

Independent Auditor's Report

Audit report on Fit-for-Consolidation Consolidated financial statements of Advanced Enzymes USA Inc. and its subsidiaries to MSKA & Associates, auditors of Advanced Enzyme Technologies Limited (Holding company of the group)

Opinion

We have audited the accompanying Fit-for-Consolidation Consolidated Financial Statements of Advanced Enzymes USA Inc. and its subsidiaries ('the Company') which comprise the consolidated balance sheets as at March 31, 2023, and March 31, 2022 and the related consolidated statements of profit and loss, cash flows and changes in equity for the years then ended, annexed thereto, and a summary of significant accounting policies and other explanatory information (collectively referred to as the 'Fit-for-Consolidation Consolidated Financial Statements' or the 'consolidated financial statements'), 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 have been prepared solely to enable the Holding company of the group, to prepare its consolidated financial statements as at and for the years ended March 31, 2023, and March 31, 2022.

In our opinion, the Fit-for-Consolidation Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and March 31, 2022, and the results of its operations and its cash flows for the years then ended in accordance with group accounting policies followed by AETL and are suitable for inclusion in the consolidated Ind AS financial statements of AETL.

Basis for opinion

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with group accounting policies followed by the Holding company of the group, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

The consolidated financial statements have been prepared solely for the use by AETL in the preparation of its consolidated Ind AS financial statements in accordance with the group accounting policies followed by AETL.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Fit-for-Consolidated Consolidated Financial Statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Restriction on use and distribution

This report is intended solely for use by MSKA & Associates in connection with its audit of the consolidated financial statements of AETL as at and for the years ended March 31, 2023, and March 31, 2022, and should not be used for any other purpose.

Jaydeep Joshi

Jaydeep Joshi
Engagement Partner, CPA
KNAV P.A.
Certified Public Accountant
Atlanta, Georgia
May 12, 2023

KNAV P.A.

Certified Public Accountant

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2023-140-US

Advanced Enzymes USA, Inc. and subsidiaries
Fit-for-Consolidation Consolidated balance sheets

	Notes	USD As at 31 March 2023	INR As at 31 March 2023	USD As at 31 March 2022	INR As at 31 March 2022
I. ASSETS					
Non-current assets					
(a) Property, plant and equipment (Including right of use assets)	2	2,165,145	178,011,524	2,668,838	202,316,844
(b) Capital work-in-progress	2A	1,037,505	85,300,480	56,124	4,254,564
(c) Goodwill		33,872,000	2,784,850,801	33,872,000	2,567,738,059
(d) Financial assets					
(i) Other financial assets	6	6,711,436	551,793,471	5,617,636	425,856,664
(e) Deferred tax asset	11	465,724	38,290,417	379,262	28,750,741
Total non-current assets		44,251,811	3,638,246,692	42,593,860	3,228,916,872
Current assets					
(a) Inventories	3	4,916,340	404,206,185	4,488,758	340,279,603
(b) Financial assets					
(i) Investments		41,522,387	3,413,841,933	10,456,927	792,709,345
(ii) Trade receivables	4	1,699,035	139,689,424	2,815,058	213,401,355
(iii) Cash and cash equivalents	5	8,373,480	688,441,532	31,753,292	2,407,124,981
(iv) Loans	6	-	-	831,921	63,065,518
(c) Income tax asset (net)		-	-	494,945	37,520,319
(d) Other current assets	7	103,302	8,493,131	32,637	2,474,133
Total current assets		56,614,544	4,654,672,205	50,873,538	3,856,575,254
TOTAL ASSETS		100,866,354	8,292,918,897	93,467,398	7,085,492,126
II. EQUITY AND LIABILITIES					
Equity					
(a) Equity share capital	8	5,839,000	285,831,054	5,839,000	285,831,054
(b) Other equity	9	90,460,515	7,631,616,420	83,573,435	6,492,266,052
Equity attributable to equity holders of the parent		96,299,515	7,917,447,474	89,412,435	6,778,097,106
Total equity		96,299,515	7,917,447,474	89,412,435	6,778,097,106
Non-current liabilities					
(a) Financial liabilities					
(i) Lease liability	10	1,593,970	131,051,256	2,104,020	159,499,666
Total non-current liabilities		1,593,970	131,051,256	2,104,020	159,499,666
Current liabilities					
(a) Financial liabilities					
(i) Lease liability	10	459,408	37,771,113	395,981	30,018,168
(ii) Trade payables	12	1,051,601	86,459,341	354,982	26,910,155
(iii) Other financial liabilities	11	850,738	69,945,008	611,445	46,351,889
(b) Other current liabilities	13	318,508	26,186,737	422,705	32,044,059
(c) Short-term provisions	14	148,564	12,214,456	165,830	12,571,083
(d) Liabilities for current tax (net)		144,052	11,843,512	-	-
Total current liabilities		2,972,870	244,420,167	1,950,943	147,895,354
Total liabilities		4,566,840	375,471,424	4,054,963	307,395,020
TOTAL EQUITY AND LIABILITIES		100,866,355	8,292,918,897	93,467,398	7,085,492,126

Notes 1 to 34 form an integral part of these fit-for-consolidation consolidated financial statements

These are the Fit-for-Consolidation consolidated balance sheets referred to in our report of even date.

For KNAV P.A.
Certified Public Accountants

Jaydeep Joshi

Jaydeep Joshi, CPA
Engagement Partner
Place : Atlanta, Georgia
Date: May 12, 2023

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

V. L. Rath

V. L. Rath
Director
Place : Chino
Date: 5/12/23

Advanced Enzymes USA, Inc. and subsidiaries
Fit-for-Consolidation Consolidated statements of profit and loss

