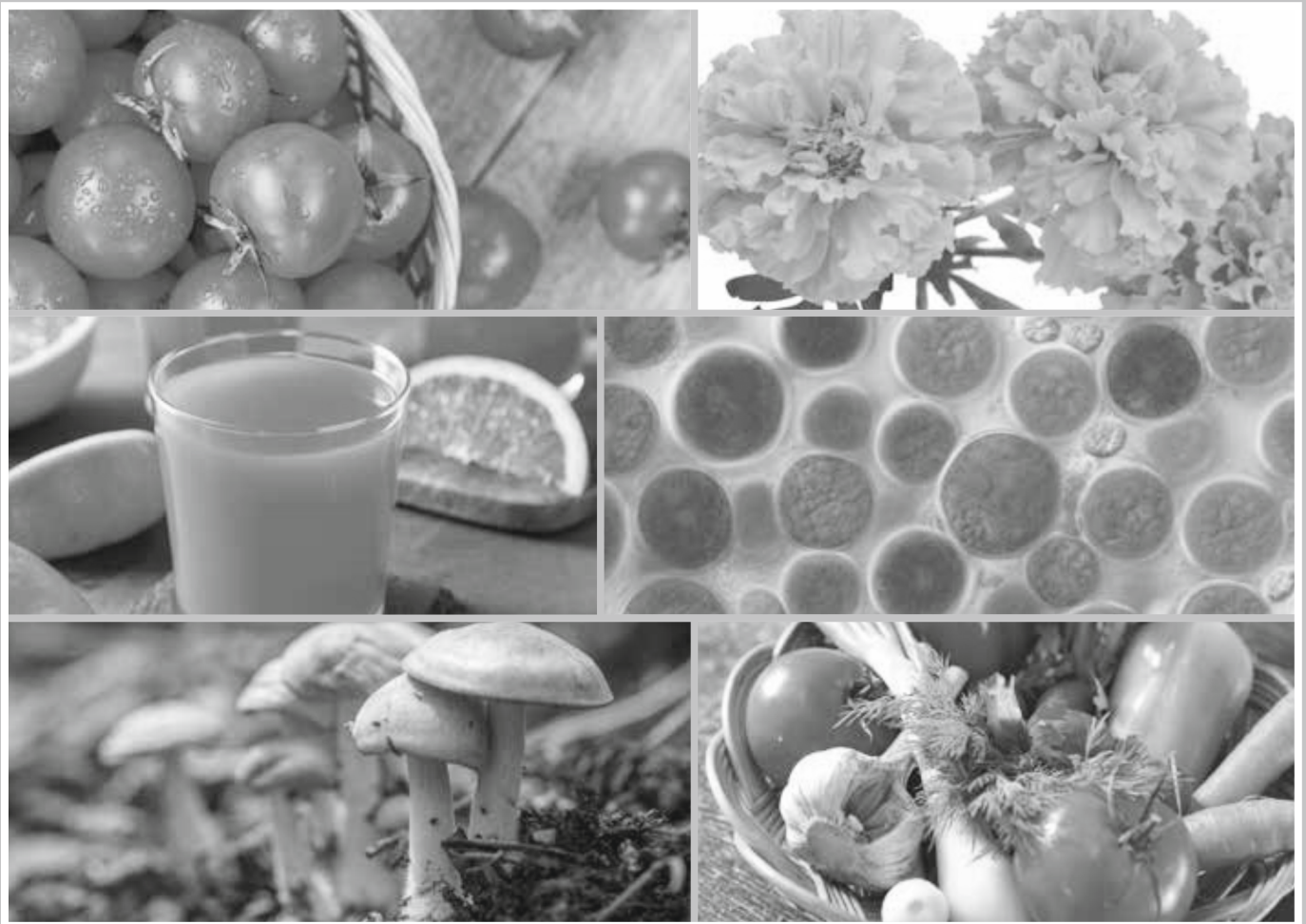


# Subsidiary Companies Financial Statements 2019-20



*Divi's Laboratories Limited*

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# Divis Laboratories (USA) Inc.

