

INDEPENDENT AUDITOR'S REPORT

To the Members of
Laurus Synthesis Inc

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Laurus Synthesis Inc ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (herein after referred to as "standalone Ind AS financial statements"). These Audited Financial Statements is issued only for the limited purpose of incorporating in Consolidated Financial Statements.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these standalone Ind AS 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 accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Companies Act 2013 ("the Act") read with relevant rules issued there under.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS 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 standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.



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We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

For BASHETTY & JOSHI

Firm Registration Number: 013299S

Chartered Accountants



Gourav Kumar Joshi

Partner

Place: Hyderabad

Date: April 27, 2018



Laurus Synthesis Inc.

Balance Sheet as at March 31, 2018

(All amounts in Rupees except for share data or as otherwise stated)

	Notes	March 31, 2018	March 31, 2017
ASSETS			
Non Current Assets			
Property, Plant and Equipment	3	56,167,601	63,017,775
Financial Assets			
Loans	4A	5,232,374	5,215,857
		<u>61,399,975</u>	<u>68,233,632</u>
Current Assets			
Financial Assets			
Trade receivables	5A	4,569,360	8,911,775
Cash and cash equivalents	5B	8,410,317	12,888,050
Other Current Assets	4B	3,794,171	5,182,274
		<u>16,773,848</u>	<u>26,982,099</u>
Total Assets		<u><u>78,173,823</u></u>	<u><u>95,215,731</u></u>
EQUITY and LIABILITIES			
Shareholders' Funds			
Share Capital	6	189,259,750	189,259,750
Other Equity			
Retained earnings	7A	(279,335,070)	(237,782,269)
Other reserves	7B	6,120,067	6,625,019
Total Equity		<u>(83,955,253)</u>	<u>(41,897,500)</u>
Current Liabilities			
Financial Liabilities			
Borrowings	8	129,437,759	129,028,814
Trade Payables	9	2,327,888	1,604,391
Other current financial liabilities	10	106,477	83,919
Other current liabilities	11	30,256,951	6,396,107
		<u>162,129,075</u>	<u>137,113,231</u>
Total Equity and Liabilities		<u><u>78,173,823</u></u>	<u><u>95,215,731</u></u>
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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 Bashetty & Joshi

Chartered Accountants

ICAI Firm Registration Number : 0132995

Gourav Kumar Joshi

Partner

Membership No : 225311

Place: Hyderabad

Date: April 27, 2018

For and on behalf of the Board of Directors

LAURUS SYNTHESIS INC

V V Ravi Kumar

Director

C. Chandrakanth

Director

Place: Hyderabad

Date: April 27, 2018



Laurus Synthesis Inc.

Profit and Loss for the year ended March 31, 2018

(All amounts in Rupees except for share data or as otherwise stated)

	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
INCOME			
I. Revenue from Operations (Gross)	12	192,230,240	295,925,049
Other Income		-	-
Total Revenue (I)		192,230,240	295,925,049
EXPENSES			
II. Cost of Materials Consumed	13	13,727,583	20,436,006
Employee Benefits Expenses	14	153,397,351	251,489,288
Other Expenses	15	54,538,325	91,219,207
Total Expenses (II)		221,663,259	363,144,502
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) (I-II)		(29,433,019)	(67,219,453)
Depreciation and Amortisation	3	8,322,051	8,584,633
Finance Expenses	16	3,797,730	3,045,860
Profit/ (Loss) Before Tax		(41,552,800)	(78,849,946)
Tax Expense			
V. Current Tax		-	-
Deferred Tax Charge/ (Credit)		-	-
Income tax expense /(Credit)		-	-
Profit/ (Loss) for the year		(41,552,800)	(78,849,946)
VI. OTHER COMPREHENSIVE INCOME (OCI)			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains / (losses) on employee defined benefit plans		-	-
Income tax effect		-	-
Total other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		(41,552,800)	(78,849,946)
Summary of Significant Accounting Policies	2.1		

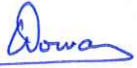
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As per our report of even date

For Bashetty & Joshi

Chartered Accountants

ICAI Firm Registration Number : 0132995


Gourav Kumar Joshi

Partner

Membership No : 225311




Place: Hyderabad

Date: April 27, 2018

For and on behalf of the Board of Directors

LAURUS SYNTHESIS INC


V V Ravi Kumar
Director


C. Chandrakanth
Director



Place: Hyderabad

Date: April 27, 2018

Laurus Synthesis Inc


Cash Flow Statement for the year ended March 31, 2018

(All amounts in Rupees except for share data as otherwise stated)

