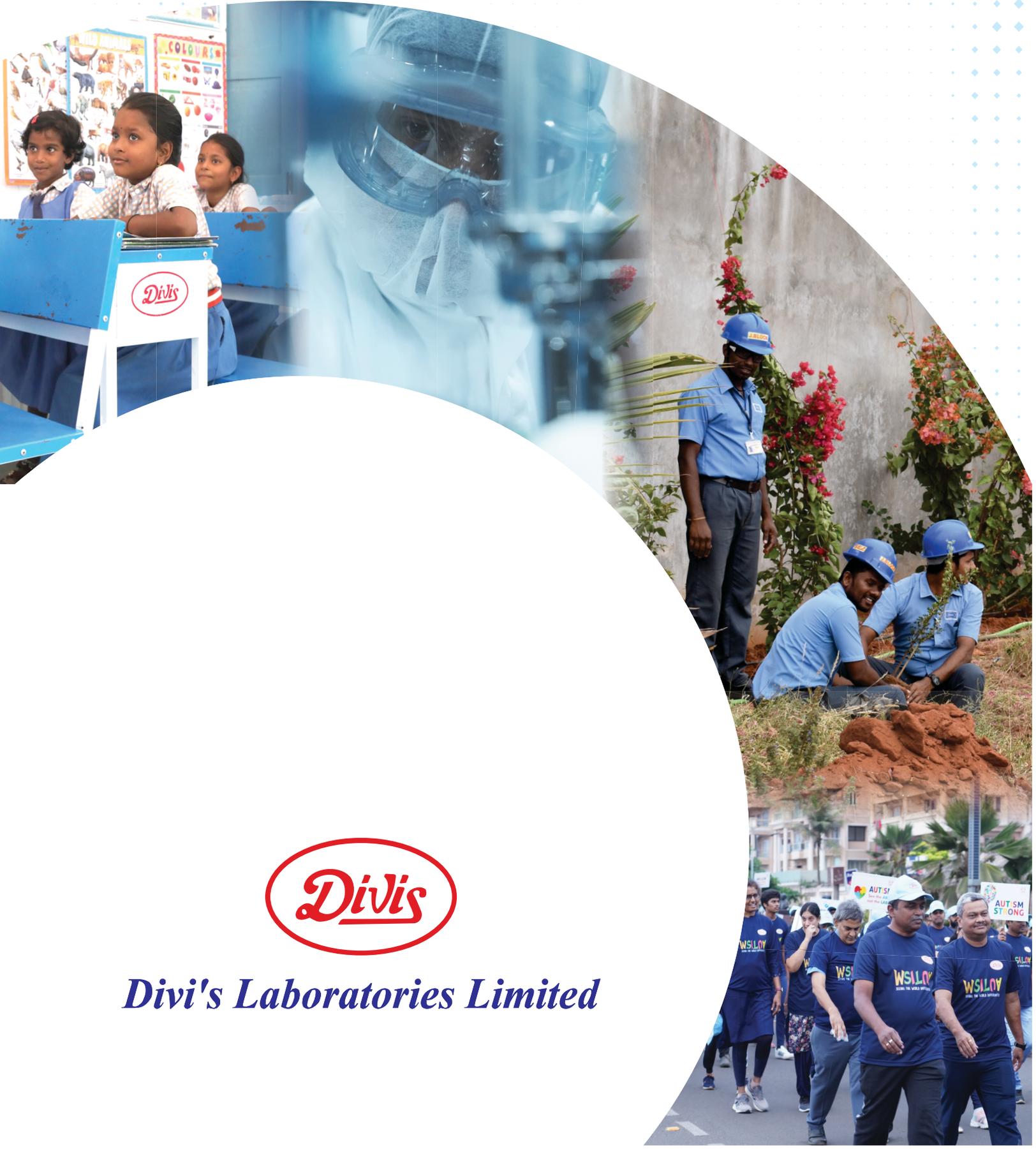


Subsidiary Companies Financial Statements 2022-23



Divi's Laboratories Limited

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Divis Laboratories (USA) Inc.

Management Report for the financial year 2022-23

We are happy to present our Management report and the financial statements for the financial year ended March 31, 2023.

Financial results

US \$

Particulars	2022-23	2021-22
Revenue from operations	29,680,278	31,630,678
Total Income	29,680,278	31,630,678
Cost of goods sold	24,015,825	25,157,826
Gross Profit	5,664,453	64,72,852
Employee benefit expenses	1,515,521	14,02,965
Other Expense	1,625,368	14,36,830
Interest Expenses	14,805	-
Total Expenses	3,155,694	28,39,795
Profit before tax	2,508,759	36,33,057
Tax expense	56,369	814,768
Profit after tax	2,452,390	2,818,289
Retained Earnings	9,293,617	6,861,227

For the current financial year, the company earned a sales income of US\$ 29,680,278 as against US\$ 31,630,678 as compared with last financial year. Gross profit for the year amounted to \$ 5,664,453 as against previous year of \$ 6,472,852.

