

*Subsidiary Companies
Financials, 2016-17*



Divi's Laboratories Limited

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Divis Laboratories (USA) Inc.

Management Report

We are happy to present our Management report and the financial statements for the financial year ended March 31, 2017.

Financial results

US \$

Particulars	2016-17	2015-16
Sales Income	15,006,097	14,910,659
Cost of Goods Sold	13,325,374	12,941,639
Gross Operating Profit	1,680,723	1,969,020
Salaries/ Selling Expenses	1,615,071	1,368,616
Income/ (Loss) from operations	65,652	600,404
Deferred Taxes Utilization/ (Asset)	89,135	316,130
Net Profit/ (Loss)	(23,483)	284,274
Retained Deficit/ carry forward Loss	2,824,480	2,800,997

The company had muted sales growth during the year as compared to income last year. Our operating profit came lower at \$ 1,680,723 this year as against \$ 1,969,020 during last year due to margin contraction and lower realization. We also had to write-off old Inventory of \$ 88,265 during the year. Net profit before tax of \$ 65,652 came to as against a net profit before tax of \$ 600,404 during last year. We had to provide for deferred taxes of \$ 89,315 resulting into a net loss after tax of \$ 23,483 for the year.

However, the company has repaid all the loans borrowed from the parent company.

Market and Outlook

Nutraceuticals ingredients are products that provide health and medicinal benefits, including the prevention and treatment of diseases in addition to the basic nutritional value found in foodstuff. Primarily used in functional foods and dietary supplements, nutraceutical ingredients are chemical compounds that have health promoting, disease preventing or medicinal properties. The global nutraceuticals market is expanding at a CAGR of about 7.5%.

The global nutraceuticals market is predicted to register rapid growth in the years to come due to consumers' increasing inclination towards healthy and nutritional food, dietary supplements, and beverages. Your company has gained significant visibility and market reach through participation in exhibitions, intensive marketing and sales activities as well as the use of its distributors and has established itself as one of the key players in the nutraceutical ingredients business.

Divi's Nutraceuticals has been supplying full range of carotenoids and market targeted vitamins to the

nutritional, pharmaceutical, food/beverage and feed industries and has established itself as a reliable source for the supply of carotenoids and vitamins to these end users.

Your company has been able to generate cash profits for the last few years; however, the profit this year is lower due to lower prices and write-off of inventory. Accumulated losses as of March 31, 2017 is at similar level of last year at \$2,824,480 and the auditors have commented that the ability of the company to continue as a going concern is dependent upon the continued support from the parent company and achieving profitable operations. In view of the traction in business and profitable operations as well as the niche market opportunities ahead for our Nutra application forms, we are confident of improved operations and profitability.

Responsibility Statement

In the opinion of the management, 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, 2017 and of the results of the business for the period. The Management have taken all reasonable steps to prepare these financial statements on a going concern basis and the suitable accounting policies have been adopted consistently. Further, with the commencement of operations in the Nutra plant and the support of the parent organization and the ongoing efforts in qualification of the products by several strategic customers, the company is expected to grow its business and commence profitable operations.

L. Kishore Babu
Treasurer &
Secretary

Satya Prakash Divi
Director

L. Ramesh Babu
Director

Independent Auditors' Report

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC
Certified Public Accountants
155 North Dean Street
Suite 5, Englewood, New Jersey 07631
Ph. : 201-567-4100
Fax : 201-567-3461

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

Report on the Financial Statements

We have audited the accompanying financial statements of Divis Laboratories (USA), Inc. (a New Jersey corporation), which are comprised of the balance sheets as of March 31, 2017 and 2016, and the related statements of income, expense, and accumulated deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Divis Laboratories USA, Inc. as of March 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Entity will continue as a going concern. As discussed in Note 3 to the financial statements, the Entity has suffered recurring losses from operations up until March 31, 2013; the Entity lacks sufficient liquidity to continue operations. Those conditions raise substantial doubt about its ability to continue as a going concern at March 31, 2017. Management's plans regarding those matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Englewood, New Jersey
May 11, 2017

