

INDEPENDENT AUDITOR'S REPORT

To the Members of
Laurus Synthesis Inc

We have audited the accompanying standalone 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, reported in US Dollars Currency and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these financial statements which are reported in US Dollars Currency, 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.

This responsibility also includes maintenance of adequate accounting records 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 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 financial statements based on our audit.

We have taken into account the provisions of the accounting and auditing standards and matters which are required to be included in the audit report.

We conducted our audit of the financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India,. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. 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 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 financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information 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 USD except for share data as otherwise stated)

	Notes	March 31, 2018	March 31, 2017
EQUITY and LIABILITIES			
Shareholders' Funds			
Share Capital	2	3,000,000	3,000,000
Reserves and Surplus	3	(4,290,744)	(3,646,182)
		<u>(1,290,744)</u>	<u>(646,182)</u>
Current Liabilities			
Short Term Borrowings	4	1,990,000	1,990,000
Trade Payables	5	35,790	24,744
Other Current Liabilities	6	466,813	99,967
		<u>2,492,603</u>	<u>2,114,711</u>
TOTAL		<u><u>1,201,859</u></u>	<u><u>1,468,529</u></u>
ASSETS			
Non Current Assets			
Property, Plant and Equipment		1,216,420	1,195,716
Less: Accumulated depreciation / amortization		352,889	223,798
Tangible Assets	7	<u>863,531</u>	<u>971,918</u>
Other Non Current Assets	8A	<u>80,443</u>	<u>80,443</u>
		<u>943,974</u>	<u>1,052,361</u>
Current Assets			
Trade Receivables	9	70,250	137,471
Cash and Bank Balances	10	129,302	198,771
Other Current Assets	8B	<u>58,332</u>	<u>79,926</u>
		<u>257,884</u>	<u>416,168</u>
TOTAL		<u><u>1,201,859</u></u>	<u><u>1,468,529</u></u>

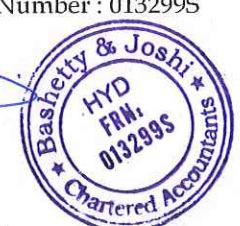
The accompanying notes are an integral part of the financial statements.

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

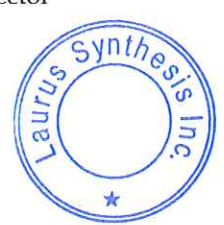
Date: April 27, 2018

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 Profit and Loss for the year ended March 31, 2018

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

	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
I. INCOME			
Revenue from Operations		2,981,855	4,417,815
Other Income		-	-
Total Revenue (I)		2,981,855	4,417,815
II. EXPENSES			
Cost of Materials Consumed		212,941	305,085
Other Manufacturing Expenses	11	233,712	259,331
Employee Benefits Expenses	12	2,379,484	3,754,441
Operating and Selling Expenses	13	612,281	1,102,465
Total Expenses (II)		3,438,417	5,421,322
III. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) (I-II)		(456,561)	(1,003,507)
Depreciation and Amortisation	7	129,091	128,159
Finance Costs	14	58,910	45,471
IV. Profit/(Loss) Before Tax		(644,562)	(1,177,137)
V. Tax Expense			
Current Tax		-	-
Deferred Tax		-	-
Total Tax Expense		-	-
VI. Profit/(Loss) for the year		(644,562)	(1,177,137)


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

Cash Flow Statement for the year ended March 31, 2018

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

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Cash Flow from/ (used in) Operating Activities		
Profit Before Tax	(644,562)	(1,177,137)
Adjustments for :		
Depreciation and Amortisation	129,091	128,159
Interest Expense	58,910	45,471
Operating Profit Before Working Capital Changes	(456,561)	(1,003,507)
Movement In Working Capital:		
Increase in Trade Receivables	67,221	997,945
Increase/ (Decrease) in Other Non Current Assets	0	53,157
Increase/ (Decrease) in Other Current Assets	21,594	50,545
Increase/ (Decrease) in Trade Payables	11,046	(442,309)
Increase in Other Current Liabilities	366,846	48,166
Cash Generated From Operations	10,146	(296,003)
Direct Taxes paid	-	-
Net Cash Flow from/ (used in) Operating Activities (A)	10,146	(296,003)
Cash Flow Used In Investing Activities		
Purchase of Tangible Assets, including intangible assets, capital work in progress and capital advances	(20,704)	(34,694)
Net Cash Flow Used In Investing Activities (B)	(20,704)	(34,694)
Cash Flow From Financing Activities		
Proceeds from Issue of Equity Shares	-	-
Interest Paid	(58,910)	(45,471)
Net Cash Flow From Financing Activities (C)	(58,910)	(45,471)
Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)	(69,468)	(376,169)
Cash and Cash Equivalents at the beginning of the year	198,771	574,940
Cash and Cash Equivalents at the end of the year	129,302	198,771
Notes:		
Components of Cash and Cash Equivalents:		
Cash on hand	-	-
Balances with banks		
On current accounts	129,302	198,771
Total Cash and Cash Equivalents	129,302	198,771