Net Profit before tax for the year came to \$ 2,508,759 versus \$ 3,633,057 for the previous financial year. Tax expenses for the current year is \$56,369 (Net of refund claims pertaining to earlier years) against to \$814,768 for previous financial year.

The company made a Net Profit of \$2,452,390 as against \$2,818,289 in the Prior year. Accumulated retained earnings as of March 31st, 2023 is \$ 9,293,617 against an accumulated retained earnings of \$ 6,841,227 as of March 31st, 2022.

No distribution of profit is recommended for the current financial year.

Market and Outlook

The outlook of global Carotenoids Market is expected to grow around 3-4% annually. Divi's is a global, technology-driven manufacturer of high-quality carotenoid and vitamin ingredients used in the food, beverage, dietary supplement, pet food and feed industries. Our primary Focus is on the growth of Carotenoid products where we are fully backward integrated and offer an increased number of application forms for the Human Nutrition, Health and Animal Nutrition, Health markets.

We expect to further grow in the aquaculture market and increase our current market leadership position for astaxanthin. With the launch of our petfood line, we expect to strengthen our position in this growing market segment. The continuous launch of innovative product forms has put Divi's in a leading position, which has been recognized by large accounts as the second and strong pillar of our business model.

Despite these increasingly challenging circumstances, the demand for Divi's products is steadily growing and the company is prepaid to support this growth. New capabilities and capacities are under review and will be implemented in time to manage future new requirements and challenges.

The current political crisis has an increasing impact on availability and subsequent higher prices for many of our new materials has a significant impact on raw material prices. We are also experiencing higher local distribution and warehousing costs.

Supply reliability became the major focus point for our customers, and we continue to manage our operations to guarantee timely delivery to our customers, not only to maintain our existing customers base but also increase our business, being the reliable supplier.

Unusual Items after the financial year

No item, transaction or event of the material nature has arisen during the period between the end of the financial year and the date of this report, which would affect substantially the operations of the company.

Responsibility Statement

In opinion of the management, the accompanying financial statements were drawn fairly, in all material respects, the financial position of Divi's Laboratories (USA), Inc. as of March 31, 2023 and 2022, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America

Signed on 3rd
May,2023

Heinz Niggli
Director & Vice President

Magone & Company, P.C.

Certified Public Accountants
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www.MagoneCPAs.com

Independent Auditors' Report

To the Stockholder of
Divis Laboratories (USA), Inc.

Opinion

We have audited the accompanying financial statements of Divis Laboratories (USA), Inc. (a New Jersey Corporation), which comprise the balance sheets as of March 31, 2023 and 2022 the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Divis Laboratories (USA), Inc. as of March 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Divis Laboratories (USA), Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Divis Laboratories USA, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Divis Laboratories (USA), Inc.'s ability to continue as a goingconcern for a reasonable period of time.

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

MAGONE & COMPANY, P.C.

Roseland, New Jersey

May 3, 2023

Balance Sheets

March 31, 2023 and 2022

US \$

	2023	2022
ASSETS		
CURRENT ASSETS :		
Cash	1,523,509	954,756
Accounts receivable, net	7,402,609	9,908,003
Inventories net	15,065,599	11,229,285
Prepaid taxes expenses and other expenses	752,979	144,313
TOTAL CURRENT ASSETS	<u>24,744,696</u>	<u>22,236,357</u>
PROPERTY AND EQUIPMENT, NET		
Right-of-use assets under operating lease	291,752	-
Right-of-use assets under finance leases	8,296	-
Other property and equipment	30,215	35,767
TOTAL PROPERTY AND EQUIPMENT, NET	<u>330,263</u>	<u>35,767</u>
SECURITY DEPOSITS	16,206	16,206
DEFERRED TAX ASSETS	120,794	89,721
TOTAL ASSETS	<u>25,211,959</u>	<u>22,378,051</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES :		
Current maturities of operating lease obligations	68,219	-
Current maturities of finance lease obligations	8,069	-
Accounts payable	14,199,420	14,703,455
Income taxes payable	760,642	180,540
Accrued expenses	102,174	102,829
TOTAL CURRENT LIABILITIES	15,138,524	14,986,824
OPERATING LEASE OBLIGATIONS, LESS CURRENT MATURITIES	229,818	-
TOTAL LIABILITIES	<u>15,368,342</u>	<u>14,986,824</u>
STOCKHOLDER'S EQUITY :		
Common stock	20	20
Capital in excess of par value	549,980	549,980
Retained earnings	9,293,617	6,841,227
TOTAL STOCKHOLDER'S EQUITY	<u>9,843,617</u>	<u>7,391,227</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>25,211,959</u>	<u>22,378,051</u>

The accompanying notes are an integral part of these financial statements.