Balance Sheets

March 31, 2017 and 2016

US \$

Particulars	31 st March, 2017	31 st March, 2016
ASSETS		
CURRENT ASSETS :		
Cash and equivalents	872,144	344,271
Accounts receivable, net of allowance for doubtful accounts of \$0	3,358,492	2,910,878
Inventory	6,628,506	5,862,556
Other current assets	6,984	8,083
Total Current Assets	10,866,126	9,125,788
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$80,872 and \$72,975 respectively	23,888	19,431
OTHER ASSETS :		
Deferred taxes	975,879	1,065,014
Security deposits	16,783	16,783
Total Other Assets	992,662	1,081,797
Total Assets	11,882,676	10,227,016
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES :		
Accounts payable	14,112,819	11,137,148
Accrued expenses	44,337	37,758
Loan payable - Parent Company	-	1,303,107
Total Current Liabilities	14,157,156	12,478,013
STOCKHOLDERS' EQUITY :		
Common stock, \$.01 par value, 3,000 shares authorized, 2,000 shares issued and outstanding	20	20
Capital in excess of par value	549,980	549,980
Accumulated deficit	(2,824,480)	(2,800,997)
Total Stockholders' Deficit	(2,274,480)	(2,250,997)
Total Liabilities and Stockholders' Equity	11,882,676	10,227,016

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

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC
Certified Public Accountants

Statements of Income, Expense and Accumulated Deficit For the Years Ended March 31, 2017 and 2016

US \$

Particulars	For the year ended 31 st March, 2017	For the year ended 31 st March, 2016
SALES	<u>15,006,097</u>	<u>14,910,659</u>
COST OF GOODS SOLD :		
Product costs, net	12,822,320	12,498,979
Warehouse expense	127,308	110,528
Freight expense	289,343	297,181
Commissions	<u>86,403</u>	<u>34,951</u>
Total Cost of Goods Sold	<u>13,325,374</u>	<u>12,941,639</u>
GROSS PROFIT	<u>1,680,723</u>	<u>1,969,020</u>
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES :		
Salaries - officers	298,596	242,596
Salaries - other	488,033	355,969
Payroll taxes	54,262	45,021
Pension	22,515	19,443
Rent	102,019	98,155
Telephone	25,335	28,328
Office and postage	107,072	86,559
Professional fees	53,291	54,830
Advertising	102,351	105,020
Insurance	41,877	35,643
Travel and entertainment	174,549	164,968
Employee benefits	103,673	87,869
Auto	23,626	21,266
Depreciation	7,897	11,895
Contributions	2,000	5,625
Miscellaneous	<u>7,975</u>	<u>5,429</u>
Total Selling, General, and Administrative Expenses	<u>1,615,071</u>	<u>1,368,616</u>
INCOME FROM OPERATIONS	<u>65,652</u>	<u>600,404</u>
DEFERRED INCOME TAXES	<u>89,135</u>	<u>316,130</u>
NET INCOME (LOSS)	(23,483)	284,274
ACCUMULATED DEFICIT, Beginning of Year	<u>(2,800,997)</u>	<u>(3,085,271)</u>
ACCUMULATED DEFICIT, End of Year	<u>(2,824,480)</u>	<u>(2,800,997)</u>

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

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC
Certified Public Accountants

