KNAV
PARTNERS BEYOND BOUNDARIES

Independent Auditors' Report

FOR THE YEAR ENDED 31 MARCH 2019

Component Name:	**Advanced Enzymes USA, Inc. and subsidiaries**

From: **KNAV P. A. Certified Public Accountants**

Date: **21 May 2019**

Subject: **Component Audit of Advanced Enzymes USA, Inc. and subsidiaries for the year ended 31 March 2019**

To: **Sadashiv Shetty, B S R & Co. LLP, Mumbai**

Independent Auditors' Report on Consolidated Financial Statements of Advanced Enzymes USA, Inc. and Subsidiaries ('the entity')

We have audited the accompanying Consolidated financial statements of Advanced Enzymes USA, Inc. and Subsidiaries ('the Entity' or 'the Company') which comprise the consolidated balance sheets as at 31 March 2019, the consolidated statements of profit and loss and the Consolidated cash flows (collectively referred to as 'the Consolidated Financial Statements') for the year then ended, annexed thereto, and a summary of significant accounting policies and other explanatory information, prepared in accordance with the group accounting policies followed by Advanced Enzyme Technologies Limited ('AETL') ('the holding company of the group'). The Consolidated Financial Statements has been prepared solely to enable the holding company, to prepare its Consolidated financial statements as at and for the year ended 31 March 2019.

Management's responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated financial cash flows of the entity, and a summary of significant account policies and other explanatory information, prepared in accordance with group accounting policies followed by the holding company of the group. This responsibility also includes maintenance of adequate accounting records 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 the design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

The Consolidated Financial Statements have been prepared by the Management on the basis of instructions received in this regard from AETL solely for the use by AETL in preparation of its consolidated Ind AS financial statements in accordance with the group accounting policies followed by AETL

Auditors' Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and other information based on our audit. We set the scope of and performed our procedures at the materiality of INR 14.18 million. We conducted our audit in accordance with Group Audit Instructions issued by you and in accordance with the

Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Financial Statement, 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 consolidated Financial Statement that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. 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 Consolidated Financial Statements.

We have communicated all matters of significance to you in the communications you requested in your Group referral instructions.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Financial Statements of the entity have been prepared, in all material respects, as established by you, in accordance with group accounting policies followed by AETL and are suitable for inclusion in the consolidated Ind AS financial statements of AETL.

Limitation of Use

This report is intended solely for use by B S R & Co. LLP, India in connection with its audit of consolidated Ind AS financial statements of AETL as at and for the year ended 31 March 2019 and should not be used for any other purpose.

Atul Deshmukh

Atul Deshmukh, CPA
Engagement Partner
KNAV P.A.
Certified Public Accountants
Atlanta, Georgia
21 May 2019

Consolidated financial statements

Advanced Enzymes USA, Inc. and Subsidiaries

31 March 2019

Advanced Enzymes USA, Inc. and Subsidiaries
Consolidated balance sheets

	Notes	USD As at 31 March 2019	INR As at 31 March 2019	USD As at 31 March 2018	INR As at 31 March 2018
I. ASSETS					
(1) Non-current assets					
(a) Property, Plant and Equipment	2	1,154,870	79,883,887	1,223,812	79,601,774
(b) Intangible assets	3	65,334	4,519,192	98,000	6,374,322
(c) Goodwill		33,872,000	2,342,970,244	33,872,000	2,203,173,728
(d) Deferred tax asset	11	105,499	7,297,516	47,232	3,072,160
Total non current assets		**35,197,703**	**2,434,670,839**	**35,241,044**	**2,292,221,984**
(2) Current Assets					
(a) Inventories	4	3,974,401	274,914,471	3,669,950	238,708,579
(b) Financial Assets					
(i) Investments		16,044,362	1,109,809,403	-	-
(ii) Trade receivables	5	1,588,453	109,875,357	1,410,581	91,749,951
(iii) Cash and cash equivalents	6	2,196,846	151,958,694	9,053,631	588,885,295
(iv) Loans	7	4,098,301	283,484,780	3,609,633	234,785,330
(c) Income tax asset		-	-	-	-
(c) Other current assets	8	527,739	36,504,416	55,129	3,585,836
		28,430,102	**1,966,547,121**	**17,798,924**	**1,157,714,991**
Total		**63,627,805**	**4,401,217,960**	**53,039,968**	**3,449,936,975**
II. EQUITY AND LIABILITIES					
(1) Equity					
(a) Equity share capital	9	5,839,000	285,831,054	5,839,000	285,831,054
(b) Other equity	10	55,595,939	3,964,098,715	44,023,037	2,957,428,051
Equity attributable to equity holders of the parent		**61,434,939**	**4,249,929,769**	**49,862,037**	**3,243,259,105**
Total equity		**61,434,939**	**4,249,929,769**	**49,862,037**	**3,243,259,105**
(2) Current liabilities					
(a) Financial liabilities					
(i) Trade payables	14	830,595	57,453,357	1,179,265	76,704,248
(ii) Other financial Liabilities	12	839,282	58,054,224	400,366	26,041,444
(b) Other current liabilities	13	105,203	7,277,049	1,269,937	82,601,917
(c) Short-term provisions	15	91,195	5,912,942	135,068	8,757,596
(d) Liabilities for current tax (net)	11	326,591	22,590,689	193,294	12,572,665
Total Current liabilities		**2,192,866**	**151,288,261**	**3,177,930**	**206,677,870**
Total liabilities		**2,192,866**	**151,288,261**	**3,177,930**	**206,677,870**
TOTAL EQUITY AND LIABILITIES		**63,627,805**	**4,401,218,030**	**53,039,968**	**3,449,936,975**

Notes 1 to 31 form an integral part of these consolidated financial statements

This is the consolidated balance sheet referred to in our report of even date

For KNAV P.A.
Certified Public Accountants

Atul Deshmukh

Engagement Partner
Licensed in Georgia
Place : Atlanta, Georgia
Date: May 21, 2019

For and on behalf of Board of Directors of Advanced Enzymes USA, Inc. and subsidiaries

V. L. Rathi
Director
Place : Chino
Date : May 21, 2019

Advanced Enzymes USA, Inc. and Subsidiaries
Consolidated statements of profit and loss

	Notes	USD For the year ended 31 March 2019	INR For the year ended 31 March 2019	USD For the year ended 31 March 2018	INR For the year ended 31 March 2018
Revenue					
Revenue from operations (net)	16	30,450,867	2,128,177,119	28,149,388	1,814,155,097
Other income	17	389,753	27,239,422	169,327	10,912,669
Total revenue		**30,840,620**	**2,155,416,541**	**28,318,715**	**1,825,067,767**
Expenses					
Cost of materials consumed	18	8,886,295	611,550,481	8,394,815	540,682,663
Changes in inventories of finished goods and work-in-progress	19	208,531	9,148,658	(362,650)	(21,715,327)
Employee benefit expenses	20	3,230,677	225,788,404	2,690,465	173,393,490
Finance costs	21	-	-	-	-
Depreciation and amortisation expense	21	471,555	32,956,430	427,123	27,526,970
Other expenses	22	2,196,648	153,521,263	1,895,353	122,150,589
Prior period items					
Total expenses		**14,993,706**	**1,032,965,235**	**13,045,106**	**842,038,385**
Profit before exceptional and tax		**15,846,914**	**1,122,451,306**	**15,273,609**	**983,029,382**
Exceptional items		-	-		-
Profit before extraordinary items and tax		**15,846,914**	**1,122,451,306**	**15,273,609**	**983,029,382**
Extraordinary items		-	-	-	-
Profit before tax		**15,846,914**	**1,122,451,306**	**15,273,609**	**983,029,382**
Tax expense					
Current tax		4,478,077	312,967,812	5,371,609	346,186,274
Deferred tax		(58,269)	(4,072,390)	(195,512)	(12,600,259)
Tax adjustment for earlier years		(132,829)	(9,283,264)	-	-
		4,286,979	**299,612,159**	**5,176,097**	**333,586,014**
Net profit for the year		**11,559,936**	**822,839,147**	**10,097,512**	**649,443,368**
Other comprehensive income					
Items that will be reclassified to profit or loss					
- Exchange differences in translating financial statements of foreign operations		-	182,925,389	-	15,546,982
Total comprehensive income for the period		**11,559,936**	**1,005,764,536**	**10,097,512**	**664,990,350**