		USD	INR	USD	INR
	Notes	For the year ended 31 March 2023	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2022
Revenue					
Revenue from operations (net)	15	24,044,156	1,932,944,093	28,720,142	2,139,922,085
Other income	16	2,672,628	214,856,378	348,814	25,989,927
Total revenue		26,716,784	2,147,800,471	29,068,956	2,165,912,012
Expenses					
Cost of materials consumed	17	7,182,352	558,248,242	8,803,040	649,620,808
Changes in inventories of finished goods and work-in-progress	18	432,648	24,379,976	(290,819)	(25,396,371)
Employee benefit expenses	19	5,089,684	409,166,874	4,714,397	351,267,095
Finance costs	20	90,937	7,310,528	32,044	2,387,564
Depreciation and amortisation expense	21	606,955	48,793,972	776,853	57,882,843
Other expenses	22	3,805,348	305,917,330	3,206,324	238,901,524
Total expenses		17,207,923	1,353,816,922	17,241,839	1,274,663,463
Profit before exceptional items and tax		9,508,860	793,983,550	11,827,117	891,248,549
Exceptional items		-	-	-	-
Profit before tax		9,508,860	793,983,550	11,827,117	891,248,549
Tax expense					
Current tax		2,708,243	217,719,500	3,343,156	249,096,727
Deferred tax		(86,463)	(6,950,849)	(61,269)	(4,565,107)
		2,621,780	210,768,651	3,281,887	244,531,620
Net profit for the year		6,887,080	583,214,899	8,545,230	646,716,928
Other comprehensive income					
Items that will be reclassified to profit or loss					
- Exchange differences in translating financial statements of foreign operations		-	556,135,470	-	187,260,701
Total comprehensive income for the year		6,887,080	1,139,350,369	8,545,230	833,977,629

Notes 1 to 34 form an integral part of these fit-for-consolidation consolidated financial statements

These are the consolidated statements of profit and loss referred to in our report of even date

For KNAV P.A.
Certified Public Accountants

Jaydeep Joshi

Jaydeep Joshi, CPA
Engagement Partner
Place : Atlanta, Georgia
Date: May 12, 2023

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

V. L. Rath

V. L. Rath
Director
Place : Chino
Date: 5/12/23

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

	USD	INR	USD	INR
	For the year ended	For the year ended	For the year ended	For the year ended
	31 March 2023	31 March 2023	31 March 2022	31 March 2022
Cash flows from operating activities				
Profit before tax	9,508,860	793,983,550	11,827,117	891,248,549
Adjustments for non-cash transactions				
Depreciation and amortisation expense	606,955	48,793,972	776,853	57,882,843
Provision for inventory	93,533	7,519,277	68,128	5,076,152
Remeasurement impact of right of use asset	46,850	3,766,356	-	-
(Gain)/loss on investments in marketable securities	333,507	26,811,108	-	-
	10,589,706	880,874,262	12,672,098	954,207,544
Items considered separately				
Interest income	(1,178,073)	(94,706,999)	(348,814)	(25,989,928)
Interest expenses	90,937	7,310,528	32,044	2,387,564
	9,502,570	793,477,792	12,355,328	930,605,180
Operating profit before working capital changes				
Short term liabilities and provisions	(121,463)	(9,764,614)	(32,615)	(2,430,040)
Trade payables	696,619	56,002,167	(690,509)	(51,449,459)
Inventories	(521,116)	(41,893,224)	(384,925)	(28,680,560)
Trade receivables	1,116,022	89,718,639	242,659	18,080,413
Other current assets	(70,664)	(5,680,803)	20,707	1,542,852
Other financial liabilities	(306,134)	(24,610,383)	26,008	1,937,856
Cash generated from operating activities	10,295,834	857,249,573	11,536,653	869,606,242
Income taxes paid	(2,069,247)	(166,349,720)	(3,600,095)	(268,241,134)
Net cash generated from operating activities	8,226,587	690,899,853	7,936,558	601,365,107
Cash flows from investing activities				
Purchase of tangible assets	(586,070)	(47,115,023)	(101,826)	(7,586,963)
(Purchase)/Sale of current investments	(31,398,963)	(2,524,207,545)	1,566,067	116,686,768
Interest received	916,194	73,654,131	96,650	7,201,326
Net cash (used in) provided by investing activities	(31,068,839)	(2,497,668,437)	1,560,891	116,301,131
Cash flows from financing activities				
Interest paid	(90,937)	(7,310,528)	(32,044)	(2,387,564)
Lease liability paid	(446,623)	(35,904,675)	(431,910)	(33,671,574)
Net cash used in financing activities	(537,560)	(43,215,203)	(483,954)	(36,059,138)
Net (decrease) increase in cash and cash equivalents	(23,379,812)	(1,849,983,787)	9,013,495	681,607,100
Cash and cash equivalents as at the beginning of the year	31,753,292	2,407,124,981	22,739,797	1,671,481,977
Effect of exchange rate changes on cash and cash equivalents held	-	131,300,338	-	54,035,904
Cash and cash equivalents as at the end of the year	8,373,480	688,441,532	31,753,292	2,407,124,981

Notes 1 to 34 form an integral part of these fit-for-consolidation consolidated financial statements

These are the consolidated cash flow statements referred to in our report of even date

For KNAV P.A.
Certified Public Accountants

Jaydeep Joshi

Jaydeep Joshi, CPA
Engagement Partner
Place : Atlanta, Georgia
Date: May 12, 2023

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

V. L. Rath

V. L. Rath

Director

Place : China

Date:

5/12/23

Advanced Enzymes USA, Inc. and subsidiaries
Consolidated statements of changes in equity (SOCIE)

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

(a) Equity share capital

	As at 31 March, 2023		As at 31 March, 2022	
	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, 2021	242,164,086	3,192,001	596,937,827	4,815,994,509	5,658,288,423
Net profit for the year	-	-	-	646,716,928	646,716,928
Foreign exchange differences on translation of financial statements	-	-	187,260,701	-	187,260,701
Balance at March 31, 2022	242,164,086	3,192,001	784,198,527	5,462,711,437	6,492,266,052
Net profit for the year	-	-	-	583,214,898	583,214,898
Foreign exchange differences on translation of financial statements	-	-	556,135,470	-	556,135,470
Balance at March 31, 2023	242,164,086	3,192,001	1,340,333,997	6,045,926,335	7,631,616,420

Notes 1 to 34 form an integral part of these fit-for-consolidation consolidated financial statements

These are the consolidated statements of changes in equity referred to in our report of even date

For KNAV P.A.
Certified Public Accountants

Jaydeep Joshi

Jaydeep Joshi, CPA
Engagement Partner
Place : Atlanta, Georgia
Date: May 12, 2023

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

V. L. Rath

V. L. Rath

Director

Place : Chino

Date: 5/12/23

Advanced Enzymes USA Inc. and subsidiaries
Notes to consolidated financial statements
For the year ended 31 March 2023

1 Overview of the Company

Advanced Enzymes USA, Inc. ("The Company", "AE USA") 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 Enzyme Technologies Ltd. ("the Parent" or "AETL"), 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 business 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 EFI 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.