## Management Report for the financial year 2019-20

We are pleased to present our Management report and the financial statements for the financial year ended March 31, 2020.

### Financial results

US \$

Particulars	2019-20	2018-19
Sales Income	23,003,283	23,338,116
Cost of Goods Sold	19,143,872	18,648,524
Gross Profit	3,859,411	4,689,592
Selling, General and Admn. Expenses	1,779,182	1,746,527
Income before taxes	2,080,229	2,943,065
Income Taxes	589,564	849,995
Net Profit	1,490,665	2,093,070

For the current financial year, the company earned a sales income of US\$ 23.00 million as against US\$ 23.34 million for the previous financial year. Gross profit for the year is lower at US\$ 3.9 million as against 4.7 million for the previous financial year. Net Profit after tax for the year came to US\$ 1.49 million as against US\$ 2.09 million for the previous financial year.

The outbreak of the COVID-19 pandemic caused minor disruptions in supply chain management of the products. Management is actively monitoring the impact of COVID 19 and making all efforts in minimizing its effect on operations of the Company.

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

### Market and Outlook

The global market for Carotenoids to reach \$2.0 billion by 2025. 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 end users of these products.

### 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 so as to give a true and fair view of the state of affairs of the company as on March 31, 2020 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 22, 2020

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  
Fax : 201-567-3461

## Independent Auditors' Report

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 is comprised of the balance sheets as of March 31, 2020 and 2019, and the related statements of income 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, 2020 and 2019, 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.

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC  
Englewood, New Jersey  
May 22, 2020

## Balance Sheets

### March 31, 2020 and 2019

US \$

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS :</b>		
Cash and equivalents	1,114,182	816,477
Accounts receivable, net of allowance for doubtful accounts of \$0	7,122,005	5,576,267
Inventory	10,504,585	6,641,410
Other current assets	13,028	7,660
<b>Total Current Assets</b>	<b>18,753,800</b>	<b>13,041,814</b>
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$99,290 and \$93,551 respectively	29,449	19,480
<b>OTHER ASSETS :</b>		
Security deposits	29,283	16,783
<b>Total Assets</b>	<b>18,812,532</b>	<b>13,078,077</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES :</b>		
Accounts payable	15,939,276	12,588,833
Income taxes payable	1,015,549	425,985
Rebates payable	338,699	-
Commissions payable	6,606	16,535
Accrued expenses	16,571	41,558
<b>Total Current Liabilities</b>	<b>17,316,701</b>	<b>13,072,911</b>
<b>STOCKHOLDERS' EQUITY :</b>		
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 (accumulated deficit)	945,831	(544,834)
<b>Total Stockholders' Equity</b>	<b>1,495,831</b>	<b>5,166</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>18,812,532</b>	<b>13,078,077</b>

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, 2020 and 2019

US \$

	2020	2019
SALES	23,003,283	23,338,116
COST OF GOODS SOLD :		
Product costs, net	18,702,071	18,190,353
Freight expense	240,358	251,590
Warehouse expense	160,819	126,936
Commissions	40,624	79,645
Total Cost of Goods Sold	19,143,872	18,648,524
GROSS PROFIT	3,859,411	4,689,592
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES :		
Salaries - other	583,524	563,839
Salaries - officers	252,596	250,929
Travel and entertainment	201,157	195,060
Employee benefits	172,573	124,111
Office expenses	108,832	96,498
Rent	107,927	109,459
Advertising	96,778	102,136
Payroll taxes	63,387	62,588
Professional fees	61,725	52,301
Insurance	40,423	26,209
Telephone	28,874	26,178
Pension	25,853	25,150
Auto	16,007	26,935
Interest	7,495	71,174
Depreciation	5,739	5,934
Miscellaneous	3,692	4,026
Contributions	2,600	4,000
Total Selling, General, and Administrative Expenses	1,779,182	1,746,527
INCOME BEFORE TAXES	2,080,229	2,943,065
INCOME TAXES		
Deferred Income Taxes	-	424,010
Current Income Taxes	589,564	425,985
Total Income Taxes	589,564	849,995
NET INCOME	1,490,665	2,093,070
ACCUMULATED DEFICIT, Beginning of Year	(544,834)	(2,637,904)
RETAINED EARNINGS (ACCUMULATED DEFICIT), End of Year	945,831	(544,834)