Notes 1 to 31 form an integral part of these consolidated financial statements

This is the consolidated statement of profit and loss referred to in our report of even date

For KNAV P.A.
Certified Public Accountants

Atul Deshmukh

Engagement Partner
Licensed in Georgia
Place : Atlanta, Georgia
Date: May 21, 2019

For and on behalf of Board of Directors of Advanced Enzymes USA, Inc. and subsidiaries

V.L. Rathi
Director
Place : Chino
Date: May 21, 2019

Advanced Enzymes USA, Inc. and Subsidiaries
Consolidated statements of cash flows

	USD For the year ended 31 March 2019	INR For the year ended 31 March 2019	USD For the year ended 31 March 2018	INR For the year ended 31 March 2018
Cash flows from operating activities				
Profit before tax	**15,846,914**	**1,122,451,306**	**15,273,609**	**983,029,383**
Extraordinary items			-	-
Exceptional items	-	-	-	-
Profit before exceptional items and tax	**15,846,914**	**1,122,451,306**	**15,273,609**	**983,029,383**
Adjustments for non-cash transactions				
Depreciation and amortisation expense	471,555	32,956,430	427,123	27,526,970
ESOP amortisation expenses	12,965	906,130	18,887	1,217,206
Provision for inventory	47,876	3,345,973	31,056	2,001,479
Assets written off				
Fair valuation of investments in marketable securities	(160,009)	(11,182,871)		
	16,219,300	**1,148,476,967**	**15,750,675**	**1,013,775,038**
Items considered separately				
Interest income	**(142,965)**	(9,991,664)	(92,308)	(5,949,011)
	16,076,335	**1,138,485,303**	**15,658,367**	**1,007,826,026**
Operating profit before working capital changes				
Increase / (decrease) in short term liabilities and provisions	(43,701)	(3,054,223)	26,435	1,703,670
Increase / (decrease) in trade payables	(348,670)	(24,368,153)	681,716	43,934,832
(Increase) / decrease in inventories	(352,327)	(24,623,718)	(10,086)	(650,012)
(Increase) / decrease in trade receivables	(1,342,778)	(93,845,231)	958,658	61,783,053
(Increase) / decrease in other current assets	(472,610)	(33,030,189)	(22,026)	(1,419,550)
Increase / (decrease) in other financial liabilities	688,916	48,147,570	(2,665)	(171,753)
Cash generated from operating activities	**14,205,166**	**1,007,711,359**	**17,290,399**	**1,113,006,266**
Income taxes paid	(4,211,953)	(294,368,671)	(4,984,341)	(321,227,846)
Net cash generated from operating activities	**9,993,213**	**713,342,688**	**12,306,058**	**791,778,420**
Cash flows from investing activities				
Purchase of tangible assets	(369,946)	(25,855,113)	(140,420)	(9,049,696)
Increase in goodwill	(250,000)	(17,472,221)	(380,000)	(24,490,015)
Purchase of intangible assets	-	-	(98,000)	(6,315,846)
Loan given to related party	(345,702)	(24,160,699)	(3,517,324)	(226,682,413)
Purchase of current investments	(15,884,353)	(1,110,139,722)	-	-
Net cash used in investing activities	**(16,850,001)**	**(1,177,627,755)**	**(4,135,744)**	**(266,537,970)**
Cash flows from financing activities				
Net cash used in financing activities	-	-	-	-
Net (decrease) / increase in cash and cash equivalents	(6,856,787)	(464,285,067)	8,170,314	525,240,450
Cash and cash equivalents as at the beginning of the year	9,053,631	588,885,295	883,317	57,273,057
Effect of exchange rate changes on cash and cash equivalents held	-	27,358,466	-	6,371,788
Cash and cash equivalents as at the end of the year	**2,196,844**	**151,958,694**	**9,053,631**	**588,885,295**

Supplemental non-cash financing activities

The Parent Company during the previous year ended March 31, 2017 issued 11,500 graded options to two of the employees of the Company. The company has elected to consider the same as contribution to reserves by the parent Company leading to an increase in reserves by INR 906,130 in the year ended March 31, 2019 and INR 1,217,206 in the year ended March 31, 2018.*(Refer note 23 on related parties).*

Notes 1 to 31 form an integral part of these consolidated financial statements

This is the consolidated cash flow statement referred to in our report of even date

For KNAV P.A.
Certified Public Accountants

Atul Deshmukh
Engagement Partner
Licensed in Georgia
Place : Atlanta, Georgia
Date: May 21, 2019

For and on behalf of Board of Directors of Advanced Enzymes USA, Inc. and subsidiaries

V. L. Rathi
Director

Place : Chino
Date: May 21, 2019

Advanced Enzymes USA, Inc. and Subsidiaries
Consolidated Statement of Changes in Equity (SOCIE)
For the year ended March 31, 2019 and March 31, 2018
(All amounts are stated in Indian Rupees except for the number of shares, unless otherwise stated)

(a) Equity share capital

	As at 31 March, 2019		As at 31 March, 2018	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the year	5,839	285,831,054	5,839	285,831,054
Changes in equity share capital during the year				
Balance at the end of the year	5,839	285,831,054	5,839	285,831,054

(b) Other equity

Particulars	Reserves & Surplus				Total Equity
	Securities Premium account	Capital Contribution	Other comprehensive income	Retained earnings	
Balance at April 1, 2017	**242,164,086**	**198,126**	**131,156,002**	**1,917,702,282**	**2,291,220,496**
Profit/addition for the year	-	1,217,206	-	649,443,366	650,660,572
Other comprehensive income for the year			15,546,982	-	15,546,982
Total comprehensive income for the year	**-**	**1,217,206**	**15,546,982**	**649,443,366**	**666,207,554**
Balance at March 31, 2018	**242,164,086**	**1,415,332**	**146,702,984**	**2,567,145,648**	**2,957,428,050**
Profit/addition for the year	-	906,130	-	822,839,146	823,745,276
Other comprehensive income for the year	-	-	182,925,389	-	182,925,389
Total comprehensive income for the year	**-**	**906,130**	**182,925,389**	**822,839,146**	**1,006,670,665**
					-
Balance at March 31, 2019	**242,164,086**	**2,321,462**	**329,628,373**	**3,389,984,794**	**3,964,098,715**

Notes 1 to 31 form an integral part of these consolidated financial statements
This is the consolidated statement statement of changes in equity referred to in our report of even date

For KNAV P.A.
Certified Public Accountants
Atul Deshmukh
Engagement Partner
Licensed in Georgia
Place : Atlanta, Georgia
Date: May 21, 2019

For and on behalf of Board of Directors of Advanced Enzymes USA, Inc. and subsidiaries
V. L. Rathi
Director
Place : Chino
Date: May 21, 2019

1 Overview of the Company

Advanced Enzymes USA, Inc. ("The Company") was incorporated in the state of California on November 1, 2010 and began operations in February 2011. The Company is a wholly owned subsidiary of Advanced Enzymes Technologies Ltd. ("the Parent"), an India corporation. The Company was formed to serve as a holding company to allow the Parent to own interests in United States corporations.

