

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF Godfrey Phillips India Limited

**Report on the standalone financial statement by the auditors of FLAVORS AND MORE, INC. USA to Deloitte Haskins & Sells, auditors of Godfrey Phillips India Limited (GPI)**

We have audited the accompanying consolidated financial statements of FLAVORS AND MORE, INC. USA ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year then ended and other reconciliations and information (all collectively referred to as the Fit for Consolidation (FFC) Accounts).

**Management's Responsibility for the FFC Accounts**

These FFC Accounts are the responsibility of the Company's Board of Directors. This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these FFC Accounts based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the FFC Accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the FFC Accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the FFC Accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls systems over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as

# R.C. AGARWAL & CO.

## CHARTERED ACCOUNTANTS



102, Laxman Palace, 19, Veer Savarkar Block, Madhuban Road, shakarapur, Delhi-110092  
Phone: 22450737, 42445220 Mobile: 9810039548 Email: rcagg2003@yahoo.com / rcagg1944@gmail.com

evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

These FFC accounts have been prepared solely to enable GPI to prepare its Consolidated Financial Statements in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' and not to report on **FLAVORS AND MORE, INC. USA** as a separate entity.

### Opinion

In our opinion, these FFC Accounts have been prepared, in all material respects, in conformity with accounting principles of GPI and the instructions received from controller of accounts and are suitable for inclusion in the Consolidated Financial Statements of GPI prepared in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements'

We further state that there are no other matters that, in our judgment, need to be reported to you .

This report is intended solely for the use of Deloitte Haskins & Sells in connection with the audit of the Consolidated Financial Statements of GPI and should not be used for any other purpose.

**For R.C. Agarwal & Co.**  
Chartered Accountants

R.C. Agarwal  
Partner

Membership No 010200.  
FRN No. : 003175N

Place: New Delhi  
Date: 15-May-2016



**FLAVORS AND MORE, INC.**

**BALANCE SHEET AS AT MARCH 31, 2016**

| Particulars                   | Note<br>No. | As at<br>On 31.3.2016<br>Amount in USD     |
|-------------------------------|-------------|--|
| <b>EQUITY AND LIABILITIES</b> |             |  |
| <b>Shareholders' funds</b>    |             |  |
| Share capital                 | 2           | <b>5,00,000.00</b>                         |
| Reserves and surplus          | 3           | <b>(2,57,192.83)</b><br><b>2,42,807.17</b> |
| <b>Current liabilities</b>    |             |  |
| Expense payables              | 4           | <b>41,025.00</b><br><b>41,025.00</b>       |
| <b>TOTAL</b>                  |             | <b>2,83,832.17</b>                         |
| <b>ASSETS</b>                 |             |  |
| <b>Current assets</b>         |             |  |
| Cash and cash equivalents     | 5           | <b>2,83,832.17</b><br><b>2,83,832.17</b>   |
| <b>TOTAL</b>                  |             | <b>2,83,832.17</b>                         |

Accompanying notes 1 to 13 form part of the financial statements

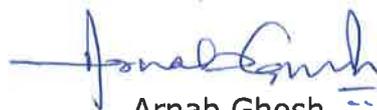
As per our report of even  
date attached

**For R.C. Agarwal & co.**  
Chartered Accountants

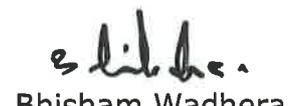
R.C. Agarwal  
Partner  
Membership No 010200.  
FRN No. : 003175N



For and on behalf of the Board of Directors

  
Arnab Ghosh

Director

  
Bisham Wadhwa

Director

Place: New Delhi  
Date: 15-May-2016

**FLAVORS AND MORE, INC.**

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016**

| Particulars                                    | Note No. | Year ended<br>On 31.3.2016<br>Amount in USD |
|--|----------|---|
| <b>INCOME</b>                                  |          |   |
| Revenue from operations                        |          | -   |
| <b>TOTAL REVENUE</b>                           |          | <u>-</u>                                    |
| <b>EXPENSES</b>                                |          |   |
| Other expenses                                 | 6        | <u>2,57,192.83</u>                          |
| <b>TOTAL EXPENSES</b>                          |          | <u>2,57,192.83</u>                          |
| <b>Profit before tax</b>                       |          | <u>(2,57,192.83)</u>                        |
| Tax expense                                    |          | -   |
| Current tax                                    |          | -   |
| <b>Profit after tax</b>                        |          | <u>(2,57,192.83)</u>                        |
| <b>Earning per equity share- basic/diluted</b> |          |   |
| (1) Basic                                      |          | (1,033.57)                                  |
| (2) Diluted                                    |          | (1,033.57)                                  |