Statements of Cash Flows For the Years Ended March 31, 2017 and 2016

US \$

Particulars	For the year ended 31 st March, 2017	For the year ended 31 st March, 2016
CASH FLOWS FROM OPERATING ACTIVITIES :		
Net income (loss)	(23,483)	284,274
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	7,897	11,895
Change in accounts receivable	(447,614)	325,080
Change in inventory	(765,950)	(211,883)
Change in other current assets	1,099	9,257
Change in deferred taxes	89,135	316,129
Change in accounts payable	2,975,671	(116,054)
Change in accrued expenses	6,579	(5,446)
Net Cash Provided by Operating Activities	<u>1,843,334</u>	<u>613,252</u>
CASH FLOWS FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	<u>(12,354)</u>	<u>(1,757)</u>
CASH FLOWS FROM FINANCING ACTIVITIES :		
Repayment of loan to Parent Company	<u>(1,303,107)</u>	<u>(1,200,000)</u>
NET CHANGE IN CASH AND EQUIVALENTS	527,873	(588,505)
CASH AND EQUIVALENTS, Beginning of Year	<u>344,271</u>	<u>932,776</u>
CASH AND EQUIVALENTS, End of Year	<u>872,144</u>	<u>344,271</u>

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

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC
Certified Public Accountants

Notes to Financial Statements

March 31, 2017 and 2016

NOTE 1 - NATURE OF BUSINESS :

Divis Laboratories USA, Inc. was formed as a Delaware corporation in December 2005, and later registered to do business in New Jersey on February 1, 2006. Divis Laboratories USA, Inc. (the "Company") is a 100% owned subsidiary of Divi's Laboratories Ltd. (India) ("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.

Accounts Receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts based on a history of past write-offs, collections, and current credit conditions. Management determined that an allowance for doubtful accounts was not required at March 31, 2017 and 2016.

Inventory

The Company's inventory consists primarily of dietary supplements, which are considered finished products and goods. This inventory is determined on a weighted average basis.

Property and Equipment

Property and equipment are stated at cost on the date of purchase. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. The differences relate principally to net operating losses being carried forward to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company adopted Financial Accounting Standards Board ("FASB") ASC 740-10-50-15, Accounting for Uncertainty in Income Taxes on January 1, 2009, and its current accounting policy for evaluating uncertain tax positions is in accordance with generally accepted accounting principles. The Company has not recognized any benefits from uncertain tax positions in 2017 or 2016 and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the balance sheets date.

The determination of uncertain tax positions in the accompanying financial statements uses the tax judgments as reported on the Company's tax returns which are based on the requirements for filing the returns. These filings may be subject to amendment or change during an examination by the various taxing authorities, which has not been considered in the determination of the Company's tax assets or liabilities included in the accompanying financial statements.

The Company recorded a deferred tax asset as a result of cumulative net operating losses. The total net operating losses at March 31, 2017 approximated \$2,521,768 for federal purposes and \$1,316,418 for state purposes and can be carried forward to offset future taxable income. \$182,718 of the state net operating losses expired as of March 31, 2016.

Shipping and Handling Costs

The Company recorded shipping and handling costs as a component of cost of sales.

Advertising

The Company recognizes advertising costs as they are incurred. Advertising expense for the years ending March 31, 2017 and 2016 was \$102,351 and \$105,020, respectively.

Cash and 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.

Estimates

The preparation of 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 reported period. Actual results could differ significantly from those estimates.

Open Tax Years

The Company's Forms 1120, U.S. Corporation Income Tax Return, for the years ending March 31, 2014, 2015, 2016, and 2017 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

NOTE 3 - GOING CONCERN :

As shown in the accompanying financial statements, the Company had income from operations of \$65,652 for the year ending March 31, 2017. However, as of March 31, 2017 and 2016, the Company's current liabilities exceed current assets by \$3,291,030 and \$3,352,225, respectively, and the Company had a total stockholder's deficit of \$2,274,480 and \$2,250,997, respectively. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company has relied solely on the support of its Parent Company and its affiliates for financing the Company from its inception through March 31, 2017. Management expects that the support from the Parent Company will continue as the Company is profitable. Management's plans to achieve profitability include the continued development of current and new sales bases and the introduction of new, more profitable products in its current markets.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Company be unable to continue in existence. Continuation of the Company as a going concern is dependent upon the continued support from the Parent Company and its affiliates and achieving profitable operations. There are no assurances that the Company will become profitable; however, the Parent Company is committed to continuing their financial support.