The Company purchased all of the outstanding common stock of Cal-India Foods International, Inc. ("CAL") and Advanced Supplementary Technologies Corporation ("AST") on April 4, 2011 and October 31, 2012 respectively. CAL does business as Specialty Enzymes and Biochemicals Co. ("SEB"). The Company segregated the existing subsidiaries in two additional companies, Enzymes Innovation Inc. and Dynamic Enzymes Inc. AE USA incorporated Enzyfuel Innovation Inc. ("EFI"), a California Company on December 30, 2015. However, the Company was diluted in September 2017.

The Company engages in manufacturing custom formulated enzymes to fit the needs of a variety of clients, and it offers lab testing and product formulation from conception to finished product. The Company primarily services small-to-middle market companies. The Company focuses on consumer sales of encapsulated and bottled enzyme supplements primarily online and through medical professionals. Its customers primarily operate in the nutraceutical industry, though it also services the food and beverage industry, municipal water industries, and is increasingly targeting industrial companies. The company also offers healthcare professionals and consumers a natural therapeutic alternative for preventative care and health.

2 Basis of preparation of consolidated Consolidated financial statements

a. Statement of compliance

The Consolidated financial statements of Advance enzymes USA, Inc. and its Subsidiaries ("the Company") comply in all material aspects with Indian Accounting Standards ("Ind AS") as prescribed under section 133 of the Companies Act, 2013 ("the Act"), as notified under the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India. These consolidated Consolidated financial statements are the first Consolidated financial statements of the Group as per Ind AS.

The financial information in this report is shown in both US Dollars (USD) and in Indian Rupees (INR) for March 31, 2019 and March 31, 2018. Dollar amounts are translated into Indian Rupees using closing rate for consolidated balance sheets items, average rates for consolidated profit and loss statements items and historic rate for equity.

The Consolidated financial statements were authorized for issue by the Company's Board of Directors on May 21, 2019

b. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities that are measured at fair value.

The Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values, which includes overseeing all significant fair value meaasurements, including Level 3 fair values by the management. The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of a financial asset or a financial liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

c. New standards adopted by the Company

The Company has applied the following standard and amendments for the first time for its annual reporting period commencing April 1, 2018:

•Ind AS 115, Revenue from Contracts with Customers

The Company applied the cumulative catch-up transition method of transition to change its accounting policies following the adoption of Ind AS 115 which is applied to orders that were not completed as of April 1, 2018. This is disclosed in Note 16. However, the effect on adoption of Ind AS 115 did not have any significant impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

2.1 Basis of presentation

a. Functional and presentation currency

The Consolidated financial statements of the Company are reported in Indian Rupees. The functional currency of the Company is United States Dollars (USD). The consolidated results and financial position of the Company that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of that balance sheet
- Income and expenses are translated at average exchange rates and;
- All resulting exchange differences are recognized in other comprehensive income.

b. Classification of assets as current and non-current:

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non current classification of assets and liabilities.

3 Use of estimates

The preparation of Consolidated financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities, revenue and expenses and disclosure of contingent liabilities. The estimates and assumptions used in accompanying Consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the Consolidated financial statements are reviewed on an ongoing basis. Actual results may differ from the estimates and assumptions used in preparing the accompanying Consolidated financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods.

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 March 2018 are as follows:

a. Revenue from contracts with customers:

The Management applied judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers such as identifying performance obligations, estimating relative standalone selling price of items not sold separately, and determining timing of satisfaction of performance obligations for revenue from research and development contracts.

b. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

c. Recognition of deferred tax assets

Deferred tax assets are recognised for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilised business loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilised.

d. Business combination and intangible assets

Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of intangible assets. These valuations are conducted by independent valuation experts.

4 Significant accounting policies:

The accounting policies set out below have been applied consistently to the periods presented in the Consolidated financial statements.

a. Principles of Consolidation

The Consolidated financial statements' (hereafter, Consolidated financial statements') relates to The Company and its subsidiary companies (collectively called "the Company"). Subsidiary companies have been consolidated as per Ind AS 103. The Consolidated financial statements have been prepared on the following basis:

a. The Consolidated financial statements of the Company ("Advanced Enzyme USA Inc.") and its subsidiaries have been consolidated on a line by line basis by adding together the like items of assets, liabilities, income and expenses after eliminating intra Company balances, intra Company transactions and unrealised profits/ losses from the intra Company transactions.

b. The excess/deficit (as on the date of acquisition) of the Company's investment cost over the subsidiaries net worth is recognised as goodwill on consolidation or capital reserve as the case may be and the impairment loss, if any is provided for.

c. The Consolidated financial statements of the Company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances as mentioned in the policies.

d. Subsidiary companies are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated from the date of disposal.

e. The Subsidiary companies considered in the Consolidated financial statements are as follows:

Name of the Company	Country of incorporation	% age voting power held as at 31 March 2019	% age voting power held as at 31 March 2018
1. Cal India Foods International (Wholly owned subsidiary of Advanced Enzymes USA, Inc.)	USA	100%	100%
2. Advanced Supplementary Technologies Corporation (Wholly owned subsidiary of Advanced Enzymes USA, Inc.)	USA	100%	100%
3. Enzyme Innovation, Inc. (Wholly owned subsidiary of Cal India Foods International)	USA	100%	100%
4. Dynamic Enzymes, Inc. (Wholly owned subsidiary of Advanced Enzymes USA, Inc.)	USA	100%	100%

b. Business combination

As part of its transition to Ind AS, the Company has elected to apply the relevant Ind AS, viz. Ind AS 103, Business Combinations, to only those business combinations that occurred on or after 1 April 2011. In accordance with Ind AS 103, the Company accounts for these business combinations using the acquisition method when control is transferred to the Company. The consideration transferred for the business combination is measured at fair value as at the date the control is acquired (acquisition date), as are the net identifiable assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except to the extent related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships with the acquiree. Such amounts are recognised in the consolidated statement of profit and loss.

If a business combination is achieved in stages, any previously held equity interest in the acquiree is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of profit and loss or OCI, as appropriate.

c. Revenue recognition

The Company manufactures and sells custom formulated enzymes. Revenues are recognized through profit and loss when the Company transfers control of goods at a point in time in exchange for a consideration.

i. Revenue from sale of products:

Revenues related to sale of products is recognized at a point in time when control of the asset is transferred to the customer based on an overall assessment of the existence of a right to payment, the allocation of ownership rights, the transfer of physical possession, the transfer of risk and rewards, and acceptance by the customer. In case of product sales undertaken by the Company, sales are recognized when control of the products has transferred, being when the products are either delivered to pre-agreed location or shipped from the warehouse, as agreed in the contract, the risk and rewards has transferred, the entity has right to payment and has transferred legal title to a customer. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated trade discounts.

ii. Interest income is recognized on a time proportionate basis, taking into account the amount outstanding and the rates applicable.

d. Income taxes

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the applicable tax laws.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off assets against liabilities representing current tax and where the deferred tax assets and the deferred tax liabilities relate to taxes on income levied by the same governing taxation laws.

e. Stock based compensation:

The Company accounts for stock based compensation expense relating to equity stock options that will be setted in shares of Advane Enzymes Technology Limited, its ultimate parent company. Equity-settled plans are accounted at fair value as at the grant date. The fair value of the share-based option is determined at the grant date using a market-based option valuation model (Black Scholes Option Valuation Model). The fair value of the option is recorded as compensation expense amortized over the vesting period of the options, with a corresponding increase in Reserves and Surplus under the head "Retained earnings".

