CFS EUROPE S.p.A.
(Sole Shareholder Company)
Company subject to the management and co-ordination of Camlin Fine Sciences Ltd. (India)
Registered Office: Via Agostino Depretis 6 – 48123 Ravenna (RA)
Tax Code 03902320823 - VAT No. 11310150153
Register of Companies of Ravenna No. 03902320823 - REA Ravenna No. 134927
Share Capital Euro 2,000,000 fully paid in

Directors' Report on the Financial Statements at 31 March 2019

AMOUNTS EXPRESSED IN EURO

Dear Shareholders,

The financial statements for the year ended 31 March 2019, submitted for your approval, made up of the balance sheet, income statement, cash flow statement, and explanatory notes, have been drawn up in compliance with the Italian Civil Code and with the reference accounting standards (OIC). They present a profit of Euro 1,910,650 after allocating taxes for Euro 698,416 and recognising depreciation and amortisation for a total of Euro 1,103,102.
This directors' report has been prepared in accordance with the provisions of article 2428 of the aforementioned Italian Civil Code and aims to provide a true and accurate analysis of the company and its operating results for the year ended 31 March 2019.
To this end, we will review the contents of the Balance Sheet and Income Statement, reclassifying them by different criteria to highlight figures and results that are helpful in analysis and in calculating specific ratios.
We will now look at the company's assets and liabilities, as well as income-related and cash flow items, taking into account costs, revenues and investments carried out.

INFORMATION ON OPERATIONS

The following should be noted:

- Directors have decided to maintain the historic cost at recognition of the 43.35% stake in the Chinese company CFS Wanglong Flavors (Ningbo) Co. Ltd., company that produces synthetic vanillin, a product whose raw material is guaiacol, a derivative of catechol. The value recognised, although higher than the corresponding value of the percentage of shareholders' equity, as indicated in the Explanatory Notes, was not written down as the conditions for impairment are not deemed to exist;
- Work has begun on construction of the new additive mixing plant for the feed market, which will be completed within the first half of 2019, while work on the technology laboratory was completed during the fiscal year ended 31 March 2019, allowing it to be put into operation in September 2018. In order to expand the production area, the purchase of land contiguous to the new plant was initiated. CFS participated in the auction held as part of a bankruptcy procedure at the Court of Ravenna, with awarding in February 2019 at an advantageous price compared to market values;
- The company intended to take advantage of the Research and Development tax credit provided for in article 1, paragraph 35, of Law no. 190 of 23 December 2014, and to use it in accordance with the procedures provided for by the aforementioned legislation for the year ended 31 March 2019, as well as 2017-2018, for which it

concluded the case in December 2018. The overall tax benefit was equal to Euro 334,934;

- An innovative project was launched for optimisation of the pitches, industrial waste of the phenols plant. The objective of the project is to improve the company's competitiveness by reducing the relative disposal costs and generating income thanks to the development of an energy recovery process.
  The project was submitted in order to benefit from the resources of a call for tenders from the Ministry of Economic Development for financial subsidies under the Ministerial Decree of 5 March 2018. The project has currently been accepted and CFS Europe has entered the ranking, pending the final awarding;
- In order to improve cash flow management with the parent company and with a view to cost savings, the reverse merger project between CFS Europe S.p.A. and its sole shareholder, CFCL Mauritius, which holds 100% of the shares, was submitted on 13 February 2019 with the Ravenna Chamber of Commerce. Following the reverse merger, Camlin Fine Sciences Ltd will directly own 100% of the company's share capital;
- CFS Europe, with a view to greater financial autonomy vis-à-vis the Indian parent company, has approached leading credit institutions to obtain a credit line of Euro 1.5 million and laid the foundations to complete negotiations underway in the following fiscal year for a further Euro 2 million;
- Thanks to a greater focus on maintenance costs, these rose from a total of Euro 1.7 million in the previous fiscal year to Euro 1.2 million in the year ending 31 March 2019, with a savings of 33%. The relative investment amount was Euro 0.8 million, while during the closing year it was Euro 0.4 million.

OPERATIONAL PERFORMANCE

CFS Europe S.p.A. produces and sells chemical products for industrial use, with the business concentrating particularly on diphenols: catechol and hydroquinone. During the year 2018-2019, the production of the diphenol plant was higher than the previous year by 6.1%. Plant yields have improved, thanks to the extraordinary maintenance of some equipment, which boosted regeneration of the catalyst in the reaction, with savings in consumption of the two main raw materials phenol and hydrogen peroxide. The work of optimising the reaction conditions and process is also contributing to the reduction of specific consumption, including energy. The trend in purchase price of raw materials has essentially been constant for both phenol and hydrogen peroxide, with respect to which there has been a small increase since 2019. On the other hand, other raw materials such as acetone, due to overabundance on the market, and the mix of solvent alcohols for pitches had a lower price during the year ended 31 March 2019 compared to the prior year. It should also be noted that disposal costs in the fiscal year were lower than in the previous year, due to closure of contracts that were advantageous for the company.

STAFF

The average number of employees working for the company the previous year and this year is shown below, broken down by category:

WORKFORCE/FINANCIAL YEAR	31/03/2019	31/03/2018	AVG. NO.
Manual workers	18	17	17.17
Office staff	25	23	24.42
Management	5	7	6.58
Executives	2	1	2.00
TOTAL EMPLOYEES	**50**	**48**	**50.17**

Trade relations are essentially good, although there were two labour disputes underway as at the end of the year.

Subdivision of company personnel by education

	No.	Percent
University degree	13	26%
Secondary school diploma	27	54%
Less than secondary school diploma	10	20%
Total	**50**	**100%**

Changes in workforce

The following changes in the business workforce took place during the year:

New hires: 1 executive (Managing Director), 2 plant operators, 2 sales staff, 1 cost controller, 1 administrative manager, 1 IT assistant manager.
Note that, contrary to the prior year, the new Managing Director was classified as an executive, while the prior one was classified as a consultant and was therefore not included under total employees.
The same goes for the new IT assistant manager, who in the prior year was an external consultant of CFS. Consequently, the total number of employees has not changed compared to last year.

Terminations: 1 plant operator, 1 administrative employee, 1 purchasing manager and 1 maintenance supervisor, while two temporary contracts were not confirmed, for 1 sales staff and 1 project technician.

Trade Union Agreements: 4 meetings were held with internal union representatives and sector representatives during the year, to examine various aspects of business performance, and an improvement in union relations is noted. On 4 October 2018, the agreement for the profit-sharing bonus for 2018/2019 was signed. The objectives identified are: accidents, environmental incidents, complaints, service factor, production and EBITDA.

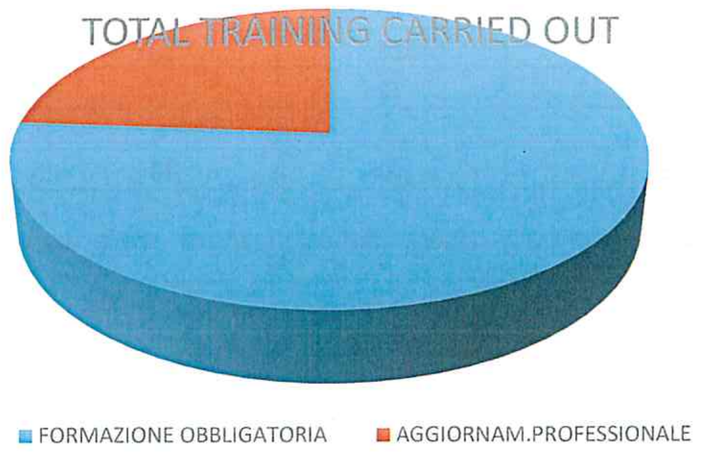
Occupational illness: no occupational illnesses were reported.

Disciplinary measures: during the course of the year, 5 disciplinary measures were carried out, 3 of which resulted in termination for just cause.

Information, education and training

- Training courses were organised for a total of 346 hours during the year, of which 264 hours for courses required by the legislation in force on safety, prevention and protection.

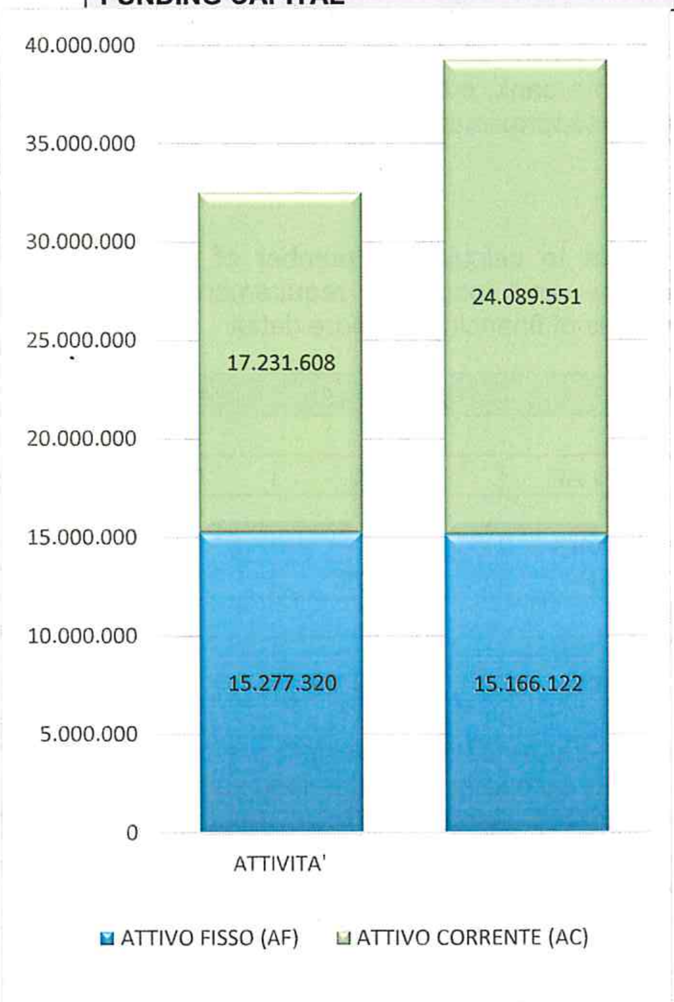
- Participation: 72% of personnel (38 employees of the 53 hired).

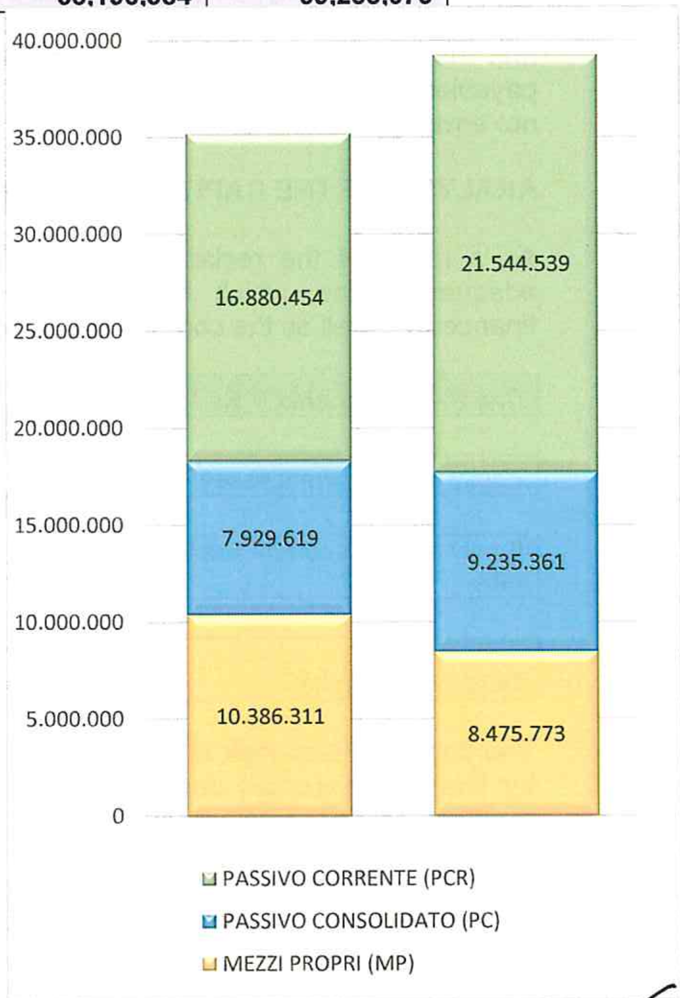


BALANCE SHEET

ASSETS	31/03/2019	31/03/2018
FIXED ASSETS (AF)		
Intangible fixed assets	572,104	398,622
Tangible fixed assets	9,081,893	9,216,594
Financial fixed assets	5,623,323	5,550,906
Total fixed assets	15,277,320	15,166,122
CURRENT ASSETS (AC)		
Inventories	8,662,790	9,048,045
Deferred assets (LD)	10,694,810	14,778,208
Liquid assets (LI)	561,464	263,298
Total current assets	19,919,064	24,089,551
CAPITAL INVESTED	**35,196,384**	**39,255,673**