NOTE 4 - RELATED PARTIES :

The Company has received loans from the Parent Company for the purpose of funding operating expenses. During the year ending March 31, 2011, the Company and the Parent Company agreed not to charge interest on these loans payable going forward. These loans are due on demand; however, the parent company will decide on calling these loans based on the profitability of the subsidiary and cash flow requirements, without affecting support to the company. For the years ended March 31, 2017 and 2016, the balance of the loan was \$0 and \$1,303,107, respectively.

The Company purchases substantially its entire inventory from the Parent Company or subsidiaries of the Parent Company. During the years ended March 31, 2017 and 2016, the Company purchased \$13,217,645 and \$12,147,818 of inventory from its Parent Company or the Parent Company's subsidiaries, respectively.

At March 31, 2017 and 2016, the Company had accounts payable related to the purchase of inventory of \$13,956,321 and \$11,034,734, respectively.

NOTE 5 - PENSION PLAN :

On January 1, 2006, the Company established a Simple IRA plan which covers all eligible employees. The Company is obligated to make matching contributions to a maximum 3% of compensation. On January 21, 2014, the Company established a 401 (K) plan to replace the original Simple IRA plan. The plan covers all eligible employees. The Company is obligated to contribute 3% of all eligible participant's compensation. Pension expense was \$22,515 and \$19,443 for the years ended March 31, 2017 and 2016, respectively.

NOTE 6 - PROPERTY AND EQUIPMENT :

Property and equipment consisted of the following :

<u>March 31, 2017</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Fair Value</u>
Computer equipment	\$ 59,849	\$ 43,763	\$ 16,086
Equipment	14,519	12,307	2,212
Furniture and fixtures	30,392	24,802	5,590
Total	<u>\$ 104,760</u>	<u>\$ 80,872</u>	<u>\$ 23,888</u>

<u>March 31, 2016</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Fair Value</u>
Computer equipment	\$ 51,739	\$ 39,521	\$ 12,218
Equipment	12,906	11,386	1,520
Furniture and fixtures	27,761	22,068	5,693
Total	<u>\$ 92,406</u>	<u>\$ 72,975</u>	<u>\$ 19,431</u>

Total depreciation expense for the years ended March 31, 2017 and 2016 was \$7,897 and \$11,895 respectively.

NOTE 7 - CONCENTRATIONS :

The Company purchases substantially its entire product from its Parent Company and the Parent Company's subsidiaries. At March 31, 2017 and 2016, substantially all of the accounts payable was payable to the Parent Company and its subsidiaries.

NOTE 8 - CONCENTRATION OF CREDIT RISK :

The Company maintains its cash balances in financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000. The balances, at times, may exceed federally insured limits.

NOTE 9 - COMMITMENTS AND CONTINGENCIES :

The Company leases premises in Florham Park, New Jersey for its office. The lease will expire on April 30, 2020. The Company leases an apartment in Morristown, New Jersey for the use of its employees, Parent company, and guests. The lease will expire on April 24, 2017.

The Company entered into operating lease agreements for two vehicles expiring on March 11, 2017 and August 20, 2018. Future minimum lease payments are as follows :

	<u>Office</u>	<u>Apartment</u>	<u>Vehicles</u>	<u>Total</u>
2017	\$ 52,304	\$ 47,784	\$ 13,720	\$ 113,808
2018	52,304	-	7,744	60,048
2019	52,304	-	4,313	56,617
2020	4,359	-	-	4,359
Total	<u>\$ 161,271</u>	<u>\$ 47,784</u>	<u>\$ 25,777</u>	<u>\$ 234,832</u>

Rent expense for the years ending March 31, 2017 and 2016 was \$102,019 and \$98,155, respectively. Vehicle lease expense amounted to \$22,218 and \$14,416 for the years ended March 31, 2017 and 2016 respectively.

