in accordance with Accounting Standards Codification 605.25.05: Revenue Recognition When Right of Return Exists when delivery of the product has occurred and follow up service is completed assuming that collectibility is reasonably assured. If collection is doubtful, no revenue is recognized until such receivables are collected. Generally, customers have a 45 day period in which to either return the product or request follow up service; we therefore recognize revenue for products delivered only upon expiration of the 45 day return period.

**Accounting for Convertible Debentures, Warrants and Derivative Instruments** Accounting Standards Codification 815.10.05, "Accounting for Derivative Instruments and Hedging Activities," as amended, requires all derivatives to be recorded on the balance sheet at fair value. These derivatives, including embedded derivatives in the Company's structured borrowings, are separately valued and accounted for on

the Company's balance sheet. Fair values for exchange-traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates.

The pricing model the Company uses for determining fair values of the Company's derivatives is the Black Scholes Pricing Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates, exchange rates and option volatilities. Selection of these inputs involves management's judgment and may impact net income.

In particular, the Company uses volatility rates for a time period similar to the length of the underlying convertible instrument based upon the closing stock price of the Company's common. However, we do not use stock price information prior to February 2002 when the Company emerged from bankruptcy. The Company determined that share prices prior to this period do not reflect the ongoing business valuation of the Company's current operations. The Company uses a risk-free interest rate, which is the U. S. Treasury bill rate, for a security with a maturity that approximates the estimated expected life of our derivative or security. The Company uses the closing market price of the Company's common stock on the date of issuance of a derivative or at the end of a quarter when a derivative is valued at fair value. The volatility factor used in Black Scholes has a significant effect on the resulting valuation of the derivative liabilities on the Company's balance sheet. The initial volatility for the calculation of the embedded and freestanding derivatives ranged from 115% to 190%, this volatility-rate will likely change in the future. The Company's stock price will also change in the future. To the extent that the Company's stock price increases or decreases, the Company's derivative liabilities will also increase or decrease, absent any change in volatility rates.

In September 2000, the Accounting Standards Codification 815.40.05, "Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in, a Company's Own Stock," requires freestanding contracts that are settled in a company's own stock, including common stock warrants, to be designated as an equity instrument, asset or a liability. Under the provisions of Accounting Standards Codification 815.40.05, a contract designated as an asset or a liability must be carried at fair value on a company's balance sheet, with any changes in fair value recorded in the company's results of operations. A contract designated as an equity instrument must be included within equity, and no fair value adjustments are required from period to period. In accordance with Accounting Standards Codification 815.40.05, all of the Company's warrants to purchase common stock are accounted for as liabilities. The fair value of these warrants and conversion options is shown on the Company's balance sheet and the unrealized changes in the values of these derivatives are shown in the Company's consolidated statement of operations as "Loss on derivative liabilities."

**Cash and cash equivalents** -For purposes of the statement of cash flows, we consider all cash in banks, money market funds, and certificates of deposit with a maturity of less than three months to be cash equivalents.

**Property and Equipment** – The Company values its investment in property and equipment at cost less accumulated depreciation. Depreciation is computed primarily by the straight line method over the estimated useful lives of the assets ranging from five to thirty-nine years.

**Fair value of financial instruments and derivative financial instruments** – We have adopted Accounting Standards Codification regarding *Disclosure About Derivative Financial Instruments and Fair Value of Financial Instruments*. The carrying amounts of cash, accounts payable, accrued expenses, and other current liabilities approximate fair value because of the short maturity of these items. These fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment, and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates. We do not hold or issue financial instruments for trading purposes, nor do we utilize derivative instruments in the management of foreign exchange, commodity price or interest rate market risks.

**Federal income taxes** - Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes in accordance with Accounting Standards Codification regarding *Accounting for Income Taxes*, which requires the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax loss and credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred taxes are provided for the estimated future tax effects attributable to temporary differences and carryforwards when realization is more likely than not.

**Net income per share of common stock** – We have adopted Accounting Standards Codification regarding *Earnings per Share*, which requires presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. In the accompanying financial statements, basic earnings per share of common stock is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. We do not have a complex capital structure requiring the computation of diluted earnings per share.

