

# Subsidiary Companies Financial Statements 2020-21



*Divi's Laboratories Limited*

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# Divis Laboratories (USA) Inc.

## Management Report for the financial year 2020-21

We are pleased to present our Management report and the financial statements for the financial year ended March 31, 2021.

### Financial results

US \$

Particulars	2020-21	2019-20
Sales Income	32,081,813	23,003,283
Cost of Goods Sold	26,333,183	19,143,872
Gross Profit	5,748,630	3,859,411
Selling, General and Admn. Expenses	1,810,233	1,779,182
Income before taxes	3,938,397	2,080,229
Current Income Taxes	861,290	5,89,564
Net Profit	3,077,107	1,490,665
Accumulated carry forward gain	4,022,938	945,831

For the current financial year, the company earned a sales income of US\$ 32,081,183 as against US\$ 23,003,283 for the previous financial year, which is a 39% growth during the year as compared to last year's sales. Gross profit for the year amounted to \$5748,630 as against prior year of \$3,859,411.

Net Profit before tax for the year came to \$3,938,397 versus \$2,080,229 for the previous fiscal year. Current taxes for the year amounted to \$861,290 against to \$589,564 in the prior.

The company made a Net Profit of \$3,077,107 up significantly from the \$1,490,665 in the year before. The reported results are reflecting an excellent year for the company with all products segments far above prior year sales.

As our company has been earning profit for the last three years, accumulated gain as of March 31<sup>st</sup>, 2021 is \$4,022,938 against an accumulated gain of \$945,831 at the end of last year.

The ongoing COVI-D19 pandemic still has some impact on the supply chain management of the products. Based on increasing issues at the west coast seaports, incoming shipments have been re directed to the east coast, which made additional domestic transportation necessary. Management continuously monitors the impact of COVID 19 and making all efforts in minimizing its effect on operations of the Company and continues to ensure reliable supply to its customers.

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

### Market and Outlook

The global market for Carotenoids is growing at an expected rate of about 4.2% to reach \$2.0 Billion by 2026 (source: Market & Markets, 2021). The Company 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 their customer, as well as partner for innovative new product development's. With the significant expansion of the product portfolio the company will also be well positioned to enter additional markets, like the Petfood industry. This will additionally support to continuous growth of ur business.

### 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 the opinion of the Management, the accompanying financial statements were drawn up to give a true and fair view of the state of affairs of the company as on March 31, 2021 and of the results of the business for the year ended on that date. The Management has taken all reasonable steps to prepare these financial statements on a going concern basis in accordance with generally accepted accounting principles in the United States of America.

New Jersey  
May 17, 2021

Heinz Niggli  
Director & Vice President

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC  
Certified Public Accountants  
155 North Dean Street  
Suite 5, Englewood, New Jersey 07631  
Ph. : 201-567-4100  
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## Independent Auditors' Report

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

### Opinion

We have audited the accompanying financial statements of Divi's Laboratories (USA), Inc. (a New Jersey corporation), which comprise of the balance sheets as of March 31, 2021 and 2020, and the related statements of income, 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 Divi's Laboratories USA, Inc. as of March 31, 2021 and 2020, 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 Divi's 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 Divi's 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, material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 Divi's 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 Divi's Laboratories USA, Inc.'s ability to continue as a going concern 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.

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC  
Englewood, New Jersey  
May 17, 2021

## Balance Sheets

### March 31, 2021 and 2020

US \$

	2021	2020
<b>ASSETS</b>		
CURRENT ASSETS :		
Cash and equivalents	909,622	1,114,182
Accounts receivable, net	10,632,427	7,122,005
Inventory	7,983,743	10,504,585
Prepaid expenses	6,835	13,028
Prepaid taxes	<u>321,470</u>	<u>-</u>
Total Current Assets	<u>19,854,097</u>	<u>18,753,800</u>
PROPERTY AND EQUIPMENT, net	<u>36,456</u>	<u>29,449</u>
OTHER ASSETS :		
Security deposits	<u>16,206</u>	<u>29,283</u>
Total Assets	<u>19,906,759</u>	<u>18,812,532</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES :		
Accounts payable	14,291,628	15,939,276
Income taxes payable	696,415	1,015,549
Rebates payable	296,634	338,699
Commissions payable	22,153	6,606
Accrued expenses	<u>26,991</u>	<u>16,571</u>
Total Current Liabilities	<u>15,333,821</u>	<u>17,316,701</u>
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
Retained earnings	<u>4,022,938</u>	<u>945,831</u>
Total Stockholders' Equity	<u>4,572,938</u>	<u>1,495,831</u>
Total Liabilities and Stockholders' Equity	<u>19,906,759</u>	<u>18,812,532</u>