1A Basis of preparation of consolidated financial statements

a. Statement of compliance

These Fit-for-Consolidation Consolidated Financial Statements (herein after referred to as 'the consolidated financial statements') relate to Advanced Enzymes USA, Inc. and its Subsidiaries (the Company). The consolidated financial statements have been prepared in conformity with the group accounting policies of Advanced Enzyme Technologies Limited, which are in accordance with the recognition and measurement principles of Indian Accounting Standards notified under section 133 of the Companies Act 2013 ('the Act') (Companies (Indian Accounting Standards) Rules, 2015, including subsequent amendments) ('Ind AS') and other accounting principles generally accepted in India. The consolidated financial statements have been prepared to facilitate AETL in preparation of its consolidated financial statements. The consolidated financial statements include the disclosures as required under Ind AS to the extent it facilitates and is applicable for preparation of AETL's consolidated financial statements.

The financial information is presented in both US Dollars (USD) and in Indian Rupees (INR), wherever applicable, for March 31, 2023 and March 31, 2022. 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 12, 2023.

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 measurements, 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.

1A.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.

1A.2 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 2023 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, 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.

1A.3 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 relate 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:

- The consolidated financial statements of the Company ("Advanced Enzymes 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.
- 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.
- 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.
- 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.
- 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 2023	% age voting power held as at 31 March 2022
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 fit-for-consolidation consolidated statements of 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.

d. Income taxes

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the consolidated 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 settled in shares of Advanced Enzyme Technology Limited, its 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 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

The Company has applied Ind AS 116 using the modified retrospective approach.

As a lessee the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following: – Fixed payments, including in-substance fixed payments; – Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; – Amounts expected to be payable under a residual value guarantee; and – The exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the consolidated balance sheet.

Short-term leases and leases of low-value assets the Company has elected not to recognise right-of-use assets and lease liabilities for shortterm leases of real estate properties that have a lease term of 12 months. the Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

i. Inventories

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

- 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.
- ii. 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 weighted 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 statements 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 consolidated 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 incidental 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 existing asset beyond its previously assessed standard of performance.
- iii. Leasehold improvements represent expenses incurred towards civil work and interior furnishings on the leased premises.
- v. The estimated useful life of assets are as follows:

Leasehold improvements	Term of lease
Plant and Equipments	3 to 7 years
Furniture and fixtures	3 years
Office equipment	5 years
Computer and data processing equipment	3 to 5 years

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.

iii. 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 fit-for-consolidation consolidated statements 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 existing asset beyond its previously assessed standard of performance.
- iii. Costs relating to acquisition of technical know-how and software are capitalized as intangible assets.
- 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.
- iv.
- v. The estimated useful life of intangible assets comprising of website domain is 3 years.

o. Foreign currency transactions

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 consolidated 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 States 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 statements 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 outstanding.

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.

These assets are subsequently measured at fair value. Dividends are recognised as income in the consolidated statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to 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 consolidated 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 consolidated 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. Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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	Right of use asset	Total
Balance as at 1 April 2022	2,347,153	4,478,727	11,713,653	100,057,848	58,535,364	81,675,784	258,808,530
Additions	567,201	-	793,752	-	3,912,417	193,260,816	198,534,186
- Foreign exchange fluctuation	9,770	-	92,140	239,453	401,764	3,504,929	4,248,056
Balance as at 31 March 2022	2,924,124	4,478,727	12,599,545	100,297,301	62,849,545	278,441,529	461,590,772
Additions	-	-	873,072	11,194,696	-	-	12,067,768
Remeasurement impact of right to use asset	-	-	-	-	-	(3,766,359)	(3,766,359)
- Foreign exchange fluctuation	38,610	-	189,273	222,795	956,748	14,779,817	16,187,243
Balance as at 31 March 2023	2,962,734	4,478,727	13,661,890	111,714,792	63,806,293	289,454,987	486,079,424
Accumulated depreciation							
Balance as at 1 April 2022	2,245,398	4,478,727	8,238,459	82,540,256	44,702,399	59,185,846	201,391,085
Depreciation expense	189,237	-	1,753,430	17,757,045	5,722,731	32,460,400	57,882,843
Balance as at 31 March 2022	2,434,635	4,478,727	9,991,889	100,297,301	50,425,130	91,646,246	259,273,928
Depreciation expense	122,395	-	2,247,681	1,383,133	4,130,211	40,910,552	48,793,972
Balance as at 31 March 2023	2,557,030	4,478,727	12,239,570	101,680,434	54,555,341	132,556,798	308,067,900
Net block							
Balance as at 31 March 2022	489,489	-	2,607,656	-	12,424,415	186,795,283	202,316,844
Balance as at 31 March 2023	405,704	-	1,422,320	10,034,358	9,250,952	156,898,189	178,011,524

2A Capital work-in-progress (CWIP)-

	Amount
CWIP as at 1 April 2021	1,842,951
Additions during the year	2,353,886
Capitalised during the year	-
- Foreign exchange fluctuation	57,727
CWIP as at 31 March 2022	4,254,564
Additions during the year	85,300,480
Capitalised during the year	4,614,303
- Foreign exchange fluctuation	359,739
CWIP as at 31 March 2023	85,300,480

CWIP aging schedule-

CWIP	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
As at 31 March 2023					
Projects in progress-					
- Leasehold improvements	82,422,890	2,877,592	-	-	85,300,482
As at 31 March 2022					
Projects in progress-					
- Leasehold improvements	2,318,767	151,677	1,784,120	-	4,254,564

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

	USD As at 31 March 2023	INR As at 31 March 2023	USD As at 31 March 2022	INR As at 31 March 2022
3 Inventories (valued at cost or lower of net realisable value)				
Raw materials	3,603,064	296,232,740	2,742,833	207,926,182
Work-in-progress	15,300	1,257,906	53,500	4,055,643
Finished goods	1,253,941	103,095,151	1,625,597	123,231,774
Stores and spares	44,035	3,620,388	66,828	5,066,004
	<u>4,916,340</u>	<u>404,206,185</u>	<u>4,488,758</u>	<u>340,279,603</u>

During the financial years end 31 March 2023 and 31 March 2022, inventory amounting to INR 7,519,277 (\$93,533) and INR 5,076,152 (\$68,128) respectively was written off pursuant to being attributed as slow moving items aged for more than 3 years.