Statements of Income and Retained Earnings For the Years Ended March 31, 2023 and 2022

US \$

	2023	2022
SALES, NET	<u>29,680,278</u>	<u>31,630,678</u>
COST OF GOODS SOLD :		
Product costs	23,866,354	25,004,190
Warehouse	<u>149,471</u>	<u>153,636</u>
TOTAL COST OF GOODS SOLD	<u>24,015,825</u>	<u>25,157,826</u>
GROSS PROFIT	<u>5,664,453</u>	<u>6,472,852</u>
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES :		
Salaries and employee benefits	1,478,180	1,367,223
Freight	646,977	420,847
Travel and entertainment	248,577	151,268
Commissions	159,514	161,303
Office	119,252	112,802
Depreciation	85,733	8,409
Professional fees	62,356	71,394
Rent	56,486	131,624
Insurance	41,138	41,197
Pension	36,711	35,742
Bad debt	29,718	250,674
Telephone	29,169	36,723
Miscellaneous	<u>147,078</u>	<u>50,589</u>
TOTAL SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	<u>3,140,889</u>	<u>2,839,795</u>
OPERATING INCOME	<u>2,523,564</u>	<u>3,633,057</u>
INTEREST EXPENSE	<u>14,805</u>	<u>-</u>
INCOME BEFORE INCOME TAXES	<u>2,508,759</u>	<u>3,633,057</u>
PROVISION FOR (BENEFIT FROM) INCOME TAX :		
Current	87,442	904,489
Deferred	<u>(31,073)</u>	<u>(89,721)</u>
PROVISION FOR INCOME TAXES	<u>56,369</u>	<u>814,768</u>
NET INCOME	<u>2,452,390</u>	<u>2,818,289</u>
RETAINED EARNINGS, BEGINNING OF YEAR	<u>6,841,227</u>	<u>4,022,938</u>
RETAINED EARNINGS, END OF YEAR	<u>9,293,617</u>	<u>6,841,227</u>

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

For the Years Ended March 31, 2023 and 2022

US \$

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES :		
Net income	2,452,390	2,818,289
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES :		
Depreciation	85,733	8,409
Allowance for inventory obsolescence	159,573	(31,184)
Allowance for doubtful accounts	74,615	250,674
Write-off of inventories	(82,697)	-
Write-off of accounts receivable	(44,898)	-
Benefit from deferred income tax	(31,073)	(89,721)
(Increase) decrease in assets :		
Accounts receivable	2,475,677	473,750
Inventories	(3,913,190)	(3,214,358)
Prepaid taxes and other expenses	(608,666)	183,992
Increase (decrease) in liabilities :		
Accounts payable	(504,035)	411,827
Income taxes payable	580,102	(515,875)
Rebates payable	-	(296,634)
Accrued expenses	(655)	53,685
Operating lease obligations	(57,973)	-
Finance lease obligations	(12,615)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	572,288	52,854
CASH FLOWS FROM INVESTING ACTIVITIES :		
Acquisitions of property and equipment	(3,535)	(7,720)
NET CHANGE IN CASH	568,753	45,134
CASH, BEGINNING OF YEAR	954,756	909,622
CASH, END OF YEAR	1,523,509	954,756
SUPPLEMENTAL CASH FLOW INFORMATION :		
Cash paid during the year for :		
Income taxes	796,178	1,236,235

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements March 31, 2023 and 2022

NOTE 1 - NATURE OF BUSINESS :

Divis Laboratories (USA), Inc. (the "Company") was formed as a Delaware corporation in December 2005, and later registered to do business in New Jersey on February 1, 2006. The Company is a wholly owned subsidiary of Divis Laboratories Ltd. (India) (the "Parent Company") and was formed to distribute dietary supplements and pharmaceutical ingredients in North America.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES :

Basis of Accounting

The accompanying financial statements of the Company have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Company has adopted the indirect method of presenting the statements of cash flows.

Accounts Receivable

Accounts receivable arise in the normal course of business and are recorded based on revenue earned. Accounts receivable are stated net of an allowance for doubtful accounts. The Company performs ongoing evaluations of its customers and generally does not require additional collection proceedings or require collateral. Accounts are charged to bad debt expense as they are deemed uncollectible based on a periodic review of the accounts. The allowance for doubtful accounts is estimated based on the historical bad debt expense and a review of the accounts receivable at year-end. The allowance is increased by a provision for bad debts, which is charged to expense, and reduced by write-offs, net of recoveries. Allowance for doubtful accounts was \$280,391 and \$250,674 at of March 31, 2023 and 2022, respectively.