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, 2020 and 2019

US \$

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>		
Net income	1,490,665	2,093,070
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	5,739	5,934
Change in accounts receivable	(1,545,738)	(1,182,816)
Change in inventory	(3,863,175)	(1,190,503)
Change in other current assets	(5,368)	(676)
Change in deferred taxes	-	424,010
Change in security deposits	(12,500)	-
Change in accounts payable	3,350,443	(788,929)
Change in rebates payable	338,699	-
Change in commissions payable	(9,929)	(24,419)
Income taxes payable	589,564	425,985
Change in accrued expenses	(24,987)	5,410
Net Cash Provided by (Used in) Operating Activities	<u>313,413</u>	<u>(232,934)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>		
Purchase of fixed assets	(15,708)	(6,497)
NET CHANGE IN CASH AND EQUIVALENTS	297,705	(239,431)
CASH AND EQUIVALENTS, Beginning of Year	816,477	1,055,908
CASH AND EQUIVALENTS, End of Year	<u>1,114,182</u>	<u>816,477</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION :</b>		
Cash paid for :		
Interest	7,495	71,174

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, 2020 and 2019

### 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.

#### 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, 2020 and 2019.

#### 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.

#### 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, 2020 and 2019 was \$ 96,778 and \$ 102, 136, respectively.

#### 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 2020 or 2019 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.

#### 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.

#### Open Tax Years

The Company’s Forms 1120, *U.S. Corporation Income Tax Return*, for the years ending March 31, 2017, 2018, 2019, and 2020 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.

#### New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timings, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective April 1, 2019, the first day of the Company’s fiscal year, using the modified retrospective approach.

The adoption of this ASU did not have a significant impact on the Company’s financial statements. Based on the Company’s evaluation process and review of its contacts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

### NOTE 3 - PROPERTY AND EQUIPMENT :

Property and equipment consisted of the following :

	Cost	Accumulated Depreciation	Net Fair Value
March 31, 2020			
Computer equipment	\$ 72,139	\$ 57,067	\$ 15,072
Equipment	14,209	13,117	1,092
Furniture and fixtures	42,391	29,106	13,285
Total	<u>\$ 128,739</u>	<u>\$ 99,290</u>	<u>\$ 29,449</u>
		Accumulated	Net
March 31, 2019	Cost	Depreciation	Fair Value
Computer equipment	\$ 65,869	\$ 52,962	\$ 12,907
Equipment	13,538	12,980	558
Furniture and fixtures	33,624	27,609	6,015
Total	<u>\$ 113,031</u>	<u>\$ 93,551</u>	<u>\$ 19,480</u>

Total depreciation expense for the years ended March 31, 2020 and 2019 was \$5,739 and \$5,934 respectively.

**NOTE 4 - REVENUE RECOGNITION :**

## Contract Balances

Accounts receivable from contracts with customers were as follows :

	<u>2020</u>	<u>2019</u>
Beginning of year	\$ 5,576,267	\$ 4,393,451
End of year	\$ 7,122,005	\$ 5,576,267

## Disaggregation of Revenue

Revenue from the sale of products is recognized based on the price specified in the contract. The company recognize 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.

## 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 5 - 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 \$25,853 and \$25,150 for the years ended March 31, 2020 and 2019, respectively.