4 Trade receivables

Unsecured, considered good	1,699,035	139,689,424	2,815,058	213,401,355
	<u>1,699,035</u>	<u>139,689,424</u>	<u>2,815,058</u>	<u>213,401,355</u>

(Refer note 25B(ii) for information about credit risk and market risk of trade receivables)
(Refer note 23 for receivables from related parties)

Trade Receivables ageing schedule-

(In USD)

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	
As at March 31, 2023						
(i) Undisputed Trade receivables – considered good	1,687,251	285	750	9,856	893	1,699,035
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables–considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-
Total	1,687,251	285	750	9,856	893	1,699,035
As at March 31, 2022						
(i) Undisputed Trade receivables – considered good	2,791,894	827	21,344	893	100	2,815,058
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables–considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-
Total	2,791,894	827	21,344	893	100	2,815,058

Trade Receivables ageing schedule-

(In INR)

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	
As at March 31, 2023						
(i) Undisputed Trade receivables – considered good	138,720,544	23,402	61,679	810,350	73,448	139,689,424
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables–considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-
Total	138,720,544	23,402	61,679	810,350	73,448	139,689,424
As at March 31, 2022						
(i) Undisputed Trade receivables – considered good	211,645,357	62,691	1,618,008	67,722	7,577	213,401,355
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(iii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-
(iv) Disputed Trade Receivables–considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade Receivables – credit impaired	-	-	-	-	-	-
Total	211,645,357	62,691	1,618,008	67,722	7,577	213,401,355

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

	USD As at 31 March 2023	INR As at 31 March 2023	USD As at 31 March 2022	INR As at 31 March 2022
5 Cash and bank balances				
Cash and cash equivalents				
Cash on hand	500	41,108	500	37,904
Balances with banks				
- in current accounts	4,583,519	376,842,685	21,611,019	1,638,268,654
Money market desposits	3,789,461	311,557,739	10,141,773	768,818,423
Total	8,373,480	688,441,532	31,753,292	2,407,124,981

Advanced Enzymes USA, Inc. and subsidiaries

Notes to the consolidated financial statements

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

	USD		USD		INR		INR		USD		USD		INR		INR	
	As at		As at		As at		As at		As at		As at		As at		As at	
	31 March 2023		31 March 2023		31 March 2023		31 March 2022		31 March 2022		31 March 2022		31 March 2022		31 March 2022	
	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term
6 Other non-current financial assets																
(unsecured considered good unless otherwise stated)																
Loan to related parties																
- Unsecured considered good	5,955,573	-	489,648,758	-	5,310,169	645,404	402,548,482	48,926,205								
Interest receivable	755,863	-	62,144,713	-	307,467	186,517	23,308,182	14,139,313								
	6,711,436	-	551,793,471	-	5,617,636	831,921	425,856,664	63,065,518								

(In INR)

Type of borrower	Amount of loan or advance in the nature of loan outstanding	
	31 March 2023	31 March 2022
Promoters	-	-
Directors	-	-
KMPs	-	-
Related Parties	551,793,471	488,922,182
Total amount	551,793,471	488,922,182

Type of borrower	Percentage to the total loans and advances in the nature of loans	
	31 March 2023	31 March 2022
Promoters	-	-
Directors	-	-
KMPs	-	-
Related Parties	100%	100%
Total percentage	100%	100%

Note:

During the financial years ended March 31, 2023 and March 31, 2022 the Company earned an interest income of USD 261,879 (INR 21,052,828) and USD 252,164 (INR 18,788,602), respectively from its advances to Advanced Enzymes Europe B.V.

Advanced Enzymes USA, Inc. and subsidiaries

Notes to the consolidated financial statements

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

	USD	INR	USD	USD
	As at	As at	As at	As at
	31 March 2023	31 March 2023	31 March 2022	31 March 2022
	Short term	Short term	Short term	Short term
7 Other current assets				
Advance to suppliers	27,169	2,233,744	-	-
Prepaid Expenses	75,033	6,168,948	31,980	2,424,311
Others	1,100	90,439	657	49,822
	103,302	8,493,131	32,637	2,474,133

Advanced Enzymes USA, Inc. and subsidiaries

Notes to consolidated financial statements

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

	As at 31 March 2023		As at 31 March 2022	
	Number	Amount	Number	Amount
8 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 2023		As at 31 March 2022	
	Number	INR	Number	INR
a) Reconciliation of Equity share capital				
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 (Holding Company)	5,839	100.00%	5,839	100.00%
	5,839	100.00%	5,839	100.00%

d) Details of Shares held by Promoters

As at 31 March 2023			
Promoter name	No. of Shares	% of total shares	% Change during the year
Advanced Enzyme Technologies Limited (Holding Company)	5,839	100.00%	Nil
Total	5,839	100.00%	

As at 31 March 2022			
Promoter name	No. of Shares	% of total shares	% Change during the year
Advanced Enzyme Technologies Limited (Holding Company)	5,839	100.00%	Nil
Total	5,839	100.00%	

Advanced Enzymes USA, Inc. and subsidiaries

Notes to consolidated financial statements

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

	USD As at 31 March 2023	INR As at 31 March 2023	USD As at 31 March 2022	INR As at 31 March 2022
9 Reserves and surplus				
Other comprehensive income: Foreign currency translation reserve				
Balance at the beginning of the year		784,198,527		596,937,827
Add : Additions made during the year		556,135,470		187,260,701
Balance at the end of the year	-	1,340,333,997	-	784,198,527
Capital Contribution				
Balance at the beginning of the year	46,912	3,192,001	46,912	3,192,001
Add : Additions made during the year	-	-	-	-
Less : Deletions made during the year	-	-	-	-
Balance at the end of the year	46,912	3,192,001	46,912	3,192,001
Securities premium				
Balance at the beginning of the year	3,761,000	242,164,086	3,761,000	242,164,086
Add : Additions made during the year	-	-	-	-
Less : Deletions made during the year	-	-	-	-
Balance at the end of the year	3,761,000	242,164,086	3,761,000	242,164,086
Surplus in the consolidated statement of profit and loss				
Balance at the beginning of the year	79,765,522	5,462,711,437	71,220,292	4,815,994,509
Add : Transferred from consolidated statement of profit and loss	6,887,080	583,214,899	8,545,230	646,716,928
Balance at the end of the year	86,652,603	6,045,926,336	79,765,522	5,462,711,437
	90,460,515	7,631,616,420	83,573,434	6,492,266,052

