

Consolidated Financial statements

Advanced Enzymes USA, Inc. and Subsidiaries

31 March 2016



Independent Auditor's Report

To the Board of Directors of
Advanced Enzymes USA, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Advanced Enzymes USA, Inc. and subsidiaries ("the Company") which comprise the consolidated balance sheet as at March 31, 2016 and March 31, 2015 and the related consolidated statement of profit and loss and the consolidated statement of cash flow for the year then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with accounting principles generally accepted in India; this includes the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the management, as well as evaluating overall presentation of financial statements.

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

Opinion

In our opinion, the financial statements referred to above are present fairly in all material respects, the financial position of the Company as at March 31, 2016 and March 31, 2015 and the result of its operations, and the cash flow for the years then ended, in accordance with accounting policies generally accepted in India.

Atul Deshmukh

Partner
KNAV P.A.
Certified Public Accountants

Atlanta, Georgia
June 20, 2016

KNAV P.A.
Certified Public Accountants
One Lakeside Commons, Suite 850 990 Hammond Drive NE, Atlanta, GA 30328
2016-555

Advanced Enzymes USA, Inc. and Subsidiaries
Consolidated balance sheets
(All amounts are stated in Indian Rupees, unless otherwise stated)

	Notes	As at 31 March 2016	As at 31 March 2015
EQUITY and LIABILITIES			
<i>Shareholders' funds</i>			
Share capital	3&4	285,831,054	270,425,000
Reserves and surplus	5	1,259,708,453	541,507,250
		1,545,539,507	811,932,250
<i>Non-current liabilities</i>			
Long-term borrowings	6	229,454,032	485,549,933
Deferred tax liabilities (net)	7	16,286,312	-
		245,740,344	485,549,933
<i>Current liabilities</i>			
Short-term borrowings	6	-	10,599,537
Trade payables	9	46,691,735	84,322,927
Other current liabilities	10	429,428,743	662,994,120
Short-term provisions	8	53,347,184	101,469,839
		529,467,662	859,386,423
Total		2,320,747,513	2,156,868,606
ASSETS			
<i>Non-current assets</i>			
Fixed assets			
Tangible assets	11	102,256,084	20,662,234
Intangible assets		1,709,529,686	1,709,529,686
Capital work-in-progress	11	-	50,891,479
Deferred tax assets (net)	7A	-	42,579,234
		1,811,785,770	1,823,662,634
<i>Current assets</i>			
Inventories	13	207,222,754	191,488,097
Trade receivables	14	67,477,450	63,303,393
Cash and bank balances	15	230,367,662	28,847,532
Short-term loans and advances	12	3,893,877	49,566,950
		508,961,743	333,205,972
Total		2,320,747,513	2,156,868,606

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

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

For KNAV P.A.
 Certified Public Accountants

Atul Deshmukh

Atul Deshmukh
 Partner
 Licensed in Georgia

Place : Atlanta
 Date : 20 June 2016

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

V. L. Rathi
 V. L. Rathi
 Director

C. L. Rathi
 C. L. Rathi
 Director

Place : Chino
 Date : 20 June 2016

Place : Thane
 Date : 20 June 2016

Advanced Enzymes USA, Inc. and Subsidiaries
 Consolidated statements of profit and loss
 (All amounts are stated in Indian Rupees, unless otherwise stated)

	Notes	For the year ended 31 March 2016	For the year ended 31 March 2015
Revenue			
Revenue from operations (net)	16	1,656,169,639	1,160,987,959
Other income	17	4,022,333	16,407,266
Total revenue		1,660,191,972	1,177,395,225
Expenses			
Cost of materials consumed	18	467,157,740	404,390,199
Changes in inventories of finished goods and work-in-progress	19	(35,012,848)	(1,469,969)
Employee benefit expenses	20	162,286,620	141,173,573
Finance costs	21	33,531,204	44,783,698
Depreciation and amortisation expense	22	8,890,006	5,608,423
Other expenses	23	112,619,501	99,078,568
Total expenses		749,472,223	693,564,492
Profit before exceptional and tax		910,719,749	483,830,732
Exceptional items	24	(40,955,716)	-
Profit before tax		869,764,033	483,830,732
Tax expense			
Current tax		282,440,038	133,343,129
Deferred tax		60,604,109	43,914,761
		343,044,147	177,257,890
Profit after tax		526,719,886	306,572,842
Earnings per equity share (par value USD 1,000 each)			
Before exceptional item	25		
Basic		98.623	54,745
Diluted		98.623	54,745
After exceptional item			
Basic		91.507	54,745
Diluted		91.507	54,745