Inventory

The Company's inventory consists primarily of dietary supplements and pharmaceutical ingredients, which are considered finished products and goods. This inventory is determined on a weighted average basis. A valuation allowance is provided for obsolete and slow-moving inventory to write cost down to net realizable value (market), if necessary. The valuation allowance is based on the Company's evaluation of damage or expiration of inventory.

Property and Equipment

Major additions and improvements of property and equipment are capitalized at cost. Maintenance, repairs and minor replacements are expensed when incurred. The cost and accumulated depreciation of items sold or otherwise disposed of are removed from the related property and accumulated depreciation accounts, and the resultant gain or loss, if any, is recorded. Depreciation is provided generally on the straight-line method at rates based on estimated service lives; current service lives range from 5 to 31 years.

Revenue Recognition

Revenue from the sale of products is recognized based on the price specified in the contract. The Company recognizes sales at a point in time. Sales are made with credit terms consistent with market practice and are in line with normal credit terms, usually 30, 60, 90, or 150 days from the invoice date.

Revenue is recognized at the point in time when control of the goods has transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs from the point the goods have been shipped to the specific location specified by customer, which is the time that the risk of loss is transferred to the customer and customer has accepted liability of the goods in accordance with the sales contract.

Contracts may contain variable consideration, including rebates and discounts that generally decrease the transaction price. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

Shipping and Handling Costs

The Company records shipping and handling costs as a component of selling, general, and administrative expenses. Shipping and handling costs for the years ended March 31, 2023 and 2022 was \$646,977 and \$420,847, respectively.

Advertising

The Company recognizes advertising costs as they are incurred. Advertising expense for the years ending March 31, 2023 and 2022 was \$130,462 and \$33,413, respectively, and are included in miscellaneous on the statements of income and retained earnings.

Income Taxes

Income taxes are accounted for using the asset and liability method, as required by FASB ASC 740. Under this method, deferred income taxes are recognized for the estimated future tax effects attributable to temporary differences and carryforwards. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated.

Significant items creating net deferred tax assets and liabilities include the allowance for doubtful accounts, basis differences in property and equipment, deferred compensation, accrued vacation pay and inventory valuation.

The Company files income tax returns in the U.S. federal jurisdiction, New Jersey, New York, California, and Massachusetts. With few exceptions, the Company is no longer subject to U.S. federal, or state and local income tax examinations by tax authorities for fiscal years 2018 and prior. Based on the Company's assessment of many factors, including past experience and judgments about future events, the Company does not currently anticipate significant changes in its tax positions over the next 12 months.

Leases

The Company recognizes right-of-use assets and lease liabilities when the Company has both the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the identified asset.

A short-term lease is defined as a lease that, at the lease commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the Company is reasonably certain to exercise.

The Company has applied the short-term lease exception under Accounting Standards Codification (ASC) 842 in which the Company does not recognize a right-of-use asset and lease liability for short-term leases. This election has been made for all classes of underlying assets.

The Company utilizes the rate implicit in the lease if it is readily determinable, regardless of whether it is higher than the Company's incremental borrowing rate, in determining the lease liability. If the rate implicit in the lease is not readily determinable, the discount rate reflects the Company's incremental secured borrowing rate.

Accounting Pronouncements Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance in Topic 840, Leases. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification improvements to Topic 482, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, IESSES (Topic 842): Codification Improvements. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-of-use ("ROU") assets and lease liabilities on the balance sheet for operating leases.

Divi's Laboratories (USA), Inc. adopted the leasing standards effective April 1, 2022, using the modified retrospective approach with April 1, 2022 as the initial date of application. Divi's Laboratories (USA), Inc. elected to use all available practical expedients provided in the transition guidance. These allowed Divi's Laboratories (USA), Inc. to not reassess the initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. As of April 1, 2022, adoption of Topic 842 had a material impact on Divi's Laboratories (USA), Inc.'s balance sheet and the income statement for the recognition of ROU assets and lease liabilities for our operating and finance leases for lessee accounting resulting in cumulative effect adjustments of \$6,285 of operating lease expense and \$12,595 of finance lease expense.

Subsequent Events

Subsequent events have been evaluated through May 3, 2023, the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through the date the financial statements were available to be issued that would require adjustment to or disclosure in the accompanying financial statements.

NOTE 3 - CONCENTRATION OF RISK :

The Company's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash balances in financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000. As of March 31, 2023 and 2022, the cash balances exceeded this limit by approximately \$1,039,000 and \$528,000, respectively.