The Company recognized stock based compensation for awards granted by the ultimate parent company, that are expected to vest on a straight line basis over the requisite service period of the awards. In respect of awards that have a graded vesting schedule and with only service conditions, compensation cost is recognized on straight line basis over the requisite service period for each separately vesting portion of the award as if the award was-in-substance, multiple awards.

f. Employee benefits

i. Defined contribution plans

Contributions to defined contribution plans are charged to income in the period in which they accrue. The Company has a discretionary profit sharing plan and 401(k) matching plan covering eligible and participating employees.

g. Provisions and contingencies

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

h. Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged on a straight line basis against profits as per the terms of the lease agreement over the lease period.

i. Inventories

i. Inventories are valued at lower of cost or net realizable value on an item-by-item basis.

ii. Cost of finished goods, traded goods and work in progress is determined by considering materials, labour and other related costs incurred in bringing the inventories to their present condition and location. Cost of raw materials, packing materials and consumables is determined on first-in-first-out basis. Cost of finished goods (including traded goods) and work in progress is determined on weigted average cost basis.

j. Cash and cash equivalents

Cash comprises of cash at bank and on hand and cash equivalents comprise of short-term bank deposits and highly liquid investments with an original maturity of three months or less.

k. Investments

Investments comprise of marketable securities with an original maturity of 12 months or less. Marketable securities are initially measured at fair value. They are classified and subsequently measured at Fair Value through Profit or Loss ("FVTPL") on the basis of following:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

Interest income from financial assets at fair value through profit or loss is disclosed as interest income within 'other income' in the consolidated statement of profit and loss. Investments classified as current assets have maturity dates of less than one year from the balance sheet date. Investments classified as non-current assets have maturity dates greater than one year from the balance sheet date.

l. Property, plant and equipment and depreciation

i. Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any. Cost includes taxes, duties, freight and other inciental expenses directly related to acquisition/construction and installation of the assets. Any trade discounts and rebates are deducted in arriving at the purchase price.

ii. Subsequent expenditure related to an item of fixed asset are added to its book value only if they increase the future benefits from the exisiting asset beyond its previously assessed standard of performance.

iii. Leasehold improvements represent expenses incurred towards civil work and interior furnishings on the leased premises.

iv. The estimated useful life of assets are as follows:

Leasehold improvements	Term of lease
Furniture and fixtures	5 years
Office equipment	5 years
Computer and data processing equipment	3 years

v. Depreciation on tangible fixed assets (property, plant and equipment) has been provided on Straight Line Method. Depreciation is provided on a pro-rata basis, i.e. from the date on which asset is ready for use. Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

vi. Leasehold improvements and leasehold land are amortized over the unexpired primary period of lease except for lease hold land acquired under perpetual lease.

vii. On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 April 2016, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment

m. Impairment of assets

The carrying values of assets at each balance sheet date are reviewed for impairment if any indication of impairment exists.

If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognized for such excess amount. The impairment loss is recognized as an expense in the Statement of Profit and Loss, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognized for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the consolidated statements of Profit and Loss, to the extent the amount was previously charged to the consolidated Statements of Profit and Loss. In case of revalued assets such reversal is not recognized.

n. Intangible assets

i. Intangible assets are stated at cost of acquisition less accumulated amortisation and accumulated impairment losses, if any.

ii. Subsequent expenditure related to an item of intangible assets are added to its book value only if they increase the future benefits from the exisiting asset beyond its previously assessed standard of performance.

iii. Costs relating to acquisition of technical know-how and software are capitalized as intangible assets.

iv. The Company has elected to continue with the carrying value of all its property, plant and equipment as recognized in the consolidated Consolidated financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as the deemed cost as at the transition date pursuant to the exemption under Ind AS 101

v. The estimated useful life of intangible assets comprising of website domain is 3 years.

o. Foreign currency transactions

i. The translation of Consolidated financial statements from the local currency to the reporting currency of the Company is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenue, expense and cash-flow items using average exchange rate for the respective periods and the resulting difference is presented as foreign currency translation reserve included in 'Reserves and Surplus'. The Consolidated financial statements of the company are reported in Indian Rupees. The functional currency of Advanced Enzymes USA, Inc. and subsidiaries is United Stated Dollar

p. Financial Instruments

a. Financial assets

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.
A financial asset is initially measured at fair value, in case of financial asset which are recognised at fair value through profit and loss (FVTPL), its transaction cost are recognised in the consolidated statement of profit and loss. In other cases, the transaction costs are attributed to the acquisition value of the financial asset.

ii. Classification

Financial assets
On initial recognition, a financial asset is classified as measured at
- amortised cost;

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstandir

iii Subsequent measurement and gains and losses

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit and loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit and loss.

iv. Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

v. Impairment of financial assets

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

i. Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities,deposits, and bank balance.
ii. Trade receivables.
The application of simplified approach does not require the Company to track changes in credit risk. Rather,it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

b. Financial liabilities

i. Recognition and initial measurement

All financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.
A financial liability is initially measured at fair value, in case of financial liability which are recognised at fair value through profit and loss (FVTPL), its transaction cost are recognised in the consolidated statement of profit and loss.

ii Classification, subsequent measurement and gains and losses

Financial liabilities are classified as FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the consolidated statement of profit and loss. Interest expense and foreign exchange gains and losses are recognised in the consolidated statement of profit and loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

q. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Ind AS 116 Leases:
Ind AS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard i.e. lessors will continue to classify leases as finance or operating leases.

The standard is effective for annual periods beginning on or after April 1, 2019

Advanced Enzymes USA, Inc. and Subsidiaries
Notes to the consolidated financial statements
(All amounts are stated in Indian Rupees, unless otherwise stated)

2 Tangible assets

Gross block	Office equipments	Furniture and fixtures	Computer	Leasehold improvements	Plant and equipment	Total
Balance as at 1 April 2017	**1,208,131**	**4,402,304**	**4,598,927**	**81,445,546**	**32,192,193**	**123,847,102**
Additions	-	-	963,295	7,200,910	871,571	9,035,776
- Foreign exchange fluctuation	(30)	(7,252)	6,218	142,849	(2,533)	139,259
Balance as at 31 March 2018	**1,208,101**	**4,395,052**	**5,568,441**	**88,789,306**	**33,061,231**	**133,022,138**
Additions	-	-	1,872,044	3,222,716	20,760,353	25,855,113
- Foreign exchange fluctuation	41,896	77,166	175,988	3,950,215	855,126	5,100,391
Balance as at 31 March 2019	**1,249,997**	**4,472,218**	**7,616,473**	**95,962,237**	**54,676,710**	**163,977,642**
Accumulated depreciation and amortisation						
Balance as at 1 April 2017	**284,559**	**1,569,277**	**1,416,400**	**13,775,579**	**8,847,595**	**25,893,409**
Depreciation expense	319,299	1,753,059	1,381,044	14,995,968	9,077,584	27,526,955
Balance as at 31 March 2018	**603,858**	**3,322,336**	**2,797,444**	**28,771,546**	**17,925,180**	**53,420,365**
Depreciation expense	346,258	886,296	1,887,730	17,104,298	10,448,808	30,673,390
Balance as at 31 March 2019	**950,116**	**4,208,632**	**4,685,175**	**45,875,844**	**28,373,988**	**84,093,755**
Net block						
Balance as at 31 March 2018	**604,243**	**1,072,716**	**2,770,997**	**60,017,760**	**15,136,051**	**79,601,774**
Balance as at 31 March 2019	**299,881**	**263,586**	**2,931,298**	**50,086,393**	**26,302,722**	**79,883,887**