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, 2023	Year ended 31 March, 2022
Current income tax	217,719,500	249,096,727
Deferred tax expense	(6,950,849)	(4,565,107)
Tax expense for the year	210,768,651	244,531,620

(b) Amounts recognised in other comprehensive income

	Year ended March 31, 2023			Year ended March 31, 2022		
	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, 2023	Year ended 31 March, 2022
Profit before tax	793,983,550	891,248,549
Tax using the Company's domestic tax rate (March 31, 2023 : 21%, March 31, 2022 : 21%)	166,736,545	187,162,195
Tax effect of:		
State Tax	55,261,255	62,030,899
Others	(11,229,149)	(4,661,474)
Tax expense as per profit or loss	210,768,651	244,531,620

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

Income taxes (continued)

(d) Movement in deferred tax balances

	31 March, 2023						
	Net balance April 1, 2022	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	2,812,781	(2,603,956)	178,703	-	387,528	387,528	-
Inventories	24,688,089	(709,887)	2,071,358	-	26,049,560	26,049,560	-
Other items	1,249,871	10,264,693	338,765	-	11,853,328	11,853,328	-
Tax assets (liabilities)	28,750,741	6,950,849	2,588,826	-	38,290,417	38,290,417	-
Set off tax						-	-
Net tax assets	28,750,741	6,950,849	2,588,826	-	38,290,417	38,290,417	-

(e) Movement in deferred tax balances

	31 March, 2022						
	Net balance April 1, 2021	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	(514,762)	3,539,110	(211,568)	-	2,812,781	2,812,781	-
Inventories	22,831,840	885,359	970,890	-	24,688,089	24,688,089	-
Other items	3,140,803	140,638	(2,031,570)	-	1,249,871	1,249,871	-
Tax assets (Liabilities)	25,457,881	4,565,107	(1,272,248)	-	28,750,741	28,750,741	-
Offsetting of deferred tax assets and liabilities						-	-
Net tax assets	25,457,881	4,565,107	(1,272,248)	-	28,750,741	28,750,741	-

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.

Advanced Enzymes USA, Inc. and subsidiaries

Notes to the consolidated financial statements

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

	USD As at 31 March 2023	INR As at 31 March 2023	USD As at 31 March 2023	INR As at 31 March 2023	USD As at 31 March 2022	INR As at 31 March 2022	USD As at 31 March 2022	INR As at 31 March 2022
	Long term	Long term	Short term	Short term	Long term	Long term	Short term	Short term
10 Lease liabilities								
Lease liability	1,593,970	131,051,256	459,408	37,771,113	2,104,020	159,499,666	395,981	30,018,168
	<u>1,593,970</u>	<u>131,051,256</u>	<u>459,408</u>	<u>37,771,113</u>	<u>2,104,020</u>	<u>159,499,666</u>	<u>395,981</u>	<u>30,018,168</u>
	USD As at 31 March 2023	INR As at 31 March 2023			USD As at 31 March 2022	INR As at 31 March 2022		
11 Current - Other financial liabilities								
Payable for purchase of property, plant and equipment	545,424	44,843,095			-	-		
Other payables	305,313	25,101,912			611,445	46,351,888		
	<u>850,738</u>	<u>69,945,008</u>			<u>611,445</u>	<u>46,351,889</u>		

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

	USD As at 31 March 2023	INR As at 31 March 2023	USD As at 31 March 2022	INR As at 31 March 2022
12 Trade payables (from the due date of payments)				
Dues to micro and small enterprises	-	-	-	-
Other outstanding dues	1,051,601	86,459,341	354,982	26,910,155
	<u>1,051,601</u>	<u>86,459,341</u>	<u>354,982</u>	<u>26,910,155</u>

(Refer note 25 for payables to related parties)

Trade Payables ageing schedule

(In USD)

Particulars	Outstanding for following periods from due date of payment				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
As at March 31, 2023					
(i) MSME	-	-	-	-	-
(ii) Others	700,532	254,424	96,645	-	1,051,601
(iii) Disputed dues – (MSME)	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-
Total	700,532	254,424	96,645	-	1,051,601
As at March 31, 2022					
(i) MSME	-	-	-	-	-
(ii) Others	258,337	96,645	-	-	354,982
(iii) Disputed dues – MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-
Total	258,337	96,645	-	-	354,982

Trade Payables ageing schedule

(In INR)

Particulars	Outstanding for following periods from due date of payment				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
As at March 31, 2023					
(i) MSME	-	-	-	-	-
(ii) Others	57,595,567	20,917,959	7,945,815	-	86,459,341
(iii) Disputed dues – MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-
Total	57,595,567	20,917,959	7,945,815	-	86,459,341
As at March 31, 2022					
(i) MSME	-	-	-	-	-
(ii) Others	19,583,812	7,326,343	-	-	26,910,155
(iii) Disputed dues – MSME	-	-	-	-	-
(iv) Disputed dues - Others	-	-	-	-	-
Total	19,583,812	7,326,343	-	-	26,910,155

Advanced Enzymes USA, Inc. and subsidiaries

Notes to the consolidated financial statements

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

	USD As at 31 March 2023	INR As at 31 March 2023	USD As at 31 March 2022	INR As at 31 March 2022
13 Other current liabilities				
Advance from customers	307,317	25,266,668	368,427	27,929,385
Other statutory dues	11,191	920,069	54,278	4,114,674
	318,508	26,186,737	422,705	32,044,059

Advanced Enzymes USA, Inc. and subsidiaries

Notes to the consolidated financial statements

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

	USD	As at INR	USD	As at INR
	31 March 2023	31 March 2023	31 March 2022	31 March 2022
	Short term	Short term	Short term	Short term
14 Provisions				
Provision for employee Benefits	148,564	12,214,456	165,830	12,571,083
	148,564	12,214,456	165,830	12,571,083

Movement for provision of employee benefits during the year:

	For the year ended 31 March 2023	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2022
	Short term	Short term	Short term	Short term
Opening	165,830	12,571,083	181,226	13,320,996
Contribution during the year	(164,720)	(13,242,055)	(175,444)	(13,072,264)
Provided during the year	147,454	11,854,010	160,048	11,925,074
Foreign exchange currency translation		1,031,418		397,277
Closing Provision	148,564	12,214,456	165,830	12,571,083