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

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

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

	March 31, 2018	March 31, 2017
2. Share Capital		
Authorised		
30,000 Equity shares of \$ 100 each	3,000,000	3,000,000
	<u>3,000,000</u>	<u>3,000,000</u>
Issued, Subscribed and Paid Up		
30,000 (March 31, 2017 :30,000) Equity share of \$ 100 each fully paid up	3,000,000	3,000,000
Total	<u>3,000,000</u>	<u>3,000,000</u>
2.1. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period		
Equity Shares of \$ 100 Each, Fully paid up	No of Shares	No of Shares
At the beginning of the year	30,000	30,000
Issued during the year	-	-
Outstanding at the end of the year	<u>30,000</u>	<u>30,000</u>
2.2 Details of Shareholders holding more than 5% shares of the Company:		
Equity Shares of \$ 100 each Held By	% Holding	% Holding
Laurus Labs Limited (Holding Company)	100	100
3. Reserves and Surplus		
Surplus / (deficit) in the Statement of profit and loss		
Balance as per last financial statements	(3,646,182)	(2,469,045)
Add : Profit/(Loss) for the year	(644,562)	(1,177,137)
Net surplus in the Statement of profit and loss	<u>(4,290,744)</u>	<u>(3,646,182)</u>
Total Reserves and Surplus	<u>(4,290,744)</u>	<u>(3,646,182)</u>



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Laurus Synthesis Inc

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

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

	March 31,2018	March 31,2017
4. Short Term Borrowings		
Credit Facility from CITI Bank	1,990,000	1,990,000
	<u>1,990,000</u>	<u>1,990,000</u>
5. Trade Payables		
Trade Payables	35,790	24,744
Total	<u>35,790</u>	<u>24,744</u>
6. Other Current Liabilities		
Advance from Holding Company	465,176	98,672
Interest Payable	1,637	1,294
Total	<u>466,813</u>	<u>99,967</u>

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Laurus Synthesis Inc

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

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

7. Fixed Assets				
Tangible Assets				
Particulars	Plant & Machinery	Furniture and Fixtures	Computers	Total Tangible Assets
As at March 31, 2016	1,002,290	70,086	88,645	1,161,021
Additions	36,416	-	-	36,416
Disposals/ Adjustments			(1,721)	(1,721)
As at March 31, 2017	1,038,706	70,086	86,924	1,195,716
Additions	18,983	-	1,721	20,704
Disposals/ Adjustments				
As at March 31, 2018	1,057,689	70,086	88,645	1,216,420
Depreciation/Amortisation				
As at March 31, 2016	71,155	7,544	16,940	95,640
Charge for the year	103,585	7,301	17,272	128,159
As at March 31, 2017	174,741	14,845	34,213	223,798
Charge for the year	104,950	7,009	17,133	129,091
Disposals/ Adjustments				
As at March 31, 2018	279,690	21,854	51,345	352,889
Net Block				
As at March 31, 2016	931,135	62,543	71,704	1,065,382
As at March 31, 2017	863,965	55,241	52,711	971,918
As at March 31, 2018	777,999	48,233	37,300	863,531

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Laurus Synthesis Inc

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

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

	March 31,2018	March 31, 2017
8		
Other Assets		
A) Other Non Current Assets		
Non Current Deposits	80,443	80,443
Total	80,443	80,443
B) Other Current Assets		
Prepaid Expenses	40,832	52,426
Other Advances	17,500	27,500
Total	58,332	79,926
9.		
Trade Receivables		
Usesecured, Considered Good	70,250	137,471
	70,250	137,471
10.		
Cash and Bank Balances		
Cash and Cash Equivalents		
Balances with Banks		
-On Current Accounts	129,302	198,771
Total	129,302	198,771

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Laurus Synthesis Inc

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

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

	For the year ended March 31, 2018	For the year ended March 31, 2017
11. Other Manufacturing Expenses		
Effluent treatment expenses	23,978	27,169
Power and Fuel	146,793	155,189
Repairs & maintenance		
Plant and machinery	43,662	31,475
Others	19,280	45,498
Total	233,712	259,331
12. Employee Benefits Expenses		
Salaries, allowances and benefits to employees	2,374,590	3,723,909
Staff welfare expenses	4,894	30,532
Total	2,379,484	3,754,441
13. Operating and Selling Expenses		
Rent	333,240	327,896
Office maintenance	15,281	28,070
Insurance	11,468	19,808
Consultancy and other professional charges	19,639	66,078
Membership and subscription	52,195	73,323
Recruitment and training	15,616	31,875
Travelling and conveyance	109,408	337,634
Communication expenses	14,921	23,668
Business Promotion & Advertisement	40,512	194,114
Total	612,281	1,102,465
14. Finance Costs		
Interest		
- on working capital loans	55,832	42,726
Bank charges	3,078	2,745
Total	58,910	45,471

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Laurus Synthesis Inc

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

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.

1 (a). Basis of preparation

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India. The financial statements have been prepared on an accrual basis and under the historical cost convention.

1 (b). 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

b. Tangible Fixed Assets

Tangible Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset 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 fixed assets, 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.

Gains or losses arising from derecognition of fixed assets 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 and loss when the asset is derecognised.

c. Depreciation on tangible Fixed Assets

Depreciation on fixed assets is calculated on a straight-line basis based on the useful lives estimated by the management. The management has estimated, supported by independent assessment by professionals, the useful lives of the following classes of assets.

	Useful lives estimated by the management (years)	Useful lives as per schedule
Plant and Equipment	5-20	5-20
Furniture and fixtures	10	10
Computers	3	3

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. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Services

Revenues from contract research operations are recognised as per the terms of the contract with customers when the related services are performed or the agreed milestones are achieved.

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Laurus Synthesis Inc

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

e. Provisions

A provision is recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate of the amount required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

f. Cash and Cash equivalents

Cash and cash equivalents for the purposes of the cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

g. 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. In its measurement, the Company does not include depreciation and amortisation expense, finance costs and tax expense.

h. Related Party Disclosures

Names of related parties and description of relationship

Holding Company	March 31,2018	March 31,2017
i) Laurus Labs Limited		
a) Transactions During the Year		
Revenue from Operations	2,420,993	3,513,403
Contract research service expenses	-	30,250
Advance received	465,176	98,672
b) Closing Balances		
Due to Holding Company	465,176	98,672

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