LIABILITIES	31/03/2019	31/03/2018
EQUITY (MP)		
Share capital	2,000,000	2,000,000
Reserves and profit/(loss) for the year	8,386,311	6,475,773
Total equity	10,386,311	8,475,773
CONSOLIDATED LIABILITIES (PC)		
Medium/long-term liabilities	7,929,619	9,235,361
- of which borrowings (PF)	*7,006,664*	*8,264,378*
CURRENT LIABILITIES (PCR)		
Short-term payables	16,880,454	21,544,539
- of which borrowings (PF)	*1,695,542*	*486,559*
FUNDING CAPITAL	**35,196,384**	**39,255,673**





In the above table, the figures reported in the Balance Sheet were reclassified on the basis of financial criteria, i.e. sorting assets and liabilities by increasing "liquidity".
The invested capital of the company changed by about 11% compared to the previous year, going from about Euro 39.25 million to around Euro 35.20million; net investments remained essentially unchanged and amounted to about Euro 15 million in the two years; inventories decreased by about Euro 0.4 million to approximately Euro 8.66 million, while the company's shareholders' equity increased thanks to the profit achieved during the year (approximately +1.9 million) and consolidated liabilities decreased due to their gradual repayment on the basis of the recovery schedules (approximately -1.3 million).
The most significant reduction, in any case, was in deferred assets (Euro -4.08 million) and in short-term payables (Euro -4.66 million), mainly as a result of the offsetting of accrued receivables and payables with respect to the Indian parent company, Camlin Fine Sciences Ltd, of which more information is provided in the notes to the financial statements, to which reference is made.
Analysis of the company's activities shows, also as at 31 March 2019, significant investment (about 43% of the total capital invested) and significant stock of raw materials, semi-finished and finished products (about 25% of the total capital invested). Note that deferred assets include deferred tax assets for Euro 1.97 million, down by Euro 0.61 million compared to the prior year.
Third-party liabilities declined by a total of approximately Euro 5.97 million, with an increase in short-term bank payables of approximately Euro 1.70 million due to the end of the pre-amortisation period on loans obtained with consequently short-term maturity of the initial principal amounts envisaged in the repayment plan.
Medium- and long-term payables include, in addition to amounts due for employee severance indemnity, the portion of the bank loan due beyond the year, as well as provisions for risks and charges that the company has decided to allocate over time and the provision for deferred taxes. Note that, as in previous years, this includes payables for holidays, reduced working hours, time bank, etc. for personnel which do not envisage a short-term outlay for the Company (approximately Euro 318,000).

ANALYSIS OF THE CAPITAL STRUCTURE

As a result of the reclassification, we are able to calculate a number of capital adequacy ratios, which highlight how medium- and long-term requirements are financed, as well as the composition of the sources of financing. In more detail:

CAPITAL ADEQUACY RATIOS		31/03/2019	31/03/2018
Equity to non-current assets ratio	MP / AF	67.99%	55.89%
Equity plus non-current liabilities to equity ratio	(MP+PC) / AF	119.89%	114.90%
Debt to equity ratio	(PC+PCR) / MP	2.389	3.632

The first two ratios look at the extent to which investments (fixed assets) are covered by financial resources destined to remain in the company over the long term, and represented by own resources and consolidated liabilities. Both ratios show improvement and highlight achievement of an adequate capital balance.
The total borrowing ratio, which improved significantly thanks to the substantial reduction in company liabilities, indicates that third-party resources are around 2.39

times the amount of the company's own resources, compared to 3.63 at the end of the prior year.

ANALYSIS OF FINANCIAL POSITION AND SOLVENCY RATIOS

After initial analysis of the solidity of the company, i.e. the ability to maintain financial stability over the medium- to long-term, we now look in detail at the solvency ratios. A number of solvency ratios can be calculated that are based on reclassified short-term balance sheet data. In more detail:

SOLVENCY RATIOS		31/03/2019	31/03/2018
Current assets minus current liab.	AC - PCR	3,038,610	2,259,468
Current ratio	AC / PCR	118.00%	110.35%
(Cash and cash equivalents + current receivables) - current liabilities	LD + LI - PCR	(5,624,180)	(6,788,577)
Liquidity ratio	(LD+LI) / PCR	66,68%	68.90%

The results obtained from calculating the various ratios show that the company has more short-term assets, including the inventories figure, than liabilities in the same category (net working capital) and that the "margin" improved by Euro 0.8 million (+0.9 million in the previous year).
The quick ratio highlights that the difference between current liabilities and assets increases when inventories are not considered, showing marked improvement of approximately Euro 1.2 million (+1.7 million in the prior year).
This ratio (also referred to as the "acid test") removes the inventory component from net working capital, generating a more prudent solvency ratio, given that inventories are less likely to be transformed into cash than the remaining current asset components because they must first be distributed on the market.
The comparative analysis of the ratios for the two years, also taking into account the results for 2017 compared to 2016, shows a steadily improving scenario.

ANALYSIS OF THE INCOME SITUATION

An analysis of income is provided below for the period covered by the financial statements ended 31 March 2019.
In any event, we have included the reclassified income statement, which highlights the results generated from operations for the company's core business and also other accessory, financial, non-recurring and tax figures.
The format used is that recommended by the Italian National Council for Chartered Accountants:

Acronyms	Aggregates	31/03/2019	31/03/2018
RV	Revenues from sales	39,805,891	36,733,965
PI	In-house production	1,346,845	(628,728)
VP	***Value of operating production***	**41,152,737**	**36,105,237**
External costs	External operating costs	(32,800,605)	(33,919,996)
VA	***Added value***	**8,352,132**	**2,185,241**
CP	Staff and related costs	(3,234,238)	(2,708,765)
MOL	***EBITDA***	**5,117,894**	**(523,524)**
Am/Dep and Prov.	Amortisation, depreciation and provisions	(1,503,103)	(1,343,636)
RO	***Operating result (EBIT)***	**3,614,792**	**(1,867,160)**
	Result: accessory area	0	0
	Result: financial area	(93,163)	307,701
	Normalised EBIT	**3,521,628**	**(1,559,459)**
	Result: extraordinary area	0	0
	Full EBIT	**3,521,628**	**(1,559,459)**
OF	Financial expenses	(912,562)	(602,590)
RL	***Gross profit (loss)***	**2,609,066**	**(2,162,049)**
	Income taxes	(698,416)	504,514
RN	***Net profit (loss)***	**1,910,650**	**(1,657,535)**

INCOME RATIOS		31/03/2019	31/03/2018
Return on equity	RN / MP	18.40%	(19.56%)
Return on investments	RO / CI	11.10%	(4.76%)
Return on sales	RO / RV	9.84%	(5.08%)

From an economic point of view, highlights include:

- Total increase in the value of production of Euro 5.0 million (revenues from sales Euro +3.1 million), or 14% on an annual basis (revenues on from sales +8%);
- Decrease in raw materials purchase costs, utilities and external operating costs of Euro 1.1 million, or 3% on an annual basis;
- Staff and related costs apparently up as a direct consequence of the different classification of the Managing Director, from collaborator to employee, and of the hiring of a consultant, although effectively constant compared to the prior year (approximately Euro 0.52 million);

- Amortisation and depreciation essentially in line with the values from the previous year, although with a slight increase due to investments carried out (approximately Euro +60,000);
- Increase in financial expenses following the stipulation of loans (approximately Euro +0.31 million);
- Negative balance from operations carried out in foreign currency (US dollar): a positive balance was recorded for transactions actually carried out (approximately Euro +200,000) and a negative balance for those not yet paid/collected, including repayment of the bank loan received in foreign currency (approximately Euro -315,000);
- Income taxes for the period amount to approximately Euro 700,000, 26.75% of which on the pre-tax result: current taxes amount to approximately Euro 160,000, while the remainder is almost entirely related to the recovery of deferred tax assets created in previous years.

The economic indicators for the year ended 31 March 2019, in addition to show a clear improvement over the previous year, which closed with a loss, show significant margins, with 11% on invested capital and 10% on sales.

HEALTH, SAFETY AND THE ENVIRONMENT

- **Accident statistics** During the 2018-2019 fiscal year, one accident resulted in an absence from work.

- **Accidental environmental events** On two occasions, due to the high amount of rain falling in less than an hour, the containment basin of one of the loading yards overflowed; the well in the basin contained oil residues; the runoff dispersed the residue on the ground and entered the sewer system. The water was sucked in by the sewer system; the soil was analysed, demonstrating respect of the limits for contaminated soil.
  Subsequently, the basin kerb was raised and a suction system with level control was installed.

- **Accidental events** During preparation of the mixture for catalyst production, approximately 7% of an incorrect chemical substance was used; the wrong reagent was sent by the supplier with the correct one, and labelled as the correct reagent by the external warehouse. No further checks were carried out in the plant. The error was discovered before the reaction and there was no consequence to the process. The mixture was discharged and disposed.
  Following this incident, the process for the identification of materials has been updated and all chemical products are now analysed and labelled by the CFS laboratory. A new procedure has been currently issued to control and validate raw materials and chemical substances before using them in the plant. An optical reader system is in the introduction phase in order to identify any chemical substance entering the plant.
  During the period in question, 10 "near-accidents" were recorded; six were resolved, while for the other four, the measures identified are still in progress, requiring systems changes.

- **Activities carried out in the HSE area**
  The three-year monitoring campaign of dust and organic airborne substances dispersed in the working environment was carried out. All concentrations measured were well below occupational exposure limits.

MAINTENANCE AND INVESTMENTS

Maintenance activities in fiscal year 2018/19 were characterised on the one hand by organisational changes, following termination of the relationship with the previous maintenance manager, and on the other by relatively short plant shutdowns. To date, the role of Maintenance Supervisor is held by the Site Director.
In terms of ordinary maintenance, namely routine maintenance carried out for preventive purposes or upon breakage, there was a net savings in costs, going from Euro 0.8 million in the previous fiscal year to Euro 0.6 million.
In terms of maintenance effectiveness, it was observed that in the year 2018/19 the plant was shut down for a total of 779 hours, including the preventive shutdown, but that the plant downtime caused by faults was reduced from 207 to 108 hours.
With regard to investment activities, the total amount was Euro 0.4 million, compared to Euro 0.8 million the prior year. The significant variation was in particular linked to a different approach to maintenance activities, reviewed also following the negative results of the prior year.

The most significant activities include:

- replacement of the S3 tank, damaged and placed out of service by the Romagna ASL during an assessment (still underway) - Euro 67,000
- extraordinary maintenance of several pieces of equipment and pumps during the preventive maintenance shutdown of July 2018 - Euro 83,000
- rebuilding of the calcination furnace, which had caused serious efficiency problems in the previous year - Euro 37,000
- extraordinary maintenance of the C301 distillation column - Euro 32,000
- modification of the barometric leg of EV420 in order to improve the efficiency of recovery of Hydroquinone from pitches (still in progress) - Euro 50,000

In general, there are no critical situations related to the state of preservation of strategic plant equipment, although there is a need to improve some parts/sections of the plant and in particular:

- A401 (catechol flaker) - in very bad condition and the purchase of a new system is being considered, estimated cost Euro of 280,000.
- S501A (centrifuge) - has undergone various modifications but is still out of service, estimated cost of Euro 25,000.
- calcination furnaces - given their operating conditions (high temperature and frequent temperature spikes), these are the systems most subject to wear, estimated cost of Euro 20,000.
- water channelling system, estimated cost of Euro 20,000.