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

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

For KNAV P.A.
 Certified Public Accountants

Atul Deshmukh

Atul Deshmukh
 Partner
 Licensed in Georgia

Place : Atlanta
 Date : 20 June 2016

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



V. L. Rathi
 Director

Place : Chino
 Date : 20 June 2016



L. L. Rathi
 Director

Place : Thane
 Date : 20 June 2016

Advanced Enzymes USA, Inc. and Subsidiaries
 Consolidated statements of cash flows
 (All amounts are stated in Indian Rupees, unless otherwise stated)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Cash flows from operating activities		
Profit before tax	869,764,033	483,830,732
Exceptional items	(4,955,716)	-
Profit before exceptional items and tax	910,719,749	483,830,732
Adjustments for non-cash transactions		
Depreciation and amortisation expense	8,090,006	5,608,423
Provision for bad debts	122,648	-
	919,732,403	489,439,156
Items considered separately		
Interest income	(2,713,081)	(1,120,494)
Interest expenses	28,745,329	40,515,215
	945,764,651	528,833,877
Operating profit before working capital changes		
Increase / (decrease) in short term liabilities and provisions	(8,613,399)	(108,865,056)
Increase / (decrease) in trade payables	(37,631,192)	(15,230,878)
(Increase) / decrease in inventories	(15,734,657)	(29,798,884)
(Increase) / decrease in trade receivables	(4,296,705)	(17,538,704)
(Increase) / decrease in short term loans and advances	(1,275,274)	5,783,050
Cash generated from operating activities	878,213,423	363,183,404
Income taxes paid	(185,484,817)	(166,258,389)
Net cash generated from operating activities	692,728,606	196,925,015
Cash flows from investing activities		
Purchase of tangible assets	(39,592,380)	(39,954,550)
Interest received	2,713,087	1,120,494
Net cash used in investing activities	(36,879,293)	(38,834,056)
Cash flows from financing activities		
Proceeds from issue of share capital	257,570,140	-
Repayment of long term borrowings	(610,384,138)	-
Repayment of short term borrowings	(10,599,537)	(42,094,074)
Interest paid	(38,494,316)	(49,183,835)
Net cash used in financing activities	(401,907,851)	(91,187,908)
Net (decrease) / increase in cash and cash equivalents	253,941,462	66,903,051
Cash and cash equivalents as at the beginning of the year	28,847,532	2,496,676
Effect of exchange rate changes on cash and cash equivalents held	(52,421,332)	(40,552,195)
Cash and cash equivalents as at the end of the year	230,367,662	28,847,533

Notes to the cash flow statement

- 1) The cash flow statement has been prepared under indirect method as set out in Accounting Standard 3, 'Cash Flow Statement' as notified by the Central Government under the Companies Act, 2013.

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

For KNAV P.A.
 Certified Public Accountants

Atul Deshmukh

Atul Deshmukh
 Partner
 Licensed in Georgia

Place : Atlanta
 Date : 20 June 2016

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

V. L. Rathi
 Director

C. L. Rathi
 Director

Place : Chittoor
 Date : 20 June 2016

Place : Thane
 Date : 20 June 2016

Summary of significant accounting policies and other explanatory information

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements is as follows:

(a) Basis of preparation

The accompanying consolidated financial statements which have been prepared and presented under the historical cost convention on the accrual basis of accounting are in accordance with the requirements of the Companies Act, 2013 ('the Act') and comply to all material aspects with the applicable Accounting Standards specified under section 133 of the Act, read with rule 7 of the companies (Accounts) rule, 2014 (as amended). The accounting policies have been consistently applied by Advanced Enzymes USA, Inc. and subsidiaries (collectively hereinafter referred to as "the Company").

(b) Principles of consolidation

The consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Accounting Standard (AS)-21, "Consolidated Financial Statements".

The consolidated financial statements are prepared in Indian Rupees ("INR") and include the accounts of the Company and all of its subsidiaries in which a controlling interest is maintained. Control is defined as: a) the ownership, directly or indirectly through subsidiaries of more than one-half of the voting power of an enterprise; or b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain economic benefits from its activities. When the Company does not have a controlling interest in an entity, but exerts significant influence over the entity, the Company applies the equity method of accounting. Intercompany balances and transactions are eliminated.