Particulars	March 31, 2018	March 31, 2017
Profit Before Tax	(41,552,800)	(78,849,946)
Cash Flow from/ (used in) Operating Activities		
Adjustments for :		
Depreciation of property, plant and equipment	8,322,051	8,584,632
Interest Expense	3,797,730	3,045,852
Operating Profit Before Working Capital Changes	(29,433,019)	(67,219,462)
Foreign currency translation adjustments	(297,657)	2,250,990
Movement In Working Capital:		
Increase in Trade Receivables	4,372,331	64,705,343
Increase/ (Decrease) in Other Non Current Assets	-	3,446,594
Increase/ (Decrease) in Other Current Assets	1,404,592	3,277,295
Increase/ (Decrease) in Trade Payables	718,428	(28,678,628)
Increase in Other Current Liabilities	23,861,126	3,123,022
Cash Generated From Operations	625,801	(19,094,845)
Direct Taxes paid		
Net Cash Flow from/ (used in) Operating Activities (A)	625,801	(19,094,845)
Cash Flow Used In Investing Activities		
Purchase of property, plant and equipment, including intangible assets, capital work in progress and capital advances	(1,346,691)	(2,249,542)
Net Cash Flow Used In Investing Activities (B)	(1,346,691)	(2,249,542)
Cash Flow From Financing Activities		
Proceeds from Issue of Equity Shares		-
Interest Paid	(3,797,730)	(3,045,852)
Net Cash Flow From Financing Activities (C)	(3,797,730)	(3,045,852)
Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)	(4,518,620)	(24,390,238)
Cash and Cash Equivalents at the beginning of the year	12,888,089	38,137,459
Effect of exchange differences on cash and cash equivalents	40,848	(859,132)
Cash and Cash Equivalents at the end of the year	8,410,317	12,888,089
Notes:		
Components of Cash and Cash Equivalents:		
Balances with banks		
On current accounts	8,410,317	12,888,050
Total Cash and Cash Equivalents	8,410,317	12,888,050

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

For **Bashetty & Joshi**
Chartered Accountants
ICAI Firm Registration Number : 013299S


Gourav Kumar Joshi
Partner
Membership No : 225311




Place: Hyderabad
Date: April 27, 2018

For and on behalf of the Board of Directors
LAURUS SYNTHESIS INC


V V Ravi Kumar
Director




C. Chandrakanth
Director

Place: Hyderabad
Date: April 27, 2018

Laurus Synthesis Inc.

Statement of Changes in Equity for the year ended March 31, 2018

(All amounts in Rupees except for share data or as otherwise stated)

a. Equity Share Capital

Equity Shares of \$.100 Each, Fully paid up

As at March 31, 2016

Issued during the year

As at March 31, 2017

Issued during the year

As at March 31, 2018

	No.	Rs.
As at March 31, 2016	30,000	189,259,750
Issued during the year	-	-
As at March 31, 2017	30,000	189,259,750
Issued during the year	-	-
As at March 31, 2018	30,000	189,259,750

b. Other Equity

	Reserves and surplus			Items of Other Comprehensive Income	
	Capital reserve	Securities Premium	Retained Earnings	FVTOCI reserve	Total OCI (B)
At March 31, 2016	-	-	(54,198,844)	-	-
Profit for the period	-	-	(104,733,478)	-	-
Other Comprehensive Income	-	-	-	-	-
Total Comprehensive Income	-	-	(158,932,322)	-	-
Profit for the year	-	-	(78,849,946)	-	-
Received during the year	-	-	-	-	-
At March 31, 2017	-	-	(237,782,268)	-	-
Profit for the year	-	-	(41,552,800)	-	-
Received during the year	-	-	-	-	-
At March 31, 2018	-	-	(279,335,069)	-	-

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Laurus Synthesis Inc.

Notes to the financial statements for the year ended March 31, 2018

(All amounts in Rupees except for share data or as otherwise stated)

3. Property, plant and equipment

Particulars	Plant and Equipment	Furniture and Fixtures	Computers	Total Property, plant and equipment
As at March 31, 2016	66,484,811	4,649,040	5,880,093	77,013,944
Additions	2,361,145	-	-	2,361,145
Disposals	-	-	(111,603)	(111,603)
Exchange Difference	(1,497,722)	(104,730)	(132,490)	(1,734,942)
As at March 31, 2017	67,348,234	4,544,310	5,636,000	77,528,544
Additions	1,234,081	-	111,957	1,346,038
Disposals	-	-	-	-
Exchange Difference	214,107	14,403	17,863	246,373
As at March 31, 2018	68,796,422	4,558,713	5,765,820	79,120,955
<u>Depreciation and Impairment</u>				
As at March 31, 2016	4,719,945	500,411	1,123,737	6,344,093
Charge for the year	6,938,606	489,060	1,156,967	8,584,633
Disposals	-	-	-	-
Exchange Difference	(328,610)	(26,940)	(62,406)	(417,956)
As at March 31, 2017	11,329,941	962,530	2,218,298	14,510,769
Charge for the year	6,765,752	451,824	1,104,475	8,322,051
Disposals	-	-	-	-
Exchange Difference	96,512	7,098	16,924	120,534
As at March 31, 2018	18,192,205	1,421,452	3,339,696	22,953,354
<u>Net Block</u>				
As at March 31, 2016	61,764,866	4,148,629	4,756,356	70,669,851
As at March 31, 2017	56,018,293	3,581,780	3,417,702	63,017,775
As at March 31, 2018	50,604,217	3,137,260	2,426,123	56,167,601