The Company is also subject to concentration with suppliers as it purchases substantially all of its products from its Parent Company and the Parent Company's subsidiaries. At March 31, 2023 and 2022, substantially all the accounts payable are payable to the Parent Company and its subsidiaries.

NOTE 4 - DISAGGREGATION OF REVENUE :

The following table disaggregates revenue by country which the Company believes best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors for the year ended March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
United States of America	18,761,133	19,940,127
Chile	5,636,750	5,830,858
Canada	3,281,520	4,576,282
Other	2,000,875	1,283,411
	<u>29,680,278</u>	<u>31,630,678</u>

NOTE 5 - ACCOUNTS RECEIVABLE :

Accounts receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Accounts receivable	7,683,000	10,158,677
Less allowance for doubtful accounts	280,391	250,674
	<u>7,402,609</u>	<u>9,908,003</u>

NOTE 6 - INVENTORIES :

Inventory consist of the following as of March 31 :

	<u>2023</u>	<u>2022</u>
Raw materials	9,994	39,625
Packing materials	8,282	21,458
Finished goods	15,201,454	11,245,457
	<u>15,219,730</u>	<u>11,306,540</u>
Less allowance for inventory obsolescence	154,131	77,255
	<u>15,065,599</u>	<u>11,229,285</u>

NOTE 7 - PROPERTY AND EQUIPMENT :

Property and equipment consisted of the following as of March 31:

	<u>2023</u>	<u>2022</u>
Right-of-use asset under operating lease	472,311	-
Right-of-use asset under finance lease	39,460	-
Computer equipment	85,408	82,173
Furniture and fixtures	52,586	52,586
Equipment	17,277	16,978
	<u>667,042</u>	<u>151,737</u>
Less accumulated depreciation	336,779	115,970
	<u>330,263</u>	<u>35,767</u>

Depreciation expense for the years ended March 31, 2023 and 2022 was \$85,733 and \$8,409 respectively.

NOTE 8 - PENSION PLAN :

The Company has a 401(k) plan that covers all eligible employees. All employees may participate in the plan upon hire. The Company is obligated to contribute 3% of all eligible participant's compensation. Pension expense was \$36,711 and \$35,742 for the years ended March 31, 2023 and 2022, respectively.

NOTE 9 - INCOME TAXES :

The provisions for income taxes were as follows for the years ended March 31:

	<u>2023</u>	<u>2022</u>
Current provision (benefit) :		
Federal	336,283	723,949
State and local	(248,841)	180,540
	<u>87,442</u>	<u>904,489</u>
Deferred tax benefit :		
Federal	(22,501)	(64,970)
State and local	(8,572)	(24,751)
	<u>(31,073)</u>	<u>(89,721)</u>
	<u>56,369</u>	<u>814,768</u>

The provision for federal income taxes differs from that computed by applying federal statutory rates to income before federal income tax expense, as indicated in the following analysis:

	<u>2023</u>	<u>2022</u>
Expected federal tax provision at 21%	529,948	762,942
Nondeductible expenses	46,865	52,642
Tax deductible expenses	(20,829)	(7,589)
Other	(242,202)	(149,016)
	<u>313,782</u>	<u>658,979</u>

The deferred tax assets and liabilities were as follows as of March 31 :

	<u>2023</u>	<u>2022</u>
Deferred tax assets :		
Allowance of Inventory obsolescence	44,698	22,404
Allowance for doubtful accounts	81,314	72,695
	<u>126,012</u>	<u>95,099</u>
Deferred tax liability :		
Property and equipment	5,218	5,378
Net deferred tax asset	<u>120,794</u>	<u>89,721</u>

Note 10 - COMMON STOCK :

Common stock consists of 3,000 authorized shares of \$0.01 par value common stock, of which 2,000 shares are issued and outstanding.

NOTE 11 - COMMITMENTS AND CONTINGENCIES :

The Company has agreements with several of its employees which provide for, among other things, base salaries, and benefits such as health insurance and pension matching. Each employment agreement includes a confidentiality clause pertaining to any internal, nonpublic trade information.

NOTE 12 - Leasing Activities

The Company leases an apartment in Morristown, New Jersey for the use of its employees, Parent Company, or guests. The lease term is for 12 months and will expire on June 24, 2023. The monthly base rent and parking charges are \$4,476 and \$100, respectively. The Company has elected not to capitalize this short-term lease on the balance sheet and instead has recognized lease payments as an expense.