RESEARCH AND DEVELOPMENT ACTIVITIES

In the 2018-2019 financial year, the company continued its research and development activities and focused its efforts in particular on projects that we believe to be particularly innovative:

Activity 1

2018 Research & Development Project:

analysis, study, design, development, testing and prototype development of chemical products; the project also includes analysis, study and prototype testing activities, carried out in a context of experimental process development, on technologies that can be implemented internally, with direct repercussions on the generation of new products and on different ways of producing current products.

The projects were carried out at the company's registered office at Via Agostino Depretis, 6 in Ravenna (RA).

For development of the projects indicated above, the company incurred costs for a total of Euro 363,406, comprising internal personnel for Euro 313,846 and "extra-muros" expenses for Euro 49,560. In particular, the two main lines of action were the improvement of performance of the diphenol plant process and the development of products derived from diphenols and products in the feed sector, the new business of CFS Europe.

On the total incremental expense of Euro 276,304, the company intends to take advantage of the Research and Development tax credit provided for in article 1, paragraph 35, of Law no. 190 of 23 December 2014, and to use it in accordance with the procedures provided for by the aforementioned legislation.

These R&D activities were also carried out in the previous fiscal year for a total of Euro 480,665 and the related application for the above tax credit, on the incremental expenditure of Euro 393,564, was completed in December 2018.

Research activities continued in the 2019-2020 financial year and the internal staff dedicated to these activities has the objective of optimising the processes to consolidate CFS Europe's market position and to develop new products that will allow it to satisfy its customers and enter new markets.

We are confident that the positive outcome of these innovations will generate good results in terms of turnover, with favourable effects on the company's performance in coming years.

TRANSACTIONS WITH RELATED PARTIES

During the year, a number of transactions were carried out with Camlin Fine Sciences Ltd. and with other Group companies; these are discussed in more detail in the Explanatory Notes, to which reference should be made.

SHARES OR QUOTAS HELD

The company does not possess, nor has it purchased and/or sold during the year, own shares or quotas or quotas in parent companies, either directly or through trust companies or third parties. The company's only strategic shareholdings are those described and listed in the Explanatory Notes, to which reference should be made for further explanations.

SECONDARY BRANCHES OF THE COMPANY

The company's registered office is in Ravenna, at Via Agostino Depretis 6, where the management and administrative offices are located, along with the production areas for the "food" business (feed).
However, the company also operates out of two local/secondary branches as identified below:
- Via Baiona 107/111 in Ravenna, where the industrial plants for the production of diphenols are situated;
- Via Mazzolari snc, Selvaiezzi district, in the province of Chieti, where the research and development activities are conducted.

BUSINESS OUTLOOK

Looking ahead, the company expects to strengthen its presence in the antioxidant market, particularly in the feed sector, following the start-up of the mixing production plant in Ravenna in the summer of 2019, tripling the division's turnover. To this end, the company is creating an extensive sales network in Europe capable of gathering market demand and is planning to expand the range of products offered by specialising in high value-added tailor-made blends.
CFS Europe is finalising the purchase of land contiguous to the new plant for the production of feed mixes, with plans to possibly expand the production capacity of the plant in the coming years; payment of the balance was made in April 2019 and we are now solely awaiting definition of the procedure and the official decree for transfer by the Bankruptcy Office.
With regard to the diphenol business, CFS Europe plans to keep production at the highest level in order to primarily satisfy the needs of the parent company, while opening up to the European market to a greater extent.
From a plant engineering standpoint, the company is investing in projects to optimise energy consumption and in the enhancement of production waste in order to lower the cost of production of diphenols and remain competitive at a global level.

FINANCIAL INSTRUMENTS, COMPANY STRATEGY AND RISK EXPOSURE

The company is mainly exposed to the risk of an increase in the cost of specific raw materials, particularly phenol and hydrogen peroxide, and to euro/dollar exchange rate risk, the US dollar being the currency in which the company deals with some commercial partners, including the parent company, which is its main customer. To hedge the EUR/USD exchange rate risk, CFS Europe has presented its Currency Balance to a number of leading credit institutions, evaluating the proposals made by the institutions to purchase the Flexible Forward hedging instrument for a total of 6 million dollars. For the next fiscal year, the company is also evaluating a hedge that mitigates any increases in the price of phenol, as its price is rising for next year. The reason for this is a reduced production of phenol, caused by a surplus of acetone on the world market to which it is linked.

During the fiscal year 2018-19, CFS Europe benefited from an increase in the sales prices of its products, following agreements with its parent company, its main customer, of around 10%. This agreement was necessary in order to acknowledge a general increase in the price of catechol and hydroquinone on the global markets, to respect the transfer pricing rules at the Group level, which are carefully monitored by CFS Europe in Italy and by the listed holding Camlin Fine Sciences Limited in India.

* * *

Dear Shareholder,

The Board of Directors invites you to approve these financial statements as prepared and accompanied by reports and disclosures drafted pursuant to the Law, as a whole and with regard to the individual items, designating the entire profit of Euro 1,910,650 to the "Extraordinary Reserve", already included among the company's Shareholders' Equity items.

Ravenna, 7 May 2019

For the Board of Directors
The Managing Director
Massimo CUPELLO CASTAGNA

Report of the auditors of CFS Europe S.p.A.,
to Kalyaniwalla & Mistry LLP, auditors of Camlin Fine Sciences Limited Group

Opinion

We have audited the accompanying Financial Statements of CFS Europe S.p.A. ("the Company"), which comprises the Balance Sheet as at March 31st, 2019, and the Statement of Profit and Loss (including other comprehensive income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, a summary of significant accounting policies and other explanatory information and the accompanying special purpose financial information of CFS Europe S.p.A. together called the Fit for Consolidation Financial Statement (FFC).

In our opinion and to the best our information and according to the explanations given to us, the aforesaid FFC give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31st, 2019 and profit and loss, changes in equity and its cash flow for the year ended at the date.

Basis of opinion

As requested by you, vide your communication dated April, 3 2019, and solely for your use for expressing an audit opinion on the Consolidated Financial Statements of Camlin Fine Sciences Limited, we report that the attached FFC present fairly, in all material respects, the financial position of CFS Europe S.p.A. as at March 31st, 2019 and of its financial performance and cash flows for the year then ended and are properly prepared in accordance with the group accounting policies and the instructions referred to above and are in conformity with Group Accounting Policies and Instructions on a basis consistent with that of the preceding year.
We further state that, in our judgment and for the purpose as mentioned above, there are no other matters that need to be reported to you other than what is stated below:

- The company in the Board of directors' meeting of May 8th, 2019 approved the offset for an amount of 6.9 million Euros. This amount was offset in corresponding commercial credit and debts towards the parent company Camlin Fine Sciences Ltd. The parent company has also requested an authorization for such offset to the Indian regulatory authorities. The approved financial statements include the offset in attendance of the requested authorization.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Tangible fixed assets The Company manages an industrial plant of considerable size and complexity that produces Catechol and Hydroquinone. At March 31st 2019, the value of the tangible fixed assets represented the 28% of the total assets in the financial statements. The Board of Directors provides information on capitalized costs to keep the industrial plant in perfect working order in the Notes to the Financial Statements, to which reference should be made.	Our audit procedures in response to the key aspect included: a. verification of the procedure by which the Company capitalizes the costs related to the extraordinary maintenance that have been made on the plant; b. analysis of the classification criteria used to verify the appropriateness of the classification of capitalizations; c. the selection of a significant sample of capitalized costs to verify their relevance and appropriateness; d. examination of the appropriateness of the financial statement information relating to capitalized costs on the Catechol and Hydroquinone production plant
Financial fixed assets The Company made a significant investment in a Chinese company (Ningbo Wanglong), indebtedness of approximately 4.8 million Euro with a leading international credit institution. The Company holds 43.35% of the share capital of Ningbo. At March 31st , 2019, the value of financial fixed assets represented the 16% of the total assets in the financial statements. The Board of Directors provides information on the recording at cost of the shareholding in the financial statements in the Notes to the financial statements, to which reference should be made.	Our audit procedures in response to the key aspect included: a. analysis of the carrying amount of the investment and related costs, comparing it with the corresponding portion of the investee's equity at the date of the last approved financial statements (at December 31 2018); b. we investigated the difference between the book value and the corresponding portion of the subsidiary's shareholders'equity, discussing with the directors regarding the possibility of maintaining the book value; c. we received the report certifying the financial statements of the investee company issued

	by the Chinese Certified Public Accountant on 20th January 2019.
Inventories The Company reports closing inventories for a total of 8.7 million Euro in the financial statements. At March 31st 2019, the value of closing inventories represented the 27% of the total assets in the financial statements. The Board of Directors provides information on the recording of final inventories in the financial statements in the Notes to the financial statements, to which reference should be made.	Our review procedures in response to the key aspect included: a. physical inventory at the balance sheet date of closing inventories; b. Verifying the valuation of inventories by identifying a significant sample; c. verification, through a comparison with the directors, of the recoverability of the values recorded at the balance sheet date; d. verification of the existence of obsolete, discontinued or slow-moving materials and the possible need to write them down.

Management's Responsibility for the Fit for Consolidation Accounts (FFC)

The Company's Board of Directors are responsible for the preparation and fair presentation of the FFC in accordance with the instructions received from Camlin Fine Sciences Limited and Kalyaniwalla & Mistry LLP, the auditors of Camlin Fine Sciences Limited and the accounting policies set out in the group audit instructions. This responsibility also includes maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the FFC Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the FFC Accounts

Our responsibility is to express an opinion on these FFC based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the FFC are free from material misstatement.

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

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

Other matters

In particular and with respect to Camlin Fine Sciences Limited and the other components in the Camlin Fine Sciences Limited Group, referred to in Para 1.2 of the Group Audit Instructions, we are independent and comply with the applicable requirements of the International Standards on Auditing.

The FFC has been prepared for purposes of providing information to Camlin Fine Sciences Limited to enable it to prepare the consolidated financial statements of Camlin Fine Sciences Limited. The special purpose financial information is not a complete set of financial statements of the Company and thus not suitable for any other purpose. This report is intended solely for the purpose of expressing an audit opinion on the Consolidated financial statements of Camlin Fine Sciences Limited by Kalyaniwalla & Mistry LLP and should not be used for any other purpose or distributed to other parties.

Rome May 11st , 2019

Roberto MALLARDO
RB AUDIT Italia - Audit Partner
(Registration n. 135061)

RB Audit Italia
società di revisione ed organizzazione contabile

CFS EUROPE SPA UNIPERSONALE

Financial statements to 31-03-2019

Name and id code	
Company site	VIA AGOSTINO DEPRETIS 6 - 48123 RAVENNA (RA)
Fiscal code	03902320823
Registration number	RA 000000134927
VAT number	11310150153
Share capital Euro	2.000.000 f.p.
Legal form	SOCIETA' PER AZIONI
Activity Code (ATECO)	201409
Company being wound up	no
Company with a single shareholder	yes
Company subject to the management and coordination of others	yes
Name of the company or entity that exercises management and coordination	CAMLIN FINE SCIENCES LTD. (INDIA)
Belonging to a group	yes
Name of the controlling entity	CAMLIN FINE SCIENCES LTD. (INDIA)
Country of the controlling entity	INDIA

CFS Europe SpA
Amministratore Delegato
Chief Executive Officer
Dr. Massimo Cupello Castagna

Balance sheet (mandatory scheme)

	31-03-2019	31-03-2018
Balance sheet (mandatory scheme)		
Assets		
B) Fixed assets		
I - Intangible fixed assets		
3) industrial patents and intellectual property rights	4.084	5.613
4) concessions, licenses, trademarks and similar rights	567.299	391.567
7) other	721	1.442
Total intangible fixed assets	572.104	398.622
II - Tangible fixed assets		
1) land and buildings	1.359.678	1.331.861
2) plant and machinery	7.024.703	7.719.709
3) industrial and commercial equipment	60.831	5.311
4) other assets	60.653	60.455
5) assets under construction and payments on account	576.028	99.258
Total tangible fixed assets	9.081.893	9.216.594
III - Financial fixed assets		
1) equity investments		
d) companies controlled by parent companies	5.076.387	5.076.387
d-b) other companies	141.783	141.783
Total equity investments	5.218.170	5.218.170
2) receivables due from		
d) due from companies controlled by parent companies		
due beyond the following year	376.985	322.538
Total receivables paid by companies controlled by parent companies	376.985	322.538
d-b) due from others		
due beyond the following year	28.168	10.198
Total receivables due from third parties	28.168	10.198
Total receivables	405.153	332.736
Total financial fixed assets	5.623.323	5.550.906
Total fixed assets (B)	15.277.320	15.166.122
C) Current assets		
I - Inventories		
1) raw, ancillary and consumable materials	1.703.517	1.989.651
2) work in progress and semi-finished products	2.793.425	4.509.400
4) finished products and goods for resale	4.060.286	2.524.439
5) advances	105.562	24.555
Total inventories	8.662.790	9.048.045
II - Receivables		
1) trade accounts		
due within the following year	3.604.548	4.782.439
Total trade accounts	3.604.548	4.782.439
4) due from parent companies		
due within the following year	1.970.970	7.171.941
Total receivables due from parent companies	1.970.970	7.171.941
5-b) tax receivables		
due within the following year	442.509	203.523
Total receivables due from tax authorities	442.509	203.523