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

	USD For the year ended 31 March 2023	INR For the year ended 31 March 2023	USD For the year ended 31 March 2022	INR For the year ended 31 March 2022
15 Revenue from contracts with customers				
15.1 Disaggregated revenue information				
Sale of finished products	24,044,156	1,932,944,093	28,720,142	2,139,922,085
Total	24,044,156	1,932,944,093	28,720,142	2,139,922,085
15.1.A Disaggregated revenue information - Category wise				
Human Health care	20,825,387	1,674,182,658	24,894,125	1,854,847,689
Animal Health care	619,159	49,775,078	908,598	67,699,104
Bio-processing	2,599,610	208,986,357	2,917,419	217,375,292
Total	24,044,156	1,932,944,093	28,720,142	2,139,922,085
15.2 Timing of revenue recognition				
Revenue recognized at a point in time	24,044,156	1,932,944,093	28,720,142	2,139,922,085
Total	24,044,156	1,932,944,093	28,720,142	2,139,922,085
15.3 Contract balances				
The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.				
Trade receivables (Refer Note 4)	1,699,035	139,689,424	2,815,058	213,401,355
Advance from customers (Refer Note 13)	(307,317)	(25,266,668)	(368,427)	(27,929,385)
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.				
15.4 Right of return assets and liabilities				
The Company does not have any right of return assets and liabilities as at March 31, 2023 and March 31, 2022.				
16 Other income				
Interest income from related party advance	261,879	21,052,828	252,164	18,788,602
Other non-operating income	1,088,901	87,538,308	96,650	7,201,326
Employee Retention Credit received from US Govt.	1,321,848	106,265,243	-	-
Total	2,672,628	214,856,379	348,814	25,989,928
17 Cost of materials consumed				
Opening stock				
Raw materials and components	2,742,833	207,926,182	2,716,855	199,701,648
Add : Purchases during the year	2,742,833	207,926,182	2,716,855	199,701,648
Raw materials and components	8,042,583	646,554,800	8,829,018	657,845,342
Less : Closing stock	8,042,583	646,554,800	8,829,018	657,845,342
Raw materials and components	3,603,064	296,232,740	2,742,833	207,926,182
Total	3,603,064	296,232,740	2,742,833	207,926,182
Total	7,182,352	558,248,242	8,803,040	649,620,808
18 Changes in inventories of finished goods, work-in-progress and traded goods				
Opening stock				
- Manufactured goods	1,692,424	128,297,777	1,155,105	106,957,019
- Work-in-progress	53,500	4,055,643	-	-
Total	1,745,924	132,353,420	1,155,105	106,957,019
Closing stock				
- Manufactured goods	1,297,976	106,715,538	1,692,424	128,297,777
- Work-in-progress	15,300	1,257,906	53,500	4,055,643
Total	1,313,276	107,973,444	1,745,924	132,353,420
Total	432,648	24,379,976	(290,819)	(25,396,371)

19 Employee benefit expense

Salaries, wages and bonus	4,629,437	372,167,103	4,240,429	315,952,029
Contribution to defined contribution plan	147,454	11,854,010	160,048	11,925,074
Payroll taxes	312,792	25,145,760	313,920	23,389,992
	<u>5,089,684</u>	<u>409,166,874</u>	<u>4,714,397</u>	<u>351,267,095</u>

20 Finance costs

Interest expenses on lease liability	90,937	7,310,528	32,044	2,387,564
	<u>90,937</u>	<u>7,310,528</u>	<u>32,044</u>	<u>2,387,564</u>

21 Depreciation and amortisation expense

Depreciation of tangible assets (Also, refer note 2)	98,063	7,883,420	341,198	25,422,443
Depreciation of Right of use of lease assets	508,892	40,910,552	435,655	32,460,400
	<u>606,955</u>	<u>48,793,972</u>	<u>776,853</u>	<u>57,882,843</u>

22 Other expenses

Utilities	126,904	10,202,014	114,936	8,563,848
Custom brokers	86,975	6,992,022	116,411	8,673,731
Rates and taxes	58,752	4,723,194	58,084	4,327,823
Repairs and maintenance	162,699	13,079,618	111,689	8,321,890
Laboratory expenses	343,628	27,624,765	255,778	19,057,902
Insurance	141,425	11,369,394	134,428	10,016,193
Printing and stationery	2,864	230,210	2,673	199,176
Legal and professional fees	1,030,618	82,852,847	1,164,159	86,740,880
Auditors' remuneration	31,500	2,532,330	31,500	2,347,048
Donation	-	-	815	60,725
Communication	54,493	4,380,754	51,368	3,827,376
Travel, conveyance and car hire	158,690	12,757,282	105,633	7,870,665
Commission	14,617	1,175,095	7,962	593,254
Advertisement and sales promotion	731,828	58,832,676	695,037	51,786,856
Sales tax	359	28,824	-	-
General expense	228,168	18,342,726	151,340	11,276,230
IT consulting	199,830	16,064,659	92,408	6,885,258
Bank charges	98,491	7,917,812	108,270	8,067,111
Fair value loss on investments	333,507	26,811,108	-	-
Penalty - Income tax	-	-	3,833	285,558
	<u>3,805,348</u>	<u>305,917,330</u>	<u>3,206,324</u>	<u>238,901,525</u>

Advanced Enzymes USA, Inc. and subsidiaries

Notes to the consolidated financial statements

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

23 Related parties

a) Names of related parties

Relationship	Name
Parent 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 Evovx Technologies GmbH Advanced Enzymes, Malaysia Sdn. Bhd. SciTech Specialities Private Limited Saiganesh Enzytech Solutions Private Limited (w.e.f. 03 January 2023)
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 Mr. Harshad Doshi
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 2023	For the year ended 31 March 2022
Purchases of Goods		
Advanced Enzyme Technologies Ltd	384,719,265	349,092,629
Technical services procured		
Evovx Technologies GmbH	1,651,455	-
Sale of Goods		
Advanced Enzyme Technologies Limited	884,306	3,855,864
Rent Paid		
Rathi Properties LLC	27,191,437	23,157,315
Vasant Rathi	12,019,403	10,527,627
Remuneration to Key management personnel & their Relatives		
Prabha V. Rathi	21,303,729	18,254,816
Reshma Rathi	14,148,892	11,996,022
Vasant L. Rathi	39,793,759	34,274,349
Rachana Rathi	12,139,106	10,505,833
Rasika Rathi	16,560,635	14,231,306
Harshad Doshi	18,490,029	15,796,012
Commission *		
Vasant L. Rathi	5,536,622	6,375,827
* included in Employee benefit expense		
Interest Income		
Advanced Enzymes Europe B.V.	21,052,828	18,788,602