Accompanying notes 1 to 13 form part of the financial statements

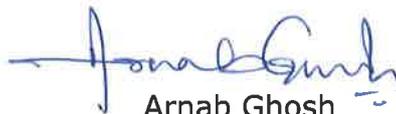
As per our report of even date attached

**For R.C. Agarwal & co.**  
Chartered Accountants

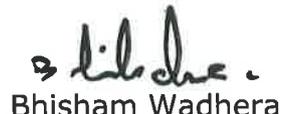
R.C. Agarwal  
Partner  
Membership No 010200.  
FRN No. : 003175N



For and on behalf of the Board of Directors

  
Arnab Ghosh

Director

  
Bisham Wadhwa

Director

Place: New Delhi  
Date: 15-May-2016

**FLAVORS AND MORE, INC.**

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016**

Amount in USD

**Year ended  
on 31.3.2016**

**A. CASH FLOWS FROM OPERATING ACTIVITIES**

Net profit before tax (2,57,192.83)

**Operating profit before working capital changes** (2,57,192.83)

Adjustments for:

Trade and other payables 41,025.00

**Cash generated from operations** (2,16,167.83)

**Net cash from operating activities** (2,16,167.83)

**B. CASH FLOWS FROM INVESTING ACTIVITIES** -

**C. CASH FLOWS FROM FINANCING ACTIVITIES**

Issue of shares 5,00,000.00

**Net cash flow from financing activities** 5,00,000.00

**NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS** 2,83,832.17

**Cash and cash equivalents at the beginning of the year** -

**Cash and cash at the end of the year** 2,83,832.17

**Components of cash and cash equivalent**

With bank - in current account **2,83,832.17**

As per our report of even date attached

**For R.C. Agarwal & co.**  
Chartered Accountants

R.C. Agarwal  
Partner  
Membership No.010200  
FRN No. : 003175N



For and on behalf of the Board of Directors

  
Arnab Ghosh

Director

  
Bhisham Wadhwa

Director

Place: New Delhi  
Date: 15-May-2016

## **FLAVORS AND MORE, INC.**

Notes forming part of the financial statements for the year ended March 31, 2016

### **1. Significant Accounting Policies**

- i. These accounts are drawn for the period commencing on 26-Jun-2015 and ending on 31-Mar-2016 , and this period represents first accounting period of the company.
- ii. The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act, 2013.
- iii. All Income and Expenses are accounted on mercantile basis.
- iv. Provision for Income-tax is based on assessable profits computed in accordance with provisions of the Income-tax Act, 1961.
- v. Deferred tax is recognized, subject to the consideration of prudence, on timing difference, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.



**FLAVORS AND MORE, INC.****2.Share capital**

|   | Amount in USD |         |
|---|---------------|---------|
|   | Number        | Amount  |
| <b>Authorised</b>                           |               |         |
| Equity Shares                               | 1000          | 2000000 |
|   | 1000          | 2000000 |
| <b>Issued, subscribed and fully paid up</b> |               |         |
| Equity shares                               | 250           | 500000  |
|   | 250           | 500000  |

(i) Reconciliation of equity shares outstanding at the beginning and at the end of reporting period

| Particulars                                 | Number | Amount |
|---|--------|--------|
| Shares Outstanding at beginning of the year | -      | -      |
| Subscription money received                 | 250    | 500000 |
| Shares outstanding at the end of the year   | 250    | 500000 |

(ii) Disclosure pursuant to Note no. 6(A)(g) and 6(A)(f) of Part I of Schedule III to the Companies Act, 2013

| Name of shareholder              | As at 31 March 2016 |              |
|----------------------------------|---------------------|--------------|
|                                  | Number              | % of holding |
| Godfrey Phillips India Limited * | 250                 | 100%         |

\* Holding Company



# FLAVORS AND MORE, INC.

Amount in USD

## 3 Reserves and Surplus

|  |                             |
|--|-----------------------------|
| Profit and Loss Account<br>Opening Balance | -                           |
| Profit (loss) for the year                 | <u>(2,57,192.83)</u>        |
| <b>Total</b>                               | <u><b>(2,57,192.83)</b></u> |