CFS Europe SpA
Amministratore Delegato
Chief Executive Officer

5-c) prepaid tax	2.002.651	2.577.878
Total receivables	8.020.678	14.735.781
IV - Liquid funds		
1) bank and post office deposits	560.716	262.872
3) cash and equivalents on hand	748	426
Total liquid funds	561.464	263.298
Total current assets (C)	17.244.932	24.047.124
D) Accrued income and prepayments	33.893	42.427
Total assets	32.556.145	39.255.673
Liabilities and shareholders' equity		
A) Shareholders' equity		
I - Share capital	2.000.000	2.000.000
IV - Legal reserve	400.000	400.000
VI - Other reserves, indicated separately		
Extraordinary reserve	2.577.406	2.577.406
Miscellaneous other reserves	78.903	78.903
Total other reserves	2.656.309	2.656.309
VII - Reserve for hedging expected cash flow operations	(2.108)	(1.996)
VIII - Retained earnings (accumulated losses)	3.421.460	5.078.995
IX - Net profit (loss) for the year	1.910.650	(1.657.535)
Total shareholders' equity	10.386.311	8.475.773
B) Reserves for contingencies and other charges		
2) taxation	71.677	111.599
3) passive derivative financial instruments	2.108	1.996
4) other	21.000	33.000
Total reserves for contingencies and other charges	94.785	146.595
Total reserve for severance indemnities (TFR)	549.757	538.843
D) Payables		
4) due to banks		
due within the following year	7.526.544	5.865.705
due beyond the following year	7.006.664	8.264.378
Total payables due to banks	14.533.208	14.130.083
6) advances		
due within the following year	0	162.497
Total advances	0	162.497
7) trade accounts		
due within the following year	5.356.062	7.779.960
Total trade accounts	5.356.062	7.779.960
11) due to parent companies		
due within the following year	303.952	7.264.281
Total payables due to parent companies	303.952	7.264.281
11-b) payables due to companies controlled by parent companies		
due within the following year	103.496	0
Total payables due to companies controlled by parent companies	103.496	0
12) due to tax authorities		
due within the following year	202.531	38.227
Total payables due to tax authorities	202.531	38.227
13) due to social security and welfare institutions		
due within the following year	114.887	74.892
Total payables due to social security and welfare institutions	114.887	74.892
14) other payables		

CFS Europe SpA
Amministratore Delegato
Chief Executive Officer
Dr. Massimo Cupello Castagna

due within the following year	589.878	357.507
Total other payables	589.878	357.507
Total payables (D)	21.204.014	29.807.447
E) Accrued liabilities and deferred income	321.278	287.015
Total liabilities and shareholders' equity	32.556.145	39.255.673

CFS Europe SpA
Amministratore Delegato
Chief Executive Officer
Dr. Massimo Cupello Castagna

Income statement (value and cost of production)

	31-03-2019	31-03-2018
Income statement (value and cost of production)		
A) Value of production		
1) Revenues from sales and services	39.805.891	36.733.965
2) Change in work in progress, semi-finished and finished products	(180.127)	(738.505)
5) Other income and revenues		
other	1.526.973	109.777
Total Other income and revenues	1.526.973	109.777
Total value of production	41.152.737	36.105.237
B) Costs of production		
6) Raw, ancillary and consumable materials and goods for resale	21.142.574	22.795.529
7) Services	10.878.025	10.798.257
8) Use of third party assets	112.216	97.849
9) personnel		
a) wages and salaries	2.370.378	1.978.262
b) related salaries	710.744	595.692
c) severance	153.116	134.811
Total payroll and related costs	3.234.238	2.708.765
10) depreciation, amortisation and write downs		
a) amortisation of intangible fixed assets	26.080	18.348
b) depreciation of tangible fixed assets	1.077.022	1.028.359
d) write-downs of accounts included among current assets	400.000	296.929
Total Amortisation, depreciation and write-downs	1.503.102	1.343.636
11) Changes in inventories of raw, ancillary and consumable materials and goods for resale	286.134	57.667
14) Other operating expenses	381.656	170.694
Total cost of production	37.537.945	37.972.397
Difference between value and cost of production (A - B)	3.614.792	(1.867.160)
C) Financial income and charges		
16) other financial income		
a) from receivables held as financial fixed assets		
companies controlled by parent companies	23.269	12.498
Total receivables held as financial fixed assets	23.269	12.498
d) income other than the above		
other	694	9
Total income other than the above	694	9
Total other financial income	23.963	12.507
17) Interest and other financial expense		
other	912.562	602.590
Total interest and other financial expense	912.562	602.590
17-bis) Currency gains and losses	(117.127)	295.194
Total financial income and expense (15 + 16 - 17 + - 17-bis)	(1.005.726)	(294.889)
Pre-tax result (A - B + - C + - D)	2.609.066	(2.162.049)
20) Income tax for the year, current, deferred and prepaid		
Current taxes	158.563	0
tax related to previous years	4.548	9.814
deferred and prepaid tax	535.305	(514.328)
Total taxes on the income for the year	698.416	(504.514)

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Amministratore Delegato
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Dr. Massimo Cupello Castagna

21) Profit (loss) for the year	1.910.650	(1.657.535)

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Amministratore Delegato
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Dr. Massimo Cupello Castagna

Financial statement, indirect method

	31-03-2019	31-03-2018
Financial statement, indirect method		
A) Cash flows from current activities (indirect method)		
Profit (loss) for the year	1.910.650	(1.657.535)
Income tax	698.416	(504.514)
Payable (receivable) interest	888.599	590.083
(Capital gains)/Capital losses from business conveyance	(2.750)	-
1) Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from conveyances.	3.494.915	(1.571.966)
Adjustments to non monetary items that were not offset in the net working capital.		
Allocations to preserves	153.116	134.811
Fixed asset depreciation/amortisation	1.103.102	1.046.707
Other adjustments to increase/(decrease) non-monetary items	417.562	(356.027)
total adjustments for non-monetary items that were not offset in the net working capital	1.673.780	825.491
2) Cash flow before changing net working capital	5.168.695	(746.475)
Changes to the net working capital		
Decrease/(increase) in inventory	385.255	787.246
Decrease/(increase) in payables to customers	6.378.862	(2.607.934)
Increase/(decrease) in trade payables	(9.280.730)	2.231.553
Increase/(decrease) from prepayments and accrued income	8.534	17.232
Increase/(decrease) from accruals and deferred income	34.263	13.656
Other decreases/(other increases) in net working capital	(140.724)	(302.264)
Total changes to net working capital	(2.614.540)	139.489
3) Cash flow after changes to net working capital	2.554.155	(606.986)
Other adjustments		
Interest received/(paid)	(822.967)	(590.083)
(Income tax paid)	12.800	222.858
(Use of reserves)	(154.202)	(109.064)
Total other adjustments	(964.369)	(476.289)
Cash flow from current activities	1.589.786	(1.083.275)
B) Cash flows from investments		
Tangible fixed assets		
(Investments)	(961.206)	(827.206)
Disposals	21.634	-
Intangible fixed assets		
(Investments)	(199.561)	(115.370)
Financial fixed assets		
(Investments)	(72.418)	(5.376.053)
Cash flows from investments (B)	(1.211.551)	(6.318.629)
C) Cash flows from financing activities		
Loan capital		
Increase/(decrease) in short term bank loans	451.856	(1.269.869)
New loans	-	8.539.707
(Loan repayments)	(531.925)	(147.013)
Cash flows from financing activities (C)	(80.069)	7.122.825
Increase (decrease) in liquid assets (A ± B ± C)	298.166	(279.079)
Liquid assets at the start of the year		
Bank and post office deposits	262.872	541.972

CFS Europe SpA
Amministratore Delegato
Chief Executive Officer
Dr. Massimo Cupello Castagna

Cash and valuables in hand	426	406
Total liquid assets at the start of the year	263.298	542.378
Liquid assets at the end of the year		
Bank and post office deposits	560.716	262.872
Cash and valuables in hand	748	426
Total liquid assets at the end of the year	561.464	263.298

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Amministratore Delegato
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Explanatory Notes - Introduction

PREPARATION PRINCIPLES
The financial statements for the tax period 1 April 2018 to 31 March 2019 were drawn up in accordance with the Italian Civil Code, as amended by Italian Legislative Decree 139/2015 (the "Decree"), interpreted and supplemented by the Italian accounting standards issued by the OIC (Italian Accounting Body).
The Financial Statements comprise the Balance Sheet (prepared in the format envisaged in articles 2424 and 2424bis of the Italian Civil Code), the Income Statement (prepared according to articles 2425 and 2425bis), the Cash Flow Statement (the contents of which comply with article 2425ter and are presented in compliance with the principles of accounting standard OIC 10), and these Explanatory Notes, prepared in accordance with articles 2427 and 2427bis of the Italian Civil Code).
The Explanatory Notes below analyse and supplement the financial statements data with additional information considered necessary for a truthful and fair representation of the data illustrated, taking into account that no exceptions pursuant to articles 2423 and 2423bis of the Italian Civil Code were applied.
The items in the financial statements were valued following the general criteria of prudence and on an accruals basis, under the assumption of going concern, as well as by taking into account the economic function of the asset or liability item considered, in accordance with the provisions of article 2423bis of the Italian Civil Code. For each transaction or circumstance, and for any corporate event, its substance was therefore identified regardless of its origin and any interdependence on multiple contracts forming part of complex transactions was assessed.
Application of the principle of prudence led to the individual valuation of the components of the individual headings or items of the assets or liabilities, to avoid offsetting between losses that must be recognised and profits that must not be recognised, as they are unrealised.
In accordance with the accruals principle, the effects of the transactions and other events have been recorded in the accounts and allocated to the accounting period to which said transactions and events refer, and not to the period when the related cash movements (collections and payments) took place.
The application continuity over time of the valuation criteria is an aspect necessary for the comparability of the company's financial statements in different years.
The items not specifically recorded in the Balance Sheet and Income Statement, envisaged in articles 2424 and 2425 of the Italian Civil Code, and in the Cash Flow Statement presented in compliance with accounting standard OIC 10, had a zero balance. The option not to indicate such items related only to cases in which a zero balance was recorded both in the current year and the previous year.

ACCOUNTING STANDARDS
The most important accounting standards adopted in drawing up these financial statements are described below.

INTANGIBLE FIXED ASSETS
Intangible assets were measured on the basis of the actual purchase cost incurred by the company and the resulting value amortised on a line-by-line basis every year in relation to the remaining useful life.

TANGIBLE FIXED ASSETS
Tangible assets are recognised at their historical purchase or production cost, net of related accumulated depreciation, including all directly associated accessory costs.
The value of these assets does not include any interest expense. Routine maintenance costs are charged in full to the income statement for the year in which they are incurred, whereas improvement, modernization and transformation costs increasing the value of an asset are recognised as balance sheet assets.
As required in applicable regulations, all tangible assets are subject to depreciation on a straight-line basis at rates, which depend on the remaining useful life and physical wear of the assets.
The depreciation on assets acquired during the year was calculated by applying one-half of the ratios above, in that the value determined in this manner does not deviate significantly from what would have been the value based on the actual period of possession of the new assets. Conversely, if the difference was found to be significant, the calculation is made from the time the assets became available and ready for use.
Assets in process of formation are measured at the purchase cost of the assets and services directly relating to implementation of the planned investments, including any accessory charges and capitalised internal costs directly attributable to the contracts.
The rates applied, unchanged since the previous year, are:

Asset category	31/03/2019
Civil buildings	5.50%
General plants	7.70% - 10%

Specific less corrosive plants	12%
Specific highly corrosive plants	17.50%
Motor goods and other vehicles	25%
Lab equipment	40%
Office furnishings and furniture	12%
Electronic office equipment	20%

In the year ending 31 March 2014, the depreciation plan for generic plants was modified and the rate adjusted to the results of a special appraisal prepared by an external expert who, basing his evaluation on the technical checks and inspections carried out, estimated that at that date the remaining useful life of the assets was a further 12 years. The effects of this change on the income statement and on shareholders' equity are explained and detailed in the relevant section of these notes. In general, generic plants have a depreciation period of between 10 and 13 years.