Advanced Enzymes USA, Inc. and subsidiaries

Notes to the consolidated financial statements

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

c) Balances with related parties

	As at 31 March 2023	As at 31 March 2022
a. Trade receivable		
Advanced Enzyme Technologies Ltd	-	1,819,370
b. Trade payable		
Advanced Enzyme Technologies Ltd	21,561,382	-
c. Interest receivable		
Advanced Enzymes Europe B.V.	62,144,713	37,447,494
d. Loan receivable		
Advanced Enzymes Europe B.V.	489,648,758	451,474,688
e. Remuneration Payable		
Vasant L. Rath	521,748	1,341,203
Prabha V. Rath	279,318	714,336
Rachana Rath	1,139,444	393,614
Rasika Rath	1,197,407	539,397
Reshma Rath	1,982,688	437,349
Harshad Doshi	242,430	618,120
f. Commission payable		
Vasant L. Rath	5,662,344	6,486,868

Advanced Enzymes USA, Inc. and subsidiaries

Notes to the consolidated financial statements

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

24 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 determines the amount of capital required on the basis of annual as well as long term operating plans and other strategic investment plans. The funding requirements are met through operating cash flows and investments in marketable securities. The Company does not have borrowings.

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

25 Leases

(a) Following are the carrying value of Right of use assets for the year ended 31 March 2023:
Please refer note no. 2 for detailed presentation of fair value of Right of Use of Assets.

(b) Maturity analysis of lease liabilities— contractual undiscounted cash flows:

Particulars	Year Ended 31 March 2023	Year Ended 31 March 2022
Less than one year	43,509,759	37,065,351
One to five years	139,242,706	172,731,556
More than five years	-	-
Total undiscounted lease liabilities at 31 March	182,752,465	209,796,907
Discounted Lease liabilities included in the consolidated balance sheet at 31 March		
Current lease liability	37,771,113	30,018,168
Non-Current lease liability	131,051,256	159,499,666

(c) The Weighted average incremental borrowing rate of 4% p.a. for local currency borrowings has been applied for measuring the lease liability at the date of initial application.

(d) The Company incurred Rs. 48,221,080 for the year ended 31 March 2023 (31 March 2022: Rs. 34,847,964) towards expenses relating to leases.

(e) Total cash outflow for leases for year ended 31 March 2023 is Rs 35,904,675 (31 March 2022: Rs 33,671,574).

(f) General Description of leasing agreements:

- Leased Assets: Leasehold office premises and leasehold factory premises
- Future Lease rentals are determined on the basis of agreed terms.
- At the expiry of lease terms, the Company has an option to return the assets or extend the term by giving notice in writing.
- Lease agreements are generally cancellable and are renewable by mutual consent on mutually agreed terms.

26 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

March 31, 2023 INR	Carrying amount				Fair value			Total
	FVTPL	FVTOCI	Amortised Cost	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets								
Investments	3,413,841,933	-	-	3,413,841,933	3,413,841,933	-	-	3,413,841,933
Trade receivables	-	-	139,689,424	139,689,424	-	-	-	-
Cash and cash equivalents	-	-	688,441,532	688,441,532	-	-	-	-
Loans- Non current	-	-	551,793,471	551,793,471	-	-	-	-
	3,413,841,933	-	1,379,924,427	4,793,766,361	3,413,841,933	-	-	3,413,841,933
Financial liabilities								
Lease liability - Non current	-	-	131,051,256	131,051,256	-	-	-	-
Lease liability - Current	-	-	37,771,113	37,771,113	-	-	-	-
Trade payables	-	-	86,459,341	86,459,341	-	-	-	-
Other financial Liabilities	-	-	69,945,008	69,945,008	-	-	-	-
	-	-	325,226,717	325,226,717	-	-	-	-

March 31, 2022 INR	Carrying amount				Fair value			Total
	FVTPL	FVTOCI	Amortised Cost	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets								
Investments	792,709,345	-	-	792,709,345	792,709,345	-	-	792,709,345
Trade receivables	-	-	213,401,355	213,401,355	-	-	-	-
Cash and cash equivalents	-	-	2,407,124,981	2,407,124,981	-	-	-	-
Loans- Non current	-	-	425,856,664	425,856,664	-	-	-	-
	792,709,345	-	3,046,383,000	3,839,092,345	792,709,345	-	-	792,709,345
Financial liabilities								
Lease liability - Non current	-	-	159,499,666	159,499,666	-	-	-	-
Lease liability - Current	-	-	30,018,168	30,018,168	-	-	-	-
Trade payables	-	-	26,910,155	26,910,155	-	-	-	-
Other financial Liabilities	-	-	46,351,889	46,351,889	-	-	-	-
	-	-	262,779,878	262,779,878	-	-	-	-

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.

Advanced Enzymes USA, Inc. and subsidiaries
Notes to the consolidated financial statements
(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 concentration of risk for trade receivables.

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

	Carrying Amount (INR)	31 March 2023 Weighted Average Loss Rate	Loss Allowance
Not due	111,784,489	0.00%	-
0-90 days	26,873,061	0.00%	-
90-180 days	1,031,875	0.00%	-
180-270 days	-	0.00%	-
270-360 days	-	0.00%	-
More than 360 days	-	0.00%	-
	<u>139,689,424</u>		<u>-</u>

	Carrying Amount (INR)	31 March 2022 Weighted Average Loss Rate	Loss Allowance
Not due	159,035,001	0.00%	-
0-90 days	52,243,048	0.00%	-
90-180 days	2,123,306	0.00%	-
180-270 days	-	0.00%	-
270-360 days	-	0.00%	-
More than 360 days	-	0.00%	-
	<u>213,401,355</u>		<u>-</u>

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:

Region	As at March 31 (INR)	
	2023	2022
USA	133,449,277	200,441,543
Asia	2,544,934	4,118,600
Europe	3,604,057	3,524,227
Others	91,156	5,316,985
	<u>139,689,424</u>	<u>213,401,355</u>

Cash and cash equivalents

The Company held cash and cash equivalents of INR 688,441,534 at March 31, 2023 (March 31, 2022: INR 2,407,124,981). 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 3,413,841,933. 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