(c) Use of estimates

The preparation of consolidated financial statements in conformity with the generally accepted accounting principles requires the 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. Actual results may differ from the estimates and assumptions used in preparing the consolidated accompanying financial statements. Any revision to accounting estimates is recognized prospectively in current and future periods.

(d) Revenue recognition

- Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.
- Revenue from sale of products is recognized on delivery of the products, when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks and rewards of ownership are transferred to the customer/agent and no effective ownership is retained.
- Interest revenue is recognized on a time proportionate basis, taking into account the amount outstanding and the rates applicable.

The Company's revenue represents sales of finished goods inventory and is recognized when delivered or picked up by customers.

(e) Shipping and handling costs

Freight billed to customers is classified as sales revenue. Freight in from manufacturers is expensed as part of cost of goods sold.

Advanced Enzymes USA, Inc. and Subsidiaries
Notes to the consolidated financial statements for the year ended March 31, 2016

(f) Inventories

Inventories of stores, spares, packing material, raw material, finished goods and stock in process are valued at lower of cost or net realizable value.

Cost of raw materials, stores, spares and packing materials is determined on first-in-first-out basis. Cost of finished goods and stock in process is determined by considering materials, labor, and other related costs incurred in bringing the inventories to their present condition and location. Cost of finished goods and stock in process is determined on weighted average basis.

(g) Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful life of the assets using the straight-line method. Expenditures for maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the cost of the asset and related depreciation are eliminated from the financial records. Any gain or loss on disposition is credited or charged to income.

The estimated useful lives of assets are as follows:

Equipment (Office and Machinery)	5 years
Computer equipment and software	3 years
Furniture and fixtures	5 years
Leasehold improvements	Term of the lease

(h) Impairment of assets

In accordance with Accounting Standard (AS) 28 on 'Impairment of Assets', the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets or where applicable, that of the cash generating unit to which the asset belongs is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment loss is recognized in the Statement of profit and loss or against revaluation surplus where applicable.

(i) Cash and cash equivalents

Cash equivalents represent highly liquid investments with remaining maturities, at the date of purchase/investment, of three months or less.

(j) Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources embodying economic benefits 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. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

(k) Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company. The Company accounts for deferred taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of income in the period of change. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

Advanced Enzymes USA, Inc. and Subsidiaries
Notes to the consolidated financial statements for the year ended March 31, 2016

(l) Employee benefits

- i. All short term employee benefits are accounted on undiscounted basis during the accounting period based on services rendered by employees.
- ii. Defined contribution plans

Contributions to defined contribution plans are charged to income in the period in which they accrue.

(m) Leases

Leases where the lesser effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of profit and loss on straight line basis.

(n) Reclassifications

Certain reclassifications, regroupings and reworking have been made in the consolidated financial statements of prior periods to conform to the classifications used in the current year. These changes had no impact on previously reported net profit or reserves and surplus.

(o) Foreign currency translation

The translation of consolidated financial statements from the local currency to the reporting currency of the Company is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenue, expense and cash-flow items using average exchange rate for the respective periods and the resulting difference is presented as foreign currency translation reserve included in 'Reserves and Surplus'.

The consolidated financial statements of the company are reported in Indian Rupees. The functional currency of Advanced Enzymes USA, Inc. and subsidiaries is United States Dollars.

(p) Earnings per share

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard - 20, "Earnings per Share" of Companies (Accounts) Rules, 2013. The basic and dilutive earnings / (loss) per share is computed by dividing the net profit/ (loss) attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Dilutive earnings per share is computed and disclosed after adjusting the effects of all dilutive potential equity shares, if any, except when the results will be anti-dilutive.

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 2016		As at 31 March 2015	
	Number	Amount	Number	Amount
3 Share capital				
Authorised				
Equity shares of USD 1,000 each	100,000	6,633,290,000	100,000	6,259,000,000
	100,000	6,633,290,000	100,000	6,259,000,000
Issued, subscribed and fully paid up				
Equity shares of USD 1,000 each	5,839	285,831,054	5,600	270,425,000
Total	5,839	285,831,054	5,600	270,425,000

	As at 31 March 2016		As at 31 March 2015	
	Number	INR	Number	INR
4 Reconciliation of Equity share capital				
Balance at the beginning of the year	5,600	270,425,000	5,600	270,425,000
Add : Issued during the year	239	15,406,054	-	-
Balance at the end of the year	5,839	285,831,054	5,600	270,425,000

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.