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

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC  
Certified Public Accountants

## Income Statements

### For the Years Ended March 31, 2021 and 2020

US \$

	2021	2020
SALES	32,081,813	23,003,283
COST OF GOODS SOLD :		
Product costs, net	25,751,978	18,702,071
Freight expense	402,514	240,358
Warehouse expense	82,925	160,819
Commissions	95,766	40,624
Total Cost of Goods Sold	26,333,183	19,143,872
GROSS PROFIT	5,748,630	3,859,411
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES :		
Salaries - other	711,604	583,524
Salaries - officers	271,249	252,596
Employee benefits	212,097	172,573
Payroll taxes	82,515	63,387
Pension	29,781	25,853
Rent	139,533	107,927
Office expenses	115,742	108,832
Professional fees	74,025	61,725
Insurance	37,766	40,423
Bad debt	32,993	-
Travel and entertainment	31,327	201,157
Telephone	30,006	28,874
Auto	23,666	16,007
Depreciation	8,271	5,739
Miscellaneous	6,316	3,692
Advertising	3,342	96,778
Interest	-	7,495
Contributions	-	2,600
Total Selling, General, and Administrative Expenses	1,810,233	1,779,182
INCOME BEFORE TAXES	3,938,397	2,080,229
INCOME TAXES EXPENSE	861,290	589,564
NET INCOME	3,077,107	1,490,665
RETAINED EARNINGS (ACCUMULATED DEFICIT), Beginning of Year	945,831	(544,834)
RETAINED EARNINGS, End of Year	4,022,938	945,831

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, 2021 and 2020

US \$

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES :		
Net income	3,077,107	1,490,665
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	8,271	5,739
Change in accounts receivable	(3,510,422)	(1,545,738)
Change in inventory	2,520,842	(3,863,175)
Change in prepaid expenses	6,193	(5,368)
Change in prepaid taxes	(321,470)	-
Change in security deposits	13,077	(12,500)
Change in accounts payable	(1,647,648)	3,350,443
Change in income taxes payable	(319,134)	589,564
Change in rebates payable	(42,065)	338,699
Change in commissions payable	15,547	(9,929)
Change in accrued expenses	10,420	(24,987)
Net Cash Provided by (Used in) Operating Activities	<u>(189,282)</u>	<u>313,413</u>
CASH FLOWS FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	<u>(15,278)</u>	<u>(15,708)</u>
NET CHANGE IN CASH AND EQUIVALENTS	(204,560)	297,705
CASH AND EQUIVALENTS, Beginning of Year	<u>1,114,182</u>	<u>816,477</u>
CASH AND EQUIVALENTS, End of Year	<u>909,622</u>	<u>1,114,182</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION :		
Cash paid for :		
Interest	-	7,495
Federal and state corporate income taxes	1,501,894	-

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, 2021 and 2020

### NOTE 1 - NATURE OF BUSINESS :

Divi's 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. Divi's 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.

#### 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.

#### 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, 2021 and 2020.

#### 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.

#### Property and Equipment

Property and equipment are stated at cost at date of purchase. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows :

Computer equipment	7 Years
Furniture and fixtures	7 Years
Equipment	5 Years

Major additions and improvements are capitalized, and routine expenditures for repairs and maintenance are charged to expense as incurred.

#### Fair Market Value Measurements

The Company follows Financial Accounting Standards Board guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### 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.

#### Shipping and Handling Costs

The Company records 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, 2021 and 2020 was \$ 3,342 and \$ 96,778, respectively.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

**Change in Estimates**

The Company, as a result of a nexus study, changed its estimate for allocation of sales to states in which there is nexus beginning with the period ended March 31, 2020. The Company intends to file the returns in the near future based off this study. No penalties or interest have been accrued in the financial statements for this change in estimate as the Company believes based on ASC 740 and the more likely than not standard, any penalties will be abated due to reasonable cause. The change in estimate caused a net difference from prior year taxes of \$114,663. This change was reflected in the current year income tax expense.

**Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due.

**Open Tax Years**

The Company's Forms 1120, *U.S. Corporation Income Tax Return*, for the years ending March 31, 2018, 2019, 2020, and 2021 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

**Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**NOTE 3 - INVENTORY :**

Inventory consisted of the following :

	<u>2021</u>	<u>2020</u>
Raw material	23,737	21,720
Packing material	22,173	22,462
Finished goods	8,046,272	10,619,859
Inventory allowance	(108,439)	(159,456)
Total Inventory	<u>\$ 7,983,743</u>	<u>\$ 10,504,585</u>

**NOTE 4 - PROPERTY AND EQUIPMENT :**

Property and equipment consisted of the following :

	2021	2020
Computer equipment	76,748	72,139
Furniture and fixtures	50,291	42,391
Equipment	16,978	14,209
Total Property and Equipment	144,017	128,739
Less : accumulated depreciation	107,561	99,290
Property and Equipment, net	36,456	29,449

Depreciation expense for the years ended March 31, 2021 and 2020 was \$8,271 and \$5,739, respectively.

