

## Across the Report

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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, 2015.

### Financial results

Particulars	US \$	
	2014-15	2013-14
Sales Income	16,413,134	14,481,883
Cost of Goods Sold	14,831,637	12,788,748
Gross Operating Profit	1,581,497	1,693,135
Salaries / Selling Expenses	1,472,008	1,429,873
Income/ (Loss) from operations	109,489	263,262
Deferred Taxes Utilization/ (Asset)	69,509	109,967
Net Profit/ (Loss)	39,980	153,295
Retained Deficit/carry forward Loss	3,085,271	3,125,251

During the fiscal year, the company's sales income grew by over 13.34% compared to the last fiscal. We made an operating profit of \$ 1,581,497 this year as against \$ 1,693,135 during last year. Your Company achieved a profit after tax (PAT) of \$ 39,980 this year as against the PAT of \$ 153,295 last year.

### Market and Outlook

The global demand for nutraceutical ingredients is forecast to rise 7.2% annually to about \$30 billion by 2017, serving end product market totalling \$369 billion, according to report released by Reportlinker. Emerging markets will be among the fastest growing consumer and producers of nutraceutical ingredients worldwide.

Divi's Nutraceuticals supplies 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.

Increased consumer awareness and changing lifestyles has given adequate impetus to nutraceutical industry to expand its presence and visibility through innovative marketing channels. We have gained significant visibility and market reach through participation in exhibitions, intensive marketing and sales activities as well as the use of our distributors. Using the approach of key account management in combination with an effective distribution network, we have been able to add customers in the existing as well as new territories.

Your company has been able to generate profits. Lower profits this year is due to higher operating costs. Accumulated losses as of March 31, 2015 amounted to \$3,085,271 and the auditors have commented that the ability of the company to continue as a going concern depends in view of the deficiency of cash and lack of sufficient liquidity to continue operations. 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.

### 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, 2015 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 further.

Lingamneni Kishore Babu  
Treasurer

Heinz Niggle  
Vice president - Operations

## 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

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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, 2015 and 2014, and the related statements of income, expense and retained 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.

### Auditor's 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 Divi's Laboratories USA, Inc. as of March 31, 2015 and 2014, 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, 2015. 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 12, 2015

## Balance Sheets

### March 31, 2015 and 2014

US \$

Particulars	31 <sup>st</sup> March, 2015	31 <sup>st</sup> March, 2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	932,776	505,380
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$0, respectively	3,235,958	3,082,603
Inventory	5,650,673	7,108,648
Other Current Assets	17,340	5,250
<b>Total Current Assets</b>	<b>9,836,747</b>	<b>10,701,881</b>
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$61,080 and \$52,094, respectively	29,569	32,158
<b>OTHER ASSETS :</b>		
Deferred taxes	1,381,143	1,450,652
Security deposits	16,783	13,077
<b>Total Other Assets</b>	<b>1,397,926</b>	<b>1,463,729</b>
<b>Total Assets</b>	<b>11,264,242</b>	<b>12,197,768</b>
<b>LIABILITIES AND STOCKHOLDER'S DEFICIT</b>		
<b>CURRENT LIABILITIES :</b>		
Accounts payable	11,253,202	11,759,912
Accrued expenses	43,204	10,000
Loan payable - Parent Company	2,503,107	3,003,107
<b>Total Current Liabilities</b>	<b>13,799,513</b>	<b>14,773,019</b>
<b>STOCKHOLDERS' DEFICIT :</b>		
Common stock, \$. 01 par value, 3,000 shares authorized, 2,000 and 2,000 shares issued and outstanding, respectively	20	20
Capital in excess of par value	549,980	549,980
Retained deficit	(3,085,271)	(3,125,251)
<b>Total Stockholders' Deficit</b>	<b>(2,535,271)</b>	<b>(2,575,251)</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>11,264,242</b>	<b>12,197,768</b>

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

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC  
Certified Public Accountants

## Statements of Income, Expense and Retained Deficit For the Years Ended March 31, 2015 and 2014

Particulars	US \$	
	For the year ended 31 <sup>st</sup> March, 2015	For the year ended 31 <sup>st</sup> March, 2014
SALES	16,413,134	14,481,883
COST OF GOODS SOLD :		
Product costs, net	14,371,210	12,514,660
Warehouse expense	111,772	106,202
Freight expense	284,281	146,445
Commissions	64,374	21,441
Total Cost of Goods Sold	14,831,637	12,788,748
GROSS PROFIT	1,581,497	1,693,135
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES :		
Salaries - officers	266,139	242,596
Salaries - other	438,943	452,056
Payroll taxes	45,344	41,624
Pension	24,987	15,758
Rent	96,726	46,686
Telephone	33,339	24,204
Office and postage	78,280	76,630
Professional fees	51,926	47,083
Advertising	93,891	93,598
Insurance	33,405	24,499
Travel and entertainment	176,784	198,972
Employee benefits	94,705	115,816
Auto	17,685	26,374
Depreciation	8,986	9,141
Contributions	7,355	4,290
Miscellaneous	3,513	10,546
Total Selling, General, and Administrative Expenses	1,472,008	1,429,873
INCOME FROM OPERATIONS	109,489	263,262
DEFERRED INCOME TAXES	69,509	109,967
NET INCOME	39,980	153,295
RETAINED DEFICIT, Beginning of year	(3,125,251)	(3,278,546)
RETAINED DEFICIT, End of year	(3,085,271)	(3,125,251)