Shareholding structure

c) Shareholders holding more than 5% of the shares

	Number	% of holding	Number	% of holding
<u>Equity shares of USD 1,000 each</u>				
Advanced Enzyme Technologies Limited	5,839	100.00%	5,600	100.00%
	5,839	100.00%	5,600	100.00%

Advanced Enzymes USA, Inc. and Subsidiaries

Notes to consolidated financial statements

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

	As at 31 March 2016	As at 31 March 2015
5 Reserves and surplus		
Currency translation reserve		
Balance at the beginning of the year	(250,312,858)	(209,760,663)
Add : Additions made during the year	(50,682,769)	(40,552,195)
Balance at the end of the year	<u>(300,995,627)</u>	<u>(250,312,858)</u>
Securities premium		
Balance at the beginning of the year		
Add : Additions made during the year	242,164,086	-
Balance at the end of the year	<u>242,164,086</u>	<u>-</u>
Surplus in the statement of profit and loss		
Balance at the beginning of the year	791,820,108	485,247,266
Add : Transferred from statement of profit and loss	526,719,886	306,572,842
Balance at the end of the year	<u>1,318,539,994</u>	<u>791,820,108</u>
	<u>1,259,708,453</u>	<u>541,507,250</u>

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

	As at 31 March 2016		As at 31 March 2015	
	Long term	Short term	Long term	Short term
6 Borrowings				
Secured				
Loans from related parties	229,454,032		485,549,933	
Unsecured				
Loans from related parties				10,599,537
Total borrowings	229,454,032	-	485,549,933	10,599,537

b) Details of security for each type of borrowings

(i) Term loans from related parties are secured by pledge of 2,000 equity shares of Cal India Food International and 1000 shares of Advanced Supplementary Technologies Corporation.

c) Terms of repayment of term loans and other loans

Term loan from banks / related party	Payable not later than 1 year*	Payable later than one year not later than five years
	Rupees	Rupees
3.50%	289,806,410	229,454,032

d) Defaults made on payment of installments and interest on long term borrowings during the year

	For the year ended 31 March 2016		For the year ended 31 March 2015	
	Amount Rs. in million	Period of default	Amount Rs. in million	Period of default
Default on payment of installments -				
Vasant Rathi				
Rathi Property LLC			322.79	15 months
			56.96	15 months
Default on payment of interest on loan -				
Vasant Rathi			8.29	1 month
Rathi Property LLC			1.46	1 month

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

	As at 31 March 2016	As at 31 March 2015
7 Deferred taxes		
Fixed assets	21,389,817	-
Trade receivable	(174,921)	-
Inventories	(3,597,927)	-
Provision for product recall liability	(1,330,658)	-
Net deferred tax liabilities	16,286,312	-

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

	As at 31 March 2016	As at 31 March 2015
7A		
Deferred taxes		
Fixed assets	-	(3,124,766)
Accrued interest	-	3,314,656
Account receivable	-	198,522
Inventories	-	1,756,995
Provision for product recall liability	-	33,916,919
Fixed assets	-	(207,603)
Accrued interest	-	568,795
Account receivable	-	34,073
Inventories	-	301,500
Provision for product recall liability	-	5,820,143
Net deferred tax assets	-	42,579,234

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

	As at 31 March 2016		As at 31 March 2015	
	Long term	Short term	Long term	Short term
8 Provisions				
Provision for taxation (net of advance tax)	-	50,006,874	-	-
Provision for product recall expenses	-	3,340,310	-	101,469,839
	-	53,347,184	-	101,469,839

Advanced Enzymes USA, Inc. and Subsidiaries

Notes to the consolidated financial statements

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

	As at 31 March 2016	As at 31 March 2015
9 Trade payables		
Dues to others	46,691,735	84,322,927
	<u>46,691,735</u>	<u>84,322,927</u>

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

	As at 31 March 2016	As at 31 March 2015
10 Other current liabilities		
Current maturities of long term loans	289,806,410	264,338,082
Installment due but not paid	-	379,756,565
Interest due but not paid	-	9,748,987
Other statutory dues	569,198	183,624
Other payables	13,067,323	8,966,862
Advances from customers	125,985,812	-
	<u>429,428,743</u>	<u>662,994,120</u>