**NOTE 5 - REVENUE FROM CONTRACTS WITH CUSTOMERS :**

Contract Balances

Accounts receivable from contracts with customers were as follows :

	<u>2021</u>	<u>2020</u>
Beginning of year	<u>\$ 7,122,005</u>	<u>\$ 5,576,267</u>

End of year	<u>\$ 10,632,427</u>	<u>\$ 7,122,055</u>
Disaggregation of Revenue		
Disaggregated revenue from contracts with customers were as follows :		
	<u>2021</u>	<u>2020</u>
Revenue recognized at a point in time	\$ 32,081,813	\$ 23,003,283

#### Performance Obligations

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.

#### Variable Consideration

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.

#### NOTE 6 - PENSION PLAN :

On January 1, 2006, the Company established a Simple IRA plan which covers all eligible employees. 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 \$29,781 and \$25,853 for the years ended March 31, 2021 and 2020, respectively.

#### NOTE 7 - INCOME TAXES :

##### Current Taxes

The income tax expense is comprised of the following :

	2021	2020
Federal	\$ 819,018	\$ 400,417
State	42,272	189,147
Total Income Tax Expense	\$ 861,290	\$ 589,564

#### NOTE 8 - COMMITMENTS AND CONTINGENCIES :

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 Company also leases an apartment in Morristown, New Jersey for the use of its employees, Parent Company, or guests. The lease term is for one-year and will expire on June 24, 2021.

The Company also maintains two operating lease agreements on vehicles. The one lease is for three years and is set to expire on May 30, 2021. The other leases is for three and half years and is set to expire on July 20, 2023.

Future minimum lease payments are as follows :

2022	\$ 89,746
2023	77,811
2024	78,877
2025	79,191
2026	79,191
Thereafter	85,790
Total	<u>\$ 490,606</u>

Rent expense for the years ending March 31, 2021 and 2020 was \$139,533 and \$107,927, respectively. Vehicle lease expense amounted to \$20,638 and \$15,775 for the years ended March 31, 2021 and 2020 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 9 - RELATED PARTIES :**

The Company purchases substantially its entire inventory from the Parent Company or subsidiaries of the Parent Company. During the years ended March 31, 2021 and 2020, the Company purchased \$22,840,175 and \$22,471,331 of inventory from its Parent Company or the Parent Company's subsidiaries, respectively.

As of March 31, 2021 and 2020, the Company had accounts payable related to the purchase of inventory from the Parent Company and subsidiaries of \$14,199,776 and \$15,842,910, respectively. The Parent Company had charged interest on amounts payable and outstanding. Interest expense was \$0 and \$7,495 for the year ended March 31, 2021 and 2020, respectively.

**NOTE 10 - 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. The balances, at times, may exceed federally insured limits.

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, 2021 and 2020, substantially all of the accounts payable was payable to the Parent Company and its subsidiaries.

**NOTE 11 - SUBSEQUENT EVENTS :**

Subsequent events have been evaluated through May 17, 2021, 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.

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# Divi's Laboratories Europe AG

## Management Report for fiscal year 2020-21

The Directors present their report and the financial statements for the business year ended March 31, 2021.

### Financial results

CHF

Particulars	2020-21	2019-20
Sales Income	25,991,274	21,014,646
Cost of Goods Sold	23,357,685	18449378
Operating Profit	2,633,589	2,565,268
Salaries / Selling Expenses	1,905,563	1633819
Exchange Gain/ (Loss)	218,190	(79376)
Income Tax	126,000	113500
Net Profit	820,216	738573

The company earned a sales income of CHF **25,991,274** as against CHF 21,014,646 for the previous financial year, which has a 24% growth during the year as compared to last year's sales. Operating profit for the year amounted to CHF **2,633,589** as against previous year of CHF 2,565,268.

Net profit for the year amounted to CHF **820,216** as against a net profit of CHF 7,38,573 for the last year.

As the company has been able to achieve profitable operations during the years, we have an accumulated profit of CHF **1,778,674** as at the end of the current year as against an accumulated gain of CHF 958,458 as at the end of last year.

### Market and Outlook

The global market for Carotenoids is growing at an expected rate of about 4.2% to reach \$2.0 Billion by 2026 (source: Market & Markets, 2021). The Company 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 their customer, as well as partner for innovative new product development's. With the significant expansion of the product portfolio the company will also be well positioned to enter additional markets. This will additionally support to continuous growth of our business.

