

INDEPENDENT AUDITOR'S REPORT

To The Members of Laurus Generics Inc

Report on the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying financial statements of **Laurus Generics Inc** ("the Company"), which comprise the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its financial performance, its cash flows and the changes in equity for the year ended on that date. These Audited Financial Statements is issued only for the limited purpose of incorporating in Consolidated Financial Statements and statutory filings.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Requirements

As required by Section 143(3) of the Act, based on our audit, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.

For R Krishna & Associates
Firm Registration Number: 013658S
Chartered Accountants

M. Rama Krishna
Partner
Membership No.: 221908

Place: Hyderabad
Date: April 24, 2020

UDIN: 20221908AAAADU9143

Laurus Generics Inc.
Balance Sheet as at March 31, 2020

	Notes	March 31, 2020 Amount in USD	March 31, 2019 Amount in USD	March 31, 2020 Amount in GBP	March 31, 2019 Amount in GBP
ASSETS					
Non Current Assets					
Property, Plant and Equipment	3	14,650	16,524	11,838	12,633
Financial Assets					
Loans	4	28,490	28,490	23,023	21,782
		43,140	45,015	34,861	34,415
Current Assets					
Inventories	5	467,152	505,262	377,506	386,288
Financial Assets					
Trade receivables	6	1,990,258	1,183,462	1,608,330	904,792
Cash and cash equivalents	7	54,502	209,313	44,043	160,026
Other Current Assets	8	434,932	15,388	351,469	11,765
		2,946,844	1,913,426	2,381,348	1,462,871
Total Assets		2,989,984	1,958,441	2,416,209	1,497,287
EQUITY and LIABILITIES					
Shareholders' Funds					
Share Capital	9	1,000,000	1,000,000	765,670	765,670
Other Equity					
Retained earnings	10A	(2,563,773)	(911,180)	(1,970,435)	(692,493)
Other reserves	10B	-	-	(58,921)	(5,271)
Total Equity		(1,563,773)	88,820	(1,263,686)	67,906
Current Liabilities					
Financial Liabilities					
Trade Payables	11	2,710,496	1,017,571	2,190,353	777,963
Other current liabilities	12	1,843,261	852,050	1,489,542	651,418
		4,553,757	1,869,621	3,679,895	1,429,381
Total Equity and Liabilities		2,989,984	1,958,441	2,416,209	1,497,287

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements.
As per our report of even date

For R Krishna & Associates
Chartered Accountants
ICAI Firm Registration Number : 013658S

For and on behalf of the Board of Directors
Laurus Generics Inc

M Rama Krishna
Partner
Membership No : 221908

Dr.C.Satyanarayana
Director

C. Chandrakanth
Director

Place: Hyderabad
Date: April 24, 2020

Place: Hyderabad
Date: April 24, 2020

Laurus Generics Inc.
Profit and Loss for the year ended March 31, 2020

	Notes	For the year ended March 31, 2020 Amount in USD	For the year ended March 31, 2019 Amount in USD	For the year ended March 31, 2020 Amount in GBP	For the year ended March 31, 2019 Amount in GBP
INCOME					
I.					
Revenue from Operations (Net)	13	2,012,046	278,349	1,583,123	212,150
Total Revenue (I)		2,012,046	278,349	1,583,123	212,150
EXPENSES					
II.					
Cost of Materials Consumed	14	1,902,400	251,699	1,474,456	191,123
Employee Benefits Expenses	15	660,043	415,066	519,337	316,352
Other Expenses	16	1,099,000	448,068	864,718	341,505
Total Expenses (II)		3,661,443	1,114,833	2,858,511	848,980
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) (I-II)		(1,649,397)	(836,484)	(1,275,388)	(636,830)
Depreciation and Amortisation	3	1,874	2,116	1,514	1,613
Finance Expenses	17	1,322	1,256	1,040	957
Profit/ (Loss) Before Tax		(1,652,593)	(839,856)	(1,277,942)	(639,400)
Summary of significant accounting policies	2.1				

The accompanying notes are an integral part of the financial statements.
As per our report of even date

For R Krishna & Associates
Chartered Accountants
ICAI Firm Registration Number : 013658S

For and on behalf of the Board of Directors
Laurus Generics Inc

M Rama Krishna
Partner
Membership No : 221908

Dr.C.Satyanarayana
Director

C. Chandrakanth
Director

Place: Hyderabad
Date: April 24, 2020

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Date: April 24, 2020

Laurus Generics Inc.