FINANCIAL FIXED ASSETS
Equity investments are shown at their purchase value.
Long-term receivables are recorded at nominal value, considered to represent the recovery value.

INVENTORIES
Raw material, consumables, semi-finished and finished goods inventories are measured at either the average purchase or production cost incurred during the year or the realisable value, net of sales costs, whichever is lower.
Inventories of obsolete items are measured on the basis of their usage options and realisation potential, and the lower values attributed to them are booked to a specific provision.
Raw materials and finished goods are valued using the weighted average cost method, i.e. with purchase and production volumes for the year contributing in different proportions to the beginning inventories.
As in previous years, materials are valued using the weighted average cost method based on movements recorded.

RECEIVABLES
Receivables originating from revenues from the sale of goods or provision of services are recorded as current assets based on the accruals principle when the conditions are met for recognition of the related revenues.
Receivables originating for other reasons are recorded if there is "entitlement" to the receivable, i.e. when they actually represent a third-party obligation to the company.
Receivables, within the limit of their estimated recoverable amount, are recorded in the balance sheet net of a related provision for doubtful accounts considered adequate to cover any losses due to reasonable foreseeable non-collection.
The Company assumes the effects of the application of amortised cost and discounting to be immaterial when receivables are due within 12 months.
Receivables generated prior to 1 April 2016 are measured and recognised at their estimated recoverable amount.

CASH AND CASH EQUIVALENTS
This reflects actual amounts of cash and cash equivalents.

ACCRUALS AND DEFERRALS
Accruals and deferrals are calculated to charge to the current year only the correct portion of costs and income that refer to more than one year.

PROVISIONS FOR RISKS AND CHARGES
Provisions for risks and charges are allocated to cover losses or liabilities of certain or probable existence, but for which the exact amount or due date cannot be calculated at year-end. The allocations reflect the best possible estimate based on known elements. The assessment of these risks also takes into account information that became available after the end of the financial year.

EMPLOYEE SEVERANCE INDEMNITY (TFR)
The overall liability for employee severance indemnity is calculated in compliance with applicable legislation governing employment contracts, and equals the actual amount the company has accrued for each individual member of the staff at the end of the financial year, less any advances paid or amounts transferred to INPS or other supplementary funds.

PAYABLES
Payables originating from goods purchases are recorded in the balance sheet when the significant risks, charges and benefits associated with ownership are substantially transferred. Payables relating to services are recorded

when the services are provided, i.e. when provision of the service is complete.
Payables arising for reasons other than the purchase of goods and services are recognised when the company has an obligation to the counterparty, identified on the basis of legal and contractual requirements.
Payables generated on or after 1 April 2016 are recorded using the amortised cost criterion, taking the time factor into account. The Company assumes the effects of the application of amortised cost and discounting to be immaterial when payables are due within 12 months.
Payables generated prior to 1 April 2016 are measured and recognised at their nominal value.

AMOUNTS IN FOREIGN CURRENCY
Any receivables and payables originating in other, non-Eurozone currencies are calculated using the exchange rate in effect on the date the relative transaction was executed. The exchange rate differences, arising at the time receivables are collected and the payables are paid, are posted in the income statement.
Foreign currency receivables and payables, with the exception of fixed non-monetary investments, are calculated using the spot exchange rate in effect at the year-end date of the financial statements with related gains and losses recorded in the income statement.
Any net gains are allocated to a specific non-distributable equity reserve until realised.

REVENUES AND CHARGES
Revenues and charges are recognised, net of returns, discounts, allowances and bonuses, on an accruals basis and irrespective of the collection or payment date associated with a concept of a financial nature. In particular, for product sales, revenues are recognised at the time they are delivered or shipped, while revenues from services are recognized on an accruals accounting basis.

TAXES
Direct taxes for the year are recorded based on the estimated taxable income, in compliance with legal provisions and the current rates, and taking into account any applicable exemptions.
Analysis is also performed to check for any temporary differences between the book values of assets and liabilities and the corresponding values for tax purposes and/or between income components in the income statement and those taxable or deductible in future years for the purpose of recognition of taxes for the year, in accordance with the provisions of OIC 25.
Any taxable temporary differences found are recognised in the financial statements as deferred tax liabilities, unless the exceptions envisaged in OIC 25 apply.
Any deductible temporary differences are recorded as deferred tax assets in the financial statements only if there is reasonable certainty of their future recovery.
Deferred tax assets and liabilities are calculated on the aggregate total of all temporary differences for the year, applying the tax rates in force for the year in which the temporary differences will be reversed, as envisaged in the tax regulations in force at the financial statements reporting date.
Deferred tax assets and liabilities are not discounted.
For classification in the financial statements, tax receivables and payables are offset only if there is a legal right to offset the amounts recorded based on tax laws and there is the intention to settle the tax payables and receivables on a net basis by means of a single payment.

Changes in receivables due from shareholders

The share capital is fully paid-in.

Intangible fixed assets

The intangible assets were recognised as they are considered to be of long-term utility for the company and, where necessary, with the prior consent of the Board of Statutory Auditors.
The amount recorded in balance sheet assets is already net of amortisation applied over the years.
The amortisation process for start-up and expansion costs has ended, whilst the amortisation process for intellectual property rights and other intangible assets will be completed, as scheduled, over a five-year period.
The amortisation plan for costs incurred for Reach Centrum rights will be completed in 2044; until this time,

CFS will have leaseholder land rights on the production systems at the Ravenna plant.
The tables below provide details of changes in the last financial year.

Changes in intangible fixed assets

	Start-up and expansion costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Total intangible fixed assets
Opening value					
Cost	327,595	38,888	466,027	108,061	940,571
Amortisation (Accumulated amortisation)	327,595	33,275	74,460	106,619	541,949
Book value	0	5,613	391,567	1,442	398,622
Changes during the year					
Increases for acquisitions	0	1,774	197,787	0	199,561
Amortisation for the year	0	3,303	22,055	721	26,079
Total changes	0	-1,529	175,732	-721	173,482
Closing value					
Cost	327,595	40,662	663,814	108,061	1,140,132
Amortisation (Accumulated amortisation)	327,595	36,578	96,515	107,340	568,028
Book value	0	4,084	567,299	721	572,104

Tangible fixed assets

In relation to buildings, note that those located on the premises of the Ravenna chemical complex are available to the company under the terms of special land usage rights expiring in 2044, whilst the building purchased during the prior year has become the company's registered office and is fully owned. For the former, it was not necessary to arrange unbundling of the value of the underlying land, whilst for the latter the land value was determined on the basis of a special external technical appraisal as Euro 214,000.
Investments made during the year are shown in the table below, broken down by category.
No revaluations or write-downs were made during the year.
Changes in each of the fixed asset categories are highlighted individually in the summary table below.

Changes in tangible fixed assets

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible assets in process of formation and advances	Total tangible fixed assets
Opening value						
Cost	2,278,633	27,215,898	496,341	294,904	99,258	30,385,034
Depreciation (Accumulated depreciation)	946,772	19,496,189	491,030	234,449	0	21,168,440
Book value	1,331,861	7,719,709	5,311	60,455	99,258	9,216,594
Changes during the year						
Increases for acquisitions	113,602	260,955	75,664	-12,824	476,770	914,167
Depreciation for the year	85,785	955,961	20,144	-13,022	0	1,048,868
Total changes	27,817	-695,006	55,520	198	476,770	-134,701
Closing value						
Cost	2,392,235	27,476,853	572,005	282,080	576,028	31,299,201
Depreciation (Accumulated depreciation)	1,032,557	20,452,150	511,174	221,427	0	22,217,308
Book value	1,359,678	7,024,703	60,831	60,653	576,028	9,081,893

The main investments include construction of the laboratory at the registered office for Euro 108,954, the installation of new equipment in the company's plants for Euro 155,745 and the purchase of equipment and other assets for Euro 147,298. A proprietary car with a historic cost of Euro 58,809 was also sold during the year.
There are also assets in process of formation for Euro 576,029, which relate to contracts not yet completed at 31 March 2019.
Contracts in progress at the end of the previous year and completed in the year under review were restated to their respective reference categories.
Lastly, note that following the review performed during the year ended 31 March 2014 of the general plant depreciation plan, these financial statements record lower depreciation for Euro 103,577, which net of tax effects led to a smaller loss for the year, i.e. an increase in shareholders' equity, of Euro 74,679.

Finance lease transactions

During the year, the company redeemed both vehicles for which two leasing contracts were in place in advance. Therefore, as of 31 March 2019, there were no open contracts or information to report.

Changes in financial fixed assets: investments, other securities, own shares

There were no acquisitions and/or disposals of equity investments, other securities or own shares during the year. Therefore, this category remains unchanged compared to the previous year.
The equity investments held by the company are:

- 43.35% of the share capital of Chinese company CFS WANGLONG FLAVOURS (NINGBO) CO. LTD., also active in the chemical sector and part of the same supply chain that operates downstream from CFS. This strategic investment enabled the parent company CFSL to indirectly exercise control over the company;
- 141,783 shares, equal to 2.533% of the share capital of company Ravenna Servizi Industriali S.C.p.A. (RSI). Said company, of which CFS EUROPE is a partner, with other companies operating from within the Ravenna chemical plant, provides common plant services to all companies situated in the complex.

Both equity investments are recognised in the financial statements at purchase cost; in the case of the Chinese investee company, this amount is higher than the corresponding value of the percentage of shareholders' equity resulting from the latest financial statements of the company; having evaluated the financial statements and operating results historically achieved by the investee company, the higher value was maintained in financial statements as its acquisition allowed the company to increase the sale price of catechol along with the certainty of selling the entire production to the parent company CFSL, which in turn transforms the catechol into guajacol necessary for the Chinese subsidiary to produce vanillin. Moreover, according to the prudent valuation by the Board of Directors, which has planned to carry out an Impairment Test on the value of the investment during the current year, the loss recorded, along with prior losses, do not appear to impair the value recognised, also in consideration of the intrinsic value of the tangible assets recorded in the financial statements by the investee.

Provided below are the data, updated to 31 March 2018, required by point 5) of article 2427 of the Italian Civil Code, relating to the investee company CFS WANGLONG FLAVORS (NINGBO) CO. LTD. based in China. The data are expressed in units of Euro, at the EUR/RMB Yuan exchange rate of 29 March 2018, equal to 7.7468:

Share capital	Euro 10,326,845
Profit (loss) for the period	Euro (355,196)
Shareholders' equity	Euro 9,971,649
Recognition value of the investment	Euro 5,076,387
Corresponding SE portion	Euro 4,322,710

The table below summarises the equity investments held by the company:

	Equity investments in companies controlled by the parent company	Equity investments in other companies	Total equity investments
Opening balance			
Cost	5,076,387	141,783	5,218,170
Book value	5,076,387	141,783	5,218,170
Changes during the year			
Increases for acquisitions	-	-	-
Total changes	-	-	-
Closing balance			
Cost	5,076,387	141,783	5,218,170
Book value	5,076,387	141,783	5,218,170

Changes in financial fixed assets Receivables

Long-term receivables consist of the following items:
- interest-bearing loan (6.75% annual rate) granted to the Chinese investee company for Euro 376,985, including interest accrued but not yet collected (equal to Euro 36,976), which must be repaid by 30/09/2020;
- security deposits paid to an insurance company for the issue of sureties for Euro 11,718, in favour of utility providers for Euro 50, lessors of lease agreements for Euro 2,400 and to the Court of Ravenna for participation in a real estate auction for Euro 14,000.