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

11 Tangible assets

Gross block	Office equipments	Furniture	Computer	Leasehold improvements	Machinery and equipment	Total
Balance as at 31 March 2014	4,152,176	-	8,363,383	1,195,834	16,492,413	30,203,806
Additions	-	-	-	-	7,301,064	7,301,064
- Foreign exchange fluctuation	(400,307)	-	596,002	48,557	383,556	627,808
Balance as at 31 March 2015	3,751,868	-	8,959,385	1,244,391	24,177,033	38,132,678
Additions	-	4,274,415	264,861	72,507,492	11,145,598	88,192,367
- Foreign exchange fluctuation	51,488	44,269	142,331	1,035,066	1,018,350	2,291,510
Balance as at 31 March 2016	3,803,356	4,318,684	9,366,577	74,786,950	36,340,980	128,616,554
Accumulated depreciation and amortisation						
Balance as at 31 March 2014	1,911,157	-	4,376,682	24,309	5,549,872	11,862,020
Depreciation and amortisation	798,466	-	1,845,706	-	2,964,251	5,608,423
Balance as at 31 March 2015	2,709,623	-	6,222,388	24,309	8,514,124	17,470,443
Depreciation and amortisation	812,770	950,488	1,864,568	267,193	4,995,007	8,890,027
Balance as at 31 March 2016	3,522,393	950,488	8,086,956	291,502	13,509,130	26,360,470
Net block						
Balance as at 31 March 2015	1,042,245	-	2,736,997	1,220,082	15,662,909	20,662,234
Balance as at 31 March 2016	280,963	3,368,196	1,279,621	74,495,448	22,831,850	102,256,084
Capital Work-in-progress						
Balance as at 31 March 2015	-	-	-	50,891,166	-	50,891,166
Balance as at 31 March 2016	-	-	-	-	-	-

Advanced Enzymes USA, Inc. and Subsidiaries

Notes to the consolidated financial statements

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

	As at		As at	
	31 March 2016		31 March 2015	
	Long term	Short term	Long term	Short term
12 Loans and advances				
Loans and advances to related parties				
- Unsecured, considered good	-	-	-	402,772
Advances recoverable in cash or in kind or for value to be received	-	3,893,877	-	2,215,831
Advance income tax (net of provisions)	-	-	-	46,948,347
	-	<u>3,893,877</u>	-	<u>49,566,950</u>

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

	As at 31 March 2016	As at 31 March 2015
13 Inventories (valued at cost or lower of net realisable value)		
Raw materials (including goods-in-transit of Rs. 18,175,215; (March 31, 2015: Rs. 38,924,593))	107,402,787	126,493,789
Work-in-progress	5,440,619	7,516,361
Finished goods	93,155,287	56,538,824
Stores and supply	1,224,061	939,123
	<u>207,222,754</u>	<u>191,488,097</u>
14 Trade receivables		
Outstanding for a period exceeding six months from the date they are due for Unsecured considered good	-	-
Other debts Unsecured considered good	67,477,450	63,303,393
	<u>67,477,450</u>	<u>63,303,393</u>

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

	As at 31 March 2016		As at 31 March 2015	
	Current	Non-current	Current	Non-current
15 Cash and bank balances				
Cash and cash equivalents				
Cash on hand	33,166	-	31,295	-
Balances with banks				
- in current accounts	230,334,496	-	28,816,237	-
Total	230,367,662	-	28,847,532	-