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Laurus Synthesis Inc.

Notes to the financial statements for the year ended March 31, 2018

(All amounts in Rupees except for share data or as otherwise stated)

4. Financial Assets

A Loans

	March 31, 2018	March 31, 2017
Non-Current (unsecured, considered good unless otherwise stated)		
Security Deposits	5,232,374	5,215,857
Total	5,232,374	5,215,857

B Other Assets

	March 31, 2018	March 31, 2017
Current (unsecured, considered good unless otherwise stated)		
Prepayments	2,655,897	3,399,212
Others	1,138,274	1,783,062
Total	3,794,171	5,182,274

5A. Trade Receivables

	March 31, 2018	March 31, 2017
Trade receivables	4,569,360	8,911,775
Total	4,569,360	8,911,775

Breakup of security details and more than 6 months overdue:

	March 31, 2018	March 31, 2017
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, Considered Good	-	-
Provision for doubtful receivables	-	-
Other receivables		
Unsecured, Considered Good	4,569,360	8,911,775
Total Trade Receivables	4,569,360	8,911,775

Trade receivables are non-interest bearing and are generally on terms of 30 - 90 days.

5B. Cash and cash equivalents

	March 31, 2018	March 31, 2017
Cash and Cash Equivalents		
Balances with Banks		
- On Current Accounts	8,410,317	12,888,050
Total	8,410,317	12,888,050

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Laurus Synthesis Inc.

Notes to the financial statements for the year ended March 31, 2018

(All amounts in Rupees except for share data or as otherwise stated)

6. Share Capital

	March 31, 2018	March 31, 2017
Authorised		
30,000 Equity shares of \$ 100 each	189,259,750	189,259,750
Total	189,259,750	189,259,750
Issued, Subscribed and Paid Up		
30,000 (March 31,2017 :30,000) Equity share of \$ 100 each fully paid up	189,259,750	189,259,750
Total	189,259,750	189,259,750

6.1. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	March 31, 2018		March 31, 2017	
	No.	Rs.	No.	Rs.
Equity Shares of \$.100 Each, Fully paid up				
Balance as per last financial statements	30,000	189,259,750	30,000	189,259,750
Issued during the year	-	-	-	-
Outstanding at the end of the year	30,000	189,259,750	30,000	189,259,750

7 Other Equity

	March 31, 2018	March 31, 2017
7A Retained Earnings		
Opening balance	(237,782,269)	(158,932,323)
Add : Profit for the year	(41,552,800)	(78,849,946)
Net surplus in the Statement of profit and loss	(279,335,070)	(237,782,269)
7B Foreign currency translation reserve		
Balance as per last financial statements	6,625,019	4,892,354
Current year 'Foreign Currency Translation	(504,952)	1,732,665
Closing at the end of year	6,120,067	6,625,019
Closing at the end of year	(273,215,003)	(231,157,250)

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Laurus Synthesis Inc.

Notes to the financial statements for the year ended March 31, 2018

(All amounts in Rupees except for share data or as otherwise stated)

8 Borrowings

	March 31, 2018	March 31, 2017
Current borrowings		
Credit Facility from CITI Bank	129,437,759	129,028,814
Total	129,437,759	129,028,814

9 Trade Payables

	March 31, 2018	March 31, 2017
- Outstanding dues micro enterprises and small enterprises	-	-
- Outstanding dues to creditors other than micro enterprises and small enterprises	2,327,888	1,604,391
- Outstanding dues to related parties	-	-
Total	2,327,888	1,604,391

10 Other current financial liabilities

	March 31, 2018	March 31, 2017
Interest payable	106,477	83,919
Total	106,477	83,919

11 Other Liabilities

	March 31, 2018	March 31, 2017
Current		
Advances from Holidng company	30,256,951	6,396,107
Total	30,256,951	6,396,107

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Laurus Synthesis Inc.