	Long-term receivables due from companies controlled by parent companies	Long-term receivables from others	Total long-term receivables
Opening balance	322,538	10,198	332,736
Changes during the year	54,447	17,971	72,418
Closing balance	376,985	28,168	405,153
Due beyond the following year	376,985	28,168	405,153

Breakdown of long-term receivables by geographic area

				Total
Geographic area	ITALY	EU	NON-EU	
Long-term receivables due from companies controlled by parent companies	-	-	376,985	376,985

Long-term receivables from others	28,168	-	-	28,168
Total long-term receivables	28,168	-	376,985	405,153

Inventories

Inventories disclosed refer to specific raw materials used in the sector, as well as technical materials, packaging, semi-finished products and finished goods ready for sale.
The table below provides highlights of the numerical changes compared to the previous year.

	Raw, ancillary and consumable materials	Work in progress and semi-finished products	Finished products and goods for resale	Payments on account	Total inventories
Opening value	1,989,651	4,509,400	2,524,439	24,555	9,048,045
Change during the year	-286,134	-1,715,975	1,535,847	81,007	-385,255
Closing value	1,703,517	2,793,425	4,060,286	105,562	8,662,790

The total closing balance of inventories decreased compared to the previous year by Euro 385,255.

Changes in receivables recognised as current assets

	Trade receivables recognised as current assets	Receivables due from parent companies recognised as current assets	Tax receivables recognised as current assets	Deferred tax assets recognised as current assets	Total receivables recognised as current assets
Opening value	4,782,439	7,171,941	203,523	2,577,878	14,735,781
Change during the year	1,177,891	2,529,447	-238,986	606,512	4,074,864
Closing value	3,604,548	4,642,494	442,509	1,971,366	10,660,917
Due within the following year	3,604,548	4,642,494	442,509		8,689,551

All receivables indicated in the table above are collectible within the next year. The breakdown for each category is provided below.

TRADE RECEIVABLES

Trade receivables reflect commercial accounts still to be received.
In compliance with the principle of prudence, the company considered it necessary to increase the provision for doubtful accounts during the year by Euro 400,000 to Euro 2,181,576, equal to about 75% of accrued total receivables due from Versalis S.p.A. in reference to the 1994-2014 contract for a catalytic converter, following the first-instance decision against the company by the court. The relative assessments are underway in order to submit an appeal.
In relation to other trade receivables, no additional amount has been set aside to the provision for doubtful accounts because, with the exception noted above, there were no collection difficulties.
The table below shows the breakdown of and changes in trade receivables:

Description	Value 31/03/2019	Value 31/03/2018	Change
Trade receivables	3,848,458	4,624,949	(776,491)
Invoices to be issued	1,939,066	1,939,066	0
Credit notes to be issued	(1,400)	0	(1,400)
Provision for doubtful accounts	(2,181,576)	(1,781,576)	(400,000)
Category total	**3,604,548**	**4,782,439**	**(1,177,891)**

RECEIVABLES DUE FROM PARENT COMPANY

Trade receivables due from the Indian parent company Camlin Fine Sciences Ltd. declined by a total of Euro

5,200,971.
During the year, in compliance with articles 1241 et seq. of the Italian Civil Code, the company offset accrued trade receivables and trade payables due from the parent company in the amount of Euro 6,972,129; in order to formally complete this operation, the parent company requested specific authorisation from the competent Indian bodies. Once the procedure indicated has been completed, the offsetting will be final for the Indian counterparty as well.

TAX RECEIVABLES
Tax receivables are broken down as follows:
- VAT credit accrued to March 2019 for Euro 41,764;
- tax credit to be used for offsetting for Euro 370,745; note that for the Research & Development activities for the year 2018-2019, as envisaged pursuant to article 1, paragraph 35 of Law 190 of 23 December 2014, the company accrued a tax credit of Euro 138,152. Pursuant to the law, this credit may effectively be used on an offsetting basis by the company only upon obtaining certification by the auditing body.
The table below shows the breakdown of and changes in tax receivables:

Description	Value 31/03/2019	Value 31/03/2018	Change
VAT	71,764	186,175	(114,411)
Tax offsetting	370,745	17,348	353,397
Category total	**442,509**	**203,523**	**238,986**

DEFERRED TAX ASSETS
In accordance with OIC 25 national accounting standard, deferred tax asset allocation in the financial statements is based on the following items:
- previous tax losses expected to be recovered;
- temporary misalignments between statutory and fiscal values that emerged during the depreciation process of certain assets;
- write-downs and provisions for risks;
- other items temporarily not deductible under current tax regulations
The deferred tax assets recorded in the financial statements total Euro 1,971,367, recording an increase of Euro 124,543 and a decrease of Euro 731,055, therefore down by a total of Euro 606,512 compared to the previous year.
The change is mainly due to the use of previous tax losses that reduce taxable income by up to 80%, use of the ACE (*Aiuto alla crescita economica* - Aid to Economic Growth) tax deduction accrued in previous years and recovery of the last amortisation amount relating to previous research and development costs, which are offset by write-downs and other items whose deduction is, by law, deferred to future years.
In consideration of the results of the current year and based on the preliminary forecasts drawn up by the administrative body, the company believes there is a reasonable certainty of achieving positive results over the next few years to ensure continued re-absorption of all the deferred tax assets recognised.

The table below shows the breakdown of and changes in deferred tax assets:

Description	**Amounts**
Deferred tax assets from the previous year	2,577,878
Deferred tax assets generated during the year	124,543
Deferred tax assets reabsorbed during the year	(731,055)
Deferred tax assets from the current year	1,971,366
Change	(606,512)

There are no receivables due in more than 5 years.

Breakdown of receivables recognised as current assets by geographic area

Geographic area	ITALY	EU	NON-EU	TOTAL
Trade receivables recognised as current assets	1,165,881	1,505,529	933,138	3,604,548
Receivables due from parent companies recognised as current assets	0	0	4,642,494	4,642,494
Tax receivables recognised as current assets	442,509	0	0	442,509
Deferred tax assets recognised as current assets	1,971,366	0	0	1,971,366
Total receivables recognised as current assets	3,579,756	1,505,529	5,575,632	10,660,917

Current assets: Changes in cash and cash equivalents

The company's cash and cash equivalents comprise the following:

	Bank and postal deposits	Cash and equivalents on hand	Total cash and cash equivalents
Opening value	262,872	426	263,298
Change during the year	297,844	20	297,864
Closing value	560,716	748	561,464

Accrued income and prepayments

Prepayments remove all costs pertaining to future years from the income statement.
The table below provides a breakdown by type:

Description	**Value 31/03/2019**	**Value 31/03/2018**	**Change**
Lease instalments and balloon payments	0	519	(519)
Insurance premiums	10,136	14,303	(4,167)
Vehicle costs	84	112	(28)
Other lease instalments	1,546	2,189	(643)
Other services	3,432	7,077	(3,645)
Interest and charges	3,357	3,935	(578)
Maintenance	13,882	9,294	4,588
Subscriptions	1,456	4,998	(3,542)
Total	**33,893**	**42,427**	**(8,534)**

Explanatory Notes - Liabilities and Shareholders' Equity

Shareholders' equity

The company's share capital of Euro 2,000,000 as at 31 March 2019 is wholly owned by the sole shareholder CFCL Mauritius PVT Ltd., part of the Camlin Fine Sciences Ltd. group. (India).

Pursuant to the loan agreement with Axis Bank UK Limited, dated 4 July 2017, all of the company's shares (2,000,000) were pledged by the sole shareholder to the bank, upon fulfilment of the condition pursuant to attachment 2, part II, point 1 of said contract, to guarantee regular payment of the loans granted by Axis Bank to the company.
Moreover, as better described below, once the reverse merger with sole shareholder CFCL Mauritius PVT Ltd. becomes effective pursuant to art. 2504-bis, paragraph 2, of the Italian Civil Code, since Camlin Fine Sciences Ltd. owns 100% of the shares of CFCL Mauritius PVT Ltd, all 2,000,000 shares of the company will be assigned to Camlin Fine Sciences Ltd. and the pledge on said shares will continue to remain effective, in order to secure the loans up to their settlement.
Other items making up shareholders' equity include the legal reserve for Euro 400,000, which has reached its legal minimum, the extraordinary reserve for Euro 2,577,406, the non-distributable profit reserve for Euro 78,903, the cash flow hedge reserve for a negative Euro 2,108 and retained earnings of Euro 3,421,460, which declined during the year due to partial use to fully cover the loss of the prior year.
As far as the Board of Directors is aware, the shares are fully available to the sole shareholder, given that there are no liens, encumbrances or other restrictions upon them.
The following table shows changes over the past three years in items of shareholders' equity:

Changes in shareholders' equity items

	Share capital	Legal reserve	Extraordinary reserve	Miscellaneous other reserves	Total other reserves	Cash flow hedge reserve	Retained earnings (accumulated losses)	Profit (loss) for the year	Total shareholders' equity
Opening value	2,000,000	400,000	2,577,406	78,903	2,656,309	-1,996	5,078,995	-1,657,535	8,475,773
Allocation of previous year's profit (loss)									
Other allocations	0	0	0	0	0	0	-1,657,535	1,657,535	0
Other changes									
Decreases	0	0	0	0	0	-112	0	0	-112
Profit (loss) for the year								1,910,650	1,910,650
Closing value	2,000,000	400,000	2,577,406	78,903	2,656,309	-2,108	3,421,460	1,910,650	10,386,311

The loss recorded during the last year was fully covered through use of the retained earnings reserve.
The cash flow hedge reserve represents the negative fair value of the derivative financial instrument, described in the comments on the item Provisions - B3).

Availability and use of shareholders' equity

Shareholders' equity items are thus distinguished by origin, possibility of utilisation, availability for distribution and utilisation in the three previous financial years.

Source, possibility of use and availability for use of the shareholders' equity items

	Amount	Source/Type	Possibility of use	Amount available
Share capital	2,000,000	SHARE CAPITAL		-
Legal reserve	400,000	PROFIT RESERVE	B	-
Other reserves				
Extraordinary reserve	2,577,406	PROFIT AND CAPITAL RESERVE	A,B,D,E	2,577,406
Miscellaneous other reserves	78,903	PROFIT RESERVE	A,B,D	78,903
Total other reserves	2,656,309			2,656,309
Cash flow hedge reserve	-2,108	EQUITY ADJUSTMENT RESERVE		-
Retained earnings	3,421,460	PROFIT RESERVE	A,B,C,D,E,	5,078,996
Total	8,475,661			7,735,305

Note that due to the express willingness of the shareholder, as per resolution by the Shareholders' Meeting, the following cannot currently be distributed:
- "miscellaneous other reserves" for Euro 78,903, that will not be distributed until an account due from Versalis S.p.A. is received;
- "extraordinary reserve" for Euro 2,577,406, the distribution of which is subject to prior "significant reduction" of the deferred tax asset recognised under the assets section of the Balance Sheet.

Changes in the cash flow hedge reserve

In the past, the company signed an unsecured loan and, to protect against a possible increase in interest rates, subscribed a "protected IRS" derivative contract at the same time.
Pursuant to article 2427-bis of the Italian Civil Code, information on the derivative financial instrument is as follows:
- negative fair value at 31 March 2019 (mark to market) of Euro 2,108, recorded in the special liability item B.3) with balancing entry of the corresponding negative shareholders' equity reserve in item A.VII);

Technical characteristics
duration: 30/11/2016-30/11/2021
notional reference value at end of year: Euro 418,055
bank benchmark rate: 3M/365 Euribor; minimum -1.50%; company benchmark rate: fixed rate 0.05%
benchmark rate period: quarterly

Provisions for risks and charges

Information on provisions for risks and charges

The provision for deferred tax liabilities, recognised in compliance with accounting standard OIC 25, was generated following unrealised gains on exchange rates as at the end of the year; these items, which represent positive balance sheet component, are not taxable from an income standpoint, thereby generating a temporary misalignment between the statutory and tax values.
The provision for derivative payables represents the negative fair value of the hedging instrument described in the previous point.
Other provisions for risks declined by Euro 12,000 and amount to Euro 21,000, referring to the estimate of any future sanctions that the company expects to incur in the proceedings brought by the USL for a workplace accident at the Ravenna plant in April 2016.
In this section, it should be noted that the disputes contained in the Report on Findings, received by the company on 6 April 2017 and relating to the year 2014/2015, were definitively settled during the year, with repercussions, for some findings, also on previous and subsequent years.
Following specific discussions with the Revenue Agency and thanks to the memoranda and documentation produced, the company has settled the entire case, avoiding the tax dispute, by paying Euro 22,920 against an initial claim, for the financial year 2014-2015 alone, of around Euro 550,000 plus penalties and interest.
The amount paid was recorded, depending on the nature of the cost, under other operating costs for Euro 18,372 and under taxes pertaining to previous years for Euro 4,548.