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 10 - SUBSEQUENT EVENTS :

Subsequent events have been evaluated through May 11, 2017, the date the financial statements were available to be issued. No events have occurred subsequent to the statements of financial position 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.

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Divi's Laboratories Europe AG

Management Report for fiscal year 2016-17

The Directors present their report and the financial statement for the business year ended March 31, 2017.

Financial results

CHF

Particulars	2016-17	2015-16
Sales Income	16,523,639	13,126,276
Cost of Goods Sold	14,026,469	11,080,699
Operating Profit	2,497,170	2,045,577
Salaries /Selling Expenses	1,293,163	889,657
Exchange (Loss)/Gain	(82,553)	474,353
Net (Loss))/Gain	1,121,454	1,630,273
Retained Deficit/carry forward Loss	1,883,064	3,004,518

During the fiscal year, the company's sales income grew by over 26 % compared to the last fiscal year. We made an operating profit of CHF 2,497,170 this year as against an operating profit of CHF 2,045,577 during last year. However, net gain for the year amounted to CHF 1,121,454 as against a net gain of CHF 1,630,273 during the last year due to lower price realization and a foreign exchange loss during the year.

Your company has also repaid loan to the parent an extent of CHF 319,334 leaving a balance of CHF 3,700,000 to be repaid.

Accumulated losses as of March 31, 2017 amounted to CHF 1,883,064 and the auditors have commented about a material uncertainty that may cause significant doubt about the ability of the company to continue as a going concern in case the temporary funding by the shareholder and the successful realization of the business plan cannot be ensured. With the strong financials of our parent and its continuing support and appropriate product pricing as well as the niche market opportunities ahead for our Nutra application forms, we are confident of improved operations.

Market and Outlook

Nutraceuticals ingredients are products that provide health and medicinal benefits, including the prevention and treatment of diseases in addition to the basic nutritional value found in foodstuff. Primarily used in functional foods and dietary supplements, nutraceutical ingredients are chemical compounds that have health promoting, disease preventing or medicinal properties. The global nutraceuticals market is expanding at a CAGR of about 7.5%.

The global nutraceuticals market is predicted to register rapid growth in the years to come due to consumers' increasing inclination towards healthy and nutritional food, dietary supplements, and beverages. Your company has gained significant visibility and market reach through participation in exhibitions, intensive marketing and sales

activities as well as the use of its distributors and has established itself as one of the key players in the nutraceutical ingredients business.

Divi's Nutraceuticals has been supplying full range of carotenoids and market targeted vitamins to the nutritional, pharmaceutical, food/beverage and feed industries and has established itself as a reliable source for the supply of carotenoids and vitamins to these end users.

Directors

Mr. L. Kishore Babu and Mr. Franz Probst 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 the 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, 2017 and of the results of the business for the period. Directors and Managers have taken all reasonable steps to prepare these financial statements on a going concern basis and the suitable accounting policies have been adopted consistently. Further, with the commencement of operations in the Nutra plant and the support of the parent organization and the ongoing efforts in qualification of the products by several strategic customers, the company is expected to grow its business and commence profitable operations.

L. Kishore Babu
Director

L. Ramesh Babu
Manager

Report of the Independent Auditor 2016/17

SCHWEIZERISCHE REVISIONSGESELLSCHAFT

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

As independent auditors and in accordance with your instructions, we have audited the accompanying financial statements of Divi's Laboratories Europe AG, which comprise the balance sheet, income statement and notes for the year ended 31 March 2017.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2017 comply with Swiss law and the company's articles of incorporation.

Without qualifying our examination conclusion, we draw attention to note 11 in the notes to the financial statements describing a material uncertainty that may cause significant doubt about the ability of Divi's Laboratories Europe AG to continue as a going concern in case the temporarily future funding by the shareholder and the successful realization of the business plan can not be ensured.