In January 2020, the Company signed a lease for an office space in Florham Park, New Jersey. The lease term is for seven years and will expire on April 30, 2027. The monthly base rent is \$6,285 up to April 30, 2023, when it will increase to \$6,599 until the lease expires. The Company has elected to capitalize this lease on the balance sheet in accordance with ASU 2016-02, Leases (Topic 842).

Rent paid for the years ended March 31, 2023 and 2022 was \$141,061 and \$131,624, respectively.

The Company also maintains two lease agreements on vehicles. The one lease is for three and half years and is set to expire on July 20, 2023 with a monthly installment of \$393. The other lease is for three years and is set to expire on March 2, 2024, with a monthly installment of \$670. The classification of these leases was operating leases under Topic 840, Leases for prior years.

The following summarizes the line items in the balance sheets which include amounts for operating and finance leases as of March 31, 2023:

Operating Lease:

Right-of-use assets under operating lease	\$ 472,311
Accumulated depreciation	180,559
Right-of-use assets under operating lease, net	<u>\$ 291,752</u>
Current maturities of operating lease obligations	\$ 68,219
Operating lease obligations, net of current maturities	229,818
Total operating lease liabilities	<u>\$ 298,037</u>

Finance Leases:

Right-of-use assets under finance leases	\$ 39,460
Accumulated depreciation	31,164
Right-of-use assets under finance lease, net	<u>\$ 8,296</u>
Current maturities of finance lease obligations	<u>\$ 8,069</u>

Weighted Average Remaining Lease Terms:

Operating lease	4 years
Finance leases	1 year

Weighted Average Discount Rates:

Operating lease	4.09%
Finance leases	11.19%

The maturities of lease liabilities as of March 31, 2023 were as follows:

Year ending March 31:	<u>Short-term</u>	<u>Operating</u>	<u>Finance</u>
2024	13,728	78,877	8,565
2025	-	79,191	-
2026	-	79,191	-
2027	-	79,191	-
2028	<u>-</u>	<u>6,599</u>	<u>-</u>

Total lease payments	13,728	323,049	8,565
Less interest	-	25,012	496
	<u>13,728</u>	<u>298,037</u>	<u>8,069</u>
Present value of lease liabilities	<u>13,728</u>	<u>298,037</u>	<u>8,069</u>

The following summarizes the line items in the income statements which included the components of lease expense for the year ended March 31, 2023:

Operating lease costs included in the statement of income and retained earnings	<u>\$ 134,061</u>
Finance lease costs:	
Amortization of lease assets included in depreciation	\$ 12,388
Interest on lease liabilities	<u>1,488</u>
Total finance lease costs	<u>\$ 13,876</u>

The following summarizes cash flow information related to leases for the year ended March 31, 2023:

Cash paid for amounts included in the measurements of

lease obligations:

Operating cash flows from finance leases	12,615
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Lease assets obtained in exchange for lease obligations:

Operating lease	356,010
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Financing leases	20,684
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NOTE 13 - RELATED PARTIES :

The Company purchases substantially its entire inventory from the Parent Company or subsidiaries of the Parent Company. For the years ended March 31, 2023 and 2022, the Company purchased \$27,641,932 and \$28,214,326 of inventory from its Parent Company or the Parent Company's subsidiaries, respectively.

As of March 31, 2023 and 2022, the Company had accounts payable related to the purchase of inventory from the Parent Company and subsidiaries of \$14,120,959 and \$14,620,687, respectively.

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Divi's Laboratories Europe AG

Management Report for fiscal year 2022-23

The Directors present their report and the financial statements for the business year ended March 31, 2023.

Financial results

CHF

Particulars	2022-23	2021-22
Sales Income (Net)	30,663,613	29,491,601
Cost of Goods Sold	26,725,181	25,614,343
Production Profit	3,938,432	3,877,258
Employees, Admin & Selling Expenses	3,400,195	4,114,239
Operating Gain/ (Loss)	538,237	(2,36,981)
Exchange Gain	432,827	34,675
Income Tax	105,000	7,641
Net Gain/ (Loss)	866,064	(2,09,947)

The company earned a net sales income of CHF 30,663,613 as against CHF 29,491,601 for the previous financial year, which has a 4% growth during the year as compared to last year's sales. Production profit for the year amounted to CHF 3,938,432 as against CHF 3,877,258 for previous year.

Net gain for the year amounted to CHF 866,064 as against a net Loss of CHF 209,947 for the last year. We have an accumulated profit of CHF 2,434,791 as at the end of the current year as against an accumulated gain of CHF 1,568,727 as at the end of last year.

No distribution of profit is recommended for the current financial year.

Market and Outlook

The global market for Carotenoids is still growing at an expected rate of about 4%. Divi's is a global, technology-driven manufacturer of high-quality carotenoid and vitamin ingredients used in the food, beverage, dietary supplement, pet food and feed industries.