(All amounts are stated in Indian Rupees, unless otherwise stated)

3 Intangible assets

Gross block	Website Domain	Total
Balance as at 1 April 2017	-	-
Additions	6,570,127	6,570,127
- Foreign exchange fluctuation	58,476	58,476
Balance as at 31 March 2018	**6,628,603**	**6,628,603**
Additions	-	-
- Foreign exchange fluctuation	173,626	173,626
Balance as at 31 March 2019	**6,802,229**	**6,802,229**
Accumulated depreciation and amortisation		
Balance as at 1 April 2017	-	-
Amortisation expense	-	-
Balance as at 31 March 2018	-	-
Amortisation expense	2,283,037	2,283,037
Balance as at 31 March 2019	**2,283,037**	**2,283,037**
Net block		
Balance as at 31 March 2018	**6,628,603**	**6,628,603**
Balance as at 31 March 2019	**4,519,192**	**4,519,192**

(Refer note no. 24 on Business Acquisition for acquisition of intangible assets)

(All amounts are stated in Indian Rupees, unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
4 Inventories (valued at cost or lower of net realisable value)		
Raw materials	200,918,662	155,564,112
Work-in-progress	7,083,751	1,232,623
Finished goods	63,994,331	79,168,207
Stores and spares	2,917,727	2,743,637
	274,914,471	**238,708,579**

During the current financial year, inventory amounting to INR 3,311,645 ($47,876) was written off pursuant to being attributed as slow moving items aged for more than 3 years.

	As at 31 March 2019	As at 31 March 2018
5 Trade receivables		
Outstanding for a period exceeding six months from the date they are due for		
Unsecured considered good	-	-
Other debts		
Unsecured considered good	109,875,357	91,749,951
Provision of bad and doubful debts	-	-
	109,875,357	**91,749,951**

(Refer note 27(ii) for information about credit risk and market risk of trade receivables)
(Refer note 23 for receivables from related parties)

(All amounts are stated in Indian Rupees, unless otherwise stated)

	As at 31 March 2019		As at 31 March 2018	
	Current	**Non-current**	**Current**	**Non-current**
6 Cash and bank balances				
Cash and cash equivalents				
Cash on hand	34,586	-	32,522	-
Balances with banks				
- in current accounts	143,383,169	-	588,852,773	-
Money market desposits	8,540,939			
Total	**151,958,694**	**-**	**588,885,295**	**-**

(All amounts are stated in Indian Rupees, unless otherwise stated.)

	As at 31 March 2019	As at 31 March 2018
7 Loans		
(unsecured considered good unless otherwise stated)		
Loan to related parties	283,484,780	**234,785,330**
	283,484,780	**234,785,330**

Note:

During the year ended March 31, 2019, the Company advanced a sum of USD 345,703 (INR 24,160,769) and USD 3,517,325 (INR 229,295,562) during the year ended March 31, 2018 to Advanced Enzymes Europe B.V for business purposes. The said advances bear an interest rate of 4% p.a. and are repayable over a period of five years from the date of borrowing. During the year ended March 31, 2019 the Company earned an interest income of USD 142,965 (INR 9,991,664) and USD 92,308 (INR 5,949,011) druing the year ended March 31, 2018 from its advances to Advanced Enzymes Europe B.V.

(All amounts are stated in Indian Rupees, unless otherwise stated.)

	As at 31 March 2018		As at 31 March 2018	
	Long term	**Short term**	**Long term**	**Short term**
8 Other current assets				
Advance to suppliers	-	138,753	-	**2,637,343**
Prepaid Expenses	-	1,343,462	-	785,915
Others	-	35,022,200	-	162,578
	-	**36,504,416**	**-**	**3,585,836**

(All amounts are stated in Indian Rupees except for the number of shares, unless otherwise stated)

	As at 31 March 2019		As at 31 March 2018	
	Number	Amount	Number	Amount
9 Share capital				
Authorised				
Equity shares of USD 1,000 each	100,000	6,633,290,000	100,000	6,633,290,000
	100,000	**6,633,290,000**	**100,000**	**6,633,290,000**
Issued, subscribed and fully paid up				
Equity shares of USD 1,000 each	5,839	285,831,054	5,839	285,831,054
Total	**5,839**	**285,831,054**	**5,839**	**285,831,054**

	As at 31 March 2019		As at 31 March 2018	
a) Reconciliation of Equity share capital	**Number**	**INR**	**Number**	**INR**
Balance at the beginning of the year	5,839	285,831,054	5,839	285,831,054
Add : Issued during the year	-	-		
Balance at the end of the year	**5,839**	**285,831,054**	**5,839**	**285,831,054**

b) Rights, preferences and restrictions attached to shares

The company has one class of equity shares having a par value of USD $ 1,000 per share. Each shareholder is eligible for one vote per share held. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company, in proportion to their shareholding.

c) Shareholders holding more than 5% of the shares

	Number	% of holding	Number	% of holding
Equity shares of USD.1,000 each				
Advanced Enzyme Technologies Limited	5,839	100.00%	5,839	100.00%
	5,839	**100.00%**	**5,839**	**100.00%**

Advanced Enzymes USA, Inc. and Subsidiaries
Notes to consolidated financial statements
(All amounts are stated in Indian Rupees, unless otherwise stated.)

	As at 31 March 2019	As at 31 March 2018
10 Reserves and surplus		
Other comprehensive income: Foreign currency translation reserve		
Balance at the beginning of the year	146,702,984	131,156,002
Add : Additions made during the year	182,925,389	15,546,982
Balance at the end of the year	**329,628,373**	**146,702,984**
Capital Contribution		
Balance at the beginning of the year	1,415,332	198,126
Add : Additions made during the year	906,130	1,217,206
Less : Deletions made during the year	-	
Balance at the end of the year	**2,321,462**	**1,415,332**
Securities premium		
Balance at the beginning of the year	242,164,086	242,164,086
Add : Additions made during the year	-	-
Less : Deletions made during the year	-	
Balance at the end of the year	**242,164,086**	**242,164,086**
Surplus in the statement of profit and loss		
Balance at the beginning of the year	2,567,145,648	1,917,702,282
Add : Transferred from statement of profit and loss	822,839,146	649,443,366
Balance at the end of the year	**3,389,984,794**	**2,567,145,648**
	3,964,098,715	**2,957,428,051**

Advanced Enzymes USA, Inc. and Subsidiaries
Notes to the consolidated financial statements
(All amounts are stated in Indian Rupees, unless otherwise stated.)