We further state that the company is over-indebted as per art. 725 para. 2 CO. As the shareholder has subordinated his claims of CHF 3'000'000 as of 31 March 2017, the board of directors has refrained from notifying the judge. Should there be no future funding by the shareholder or should the business plan not be realized as planned, the company's liquidity position and, in the worst case, its ability to continue as a going concern, might become impaired, and the financial statements would have to be prepared on liquidation values. In this case, the subordinated loans might not be sufficient anymore to avoid the consequences of Art. 725 para 2 of the Swiss Code of Obligations (CO, Company Law).

CH-Basel, 2 May 2017

SRG Schweizerische Revisionsgesellschaft AG

Philipp Aebin	Hugo Huber
Licensed audit expert	Licensed audit expert
Auditor in charge	

Balance Sheet

Particulars	31 st March, 2017 CHF	31 st March, 2016 CHF
ASSETS		
Cash	1'016'109.10	1'715'313.75
A/R Trade/Other	2'685'559.45	2'485'277.62
A/R Intercompany Divi's Lab Ltd /Divis USA	2'140'229.29	174'062.81
Inventories	6'180'691.42	3'966'449.14
Prepaid Expenses & Deposits	<u>344'750.76</u>	<u>253'516.12</u>
Current Assets	12'367'340.02	8'594'619.44
Fixed Assets	58'223.40	45'369.29
Less : Accumulated Depreciation	(29'729.15)	(24'774.89)
Setting-up costs	14'325.70	14'325.70
Less : Setting-up costs written-off	<u>(14'325.70)</u>	<u>(14'325.70)</u>
Fixed Assets, net	28'494.25	20'594.40
Total Assets	<u>12'395'834.27</u>	<u>8'615'213.84</u>
LIABILITIES & EQUITY		
A/P Trade/Other	598'993'56	314'993.14
A/P Intercompany Divi's Lab Ltd. USA	77'572.21	117'546.46
A/P Intercompany Divi's Lab Ltd. India	10'578'658.87	6'148'136.55
Accruals	<u>23'673.57</u>	<u>39'056.10</u>
Current Liabilities	11'278'898.21	6'619'732.25
Subordinated A/P Intercompany Divi's Lab. Ltd. India	<u>3'000'000.00</u>	<u>5'000'000.00</u>
Non-Current Liabilities	<u>3'000'000.00</u>	<u>5'000'000.00</u>
Total Liabilities	14'278'898.21	11'619'732.25
Capital	100'000.00	100'000.00
Retained Losses	(3'104'518.41)	(4'734'791.80)
Net Gain/(Loss)	<u>1'121'454.47</u>	<u>1'630'273.39</u>
Stockholders' Equity	(1'883'063.94)	(3'004'518.41)
Total Liabilities & Equity	<u>12'395'834.27</u>	<u>8'615'213.84</u>

Statement of Income

Particulars	1.4.16 - 31.3.17 CHF	1.4.15 - 31.3.16 CHF
Sales	17'076'502.60	13'541'524.33
Carriage and freight outward	(552'863.29)	(415'248.54)
Sales	16'523'639.31	13'126'275.79
Material costs and stock adjustments	<u>14'026'469.41</u>	<u>11'080'698.66</u>
Material costs	14'026'469.41	11'080'698.66
Production Profit	2'497'169.90	2'045'577.13
Personnel	446'320.14	370'082.30
Recruiting, Travel & Memberships	38'971.60	45'737.95
Outside Services	218'508.50	215'606.38
Marketing & Promotional	377'933.42	101'836.70
R&M, Utilities, Insurance	191'449.52	153'445.93
Depreciation	<u>4'954.98</u>	<u>3'228.92</u>
Expenses	1'278'138.16	889'938.18
Operating Gain	1'219'031.74	1'155'638.95
Interest Income	-	38.50
Currency Differences	(82'553.27)	474'353.44
Misc Income	901.00	767.50
Property and income taxes	(15'925.00)	(525.00)
Net Gain/(Loss)	<u>1'121'454.47</u>	<u>1'630'273.39</u>