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

	For the year ended 31 March 2016	Year ended 31 March 2015
16 Revenue		
Revenue from operations		
Sale of products	1,656,169,639	1,160,987,959
Revenue from operations (Net)	<u>1,656,169,639</u>	<u>1,160,987,959</u>
17 Other income		
Other non-operating income	4,022,333	1,120,494
Other non-operating income	-	15,286,772
	<u>4,022,333</u>	<u>16,407,266</u>
18 Cost of materials consumed		
Opening stock		
Raw materials and components	126,493,789	100,070,458
	<u>126,493,789</u>	<u>100,070,458</u>
Add : Purchases during the year		
Raw materials and components	448,066,738	430,813,530
	<u>448,066,738</u>	<u>430,813,530</u>
Less : Closing stock		
Raw materials and components	107,402,787	126,493,789
	<u>107,402,787</u>	<u>126,493,789</u>
	<u>467,157,740</u>	<u>404,390,199</u>
19 Changes in inventories of finished goods, work-in-progress and		
Opening stock		
- Manufactured goods	56,152,166	52,470,435
- Work-in-progress	7,342,989	9,554,751
	<u>63,495,155</u>	<u>62,025,187</u>
Closing stock		
- Manufactured goods	93,138,892	56,152,166
- Work-in-progress	5,369,111	7,342,989
	<u>98,508,003</u>	<u>63,495,156</u>
	<u>(35,012,848)</u>	<u>(1,469,969)</u>
20 Employee benefit expense		
Salaries, wages and bonus	151,980,909	131,724,090
Payroll taxes	10,305,711	9,449,483
	<u>162,286,620</u>	<u>141,173,573</u>
21 Finance costs		
Interest expenses	28,745,329	40,515,215
Bank charges	4,785,875	4,268,482
	<u>33,531,204</u>	<u>44,783,698</u>
22 Depreciation and amortisation expense		
Depreciation of tangible assets (Also, refer note 11)	8,890,006	5,608,423
	<u>8,890,006</u>	<u>5,608,423</u>

23 Other expenses

Utilities	4,407,929	3,999,587
Carriage inward and freight	7,068,525	5,171,072
Custom brokers	3,030,961	4,737,318
Rent	12,252,309	11,444,864
Rates and taxes	2,001,356	2,223,181
Repairs and maintenance	3,690,897	1,772,813
Laboratory expenses	10,102,261	8,216,676
Insurance	9,761,274	9,509,139
Legal and professional fees	19,839,363	19,617,361
Auditors' remuneration	1,571,066	-
Donation	16,365	45,860
Communication	2,017,448	1,430,285
Travel, conveyance and car hire	6,612,691	6,727,395
Commission	335,263	695,088
Advertisement and sales promotion	9,455,234	9,671,902
Bad debts	122,648	(828,963)
Sales tax	387,221	(30,342)
General expense	11,121,165	8,459,219
IT consulting	4,264,354	2,839,214
Discount	4,546,964	3,376,900
Others (Tax)	14,207	-
	<u>112,619,501</u>	<u>99,078,568</u>

24 Exceptional items

Provision for product recall claims	40,955,716	-
	<u>40,955,716</u>	<u>-</u>

Provision for product recall claims

The Company in the month of October 2013, conducted a voluntary recall of its products as the Company based on its laboratory testing discovered that the enzymes it manufactured might contain certain elements which might result into severe medical problems. As a result, various products of the Company were subject to several lawsuits and product liability claims. There were a significant number of claimants who had pending lawsuits or claims regarding the products of the Company seeking consequential damages, as well as related costs, expenses and attorney fees. During the year ended March 31, 2016, based on legal advice, the Company provided for the product recall liability amounting to INR 40,955,716 (March 31, 2015: NIL). Thereafter, the Company settled all of the pending claims except one by making a payment of USD 575,293 (INR 37,658,680) during the year to several claimants. Provision for product recall liability as at March 31, 2016 amounts to INR 3,340,310 (March 31, 2015: INR 101,469,839).

25 Earning per share

a) Computation of profit for computing		
Net profit for the year before exceptional items	567,675,602	306,572,842
Net profit for the year after exceptional items	526,719,886	306,572,842
b) Number of equity shares		
Basic	5,756	5,600
Diluted	5,756	5,600
c) Nominal value of shares		
	USD 1,000	USD 1,000
d) Computation		
Before exceptional item		
Basic	98,623	54,745
Diluted	98,623	54,745
After exceptional item		
Basic	91,507	54,745
Diluted	91,507	54,745
From continuing operations		
Basic	91,507	54,745
Diluted	91,507	54,745

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

26 Segment reporting

Business segment / geographical segment

Year ended 31 March 2016

Particulars	Revenue	Segment assets	Capital expenditure
Rest of world	304,534,114	-	-
America	1,351,635,525	2,320,747,513	39,592,380
Total	1,656,169,639	2,320,747,513	39,592,380

Year ended 31 March 2015

Particulars	Revenue	Segment assets	Capital expenditure
Rest of world	-	-	-
America	1,160,987,959	2,067,341,025	39,954,550
Total	1,160,987,959	2,067,341,025	39,954,550