11. Income taxes

Tax expense
(a) Amounts recognised in profit and loss

	Year ended 31 March, 2019	Year ended 31 March, 2018
Current income tax	312,967,812	346,186,274
Changes in estimates related to prior period	(9,283,264)	-
	303,684,548	**346,186,274**
Deferred tax expense	(4,072,390)	(12,600,259)
Tax expense for the year	**299,612,158**	**333,586,014**

(b) Amounts recognised in other comprehensive income

	Year ended March 31, 2019			Year ended March 31, 2018		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Items that will not be reclassified to profit or loss						
Remeasurements of the defined benefit plans						
	-	-	-	-	-	-

(c) Reconciliation of effective tax rate

	Year ended 31 March, 2019	Year ended 31 March, 2018
Profit before tax	**1,122,451,306**	**983,029,382**
Tax using the Company's domestic tax rate (March 31, 2019 : 21%, March 31, 2018 : 31%)	235,714,774	304,739,108
Tax effect of:		
Incremental deduction allowed for research and development costs		
State Tax	78,122,611	59,967,307
Permanent differences	-	(22,822,567)
Investment allowance deduction		
Prior period tax	(9,283,264)	(5,632,054)
Tax rate differential	-	(643,127)
Others	(4,941,963)	(2,022,653)
Tax expense as per profit or loss	**299,612,158**	**333,586,014**

(All amounts are stated in Indian Rupees, unless otherwise stated.)

Income taxes (continued)

(d) Movement in deferred tax balances

	31 March, 2019						
	Net balance April 1, 2018	**Recognised in profit or loss**	**Recognised in OCI**	**Others**	**Net deferred tax asset/liability**	**Deferred tax asset**	**Deferred tax liability**
Deferred tax asset							
Property, plant and equipment	(6,927,289)	2,946,394	(470,026)		(4,450,921)		(4,450,921)
Inventories	9,999,449	888,361	860,628		11,748,437	11,748,437	
Tax assets (Liabilities)	**3,072,160**	**3,834,755**	**390,600**		**7,297,516**	**11,748,437**	**(4,450,921)**
Set off tax						**(11,748,437)**	**11,748,437**
Net tax assets	**3,072,160**	**3,834,755**	**390,600**		**7,297,516**	**-**	**7,297,516**

(e) Movement in deferred tax balances

	31 March, 2018						
	Net balance April 1, 2016	**Recognised in profit or loss**	**Recognised in OCI**	**Others**	**Net deferred tax asset/liability**	**Deferred tax asset**	**Deferred tax liability**
Deferred tax asset							
Property, plant and equipment	(20,248,670)	13,262,765	58,616		(6,927,289)	-	(6,927,289)
Inventories	10,449,412	(478,651)	28,687		9,999,449	9,999,449	
Tax assets (Liabilities)	**(9,628,278)**	**12,614,166**	**86,271**	**-**	**3,072,160**	**9,999,449**	**(6,927,289)**
Offsetting of deferred tax assets and liabilities						**(9,999,449)**	**9,999,449**
Net tax assets	**(9,628,278)**	**12,614,166**	**86,271**	**-**	**3,072,160**	**-**	**3,072,160**

Realization of net deferred tax assets is dependent upon generation of sufficient taxable income in future years, benefit from the reversal of taxable temporary differences and tax planning strategies. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

(All amounts are stated in Indian Rupees, unless otherwise stated)

		As at 31 March 2019	As at 31 March 2018
12	**Current - Other financial liabilities**		
	Payable against business acquisition	-	16,261,026
	Other payables	58,054,223	9,780,418
		58,054,224	**26,041,444**

(All amounts are stated in Indian Rupees, unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
13 Other current liabilities		
Advance from customers	7,164,350	82,507,112
Other stautory dues	112,698	94,805
	7,277,049	**82,601,917**

(All amounts are stated in Indian Rupees, unless otherwise stated)

		As at 31 March 2019	As at 31 March 2018
14	**Trade payables**		
	Total outstanding dues	57,453,357	76,704,248
		57,453,357	**76,704,248**

(Refer note 23 for payables to related parties)

(All amounts are stated in Indian Rupees, unless otherwise stated)

		As at 31 March 2019	As at 31 March 2018
		Short term	**Short term**
15	**Provisions**		
	Provision for employee Benefits	5,912,942	8,757,596
		5,912,942	**8,757,596**

Movement for provision of employee benefits during the year:

	As at 31 March 2019	As at 31 March 2018
	Short term	**Short term**
Opening	8,757,596	7,199,110
Contribution during the year	(10,754,002)	(7,404,612)
Provided during the year	5,582,218	7,384,625
Foreign exchange currency translation	2,327,130	(51,416)
Closing Provision	**5,912,942**	**8,757,596**

(All amounts are stated in Indian Rupees, unless otherwise stated)

		For the year ended 31 March 2019	For the year ended 31 March 2018
16	**Revenue from contracts with customers**		
16.1	**Disaggregated revenue information**		
	Sale of finshed products	2,128,177,118	1,814,155,097
	Total	**2,128,177,118**	**1,814,155,097**
16.1.A	**Segment wise breakup of goods sold**		
	Human Health care	1,838,921,802	1,594,263,382
	Animal Health care	38,030,124	7,569,525
	Bio-processing	251,225,193	212,322,189
		2,128,177,118	**1,814,155,097**
16.2	**Timing of revenue recognition**		
	Revenue recognized at a point in time	2,128,177,118	1,814,155,097
	Total	**2,128,177,118**	**1,814,155,097**

16.3 Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	For the year ended 31 March 2019	For the year ended 31 March 2018
Trade receviables *(Refer Note 5)*	109,875,357	91,749,951
	109,875,357	**91,749,951**

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. Increase in overall trade receivables resulted from increase in the revenue from operations.

16.4 Right of return assets and liabilities

The Company does not have any right of return assets and liabilities as at March 31, 2019 and March 31, 2018.

16.5 Performance obligation

Performance obligation for revenues has been summarized in the Note 4.c.i

17 Other income

Interest income from financial assets measured at fair value	11,182,871	-
Interest income from related party advance	9,991,664	5,949,011
Other non-operating income	6,064,888	4,963,658
	27,239,423	**10,912,669**

18 Cost of materials consumed

Opening stock		
Raw materials and components	155,564,112	179,946,045
	155,564,112	**179,946,045**
Add : Purchases during the year		
Raw materials and components	656,905,031	516,300,730
	656,905,031	**516,300,730**
Less : Closing stock		
Raw materials and components	200,918,662	155,564,112
	200,918,662	**155,564,112**
	611,550,481	**540,682,663**

19 Changes in inventories of finished goods, work-in-progress and traded goods

Opening stock		
- Manufactured goods	81,911,843	57,686,033
- Work-in-progress	1,232,623	3,743,106
	83,144,466	**61,429,139**
Closing stock		
- Manufactured goods	66,912,057	81,911,843
- Work-in-progress	7,083,751	1,232,623
	73,995,808	83,144,466
	9,148,658	**(21,715,327)**

20 Employee benefit expense

Salaries, wages and bonus	205,425,473	154,081,015
Contribution to defined contribution plan	5,582,218	7,089,215
Payroll taxes	13,874,583	11,006,054
Employee stock compensation expense	906,130	1,217,206
	225,788,404	**173,393,490**

21 Depreciation and amortisation expense

Depreciation of tangible assets (Also, refer note 2)	30,673,393	27,526,970
Amortisation of intangible assets	2,283,037	
	32,956,430	**27,526,970**