	Opening value	Use during year	Other changes	Total changes	Closing value
Provision for current and deferred taxes	111,599	(79,096)	0	(79,096)	32,503
Derivative payables	1,996	0	112	112	2,108
Other provisions	33,000	(12,000)	0	(12,000)	21,000
Total provisions for risks and charges	146,595	(91,096)	112	(90,984)	55,611

Employee severance indemnity

Information on employee severance indemnity

Employee severance indemnities are allocated on an accruals basis over the term of employment for each employee in compliance with labour law and agreements. The amount reported in the balance sheet reflects the company's liability at the year-end date.
The following changes took place during the financial year:

	Opening value	Provision during the year	Other changes	Total changes	Closing value
Provision for employee severance indemnity	538,843	153,116	(142,202)	10,914	549,757

The increases relate to the employee severance indemnity accrued during the year, while decreases refer to the amounts paid to employees via their salaries as advances and/or settlements for Euro 40,708 and the amount due to supplementary pension funds for Euro 101,494.

Payables

Changes and due dates of payables

	Opening value	Change in the year	Closing value	Portion due within the year	Portion due beyond the year
Due to banks	14,130,083	403,125	14,533,208	7,526,544	7,006,664
Payments on account	162,497	(162,497)	0	0	0
Trade payables	7,779,960	(2,423,898)	5,356,062	5,356,062	0
Due to parent companies	7,264,281	(4,288,805)	2,975,476	2,975,476	0
Payables to companies controlled by parent companies	0	103,496	103,496	103,496	0
Tax payables	38,227	172,193	210,420	210,420	0
Due to social security and welfare institutions	74,892	39,995	114,887	114,887	0
Other payables	357,507	232,371	589,878	589,878	0
Total payables	**29,807,447**	**(5,924,020)**	**23,883,427**	**16,876,763**	**7,006,664**

PAYABLES TO BANKS

Description	Value 31/03/2019	Value 31/03/2018	Change
Current accounts	2,400,844	2,476,835	(75,991)
Letters of credit	1,584,310	1,782,891	(198,581)
Accounts receivable financing	1,845,848	1,119,420	726,428
Loans due within the following year	1,695,542	486,559	1,208,983
Loans due beyond the following year	7,006,664	8,264,378	(1,257,714)
Category total	14,533,208	14,130,083	403,125

Amounts due to banks are represented by the current account overdraft, the amount of letters of credit presented for payment with the "subject to clearance" clause and credited to the account, but whose effective maturity is in the future, to which are added both the payable to banks for the accounts receivable financing as well as the payables to banks for new loans.
The information relating to medium/long-term loans outstanding at the reporting date is shown below:

- unsecured loan of Euro 418,472, of which Euro 268,044 relating to the principal payable after 31 March 2020. This loan was stipulated during 2016-2017 and envisages a repayment plan of 20 quarterly instalments, with a duration up to 30 November 2021;
- loan of Euro 8,283,734, of which Euro 6,738,620 relating to the principal payable after 31 March 2020. This loan was stipulated during the prior year and envisages a repayment plan of 43 monthly instalments beginning from the 18th

month after its disbursement, which took place in July/August 2017. The initial principal repayments were made in the early months of 2019.

PAYMENTS ON ACCOUNT
As of 31 March 2019, there were no payments on account.

TRADE PAYABLES
All trade payables are due within the next year and have increased compared to the previous year. A more detailed breakdown of accounts payable is provided in the table below.

Description	Value 31/03/2019	Value 31/03/2018	Change
Trade payables	5,042,511	6,628,099	(1,585,588)
Invoices to be received	799,899	1,151,861	(351,962)
Credit note to be received	(486,348)	0	(486,348)
Category total	5,356,062	7,779,960	(2,423,898)

PAYABLES TO PARENT COMPANIES
This category represents trade accounts payable by the company to other group companies.
The table below illustrates changes compared to the previous year.

Description	Value 31/03/2019	Value 31/03/2018	Change
Due to parent companies	2,975,476	7,264,281	(4,288,805)
Category total	2,975,476	7,264,281	(4,288,805)

As already indicated in the comments to receivables due from parent companies, the payables to the Indian parent company declined as well during the year, due to the offsetting carried out for a total of Euro6,972,129.

TAX PAYABLES
Tax payables are outlined in the following table:

Description	Value 31/03/2019	Value 31/03/2018	Change
Irpef for employees and contractors	44,148	37,737	6,411
Direct taxes payable	166,272	0	166,272
Other taxes payable	0	490	(490)
Category total	210,420	38,227	172,193

The tax payables refer mainly to withholdings on employee and contractor income and to IRES and IRAP taxes payable, already stated net of any withholdings and payments on account.
Note that current IRES taxes have a low impact compared to the economic result achieved, as their calculation is mitigated by the use of prior tax losses and the ACE deduction accrued in prior years and during the year to which these financial statements refer.

PAYABLES TO SOCIAL SECURITY AND WELFARE INSTITUTIONS
This category includes the liabilities specified in the table below, which also indicate changes compared to the previous year in detail:

Description	Value 31/03/2019	Value 31/03/2018	Change
Social security and INAIL payables	95,106	51,239	43,867
Other payables	19,781	23,653	(3,872)
Category total	114,887	74,892	39,995

The increase in payables to INPS and INAIL is in line with the increase in the company's workforce. There are no precedents of any kind.

DUE TO OTHERS

This remaining category groups together amounts payable for trade union dues and other items withheld from employees, amounts payable to employees for additional salaries accrued during the year but still to be paid at 31 March 2018, and other amounts payable to employees and third parties.

Detailed amounts are contained in the table below, with an indication of the changes.

Description	Value 31/03/2019	Value 31/03/2018	Change
Additional monthly salaries	178,242	164,127	14,115
Other amounts payable to employees	212,739	88,876	123,863
Other payables	198,897	104,504	94,393
Category total	589,878	357,507	232,371

Note that payables to others include the amount of Euro 114,758 that the company was ordered to pay, upon first-instance decision, to Versalis S.p.a. in relation to the dispute already mentioned in the section on trade receivables.

There are no payables due in more than five years.

Breakdown of payables by geographic area

Geographic area	ITALY	EU	NON-EU	TOTAL
Due to banks	2,269,370	12,263,838	0	14,533,208
Payments on account	0	0	0	0
Trade payables	4,376,354	976,176	3,532	5,356,062
Due to parent companies	0	0	2,975,476	2,975,476
Due to companies subject to control by parent company	0	0	103,496	103,496
Tax payables	210,420	0	0	210,420
Due to social security and welfare institutions	114,887	0	0	114,887
Other payables	589,878	0	0	589,878
Total Payables	7,560,909	13,240,014	3,082,504	23,883,427

Payables collateralised by corporate assets

Bank loans obtained and discussed in the section "Payables due to banks", are backed by a first mortgage of a total value of Euro 20,000,000 on the property owned by the company at which the registered office is located as well as on the industrial facility containing the Ravenna chemical complex, for which the company owns the land.

With reference to these loans, a first-degree special lien of a total value of Euro 20,000,000 was established on the comprehensive amount of existing or future business assets.

Accrued expenses and deferred income

Accrued expenses complete all costs pertaining to the current year in the income statement.

The table below provides a breakdown by type:

Description	Value 31/03/2019	Value 31/03/2018	Change
Utilities, miscellaneous charges	3,692	1,471	2,221
Accrued leave, absence permits, reduced working hours	317,586	285,544	32,042
Category total	321,278	287,015	34,263

There are no accrued expenses with a duration of more than five years.

Explanatory Notes - Income Statement

Value of production

Description	Value 31/03/2019	Value 31/03/2018	Change
Revenues from sales and services	39,805,891	36,733,965	3,071,926
Change in finished/semi-finished goods	(180,127)	(738,505)	558,378
Other revenues and income	1,526,973	109,777	1,417,196
Category total	41,152,737	36,105,237	5,047,500

The value of production shows the following changes compared to the prior year:
- sales revenues of the chemical products obtained from the production process increased by Euro 3,071,926 or approximately 8%;
- inventories of finished and semi-finished products, although significant, showed a negative variation for the year, consistent with the company policy of reducing the value of inventory;
- other revenues and income, which increased by Euro 1,417,196, include Euro 900,000 in royalties and Euro 334,934 in tax credit for Research & Development activities, pursuant to article 1, paragraph 35 of Law 190 of 23 December 2014.

Breakdown of revenue from sales and services by geographic area

Revenues from sales break down by macro geographical area as follows:

				Total
Geographic area	ITALY	EU	NON-EU	Total
Value current year	2,935,129	7,679,056	29,191,706	39,805,891

Cost of production

Costs are broken down by category.

Description	Values 31/03/2019	Value 31/03/2018	Change
Purchase costs	21,142,574	22,795,529	(1,652,955)
Service costs	10,878,025	10,798,257	79,768
Leased asset costs	112,216	97,849	14,367
Staff-related costs	3,234,238	2,708,765	525,473
Amortisation/depreciation	1,103,102	1,046,707	56,395
Write-downs	400,000	296,929	103,071
Change in raw materials	286,134	57,667	228,467
Provisions for risks	0	0	0
Other operating costs	381,656	170,694	210,962
Category total	37,537,945	37,972,397	(434,452)

Production costs show a total reduction of Euro 434,452, equal to approximately 1.1%, despite the above-mentioned increase, and equal to about 8% of revenues.
The most significant variations involved:
- purchase costs which, added to the change in inventories of raw materials, involved savings of approximately Euro 1,425,000; the benefit essentially derives from the better yield/efficiency of the plant's production process which, in fact, permitted the company to reduce the quantities used in the process and, therefore, purchased and consumed; in fact, in terms of prices of main raw materials, there were no significant reductions and they were essentially in line with the prior year;
- staff and related costs: this figure is up but is partly a direct consequence of the different classification of the cost of the Managing Director (this year included under staff and related costs as director and in the previous year under service costs as collaborator) and partly due to new hires;
- other operating costs, which in 2018 included the charge-back of taxes relative to prior years by Enipower S.p.A. for Euro 87,778 and reimbursement to be recognised to Versalis S.p.A. following the first-instance decision, for Euro 100,621 (principal portion only).

Financial income and expenses

The results of the financial management of the company can be summarised as follows:

Description	Value 31/03/2019	Value 31/03/2018	Change
Financial income	23,963	12,507	11,456
Interest and financial expenses	(912,562)	(602,590)	(309,972)
Foreign exchange gains and losses	(117,127)	295,194	(412,321)
Category total	(1,005,726)	(294,889)	(710,837)

Financial income refers primarily to interest income on the interest-bearing loan granted by CFS EUROPE S.p.A. to the Chinese investee (Euro 23,269), and to a minimal extent, to interest income on current accounts.
Financial expenses comprise Euro 808,652 in bank interest payable arising from the company's various credit lines, namely medium/long-term loans, short-term facilities and advances on invoices. The remaining amount, on the other hand, consists of interest to other entities and creditors.
The total balance of foreign currency transactions is negative Euro 117,127, which is the difference between the foreign exchange gains of Euro 605,928 and foreign exchange losses of Euro 723,045. In particular, note that unrealised gains amounted to Euro 314,864 while unrealised losses amounted to Euro 630,832. Considering that there is no net unrealised exchange rate gain, the company will not be required to allocate any amount to the relative reserve envisaged by article 2426, paragraph 8 bis of the Italian Civil Code. The main currency fluctuation is attributable to the EUR/USD exchange rate.