### 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 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, 2021 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.

CH - Basel  
May 12, 2021

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

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 financial year ended 31 March 2021.

### 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.

### Auditor's 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 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 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 2021 comply with Swiss law and the company's articles of incorporation.

CH-Basel, 12 May 2021

SRG Schweizerische Revisionsgesellschaft AG

**Philipp Aebin**

Licensed audit expert  
Auditor in charge

**Christoph Huber**

Licensed audit expert

Enclosures :

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

## Balance Sheet

	31 <sup>st</sup> March, 2021 CHF	31 <sup>st</sup> March, 2020 CHF
<b>ASSETS</b>		
Cash	942'435.02	874'574.25
A/R Trade/Other	6'378'570.90	3'721'662.52
A/R Intercompany Divi's Lab Ltd. USA	952'076.63	2'071'088.47
Prepaid Expenses & Deposits	247'647.30	452'129.63
Inventories	8'438'973.12	8'794'311.37
Total Current Assets	16'959'702.97	15'913'766.24
Fixed Assets	94'139.14	78'349.55
Less : Accumulated Depreciation	(51'255.66)	(44'452.82)
Setting-up costs	14'325.70	14'325.70
Less : Setting-up costs written-off	(14'325.70)	(14'325.70)
Fixed Assets, net	42'883.48	33'896.73
<b>Total Assets</b>	<b>17'002'586.45</b>	<b>15'947'662.97</b>
<b>LIABILITIES &amp; EQUITY</b>		
A/P Trade/Other	1'587'200.89	1'812'676.69
A/P Intercompany Divi's Lab Ltd. USA	191'858.52	116'760.11
A/P Intercompany Divi's Lab Ltd. India	12'785'718.54	12'580'847.95
Accruals	559'134.51	378'920.57
Short-term Current Liabilities	15'123'912.46	14'889'205.32
Capital	100'000.00	100'000.00
Legal capital reserves	50'000.00	16'000.00
Retained Gains	908'457.65	203'884.50
Net Gain / (Loss)	820'216.34	738'573.15
Stockholders' Equity	1'878'673.99	1'058'457.65
<b>Total Liabilities &amp; Equity</b>	<b>17,002,586.45</b>	<b>15'947'662.97</b>



## Statement of Income

	1.4.20 - 31.3.21 CHF	1.4.19 - 31.3.20 CHF
Sales	27'229'274.55	21'948'894.77
Carriage and freight outward	(1'238'000.18)	(934'248.32)
Sales	25'991'274.37	21'014'646.45
Material costs and stock adjustments	<u>23'357'685.29</u>	<u>18'449'378.03</u>
Material costs	23'357'685.29	18'449'378.03
<b>Production Profit</b>	<b><u>2'633'589.08</u></b>	<b><u>2'565'268.42</u></b>
Personnel	908'890.90	677'352.76
Recruiting, Travel & Memberships	18'312.03	54'702.53
Outside Services	354'530.88	291'126.13
Marketing & Promotional	195'112.18	172'315.97
R&M, Utilities, Insurance	426'097.62	362'817.50
Depreciation	<u>6'802.84</u>	<u>5'308.78</u>
Expenses	1'909'746.45	1'563'623.67
<b>Operating Gain</b>	<b><u>723'842.63</u></b>	<b><u>1'001'644.75</u></b>
Currency Differences	218'189.57	(79'375.94)
Interest Expenses	(126'000.00)	(113'500.00)
Misc Income	4'184.14	1'042.90
Property and income taxes	0.00	(71'238.56)
<b>Net Gain / (Loss)</b>	<b><u>820'216.34</u></b>	<b><u>738'573.15</u></b>

## Notes to Financial Statements

	1.4.20 - 31.3.21 CHF	1.4.19 - 31.3.20 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	18'000
6. Residual leasing / rental Liabilities		
The rental agreement at offices was prolonged until 2024. The remaining rental payments based on the rental agreement.	211'500	265'500
7. Accounts payable Pension Fund	15'414	11'356
8. Miscellaneous Income	4'184	1'043
9. Calculation of Current Tax and Deferred Tax Liabilities		
<u>Income tax</u>	<u>Rate</u>	<u>Pre Tax Profit</u>
Federal & Communal	13.044%	946'216
With holding tax		
<u>Capital Tax</u>	0.100%	
(based on capital and hidden equity)		
	124'000	111'000
	10'103	6'882
	2'000	2'500

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. The annual average number of full-time equivalents for 2020/21 and 2019/20 did not exceed ten people.

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