22 Other expenses

Utilities	6,023,473	5,546,202
Custom brokers	5,068,257	3,205,411
Rent	24,974,793	20,658,964
Rates and taxes	2,500,828	2,103,928
Repairs and maintenance	4,498,601	3,536,285
Laboratory expenses	10,044,621	7,987,675
Insurance	5,399,469	10,985,944
Printing and stationery	112,269	129,300
Legal and professional fees	14,977,385	4,466,662
Auditors' remuneration	1,579,489	1,456,511
Donation	-	80,624
Communication	2,896,999	2,239,428
Travel, conveyance and car hire	14,344,900	12,522,531
Commission	760,621	810,824
Advertisement and sales promotion	33,891,485	26,827,772
Bad debts	808,178	-
Sales tax	14,198	161,152
General expense	12,777,754	9,261,072
IT consulting	4,094,019	3,604,139
Bank charges	8,133,311	6,566,162
	153,521,263	**122,150,589**

(All amounts are stated in Indian Rupees, unless otherwise stated)

23 Related parties

a) Names of related parties

Relationship	Name
Ultimate holding company	Advanced Enzyme Technologies Limited
Fellow subsidiaries	Advanced Bio-Agro Tech Limited
	Advanced EnzyTech Solutions Limited
	JC Biotech Private Limited
	Advanced Enzymes Europe B.V (w.e.f. 11 July 2017)
Companies in which directors of the Company are able to exercise control or have significant influence	Rathi Properties LLC
	Vasant and Prabha Rathi Generation Trust
Key management personnel (KMP)	Mr. Vasant L. Rathi
	Mrs. Prabha V. Rathi
Relatives of KMP:	Ms. Rachana V. Rathi
	Ms. Rasika V. Rathi
	Ms. Reshama V. Rathi

b) Transactions with related parties

	For the year ended 31 March 2019	For the year ended 31 March 2018
Purchases of Goods		
Advanced Enzyme Technologies Ltd	420,184,695	317,243,330
Sale of Goods		
Advanced Enzyme Technologies Limited	1,956,889	5,279,854
Rent Paid		
Rathi Properties LLC	17,507,166	14,599,813
Vasant Rathi	7,390,750	6,059,152
Remuneration to Directors & their Relatives		
Prabha V. Rathi	13,870,254	12,567,244
Reshma Rathi	7,373,283	6,097,220
Vasant L. Rathi	23,547,181	20,494,277
Rachana Rathi	7,373,281	6,097,220
Rasika Rathi	10,410,753	8,902,042
Loan Given		
Advanced Enzymes Europe B.V.	24,160,769	229,295,562
Interest Income		
Advanced Enzymes Europe B.V.	9,991,664	5,949,011
Reimbursement of expenses		
Advanced Enzyme Technologies Limited	906,130	1,217,206

(All amounts are stated in Indian Rupees, unless otherwise stated)

c) Balances with related parties

	As at 31 March 2019	As at 31 March 2018
a. Trade receivable		
Advanced Enzyme Technologies Ltd	-	1,569,189
b. Trade payable		
Advanced Enzyme Technologies Ltd	40,506,713	63,296,040
c. Interest receivable		
Advanced Enzymes Europe B.V.	16,274,139	6,004,091
d. Loan receivable		
Advanced Enzymes Europe B.V.	267,210,641	234,785,330

Employee stock options:

During the year ended March 31, 2017, the parent Company issued stock options totaling up to 11,500 to two of the employees of the Company. These options are graded options and shall vest as follows:

Vesting conditions	Vesting proportion
After 1 year from the date of grant	10%
After 2 years from the date of grant	20%
After 3 years from the date of grant	30%
After 4 years from the date of grant	40%

The date of grant for the above mentioned options is September 15, 2016 and the exercise price of the same is INR 300 and the share price at the date of grant amounts to be INR 1,598.

On the basis of the pronouncements of IND AS 102, the Company has an option to either record the same as liability, payable to the parent Company or the same should be considered as contribution to reserves by the parent Company.

The Company elects to consider the same as contribution made by the parent Company. As a result of which, there has been an addition to reserves amounting to $ 12,965 (INR 906,130) in the year March 31, 2019 and $ 18,887(INR 1,217,206) in the year ended March 31, 2018.

(All amounts are stated in Indian Rupees, unless otherwise stated)

24 Acquisition of Biomedic Labs, LLC, USA

On 3 October 2017, the Company acquired certain assets and liabilities of Biomedic Labs, LLC, USA for a purchase consideration of USD 750,000. The Company has accounted for goodwill of USD 630,000 equivalent to INR 40,977,783 on consolidation.

Details of purchase consideration, net assets acquired and goodwill recognized are as follows

Particulars	In USD	In INR
Cash paid	500,000	32,731,631
Amounts payable (as at March 31, 2018)	250,000	16,112,500
Total consideration	**750,000**	**48,844,131**

Particulars	In USD	In INR
Fair value of the tangible assets acquired- Inventories	22,000	1,606,658
Identifiable intangible assets acquired- Website domain	98,000	7,156,930
Total identifiable net assets acquired	**120,000**	**8,763,588**

Calculation of goodwill

Particlars	In USD	In INR
Total consideration	750,000	48,844,131
Less: net identifiable assets acquired	120,000	8,763,588
Goodwill	630,000	40,080,543

25 Capital Management

For the purpose of the Company's capital management, capital includes issued capital and other equity reserves . The primary objective of the Company's Capital Management is to maximise shareholders value. The Company manages its capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants.

The Company monitors capital using adjusted net debt to equity ratio. For this purpose, adjusted net debt is defined as total debt less cash and bank balances.

	31 March 2019	31 March 2018
Non-current borrowings	-	-
Current borrowings	-	-
Current maturity of long term debt	-	-
Gross debt	**-**	**-**
Less - Cash and cash equivalents	-	-
Adjusted net debt	**-**	**-**
Total equity	4,249,929,770	3,243,259,105
Adjusted net debt to equity ratio	-	-

(All amounts are stated in Indian Rupees, unless otherwise stated)

26 Leases

Operating leases

A. Leases as lessee

The Company has taken certain facilities at Yorba Avenue and Murrieta St. at Chino under non-cancellable operating lease arrangements. The lease can be terminated at the option of either parties by giving due notice. The rental expenses under operating leases "Other expenses" in the statement of profit and loss. The Company does not have any non-cancellable leasing arrangements

		For the year ended 31 March 2019	ended 31 March 2018
A	**Disclosures in respect of non-cancellable operating leases**		
	Payable not later than 1 year	27,337,596	20,069,387
	Payable later than 1 year not later than five	54,718,105	55,190,813
	Total	**82,055,701**	**75,260,200**

B Amounts recognised in profit or loss

	31 March 2019	31 March 2018
Lease expense	24,974,793	20,658,964
	24,974,793	**20,658,964**

(All amounts are stated in Indian Rupees, unless otherwise stated)

27 Financial instruments

1. Financial instruments – Fair values and risk management

A. Accounting classification and fair values
The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels are presented below . It does not include the fair value information for financial assets and financial liabilities not measured at fair value if their carrying amount is a reasonable approximation of fair value

	Carrying amount				Fair value			
March 31, 2019 INR	**FVTPL**	**FVTOCI**	**Amortised Cost**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets								
Investments	1,109,809,403	-	-	1,109,809,403	1,109,809,403	-	-	1,109,809,403
Trade receivables	-	-	109,875,357	109,875,357	-	-	-	-
Cash and cash equivalents	-	-	151,958,694	151,958,694	-	-	-	-
Loans	-	-	283,484,780	283,484,780	-	-	-	-
	1,109,809,403.50	**-**	**545,318,831**	**1,655,128,234**	**1,109,809,403**	**-**	**-**	**1,109,809,403**
Financial liabilities								
Trade payables	-	-	57,453,357	57,453,357	-	-	-	-
Other financial Liabilities	-	-	58,054,224	58,054,224	-	-	-	-
	-	**-**	**115,507,579**	**115,507,579**	**-**	**-**	**-**	**-**

	Carrying amount				Fair value			
March 31, 2018 INR	**FVTPL**	**FVTOCI**	**Amortised Cost**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets								
Trade receivables	-	-	91,749,951	91,749,951	-	-	-	-
Cash and cash equivalents	-	-	588,885,295	588,885,295	-	-	-	-
Loans	-	-	234,785,330	234,785,330	-	-	-	-
	-	**-**	**915,420,576**	**915,420,576**	**-**	**-**	**-**	**-**
Financial liabilities								
Trade payables	-	-	76,704,248	76,704,248	-	-	-	-
Other financial Liabilities	-	-	26,041,444	26,041,443	-	-	-	-
	-	**-**	**102,745,693**	**102,745,693**	**-**	**-**	**-**	**-**

B. Measurement of fair values

Valuation techniques for unobservable inputs include

Type	Valuation technique
Non current financial assets / liabilities measured at amortised cost	Discounted cash flow technique : The valuation model considers present value of expected payments discounted using an appropriate discounting rate.