Notes

Particulars	31, March 2017 CHF	31, March 2016 CHF
1. The financial statements of Divi's Laboratories Europe AG have been prepared in accordance with the stipulations of Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations, articles 957 - 962).		
2. Contingent Liabilities	-	-
3. Disputed claims	-	-
4. Undisputed claims	-	-
5. Debts not acknowledged as debts	-	-
6. Start-up expenses have been amortised and charged-off in the year of incurrance	n.a.	n.a.
7. Leasing Liabilities (Car)	14'870.14	24'261.81
Liabilities due long-term rental contract (Office)	61'600.00	88'000.00
8. Accounts payable Pension Fund	0.00	0.00
9. Calculation of Current Tax		
<u>Income tax</u>	<u>Rate</u>	
Federal & Communal	0.00	0.00
<u>Capital Tax</u>	0.525%	100'000
	6'000.00	525.00

10. Depreciation is charged at the following rates :

- Assets valuing individually not more than CHF 150 have been written-off 100%
- Furniture & Fixtures - 6.33% on Straight Line Method proportionate from purchase date
- Computers/peripherals - 16.21 % on Straight Line Method proportionate from purchase date
- Other Equipment - 4.75% on Straight Line Method proportionate from purchase date

11. Explanation of the board of directors with regard to the business and the going concern of the company:

These financial statements were prepared on a going concern basis with the Company's board of directors believes to be appropriate, in spite of the significant losses suffered to date. The board of directors took the following actions:

- elaboration of a business plan and a budget
- conclusion of new sales agreements
- marked penetration via distribution has been decided and implemented
- interim funding by the shareholder in order to enable and finance the sales to Divi's Lab Ltd., USA