Cash Flow Statement for the year ended March 31, 2020

Particulars	March 31, 2020 Amount in USD	March 31, 2019 Amount in USD	March 31, 2020 Amount in GBP	March 31, 2019 Amount in GBP
Profit Before Tax	(1,652,593)	(839,856)	(1,277,942)	(639,400)
Cash Flow from/ (used in) Operating Activities				
Adjustments for :				
Depreciation of property, plant and equipment	1,874	2,116	1,514	1,613
Operating Profit Before Working Capital Changes	(1,650,719)	(837,740)	(1,276,428)	(637,787)
Foreign currency translation adjustments	-	-	(62,770)	(8,095)
Movement In Working Capital:				
Increase in Trade Receivables	(806,796)	(1,154,275)	(703,538)	(884,221)
Increase in Inventories	38,110	(464,993)	8,782	(357,906)
Increase/ (Decrease) in Other Non Current Assets	-	(6,090)	(1,241)	(5,994)
Increase/ (Decrease) in Other Current Assets	(419,544)	(9,788)	(339,704)	(7,818)
Increase/ (Decrease) in Trade Payables	1,692,927	975,971	1,412,390	748,644
Increase in Other Current Liabilities	991,211	752,049.83	838,125	580,938
Cash Generated From Operations	(154,811)	(744,866)	(124,384)	(572,240)
Direct Taxes paid				
Net Cash Flow from/ (used in) Operating Activities (A)	(154,811)	(744,866)	(124,384)	(572,240)
Cash Flow Used In Investing Activities				
Purchase of property, plant and equipment, including intangible assets, capital work in progress and capital advances	-	(1,756)	(719)	(2,346)
Net Cash Flow Used In Investing Activities (B)	-	(1,756)	(719)	(2,346)
Cash Flow From Financing Activities				
Proceeds from Issue of Equity Shares	-	950,000	-	730,430
Net Cash Flow From Financing Activities (C)	-	950,000	-	730,430
Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)	(154,811)	203,378	(125,103)	155,843
Cash and Cash Equivalents at the beginning of the year	209,313	5,936	160,026	4,183
Effect of exchange differences on cash and cash equivalents			9,120	-
Cash and Cash Equivalents at the end of the year	54,502	209,313	44,043	160,026
Notes:				
Components of Cash and Cash Equivalents:				
Balances with banks				
On current accounts	54,502	209,313	44,043	160,026
Total Cash and Cash Equivalents	54,502	209,313	44,043	160,026

The accompanying notes are an integral part of the financial statements.
As per our report of even date

For R Krishna & Associates
Chartered Accountants
ICAI Firm Registration Number : 0136585

For and on behalf of the Board of Directors
Laurus Generics Inc

M Rama Krishna
Partner
Membership No : 221908

Dr.C.Satyanarayana
Director

C. Chandrakanth
Director

Place: Hyderabad
Date: April 24, 2020

Place: Hyderabad
Date: April 24, 2020

Laurus Generics Inc.