C. Financial risk management
The Company has exposure to the following risks arising from financial instruments:
- Credit risk ;
- Liquidity risk ; and
- Market risk

i. Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in

(All amounts are stated in Indian Rupees, unless otherwise stated)

Financial instruments – Fair values and risk management (continued)

ii. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. There is no concentraion of risk for tarde receivables.

Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows:

	31 March 2019		
	Carrying Amount	Weighted Average Loss Rate	Loss Allowance
Not due	86,141,817	0.00%	-
0-90 days	23,733,540	0.00%	-
90-180 days	-	0.00%	-
180-270 days	-	0.00%	-
270-360 days	-	0.00%	-
More than 360 days	-	0.00%	-
	109,875,357		-

	31-Mar-18		
	Carrying Amount	Weighted Average Loss Rate	Loss Allowance
Not due	57,198,330	0.00%	-
0-90 days	34,551,621	0.00%	-
90-180 days	-	0.00%	-
180-270 days	-	0.00%	-
270-360 days	-	0.00%	-
More than 360 days	-	0.00%	-
	91,749,951		-

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of loss (e.g. timeliness of payments, available press information etc.) and applying experienced credit judgement.

Exposures to customers outstanding at the end of each reporting period are reviewed by the Company to determine incurred and expected credit losses. Historical trends of impairment of trade receivables do not reflect any significant credit losses. Given that the macro economic indicators affecting customers of the Company have not undergone any substantial change, the Company expects the historical trend of minimal credit losses to continue.

The Company's exposure to credit risk for trade receivables by geographic region is as follows:

	For the year ended as at 31 March	
Region	**2019**	**2018**
USA	86,748,222	75,528,468
Asia	2,655,237	-
Europe	978,765	410,712
Others	1,367,727	1,799,086
	91,749,951	**77,738,266**

Cash and cash equivalents

The Company held cash and cash equivalents of INR 151,958,693.72 at March 31, 2019 (March 31, 2017: INR 588,885,295, April 1, 2016 : INR 230367062). The cash and cash equivalents are held with bank and financial institution counterparties with good credit ratings. The Company has investments in US Treasury Bills amounting to INR 1,109,809,403. The US Treasury bills are liquid investments and carry risk free status with the credit rating of AAA with stable outlook.

Other than trade and other receivables, the Company has no other financial assets that are past due but not impaired

(All amounts are stated in Indian Rupees, unless otherwise stated)

Financial instruments – Fair values and risk management (continued)

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Exposure to liquidity risk:
The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments

		Contractual cash flows				
March 31, 2019	**Carrying amount**	**Total**	**Upto 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Trade payable	57,453,357	57,453,357	57,453,357			
Other financial liabilities	58,054,224	58,054,224	58,054,224			

		Contractual cash flows				
March 31, 2018	**Carrying amount**	**Total**	**Upto 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Trade payable	76,704,248	76,704,248	76,704,248	-	-	-
Other financial liabilities	26,041,444	26,041,444	26,041,444	-	-	-

(All amounts are stated in Indian Rupees, unless otherwise stated)

28 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of Equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders by the weighted average number of Equity shares outstanding during the year plus the weighted average number of Equity shares that would be issued on conversion of all the dilutive potential Equity shares into Equity shares.

i. Profit attributable to Equity holders

	March 31, 2019	March 31, 2018
Profit attributable to equity holders from continuing operations	822,839,147	649,443,368

ii. Weighted average number of ordinary shares

	March 31, 2019	March 31, 2018
Issued ordinary shares at April 1	5,839	5,839
Effect of fresh issue of shares for cash	-	-
Weighted average number of shares at March 31 for basic EPS	**5,839**	**5,839**

Basic and Diluted earnings per share

	March 31, 2018	March 31, 2017
Basic earnings per share	**140,921**	**111,225**
Diluted earnings per share	**140,921**	**111,225**

(All amounts are stated in Indian Rupees, unless otherwise stated)

29 Segment reporting

Primary segment

The Company operates only in one primary business segment viz. 'manufacturing and sales of enzymes' and hence no separate information for primary segment wise disclosure is required.

Secondary segment (based upon geography)

	Year ended 31 March 2019	Year ended 31 March 2018
Segment revenue (based upon location of customers)		
Outside USA	90,951,981	65,802,426
Within USA	2,037,225,138	1,748,352,671
	2,128,177,118	**1,814,155,097**
	31 March 2018	**31 March 2017**
Segment assets (based upon location of assets)		
Outside USA	-	-
Within USA	2,427,373,323	2,289,149,824
	2,427,373,323	**2,289,149,824**
Capital expenditure		
Outside USA	-	
Within USA	25,855,113	9,035,776
	25,855,113	**9,035,776**

(All amounts are stated in Indian Rupees, unless otherwise stated)

30 Impairment testing of Goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments. The aggregate carrying amounts of goodwill allocated to each unit are as follows:

Particulars	31 March 2019	31 March 2018
Advanced Enzymes USA, Inc.	2,342,970,244	2,203,173,728
	2,342,970,244	**2,203,173,728**

The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows.The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Particulars	31 March 2019	31 March 2018
Discount rate	8%	8%
Terminal value growth rate	5%	5%
Sales growth rate	10%	10%

The discount rate for was post tax measure estimated based on the weighted-average cost of capital.
The cash flow projections include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate has been determined based on management's estimate of the long-term business growth rate, consistent with the assumptions that a market participant would make.

Sales growth rate has been considered based on past performance duly adjusted with new sales mix as envisaged by the management.

With regard to assessment of value in use, no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGU's to exceed their recoverable amount.

Advanced Enzymes USA, Inc. and Subsidiaries
Notes to the consolidated financial statements
(All amounts are stated in Indian Rupees, unless otherwise stated)

31 Subsequent Events

The company has evaluated all events and transactions that occurred after March 31, 2019 through May 21, 2019; the date the financial statements are issued. Based on the evaluation, the company is not aware of any events or transactions that would require recognition or disclosure in the financial statements.

For KNAV P.A.
Certified Public Accountants

Atul Deshmukh
Engagement Partner
KNAV P.A.
Certified Public Accountants
Licensed in Georgia
Place : Atlanta, Georgia
Date: May 21, 2019

For and on behalf of Board of Directors of Advanced Enzyme, USA Inc. and subsidiaries

V. Rathi

V. L. Rathi
Director
Place : Chino
Date: May 21, 2019