**NOTE 6 - COMMITMENTS AND CONTINGENCIES :**

The Company leases premises in Florham Park, New Jersey for its office. The lease was for five years and is set to expire on April 30, 2020. In January 2020, the Company signed a lease for a new 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, and guests. The lease term is for a year at a time and subsequent to year ended was extended for another year. The lease 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 :

2021	\$ 139,404
2022	89,746
2023	80,201
2024	80,072
2025	79,191
Thereafter	164,981
Total	<u>\$ 633,595</u>

Rent expense for the years ending March 31, 2020 and 2019 was \$107,927 and \$109,459, respectively. Vehicle lease expense amounted to \$15,775 and \$26,795 for the years ended March 31, 2020 and 2019 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 7 - 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, 2020 and 2019, the Company purchased \$22,471,331 and \$19,105,290 of inventory from its Parent Company or the Parent Company's subsidiaries, respectively.

As of March 31, 2020 and 2019, the Company had accounts payable related to the purchase of inventory of \$15,842,910 and \$12,568,591, respectively. The Parent Company had charged interest on amounts payable and outstanding. Interest expense was \$7,495 and \$71,174 for the year ended March 31, 2020 and 2019, respectively.

#### **NOTE 8 - 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, 2020 and 2019, substantially all of the accounts payable was payable to the Parent Company and its subsidiaries.

#### **NOTE 9 - SUBSEQUENT EVENTS :**

Subsequent events have been evaluated through May 22, 2020, 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, except for as noted below.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects, if any, of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

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# Divi's Laboratories Europe AG

## Management Report for fiscal year 2019-20

The Directors present their report and the financial statements for the business year ended March 31, 2020.

### Financial results

CHF

Particulars	2019-20	2018-19
Sales	21,014,646	25,917,130
Material costs and stock adjustments	18,449,378	23,392,648
Production Profit	2,565,268	2,524,482
Marketing, Admn and other expenses	1,558,314	1,235,902
Depreciation	5,309	4,929
Operating Gain	1,001,645	1,283,651
Gain Before Taxes	852,073	1,366,731
Property and Income taxes	113,500	178,400
Net Gain	738,573	1,188,331

Sales for the current fiscal amounted to CHF 21 million compared to CHF 26 million in the previous fiscal year. As some business is serviced direct by the parent to minimize credit risk exposure, this has resulted in lower turnover for the current fiscal. The Company has earned a post-tax profit of CHF 0.7 million for the current fiscal as against a post-tax profit of CHF 1.2 million. The Stakeholders' equity has improved from CHF 0.3 million on March 31, 2019 to CHF 1.06 million on March 31, 2020. No distribution is recommended for the current fiscal year.

### Market and Outlook

Divi's Nutraceuticals is servicing its customers and striving to improve its market share for carotenoids and vitamins to the nutritional, pharmaceutical, food/beverage and feed industries; and continues its position as a reliable source for end users of these products. Divi's is making efforts to enhance its customer reach to take on the emerging opportunities as Carotenoid market has been growing and is expected to reach nearly \$ 2 billion by 2025.

### Directors

During the year Mr Kiran S Divi and Mrs. Claudia Mastrangelo have been appointed as Directors of the Company; and Mr L Kishore Babu has retired from directorship of the company. 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.

### 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, 2020 and of the results of the business for the period. Directors and Managers have taken all reasonable steps for preparation of financial statements in compliance with Swiss law and in accordance with appropriate applicable accounting policies adopted consistently.

CH - Barsel  
May 22, 2020

Mrs. Claudia Mastrangelo  
Director

SRG Swiss Audit Corporation Ltd.  
CH-4052 Basel  
+41 61 706 91 00 | basel@srgch.ch

## 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 2020.

### 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 2020 comply with Swiss law and the company's articles of incorporation.