Focus of Divi's has been on growth of diverse Carotenoid products which are fully backward integrated and offer an increased number of application forms for the Human Nutrition, Health as well as Animal Nutrition, Health markets.

We expect to further grow in the aquaculture market and increase our current market leadership position for astaxanthin. With the launch of our petfood line, we expect to strengthen our position in this growing market segment. The continuous launch of innovative product forms has put Divi's in a leading position, which has been recognized by large accounts as the second and strong pillar of our business model.

Despite these increasingly challenging circumstances, the demand for Divi's products is steadily growing and the company is prepaid to support this growth. New capabilities and capacities are under review and will be implemented in time to manage future new requirements and challenges.

The current political crisis has an increasing impact on availability and subsequent higher prices for many of our new materials has a significant impact on raw material prices. We are also experiencing higher local distribution and warehousing costs.

Supply reliability became the major focus point for our customers, and we continue to manage our operations to guarantee timely delivery to our customers, not only to maintain our existing customers base but also increase our business, being the reliable supplier.

Directors

Mrs. Claudia Mastrangelo, Mr. Franz Probst and Mr Kiran S Divi continue as Directors of the company.

Unusual Items after the financial year

No item, transaction or event of the material nature has arisen during the period between the end of the financial year and the date of this report, which would affect substantially the operations of the company during the current year.

Responsibility Statement

In opinion of the Directors and Managers, the accompanying financial statements were drawn up so as to give a true and fair view of the state of affairs of the company as on March 31, 2023 and of the results of the business for the year then ended. Directors and Managers have taken all reasonable steps to prepare these financial statements in accordance with the accounting principles generally accepted as per Swiss Law.

CH - Basel
April 28, 2023

Mrs. Claudia Mastrangelo
Director

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Report of the independent auditors on the financial statements to the Board of Directors of Divi's Laboratories Europe AG, Basel

Opinion

We have audited the financial statements of Divi's Laboratories Europe AG (the Company), which comprise the balance sheet as at 31 March 2023, the statement of income for the year then ended, the statement of cash flow for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements comply with Swiss law and the Company's articles of incorporation.

Basic for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

CH-Basel, 28th April 2023

SRG Swiss Audit Corporation Ltd.

Christoph Huber

Licensed audit expert

Auditor in charge

Philipp Aebin

Licensed audit expert

Enclosures :

- Financial Statements (Balance Sheet, Income Statement, Cashflow Statement, Notes)

Balance Sheet

	31 st March, 2023 CHF	31 st March, 2022 CHF
ASSETS		
Cash	1'444'988.16	972'999.87
A/R Trade/Other	6'644'815.98	5'847'337.75
A/R Intercompany Divi's Lab Ltd. India	0	0
A/R Intercompany Divi's Lab Ltd. USA	1'210'962.46	744'274.12
Prepaid Expenses & Deposits	284'835.96	212'503.02
Inventories	16'070'134.90	17'337'387.72
Total Current Assets	<u>25'655'737.46</u>	<u>25'114'502.48</u>
Fixed Assets	116'869.64	102'600.56
Less : Accumulated Depreciation	-66'521.21	-58'938.60
Setting-up costs	14,325.70	14'325.70
Less : Setting-up costs written-off	-14,325.70	-14'325.70
Fixed Assets, net	<u>50'348.43</u>	<u>43'661.96</u>
Total	<u>25'706'085.89</u>	<u>25'158'164.44</u>
LIABILITIES & EQUITY		
A/P Trade/Other	932'136.46	2'408'457.74
A/P Intercompany Divi's Lab Ltd. USA	0.00	36'885.54
A/P Intercompany Divi's Lab. Ltd. India	20'788'324.87	19'894'975.74
Accruals	1'450'833.85	1'149'118.64
Current Liabilities	<u>23'171'295.18</u>	<u>23,489,437.66</u>
Capital	100'000.00	100'000.00
Legal capital reserves	50'000.00	50'000.00
Retained Gains / Losses	1'518.726.78	1'728'673.99
Gain/ (Net Loss)	866'063.93	-209'947.21
Stockholders' Equity	<u>2'534'790.71</u>	<u>1'668'726.78</u>
Total	<u>25'706'085.89</u>	<u>25'158'164.44</u>