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

27 Related parties

a) Names of related parties

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

b) Transactions with related parties

	For the year ended 31 March 2016	Year ended 31 March 2015
Purchases of Goods		
Advanced Enzyme Technologies Ltd	267,437,915	306,719,124
Sale of Goods		
Advanced Enzyme Technologies Ltd	9,138,365	22,389,993
Rent Paid		
Rathi Properties LLC	8,717,411	8,142,921
Vasant Rathi	3,534,898	3,301,943
Remuneration to Directors & their Relatives		
Prabha V. Rathi	12,772,420	11,923,682
Reshma Rathi	5,253,257	4,648,365
Vasant L. Rathi	20,824,136	26,556,366
Rachana Rathi	5,253,257	4,624,848
Rasika Rathi	7,833,912	5,287,462
Principle paid		
Vasant L. Rathi	569,533,996	68,183,752
Rathi Property LLC	99,477,779	11,176,573
Rachana Rathi	-	6,891,704
Rasika Rathi	-	6,891,704
Reshma Rathi	-	6,891,704

Advanced Enzymes USA, Inc. and Subsidiaries

Notes to the consolidated financial statements

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

Advances / Loan paid (net)		
Advanced Enzyme Technologies Ltd	1,153,387	-
Interest paid		
Vasant L. Rathi	24,878,919	41,997,837
Rathi Property LLC	3,866,410	7,254,185
Rachana Rathi	-	157,209
Rasika Rathi	-	157,209
Reshma Rathi	-	157,209

c) Balances with related parties

	Year ended 31 March 2016	Year ended March 31, 2015
a. Accounts Receivable		
Advanced Enzyme Technologies Ltd	5,479,098	1,422,000
b. Accounts Payable		
Advanced Enzyme Technologies Ltd	18,175,215	44,144,039
c. Loan Payable		
Vasant L. Rathi	440,485,722	960,197,885
Rathi Properties LLC	78,774,691	169,446,725
d. Interest Payable		
Advanced Enzyme Technologies Ltd	-	2,472,177
Vasant L. Rathi	-	8,286,646
Rathi Property LLC	-	1,462,340

d) Additional issue of share capital

	Year ended March 31, 2016	Year ended March 31, 2015
Issue of share capital	15,406,054	-
<p>During the year ended March 31, 2016, Advanced Enzyme Technology Limited made an additional investment in Advance Enzymes USA, Inc. Pursuant to this, the Company issued 127 common shares at the value of USD \$ 17,340 and 112 shares at the value of USD \$ 16,039 (Face Value:USD \$ 1,000) per share.</p>		

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

28 Disclosures in respect of non-cancellable operating leases

	For the year ended 31 March 2016	Year ended 31 March 2015
Payable not later than 1 year	6,538,055	8,335,154
Payable later than 1 year not later than five years		6,251,381
Total	6,538,055	14,586,536

Lease payments charged off to the statement of profit and loss

	For the year ended 31 March 2016	Year ended 31 March 2015
	12,252,309	11,444,864

29 Payments to auditors

	For the year ended 31 March 2016	Year ended 31 March 2015
As auditor		
Statutory audit	1,571,066	1,406,383
	1,571,066	1,406,383
Reimbursement of expenses		305,858
	1,571,066	1,712,241

30 Incorporation of Enzyfuel Inc.

Enzyfuel Innovation, Inc. (EFI) a wholly owned subsidiary of Advanced Enzymes, USA was founded on December 30, 2015. EFI is focused on business development and marketing of enzymes for bio-diesel production from natural raw material in USA. Along with enzyme marketing, EFI offers complete technical service to the bio-diesel manufacturers. During the year the company invested USD \$ 5,000 (INR 331,650) in Enzyfuel Inc.

31 Subsequent Events

The company has evaluated all events and transactions that occurred after March 31, 2016 through June 20, 2016; the date the financial statements are issued. Based on the evaluation, the company is not aware of any events or transactions that would require recognition or disclosure in the financial statements.

For KNAV P.A.
 Certified Public Accountants

Atul Deshmukh

Atul Deshmukh
 Partner
 Licensed in Georgia

Place : Atlanta
 Date: 20 June 2016

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

V. L. Rathi
 V. L. Rathi
 Director

C. L. Rathi
 C. L. Rathi
 Director

Place : Chitto
 Date: 20 June 2016

Place : Thane
 Date: 20 June 2016