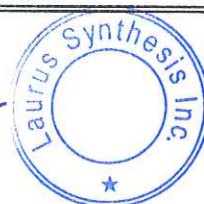
Notes to the financial statements for the year ended March 31, 2018

(All amounts in Rupees except for share data or as otherwise stated)

	For the year ended March 31, 2018	For the year ended March 31, 2017
12. Revenue from Operations		
Sale of Services	192,230,240	295,925,049
Revenue from Operations (Gross)	192,230,240	295,925,049
13. Cost of Materials Consumed		
Raw Materials Consumed		
Opening stock at the beginning of the year	-	-
Add : Purchases	13,727,583	20,436,006
Less : Closing stock at the end of the year	-	-
	13,727,583	20,436,006
14. Employee Benefits Expenses		
Salaries, allowances and wages	153,081,858	249,444,139
Staff welfare expenses	315,493	2,045,150
Total	153,397,351	251,489,288
15. Other Expenses		
Effluent treatment expenses	1,545,776	1,819,913
Power and Fuel	9,463,241	10,395,246
Repairs & maintenance		
Plant and machinery	2,814,715	2,108,324
Others	1,242,917	3,047,660
Rent	21,482,852	21,963,957
Office maintenance	985,131	1,880,267
Insurance	739,304	1,326,818
Consultancy and other professional charges	1,266,046	4,426,182
Membership and subscription	3,364,833	4,911,509
Travelling and conveyance	7,053,186	22,616,218
Communication expenses	961,924	1,585,369
Recruitment and training	1,006,711	2,135,131
Business Promotion and Advertisement	2,611,688	13,002,616
Total	54,538,325	91,219,207
16. Finance Expenses		
	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest		
- on working capital loans	3,599,271	2,861,962
Bank charges	198,459	183,898
Total	3,797,730	3,045,860

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Laurus Synthesis Inc

Notes to financial statements for the year ended March 31, 2018

(All amounts in Million Rupees except for share data or as otherwise stated)

1. Corporate information

Laurus Synthesis Inc (LSI Inc) offers a broad Chemistry, IP Development and related services to the global Pharmaceutical community, situated in the state of Delaware, USA. LSI Inc, Is a Corporation, incorporated on December 8th, 2014, under the laws of State of Delaware, USA.

2. Significant accounting policies

2.1 Basis of preparation

(a) The Company had prepared its financial statements in accordance accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 ('Indian GAAP').

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:

- ▶ Derivative financial instruments,
- ▶ Certain financial assets and liabilities measured at fair value.

2.2 Summary of significant accounting policies

(a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

The Company has identified twelve months as its operating cycle.

(b) Foreign currencies

The financial statements are presented in Indian rupees, which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of the following:

- Exchange differences arising on monetary items that are designated as part of the hedge of the Company's net Investment of A foreign operation. These are recognised in OCI until the net Investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

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Laurus Synthesis Inc

Notes to financial statements for the year ended March 31, 2018

(All amounts in Million Rupees except for share data or as otherwise stated)

(c) Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(d) 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 services

Revenue from contract research operations is recognised in accordance with the terms of the relevant contracts with customers and when the agreed milestones are achieved, which are substantiated by the performance of related service work.

(e) 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).

Capital work in progress, Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

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Laurus Synthesis Inc

Notes to financial statements for the year ended March 31, 2018

(All amounts in Million Rupees except for share data or as otherwise stated)

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:

Factory buildings	:	30 years
Other buildings	:	60 years
Plant and equipment	:	5 to 20 years
Furniture and fixtures	:	10 years
Vehicles	:	5 years
Computers	:	3 to 6 years

The Company, based on technical assessment and management estimate, depreciates certain items of plant and equipment and vehicles over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(f) **Intangible assets**

Computer Software

Costs relating to software, which is acquired, are capitalised and amortised on a straight-line basis over their estimated useful lives of five years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(g) **Borrowing costs**

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 capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

(h) **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.

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Laurus Synthesis Inc

Notes to financial statements for the year ended March 31, 2018

(All amounts in Million Rupees except for share data or as otherwise stated)

(i) **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.

(j) **Related Party Transactions**

Names of related parties and description of relationship

Holding Company

i) Laurus Labs Limited

March 31,2018

March 31,2017

a) Transactions During the Year

Revenue from Operations

156,117,563

235,913,056

Contract research service expenses

-

2,018,338

Advance received

30,256,933

6,396,107

b) Closing Balances

Due to Holding Company

30,256,933

6,396,107

Disclosed under Trade Receivables

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For Bashetty & Joshi
Chartered Accountants

ICAI Firm Registration Number : 013299S



Gourav Kumar Joshi
Partner
Membership No. 225311



Place : Hyderabad
Date : April 27, 2018

For and on behalf of the Board of Directors
LAURUS SYNTHESIS INC



V V Ravi Kumar
Director



C. Chandrakanth
Director



Place : Hyderabad
Date : April 27, 2018