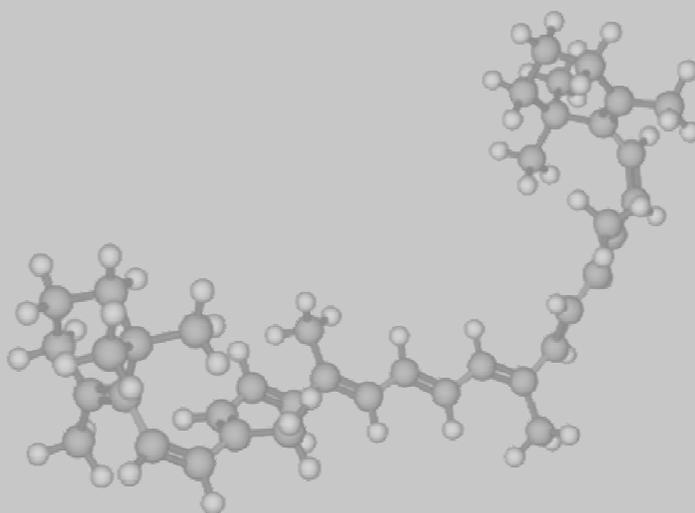
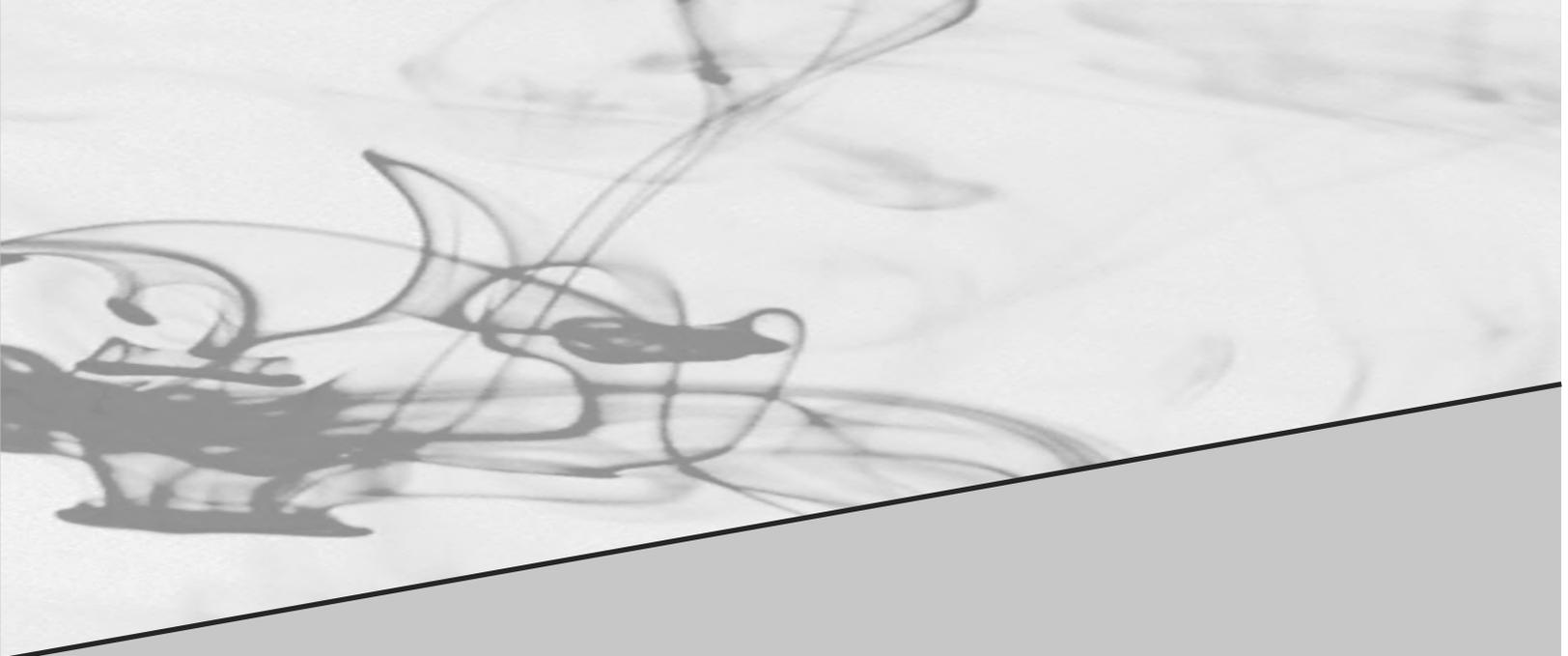
The board of directors is convinced of the success of the actions taken and the business.

However, should these remedial actions not be successful, this will have a material effect upon the Company and could likely result in an inability to continue as a going concern.

The Company is over-indebted as of 31 March 2017. As the shareholder, Divi's Lab. Ltd., India has subordinated a total of CHF 3'000'000 - to the claims of other creditors, the board of directors according to article 725 para 2 of the Swiss Code of Obligation (SCO, Company Law) renounced to inform the judge.

12. The annual average number of full-time equivalents for 2016/17 and 2015/16 did not exceed ten employees.

13. There are no further items to be disclosed according to article 959c SCO.



Divi's Laboratories Limited

Divi Towers, 1-72/23(P)/DIVIS/303 Cyber Hills, Gachibowli
Hyderabad - 500 032, Telangana, India.
Tel.:+91 (40) 2378 6300, Fax.:+91 (40) 2378 6460
E-mail : mail@divislabs.com | URL : www.divislabs.com
CIN : L24110TG1990PLC011854

Divis Laboratories (USA) Inc.

325 Columbia Turnpike, Suite 305,
Florham Park, NJ 07932,
Phone : +1 973 993 1060
Fax : +1 973 993 1070
usmail@divislabs.com

Divi's Laboratories Europe AG

Solothurner strasse 15
CH - 4053 Basel
Tel.:+41 61 361 6754
Fax:+41 61 361 6755
eumail@divislabs.com