## 4 Current Liabilities

|                                     |                         |
|-------------------------------------|-------------------------|
| Expense Payables                    |                         |
| -Fross Zelnick Lehman & Zissue P.C. | 400.00                  |
| -Matte Finish LLC                   | 21875.00                |
| -Mobilosophy LLC                    | 18750.00                |
| <b>Total</b>                        | <u><b>41,025.00</b></u> |

## 5 Cash and cash equivalents

|  |                           |
|--|---------------------------|
| -Balances with Banks<br>-In current accounts | <u>2,83,832.17</u>        |
| <b>Total</b>                                 | <u><b>2,83,832.17</b></u> |



## FLAVORS AND MORE, INC.

### 6 Other Expenses

Amount in USD

|  |                           |
|--|---------------------------|
| Bank Charges                           | 499.00                    |
| Courier charges                        | 101.95                    |
| Freight and clearing charges           | 2,650.83                  |
| Product development expenses           | 90141.05                  |
| Legal & professional fees and expenses | 1,63,800.00               |
| <b>Total</b>                           | <b><u>2,57,192.83</u></b> |

7. The Company was incorporated in State of Delaware , USA on 26-Jun-2015.
8. In the opinion of the Board, the Current Assets and Loan & Advances are approximately of the value stated, if realized, in the ordinary course of business. There are no contingent liabilities outstanding at the end of the year.
9. Being a Single unit Company, segment reporting in accordance with Accounting Standard (AS-17) as issued by the Institute of Chartered Accountants of India, is not applicable.
10. Deferred tax assets pursuant to Accounting Standard (AS-22) on 'Accounting for Taxes on Income ', has not been recognized in view of current uncertainty of sufficient future taxable income.
11. Related party disclosure under Accounting Standard 18:
  - A. Names of related parties and nature of related party
    - a. Relationships: Holding Company
      - i. Godfrey Phillips India Limited
    - b. Associates of the Holding Company
      - i. Success Principle India Limited
      - ii. KKM Management Centre Private Limited
      - iii. IPM India Wholesale Trading Private Limited
      - iv. Philip Morris Global brands Inc of which the holding company is an associate
      - v. K K Modi investment & Financial Services Pvt Ltd. of which the holding company is an associate
    - c. Subsidiaries of the Holding Company
      - i. International Tobacco Company Limited
      - ii. Chase Investments Limited
      - iii. Godfrey Phillips Middle east.
      - iv. Friendly Reality projects Ltd (formally known as Kashyap Metal and Allied Industries Ltd. ) (Subsidiary thru subsidiary)
      - v. Rajputana Infrastructure Corporate Limited (Subsidiary thru subsidiary)



## FLAVORS AND MORE, INC.

- vi. Unique Space Developer Limited (Subsidiary thru subsidiary)
- vii. Gopal Krishna Infrastructure & Real Estate Ltd. (Subsidiary thru subsidiary)

### B. Key Management Personnel:

- a. Mr. Bhasham Wadhera, Director
- b. Mr. Arnab Ghosh, Director
- c. Mr. Ashrant Bhartia, Director

C. Enterprises over which key management personnel and their relatives are able to exercise significant influence: None

D. Disclosure of transactions between the company and related parties and the status of outstanding balances as at the year ended:

| Nature of transaction  | Amount in USD |
|--|---------------|
| a. With Holding Company<br>Godfrey Phillips India Limited<br>- Share Capital | 5,00,000      |
| b. With associates   | None          |
| c. With associates of persons  | None          |
| d. With Key Management personal  | None          |
| e. With enterprises over which significant influences exists                 | None          |

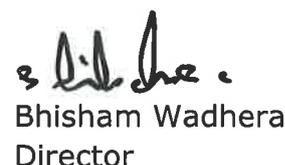
12. As the company has started operations only in current financial year hence there are no previous year's figures.

13. The US is the single largest market for Vaping products and Wells Fargo estimates that the size of the market in 2015 to be around \$3.5 billion. It is also estimated that with the present rate of growth, the Vaping products market in the US will surpass combustible cigarettes in 10 years. The US market is likely to continue being the setter of standards for the rest of the world in terms of product innovation and trends. Keeping in mind the longer term prospects of Vaping products and gain first hand understating of the evolving market dynamics in the US, this company by the name of FLAVORS AND MORE, INC. has been incorporated in the US, based out of the State of Delaware.

  
Place: New Delhi  
Date: 15-May-2016

For and on behalf of the Board of Directors

  
Arnab Ghosh  
Director

  
Bhasham Wadhera  
Director