Statement of Income

	1.4.22 - 31.3.23 CHF	1.4.21 - 31.3.22 CHF
Sales	32'617'238.77	31'195'404.10
Carriage and freight outward	<u>-1'953'625.77</u>	<u>-1'703'802.78</u>
Sales	30'663'613.00	29'491'601.32
Material costs and stock adjustments	<u>26'725'180.90</u>	<u>25'614'343.39</u>
Material costs	26'725'180.90	25'614'343.39
Production Profit	<u>3'938'432.10</u>	<u>3'877'257.93</u>
Personnel	1'153'059.96	1'120'871.89
Recruiting, Travel & Memberships	143'586.73	54'664.29
Outside Services	193'667.52	203'431.77
Marketing & Promotional	1'625'253.14	2'332'097.41
R&M, Utilities, Insurance	277'045.12	395'490.08
Depreciation	<u>7'582.61</u>	<u>7'682.94</u>
Expenses	3'400'195.08	4'114'238.38
Operating Gain / (Loss)	<u>538'237.02</u>	<u>-236'980.45</u>
Currency Differences	432'826.91	34'674.59
Income tax	-105'000.00	-7'641.35
Miscellaneous Income	0.00	0.00
Gain / (Net Loss)	<u>866'063.93</u>	<u>-209'947.21</u>

Statements of Cash Flows

For the Years Ended March 31, 2022 and 2021

CASH FLOWS STATEMENT (Indirect Method)	2023 CHF	2022 CHF
Gain/ (Net Loss)	866'063.93	-209'947.21
Depreciation	7'582.61	7'682.94
Decrease (+) / Increase (-) A/R Trade/Other	-797'478.23	531'233.15
Decrease (+) / Increase (-) A/R Intercompany Divi's Lab. Ltd. India	0.00	0.00
Decrease (+) / Increase (-) A/R Intercompany Divi's Lab. Ltd. USA	-466'688.34	207'802.51
Increase (+) / Decrease (-) Prepaid Expenses and Deposits	-723'32.94	351'44.28
Decrease (+) / Increase (-) Inventories	1'267'252.82	-8'898'414.60
Increase (+) / Decrease (-) A/P Trade/Others	-1'476'321.28	821'256.85
Increase (+) / Decrease (-) A/P Intercompany Divi's Lab. Ltd. USA	-36'885.54	-154'972.98
Increase (+) / Decrease (-) A/P Intercompany Divi's Lab. Ltd. India	893'349.13	7'109'257.20
Increase (+) / Decrease (-) Accruals	<u>301'715.21</u>	<u>589'984.13</u>
Operating Cash Flow	486'257.37	39'026.27
Investment (-) in Financial Assets	0.00	0.00
Investment (-) in Fixed Assets	-14'269.08	-8'461.42
Divestment (+) of Fixed Assets	<u>0.00</u>	<u>0.00</u>
Investing Cash Flow	-14'269.08	-8'461.42
Increase (+) / Decrease (-) Financial Debt	<u>0.00</u>	<u>0.00</u>
Financing Cash Flow	<u>0.00</u>	<u>0.00</u>
Total Cash Flow	<u>471'988.29</u>	<u>30'564.85</u>
Cash as of 31.03. (+)	1'444'988.16	972'999.87
Cash as of 01.04. (-)	<u>972'999.87</u>	<u>-942'435.02</u>
Net change in the balance item cash	<u>471'988.29</u>	<u>30'564.85</u>

Notes

	1.4.22 - 31.3.23 CHF	1.4.21 - 31.3.22 CHF
1. The financial statements of Divi's Laboratories Europe AG have been prepared in accordance with the provisions of swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).	-	-
2. Contingent Liabilities	-	-
3. Disputed claims	-	-
4. Undisputed claims	-	-
5. Assets pledged to secure liabilities : rent deposit	18'000.00	18'000.00
6. Residual leasing / rental Liabilities		
The rental agreement at offices was prolonged until 2024. The remaining rental payments based on the rental agreement.	103'500.00	157'500.00
7. Accounts payable Pension Fund	26'075.15	18 297.95
8. Miscellaneous Income	0.00	0.00
9. Calculation of Current Tax and Deferred Tax Liabilities		
<u>Income tax</u>		
Federal & Communal	105'000.00	0.00
With holding tax	10'412.93	13 951.00
<u>Capital Tax</u>	3'500.00	3 650.00.
10. Depreciation is charged at the following rates :		
a) Assets valuing individually not more than CHF 150 have been written-off 100%		
b) Furniture & Fixtures - 6.33% on Straight Line Method proportionate from purchase date		
c) Computers/peripherals - 16.21 % on Straight Line Method proportionate from purchase date		
d) Other Equipment - 4.75% on Straight Line Method proportionate from purchase date		
11. The annual average number of employees for 2022/23 and 2021/22 did not exceed ten full time equivalents (FTE)		
12 Significant events after the balance sheet date		
No adjusting or other non adjusting event to be disclosed occurred subsequently to the balance sheet date until the authorization of these financial statements on 28 April 2023.		

Divi's Laboratories Limited

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