CH-Basel, 22 May 2020

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, 2020 CHF	31 <sup>st</sup> March, 2019 CHF
<b>ASSETS</b>		
Cash	874'574.25	634'606.24
A/R Trade/Other	3'721'662.52	4'395'293.17
A/R Intercompany Divi's Lab Ltd. USA	2'071'088.47	332'807.02
Prepaid Expenses & Deposits	452'129.63	303'594.53
Inventories	<u>8'794'311.37</u>	<u>11'013'359.18</u>
<b>Total Current Assets</b>	<b>15'913'766.24</b>	<b>16'679'660.14</b>
Fixed Assets	78'349.55	65'388.31
Less : Accumulated Depreciation	(44'452.82)	(39'144.04)
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>
<b>Fixed Assets, net</b>	<b>33'896.73</b>	<b>26'244.27</b>
<b>Total Assets</b>	<b><u>15'947'662.97</u></b>	<b><u>16'705'904.41</u></b>
<b>LIABILITIES &amp; EQUITY</b>		
A/P Trade/Other	1'812'676.69	1'144'644.15
A/P Intercompany Divi's Lab Ltd. USA	116'760.11	122'081.95
A/P Intercompany Divi's Lab Ltd. India	12'580'847.95	14'862'453.93
Accruals	<u>378'920.57</u>	<u>256'839.88</u>
<b>Short-term Current Liabilities</b>	<b>14'889'205.32</b>	<b>16'386'019.91</b>
<b>Total Liabilities</b>	<b>14'889'205.32</b>	<b>16'386'019.91</b>
Capital	100'000.00	100'000.00
Legal retained earnings	16'000.00	-
Retained Gains / Losses	203'884.50	(968'446.28)
Net Gain / (Loss)	<u>738'573.15</u>	<u>1'188'330.78</u>
<b>Stockholders' Equity</b>	<b>1'058'457.65</b>	<b>319'884.50</b>
<b>Total Liabilities &amp; Equity</b>	<b><u>15'947'662.97</u></b>	<b><u>16'705'904.41</u></b>



## Statement of Income

	1.4.19 - 31.3.20 CHF	1.4.18 - 31.3.19 CHF
Sales	21'948'894.77	27'316'781.08
Carriage and freight outward	(934'248.32)	(1'399'651.47)
Sales	21'014'646.45	25'917'129.61
Material costs and stock adjustments	<u>18'449'378.03</u>	<u>23'392'647.60</u>
Material costs	18'449'378.03	23'392'647.60
<b>Production Profit</b>	<b><u>2'565'268.42</u></b>	<b><u>2'524'482.01</u></b>
Personnel	677'352.76	616'339.98
Recruiting, Travel & Memberships	54'702.53	49'285.59
Outside Services	291'126.13	92'561.15
Marketing & Promotional	172'315.97	172'826.34
R&M, Utilities, Insurance	362'817.50	304'888.72
Depreciation	<u>5'308.78</u>	<u>4'928.98</u>
Expenses	1'563'623.67	1'240'830.76
<b>Operating Gain</b>	<b><u>1'001'644.75</u></b>	<b><u>1'283'651.25</u></b>
Currency Differences	(79'375.94)	(6'598.95)
Interest Expenses	(71'238.56)	(77'849.62)
Misc Income	1'042.90	167'528.10
Property and income taxes	(113'500.00)	(178'400.00)
<b>Net Gain / (Loss)</b>	<b><u>738'573.15</u></b>	<b><u>1'188'330.78</u></b>

## Notes to Financial Statements

	1.4.19 - 31.3.20	1.4.18 - 31.3.19
	CHF	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. Debts not acknowledged as debts	-	-
6. Start-up expenses have been amortised and charged-off in the year of incurrence	-	-
7. Leasing Liabilities The rental agreement at offices was prolonged until 2024. The remaining rental payments based on the rental agreement.	265'500	140'800.00
8. Accounts payable Pension Fund	11'356	9'399
9. Miscellaneous Income The miscellaneous income is related to the partial release of the tax accrual for the financial year 2017/18 thanks to the tax ruling agreed with the Swiss tax authorities in relation to the interest incurred on the loan from the parent (Divi's Laboratories Limited, Hyderabad).	1'043	167'000
10. Calculation of Current Tax and Deferred Tax Liabilities		
<u>Income tax</u>	<u>Rate</u>	
Federal & Communal	13.044%	852'073
With holding tax		
Capital Tax	0.100%	2'461'344
(based on capital and hidden equity)		
	111'000	178'300.00
		0
	2'500	100

11. 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

12. The annual average number of full-time equivalents for 2019/20 and 2018/19 did not exceed ten Full-Time-Equivalents (FTE).





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