Notes to the financial statements for the year ended March 31, 2020

3. Property, plant and equipment

Particulars	Amount in USD		Amount in GBP	
	Furniture and Fixtures	Total Property, plant and equipment	Furniture and Fixtures	Total Property, plant and equipment
As at March 31, 2018	16,945	16,945	11,943	11,943
Additions	1,755	1,755	1,343	1,343
Exchange Difference	-	-	1,012	1,012
As at March 31, 2019	18,700	18,700	14,298	14,298
Exchange Difference	-	-	814	814
As at March 31, 2020	18,700	18,700	15,112	15,112
Depreciation				
As at March 31, 2018	60	60	42	42
Charge for the year	2,116	2,116	1,613	1,613
Exchange Difference	-	-	10	10
As at March 31, 2019	2,176	2,176	1,665	1,665
Charge for the year	1,874	1,874	1,514	1,514
Exchange Difference	-	-	95	95
As at March 31, 2020	4,050	4,050	3,274	3,274
Net Block				
As at March 31, 2018	16,885	16,885	11,901	11,901
As at March 31, 2019	16,524	16,524	12,633	12,633
As at March 31, 2020	14,650	14,650	11,838	11,838

Laurus Generics Inc.

Notes to the financial statements for the year ended March 31, 2020

	March 31, 2020 Amount in USD	March 31, 2019 Amount in USD	March 31, 2020 Amount in GBP	March 31, 2019 Amount in GBP
4. Financial Assets				
Loans				
Non-Current (unsecured, considered good unless otherwise stated)				
Security Deposits	28,490	28,490	23,023	21,782
Total	28,490	28,490	23,023	21,782
5. Inventories				
Closing Stock	467,152	505,262	377,506	386,288
	467,152	505,262	377,506	386,288
6. Trade Receivables				
Trade receivables	1,990,258	1,183,462	1,608,330	904,792
	1,990,258	1,183,462	1,608,330	904,792
7. Cash and cash equivalents				
Balances with Banks				
- On Current Accounts	54,502	209,313	44,043	160,026
Total	54,502	209,313	44,043	160,026
8. Other Assets				
Prepayments	10,137	15,388	8,192	11,765
Advances given to related parties	424,795	-	343,277	-
Total	434,932	15,388	351,469	11,765
9. Share Capital				
Issued, Subscribed and Paid Up				
10,000 Equity share of USD 100 (March 31, 2019 10,000 Equity shares) each fully paid up	1,000,000	1,000,000	765,670	765,670
Total	1,000,000	1,000,000	765,670	765,670
10. Other Equity				
10A. Retained Earnings				
Opening balance	(911,180)	(71,324)	(692,493)	(53,093)
Add : Profit for the year	(1,652,593)	(839,856)	(1,277,942)	(639,400)
Net surplus in the Statement of profit and loss	(2,563,773)	(911,180)	(1,970,435)	(692,493)
10B. Foreign currency translation reserve				
Balance as per last financial statements			(5,271)	2,824
Current year 'Foreign Currency Translation Reserve (FCTNR)	-	-	(53,650)	(8,095)
Closing at the end of year	-	-	(58,921)	(5,271)
Closing at the end of year	(2,563,773)	(911,180)	(2,029,356)	(697,764)
11. Trade Payables				
- Outstanding dues to creditors other than micro enterprises and small enterprises	1,466,968	300,879	1,185,457	230,031
- Outstanding dues to related parties	1,243,528	716,692	1,004,896	547,932
	2,710,496	1,017,571	2,190,353	777,963
12. Other Liabilities				
Current				
Charge back reserves and rebates	1,843,261	844,631	1,489,542	645,745
Advances from other related parties	-	7,419	-	5,672
Total	1,843,261	852,050	1,489,542	651,418

Laurus Generics Inc.**Notes to the financial statements for the year ended March 31, 2020****13. Revenue from Operations**

Sale of Products	2,012,046	278,349	1,583,123	212,150
Revenue from Operations (Gross)	2,012,046	278,349	1,583,123	212,150

14. Cost of Materials Consumed**Raw Materials Consumed**

Opening stock at the beginning of the year	505,262	40,269	385,097	29,976
Add : Purchases	1,864,290	716,692	1,466,865	546,244
Less : Closing stock at the end of the year	467,152	505,262	377,506	385,097
Total	1,902,400	251,699	1,474,456	191,123

15. Employee Benefits Expenses

Salaries, allowances and wages	660,043	415,066	519,337	316,352
Total	660,043	415,066	519,337	316,352