Income taxes for the year, current and deferred tax assets and liabilities

Current taxes and deferred tax assets and liabilities

Income taxes for the year, resulting from the sum of the tax currently payable and deferred taxes, net of the prepaid taxes, are as follows:

Description	Value 31/03/2019	Value 31/03/2018	Change
Current taxes	**166,452**	**0**	**166,452**
IRES tax for the year	27,350	0	27,350
IRAP tax for the year	139,102	0	139,102
Taxes pertaining to previous years	**4,548**	**9,814**	**(5,266)**
Deferred tax assets and liabilities	**527,416**	**(514,328)**	**1,041,744**
IRES deferred tax liabilities	731,055	239,286	491,769
IRES deferred tax assets	(203,639)	(753,614)	549,975
Category total	698,416	(504,514)	1,202,930

Provided below are the details of the items that show misalignments between statutory and fiscal values and therefore generate movements in deferred tax assets and liabilities:

	Previous	Change	Current	Previous	Change	Current
Deferred tax assets		**ITEMS**			**TAXES**	
Misalign. on fixed assets	510,269	(415,025)	95,244	122,465	(99,606)	22,859
Tax losses	8,272,369	(2,234,534)	6,037,835	1,985,369	(536,288)	1,449,080
Write-downs/provisions	1,578,661	314,858	1,893,519	378,879	75,566	454,445
ACE deduction	318,298	(318,298)	0	76,392	(76,392)	0
Other temp. differences	56,197	131,233	187,430	14,774	30,208	44,982
Total items	**10,735,794**	**(2,521,766)**	**8,214,028**	**2,577,878**	**(606,512)**	**1,971,366**

	Previous	Change	Current	Previous	Change	Current
Deferred tax assets		**ITEMS**			**TAXES**	
Unreal. exchange gains	464,993	(329,567)	135,426	111,598	(79,096)	32,502
Total items	**464,993**	**(329,567)**	**135,426**	**111,598**	**(79,096)**	**32,502**

As can be seen from the table above, the total amount of items that generate deferred tax assets decreased considerably during the year, amounting to Euro 2,521,766 or about 23.50% of the total, mainly as a direct consequence of the reduction in prior tax losses and ACE deductions following the positive result achieved in the year.
Even the items that generated deferred tax liabilities decline overall.

Explanatory Notes - Other Information

Employment data

The company's average number of employees, subdivided by category, showed the following changes compared to the prior year:

Annual average workforce	31/03/2019	31/03/2018	Change
Manual workers	17.2	17.0	(0.2)
Office staff	24.4	23.0	(1.4)
Managers	6.6	7.0	0.4
Executives	2.0	1.0	(1.0)
Total average employees	**50.2**	**48.0**	**(2.2)**

As at 31 March 2019, the company's workforce comprised 18 manual workers, 25 office staff, 5 management staff and 2 executives for a total of 50 employees. Additional qualitative details on the workforce are provided in the Directors' Report, to which reference is made.

Moreover, note that contrary to previous year, the new Managing Director and the new IT consultant have been respectively classified as executive and manager, while they were both previously in service at CFS as external consultants. Therefore, the number of employees can actually be considered as unchanged.

Directors' and Statutory Auditors' remuneration and advances

The Board of Directors of the company consists of five members who will remain in office until approval of the financial statements as at 31 March 2020; as per the relative board resolution, the only compensation envisaged is that in favour of the Managing Director for a gross annual amount of Euro 70,000.
The Board of Statutory Auditors, which instead remains in office until approval of the financial statements as at 31 March 2019, is composed of three permanent members, one of which is the Chairman. The entire Board is given an overall remuneration of Euro 28,000 per annum.

Independent auditor remuneration

The audit of the company is awarded to a firm of auditors for the annual fee of Euro 14,000. An additional fee of Euro 5,000 was envisaged during the year for support activities requested by auditors of the parent company for the reports drawn up for consolidation purposes. Other than the items noted, no other compensation or other requests for consulting activities were provided for during the year just ended.

Information on transactions with related parties

TRANSACTIONS WITH RELATED PARTIES
In accordance with and pursuant to article 2497 of the Italian Civil Code, CFS EUROPE S.p.A. is subject to management and coordination by Camlin Fine Sciences Ltd (India). The concept of related parties, as laid down in IAS 24, includes all companies which may be related and/or directly or indirectly controlled by the Indian company, as members of the same group of companies.
CFS is indirectly controlled by Camlin Fine Sciences Ltd, as the Indian company owns all the shares in the sole shareholder CFL Mauritius PVT LTD.
In addition, Camlin Fine Sciences Ltd indirectly controls a Chinese company in which CFS EUROPE S.p.A. owns a 43.35% stake.
Details of transactions during the year with companies considered as related parties are provided below.

Income statement items that refer to transactions with related parties:

Transactions with related parties **INCOME STATEMENT**	**Value 31/03/2019**	**Value 31/03/2018**
Revenues	25,640,560	20,065,415
Total value of production (A)	41,152,737	36,105,237
Percentage	62%	56%
Costs	3,462,762	5,241,324
Total cost of production (B)	37,537,945	37,972,397
Percentage	9%	14%

Almost all revenues earned with related parties are due to the sale of hydroquinone and catechol to Camlin Fine Sciences Ltd.; in 2018, mention also goes to sales to the company CFS Do Brasil for Euro 118,674 and royalties to the Indian parent company for Euro 900,000.

Balance sheet items that refer to transactions with related parties

Transactions with related parties BALANCE SHEET	Value 31/03/2019	Value 31/03/2018
Long-term receivables	376,985	322,538
Total B-III)-2) Receivables due from companies controlled by parent companies	376,985	322,538
Percentage	100%	100%
Trade receivables	4,642,494	7,171,941
Total C-II)-4) Receivables due from parent companies	4,642,494	7,171,941
Percentage	100%	100%
Trade payables	2,975,476	7,264,281
Total D - Payables	23,883,427	29,807,447
Percentage	12%	24%
Other payables	84,000	84,000
Total D - Payables	23,883,427	29,807,447
Percentage	0.35%	0.28%

Information on off-balance sheet arrangements

There are no off-balance sheet arrangements of any nature.

Information on significant events after year end

Note that:

- with shareholders' meeting resolution of 13 February 2019, the company resolved the reverse merger with sole shareholder CFCL Mauritius PVT LTD; said resolution was recorded in the Register of Companies of the CCIAA (Chamber of Commerce) of Ravenna on 21 February 2019. As the 60 days envisaged by law have passed without any opposition expressed by third parties, the definitive merger deed is proceeding and scheduled.
Upon completion of the deal, with regard to the assets of incorporated company CFCL Mauritius PVT LTD, the investment in the company will be annulled, and the deferrals and cash in bank will be added, respectively, to the deferrals and cash in bank of the company; conversely, with regard to the liabilities, the loan from Camlin Fine Sciences Ltd. will be eliminated, the accruals will be added to the accruals of the company and the negative shareholders' equity arising from the sum of elimination of own share capital and accumulated losses will be cancelled.
In light of the above, once the reverse merger is effective, pursuant to art. 2504-bis, paragraph 2, of the Italian Civil Code, Camlin Fine Sciences Ltd. will become sole shareholder of the company.

- during the year ending 31 March 2019, the company participated in an auction for a plot of land contiguous to the registered office, in Via Depretis in Ravenna; the procedure was recently completed and the company is finalising the purchase. On this land, the company will eventually expand production capacity of the adjacent plant.

Information on derivative financial instruments pursuant to article 2427-bis of the Italian Civil Code

Reference should be made to the comments provided previously on the cash flow hedge reserve and on the provision for derivative payables.

Summary financial statements of the company exercising management and coordination

activities

In accordance with paragraph 4 of article 2497-bis of the Italian Civil Code, the key figures from the last financial statements (years ended 31 March 2017 and 31 March 2018) of Camlin Fine Sciences Ltd., which exercises management and coordination over the company, are provided below.
These figures have been converted using the exchange rate at 29 March 2018 (Euro/Rupee 80.296).

Balance Sheet:

All amounts are expressed in Euro

BALANCE SHEET ITEMS	31/03/2018	31/03/2017
I - SHAREHOLDERS' EQUITY AND LIABILITIES		
1) Shareholders' equity		
a) Share capital	1,509,789	1,291,596
b) Reserves and surpluses	39,769,777	20,588,498
Total shareholders' equity	**41,279,566**	**21,880,094**
2) Consolidated liabilities		
Loans	1,805,644	1,376,470
Deferred tax liabilities	-	391,589
Long-term payables	457,632	355,211
Total consolidated liabilities	**2,263,276**	**2,123,269**
3) Current liabilities		
Short-term loans	24,944,505	27,741,855
Trade payables	14,221,356	4,528,694
Other short-term payables	1,204,568	2,426,460
Short-term payables available for consolidation	496,986	290,077
Total current liabilities	***40,867,416***	***34,987,085***
Total liabilities	***84,410,257***	***58,990,448***
II - ASSETS		
1) Fixed assets		
Fixed assets	10,412,337	10,434,854
Long-term investments	8,496,002	8,282,517
Assets in process of formation	972,776	1,104,040
Total fixed assets	**19,881,115**	**19,821,411**
2) Current assets		
Current investments	13,459,736	1,456,984
Inventories	14,298,682	14,503,948
Trade receivables	26,330,253	16,366,282
Cash and cash equivalents	1,418,688	1,623,095
Loans and payments on account	5,311,908	2,645,337
Other current assets	3,709,873	2,573,391
Total current assets	**64,529,142**	**39,169,037**
Total assets	***84,410,257***	***58,990,448***

Income Statement

All amounts are expressed in Euro

INCOME STATEMENT ITEMS	31/03/2018	31/03/2017
Revenues		
Net operating revenues	50,441,853	42,041,820
Other operating revenues	1,149,572	1,601,574
Total revenues	**51,591,424**	**43,643,394**
OPERATING COSTS		
Raw materials consumption	32,370,330	25,214,643
Goods purchased and taxes	3,214,070	4,395,723
Change in inventories	2,554,972	(2,643,270)
Staff and related costs	2,602,321	2,710,372
Financial expenses	2,987,509	2,894,179
Amortisation/depreciation	1,128,512	1,443,372
Other costs	8,984,022	9,615,049
Total costs	**53,841,736**	**43,630,069**
Profit (loss) before tax	**(2,250,311)**	**13,326**
Current taxes	0	47,773
Deferred tax liabilities and MAT	(484,495)	64,125
Net profit (loss) for the year	**(1,765,816)**	**(98,573)**

Proposed allocation of profits or loss coverage

The financial statements for the year ended 31 March 2019 closed with a profit for the year of Euro 1,910,650, which we propose to fully designate to the equity reserve "Extraordinary Reserve", in order to further capitalise the company and not remove any financial resources that would be useful in developing the business.

Information on the use of public resources

Law no. 124 of 4 August 2017 on the "Annual law for the market and competition", which became effective on 29 August 2017, aims to ensure greater transparency in the system of financial relations between public entities and other entities, and requires companies to provide "information on grants, contributions, paid assignments and economic advantages of any kind received from said public administrations and entities in the prior year", if they exceed Euro 10,000.

The reasoning behind the standard is attributable to the evidence of "economic advantages" specifically referring to the company and received during the year. The general reference to economic advantages makes it clear that even the cases expressly mentioned ("grants, contributions, paid assignments") are subject to disclosure when included within this scope.

Starting from what is set out in the document "Disclosure of contributions from public administrations or equivalent entities" issued by the Italian National Council for Chartered Accountants in March 2019 and Circular no. 5 of 22 February 2019 by Assonime, document entitled "Transparency in the public funding system: analysis of the discipline and interpretive guidelines", it is believed:

- that "transactions carried out within the scope of their activity, where there are synallagmatic relationships conducted according to market rules, do not fall within the scope of the request and the disclosure";
- that also for the purposes of Law no. 124/2017, in order to contribute to correct disclosure, taking into account the specific obligations of transparency that already exist for public contracts, the rules under paragraph 125 should apply only to amounts that do not represent consideration for services of the company but which, vice versa, fall within the category of economic advantages/donations.

In accordance with the law, the company did not receive any grants, contributions, paid assignments and/or economic advantages from public administrations during the year.

In any case, it should be noted that the company has decided to avail itself of the Research and Development tax credit envisaged by Article 1, paragraph 35, of Law no. 190 of 23 December 2014; for further information, please refer to the Directors' Report.

Explanatory Notes - Final Comments

The financial statements for the year ended 31 March 2019 were drafted in compliance with applicable statutory regulations in force and in accordance with Italian national accounting standards.
These Explanatory Notes, and the entire financial statements of which they form an integral part, represent a truthful and fair view of the company's assets and liabilities and the income for the year.
The financial statements were filed at the registered office by the deadline envisaged by law and will be submitted to the Shareholders' Meeting for approval.

Ravenna, 7 May 2019

For the Board of Directors
The Managing Director
Massimo CUPELLO CASTAGNA