**Note 2 - Uncertainty, going concern:**

At March 31, 2014, we were engaged in a business that is reliant on sources and supplies that can be adversely affected by natural, business and governmental circumstances that are beyond the company's control.

**Note 3- Subsequent Events**

None

**Note 4 - New accounting pronouncements:**

Recent Accounting Pronouncements

In May 2008, the Accounting Standards Codification issued 944.20.15, "Accounting for Financial Guarantee Insurance Contracts-and interpretation of Accounting Standards Codification 944.20.05". Accounting Standards Codification 944.20.15 clarifies how Accounting Standards Codification 944.20.05 applies to financial guarantee insurance contracts, including the recognition and measurement of premium revenue and claims liabilities. This statement also requires expanded disclosures about financial guarantee insurance contracts. Accounting Standards Codification 944.20.15 is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those years. Accounting Standards Codification 944.20.15 has no effect on the Company's financial position, statements of operations, or cash flows at this time.

In March 2008, the Accounting Standards Codification issued 815.10.15, Disclosures about Derivative Instruments and Hedging Activities—an amendment of Accounting Standards Codification 815.10.05. This standard requires companies to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under 815.10.15 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company has not yet adopted the provisions of Accounting Standards Codification 815.10.15, but does not expect it to have a material impact on its consolidated financial position, results of operations or cash flows.

In December 2007, the SEC issued Staff Accounting Bulletin (SAB) No. 110 regarding the use of a "simplified" method, as discussed in SAB No. 107 (SAB 107), in developing an estimate of expected term of "plain vanilla" share options in accordance with SFAS No. 123 (R), Share-Based Payment. In particular, the staff indicated in SAB 107 that it will accept a company's election to use the simplified method, regardless of whether the company has sufficient information to make more refined estimates of expected term. At the time SAB 107 was issued, the staff believed that more detailed external information about employee exercise behavior (e.g., employee exercise patterns by industry and/or other categories of companies) would, over time, become readily available to companies. Therefore, the staff stated in SAB 107 that it would not expect a company to use the simplified method for share option grants after December 31, 2007. The staff understands that such detailed information about employee exercise behavior may not be widely available by December 31, 2007.

In December 2007, the Accounting Standards Codification 815.10.65, Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Standards Codification 810.10.65. This statement amends Accounting Standards Codification 810.10.65 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Before this statement was issued, limited guidance existed for reporting noncontrolling interests. As a result, considerable diversity in practice existed. So-called minority interests were reported in the consolidated statement of financial position as liabilities or in the mezzanine section between liabilities and equity. This statement improves comparability by eliminating that diversity. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Earlier adoption is prohibited. The effective date of this statement is the same as that of the related Accounting Standards Codification 805.10.10 (revised 2007). The Company will adopt this Statement beginning April 1, 2012. It is not believed that this will have an impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2007, the Accounting Standards Codification, issued Accounting Standards Codification 805.10.10 (revised 2007), Business Combinations. This Statement establishes principles and requirements for how the acquirer: (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The effective date of this statement is the same as that of the related Accounting Standards Codification 810.10.65, Noncontrolling Interests in Consolidated Financial Statements. The Company will adopt this statement beginning April 1, 2012. It is not believed that this will have an impact on the Company's consolidated financial position, results of operations or cash flows.

In February 2007, the Accounting Standards Codification, issued Accounting Standards Codification 810.10.65, The Fair Value Option for Financial Assets and Liabilities—Including an Amendment of Accounting Standards Codification 320.10.05. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. This option is available to all entities. Most of the provisions in Accounting Standards Codification 810.10.65 are elective; however, an amendment to Accounting Standards Codification 320.10.05 Accounting for Certain Investments in Debt and Equity Securities applies to all entities with available for sale or trading securities. Some requirements apply differently to entities that do not report net income. Accounting Standards Codification 810.10.65 is effective as of the beginning of an entities first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first

120 days of that fiscal year and also elects to apply the provisions of SFAS No. 157 Fair Value Measurements.

In September 2006, the Accounting Standards Codification issued Accounting Standards Codification 820.10.05, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. However, for some entities, the application of this statement will change current practice.