16. Other Expenses

Rent	72,383	68,105	56,953	51,908
Storage & Title distribution charges	819,471	173,375	644,778	132,142
Office maintenance	4,906	1,639	3,860	1,249
Insurance	45,624	23,127	35,898	17,627
Consultancy and other professional charges	57,145	82,591	44,963	62,948
Travelling and conveyance	42,888	43,167	33,745	32,901
Communication expenses	-	1,183	-	902
Other selling expenses	56,583	54,881	44,521	41,828
Total	1,099,000	448,068	864,718	341,505

17. Finance Expenses

Bank charges	1,322	1,256	1,040	957
Total	1,322	1,256	1,040	957

Laurus Generics Inc

Notes to financial statements for the year ended March 31, 2020

1. Corporate information

Laurus Generics Inc (LGI Inc) offers a broad range of Pharmaceutical and related services to the global Pharmaceutical community, situated in the state of Delaware, USA. LGI Inc, is a Corporation, incorporated under the laws of State of Delaware, USA.

2. Significant accounting policies

2.1 Basis of preparation

- (a) The financial statements of the Company have been prepared in accordance with Indian Accounting Standards ('Ind AS'), under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 ('the Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued there after.

2.2 Summary of significant accounting policies

(a) Use of Estimates

The preparation of financial statements in conformity with Indian Accounting Standards requires the Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting year. Although these estimates are based on the Management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcome requiring a material adjustment to the carrying amounts of assets or liabilities in future years.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of products

Product revenue represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Once the uncertainty associated with the returns and rebates is resolved, revenue is adjusted accordingly.

(c) Property, plant and equipment

Under the previous GAAP (Indian GAAP), property, plant and equipment and capital work in progress were carried in the balance sheet at cost of acquisition. The Company has elected to regard those values of property as deemed cost at the date of the acquisition since they were broadly comparable to fair value. The Company has also determined that cost of acquisition or construction does not differ materially from fair valuation as at 1 April 2015 (date of transition to Ind AS).

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance or extends its estimated useful life. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	:	10 years
Computers	:	3 to 6 years

(d) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

(e) Measurement of EBITDA

The Company has elected to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations and does not include depreciation and amortisation expense, finance costs and tax expense.

Laurus Generics Inc

Notes to financial statements for the year ended March 31, 2020

(f) **foreign currency translation**

The company converted the standalone Ind AS financial statements for presentation purposes from the relevant currency i.e USD for the business into the presentation currency (GBP). The average foreign currency rate applied was 0.7868223 GBP/USD for profit and loss account transactions. The closing foreign currency rate applied was 0.808101 GBP/USD for Balance sheet items. The equity was translated with a historical foreign currency rate. The resulting translation difference is presented in the retained earnings as a foreign currency translation reserve.

(g) **Related Party Transactions**

Names of related parties and description of relationship	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	USD	USD	GBP	GBP
a) Transactions During the Year				
i) Laurus Holdings Limited				
Receipt of Share Capital	-	950,000	-	386,241
ii) Laurus Labs Limited				
Purchases	1,753,264	716,692	1,379,507	546,244
Advances received (net)	-	-	-	-
iii) Laurus Synthesis Inc				
Advances received (net)	-	7,419	-	5,672
Advance given (net)	424,795	-	343,277	-
b) Closing Balances				
i) Laurus Labs Limited				
Disclosed Under Trade Payables	1,243,528	716,692	1,004,896	547,932
ii) Laurus Synthesis Inc				
Advance taken from related party	-	7,419	-	5,672
Advance given related party	424,795	-	343,277	-

For R Krishna & Associates
Chartered Accountants
ICAI Firm Registration Number : 013658S

For and on behalf of the Board of Directors
Laurus Generics Inc

M. Rama Krishna
Partner
Membership No. : 221908

Dr.C.Satyanarayana
Director

C. Chandrakanth
Director

Place: Hyderabad
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