Advanced Enzymes USA, Inc. and subsidiaries
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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

March 31, 2023	Contractual cash flows					
	Carrying amount	Total	Upto 1 year	1-3 years	3-5 years	More than 5 years
Trade payable	86,459,341	86,459,341	86,459,341	-	-	-
Other financial liabilities	69,945,008	69,945,008	69,945,008	-	-	-

March 31, 2022	Contractual cash flows					
	Carrying amount	Total	Upto 1 year	1-3 years	3-5 years	More than 5 years
Trade payable	26,910,155	26,910,155	26,910,155	-	-	-
Other financial liabilities	46,351,889	46,351,889	46,351,889	-	-	-

Advanced Enzymes USA, Inc. and subsidiaries

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27 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, 2023	March 31, 2022
Profit attributable to equity holders from continuing operations	583,214,899	646,716,928

ii. Weighted average number of ordinary shares

	March 31, 2023	March 31, 2022
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, 2023	March 31, 2022
Basic earnings per share	99,883	110,758
Diluted earnings per share	99,883	110,758

Advanced Enzymes USA, Inc. and subsidiaries
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28 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 2023	Year ended 31 March 2022
Segment revenue (based upon location of customers)		
Outside USA	94,283,291	102,277,196
Within USA	1,838,660,802	2,037,644,889
	1,932,944,093	2,139,922,085
Segment assets (based upon location of assets)		
Outside USA	-	-
Within USA	3,599,956,276	3,200,166,132
	3,599,956,276	3,200,166,132
Capital expenditure		
Outside USA	-	-
Within USA	12,067,768	198,534,186
	12,067,768	198,534,186

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29 Impairment testing of goodwill

For the purposes of impairment testing, goodwill is allocated to the Company'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 carrying amount of Company's goodwill is as follows:

Particulars	31 March 2023	31 March 2022
Goodwill	2,784,850,801	2,567,738,059
	<u>2,784,850,801</u>	<u>2,567,738,059</u>

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 2023	31 March 2022
Discount rate	10%	7%
Terminal value growth rate	5%	5%
Sales growth rate	10%	6%

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.

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30 Ratios

Ratio	Numerator	Denominator	INR		Variance	Reason (If variation is more than 25%)
			As at 31 March 2023	As at 31 March 2022		
Current Ratio	Total current assets	Total current liabilities	19.0	26.1	-27.0%	NA
Debt-Equity Ratio*	NA	NA	NA	NA	NA	NA
Debt Service Coverage Ratio*	NA	NA	NA	NA	NA	NA
Return on Equity Ratio	Profit for the year	Average total equity	7.9%	10.2%	-21.9%	NA
Inventory turnover ratio	Cost of Goods Sold (COGS)	Average inventory	2.2	3.2	-30.5%	Reduction is due to lower cost of goods sold on account of lower sale coupled with increase in inventory
Trade Receivables turnover ratio	Revenue from operations	Average trade receivables	10.9	9.8	12.1%	NA
Trade payables turnover ratio	COGS + Other expenses	Average trade payables	15.7	16.6	-5.8%	NA
Net capital turnover ratio	Revenue from operations	Average working capital (i.e. total current assets less total current liabilities)	0.5	0.6	-26.3%	Reduced on account of lower sale in the year under reporting coupled with increase in working capital
Net profit ratio	Profit for the year	Revenue from operations	30.2%	30.2%	-0.2%	NA
Return on Capital employed	Profit before tax and finance costs	Capital employed	10.1%	13.2%	-23.2%	NA
Return on investment	Income generated from invested funds	Average investment	2.7%	0.1%	4129.0%	Increase is mainly attributable to higher returns on investment during the year under reporting

*The Company does not have any debt accordingly ratio is not applicable

Advanced Enzymes USA, Inc. and Subsidiaries
Notes to the consolidated financial statements

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

31 In view of the unprecedented COVID-19 pandemic and economic forecasts, the Management has assessed the recoverability of its assets including receivables & inventories. In such assessment, the Company has considered internal and external information upto the date of approval of these financial statements including economic forecasts. The Company has performed analysis on the assumptions used and based on current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets. The impact of the global health pandemic may be different from that estimated as at the date of approval of these consolidated financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

32 Liabilities and contingencies

In financial year 2018-19, a competitor filed a lawsuit against the Company for false advertising, unfair competition and consumer fraud. The litigation is under discovery phase, hence the Company cannot reasonably estimate the likelihood or amount of potential liability. Accordingly, no provision has been made as at March 31, 2023.

During the year ended March 31, 2023, a former employee of the Company, filed a complaint against the Company for wrongful termination. The litigation is under discovery phase, and the Company cannot reasonably estimate the likelihood or amount of potential liability. Accordingly, no provision has been made as at March 31, 2023.

33 Government Grant for Employee Retention Credit ("ERC")

During the year ended March 31, 2023, the Company's subsidiaries Specialty Enzymes & Biochemicals ("SEB"), Advanced Supplementary Technologies Corporation ("AST") and Enzymes Innovation Inc. ("EI") availed benefits under the ERC scheme, established under the CARES Act. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides for a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. It is a per employee tax credit based on a percentage of qualified wages and health insurance benefits paid to employees. Accordingly, the Company has recorded total ERC credit refund received under other income in the consolidated statements of profit and loss. During the years ended March 31, 2023, the Company has received ERC credit refund of Rs. 106,265,243/- (USD 1,321,848/-).

The Company did not obtain any employee retention credit during the year ended March 31, 2022.

34 Subsequent events

Merger of Advanced Supplementary Technologies Corporation and Dynamic Enzymes Inc.

Effective April 01, 2023, wholly owned subsidiaries of the Company has been merged. As a result of a merger, Dynamic Enzymes Inc has been merged with Advanced Supplementary Technologies Corporation and Dynamic Enzymes Inc has ceased to exist.

The Company has evaluated all events and transactions that occurred after March 31, 2023 through May 12, 2023; the date the consolidated financial statements are issued.

For KNAV P.A.
Certified Public Accountants

Jaydeep Joshi

Jaydeep Joshi, CPA
Engagement Partner
KNAV P.A.

Certified Public Accountants

Place : Atlanta, Georgia

Date: May 12, 2023

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

V. L. Rath

V. L. Rath
Director

Place : Chino

Date: 5/12/23