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, 2015 and 2014

Particulars	US \$	
	For the year ended 31 <sup>st</sup> March, 2015	For the year ended 31 <sup>st</sup> March, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>		
Net income	39,980	153,295
Adjustments to reconcile net income to net Cash provided by operating activities :		
Depreciation	8,986	9,141
Change in operating assets and liabilities :		
Change in accounts receivable	(153,355)	(1,169,684)
Change in inventory	1,457,975	(2,984,028)
Change in other current assets	(12,090)	15,839
Change in deferred taxes	69,509	109,967
Change in security deposits	(3,706)	-
Change in accounts payable	(506,710)	4,226,907
Change in accrued expenses	33,204	3,000
Net Cash provided by Operating Activities	<u>933,793</u>	<u>364,437</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>		
Purchase of fixed assets	<u>(6,397)</u>	<u>(8,862)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>		
Repayment of loan to Parent Company	<u>(500,000)</u>	<u>(500,000)</u>
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	427,396	(144,425)
<b>CASH AND EQUIVALENTS, Beginning of year</b>	<u>505,380</u>	<u>649,805</u>
<b>CASH AND EQUIVALENTS, End of year</b>	<u>932,776</u>	<u>505,380</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, 2015 and 2014

#### 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.

##### 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, 2015 and 2014.

##### 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 at date of purchase. Depreciation is provided over the estimated using the straight-line depreciation 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 statement 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 2015 or 2014 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 sheet date.

The determination of uncertain tax positions in the accompanying financial statements uses the tax judgements as reported on the Company's tax returns which are based on the requirements for filling 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, 2015 approximated \$2,800,000 for both federal and state purposes and can be carried forward to offset future taxable income. The net operating losses begin expiring in 2028

#### Shipping and Handling Costs

The Company has 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, 2015 and 2014 was \$93,891 and \$93,598, respectively.

#### Statement of Cash Flows

The Company considers all investments with a maturity of three months or less at the time of acquisition 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, 2012, 2013, and 2014 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 \$109,489 for the year ending March 31, 2015. However, as of March 31, 2015 and 2014, the Company's current liabilities exceed current assets by \$3,962,766 and \$4,071,138, respectively, and the Company has an accumulated stockholder's deficit of \$2,535,271 and \$2,575,251, 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, 2015. Management expects that the support from the Parent Company will continue until such time 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, it is the Parent Company's intention not to call these loans.

The Company purchases substantially its entire inventory from the Parent Company or subsidiaries of the parent Company. During the years ended March 31, 2015 and 2014, the Company purchased \$12,381,298 and \$15,100,063 of inventory from its Parent Company or the Parent's subsidiaries, respectively.

At March 31, 2015 and 2014, the Company has accounts payable related to the purchase of inventory of \$11,162,360 and \$11,706,999, 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 401K Plan to replace the original simple IRA Plan. The plan covers all eligible employees. The company is obligated to contribute 3% of all eligible participants' compensation. Pension expense was \$24,987 and \$15,758 for the years ended March 31, 2015 and 2014, respectively.

**NOTE 6 - PROPERTY AND EQUIPMENT :**

Property and equipment consisted of the following :

March 31, 2015	Cost	Accumulated Depreciation	Net Fair Value
Computer equipment	\$ 51,055	\$ 35,425	\$ 15,630
Equipment	12,906	9,858	3,048
Furniture and fixtures	26,688	15,797	10,891
Total	<u>\$ 90,649</u>	<u>\$ 61,080</u>	<u>\$ 29,569</u>
March 31, 2014	Cost	Accumulated Depreciation	Net Fair Value
Computer equipment	\$ 46,182	\$ 30,571	\$ 15,611
Equipment	12,906	8,329	4,577
Furniture and fixtures	25,164	13,194	11,970
Total	<u>\$ 84,252</u>	<u>\$ 52,094</u>	<u>\$ 32,158</u>

Total depreciation expense for the years ended March 31, 2015 and 2014 was \$8,986 and \$9,141, respectively.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES :**

The Company leases premises in Florham Park, New Jersey for its office. The lease will expire on April 30, 2015. The Company leases an apartment in Morristown for the use of an employee. The lease will expire on April 24, 2015. The company entered into operating lease agreements for two vehicles expiring on March 11, 2017 and March 13, 2016.

Future minimum lease payments are as follows :

2016	\$ 19,359
2017	6,612
Total	<u>\$ 25,971</u>

Rent expense for the years ended March 31, 2015 and 2014 was \$96,726 and \$46,686, respectively. Vehicle lease expense amounted to \$16,792 and \$23,491 for the years ended March 31, 2015 and 2014, 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, non public trade information.

**NOTE 8 - CONCENTRATIONS :**

The Company purchases substantially its entire product from its Parent Company and the Parent company's subsidiaries. At March 31, 2015 and 2014, substantially all of the accounts payable was payable to the Parent Company and its subsidiaries.

**NOTE 9 - CONCENTRATION OF CREDIT RISK.**

As of March 31, 2015, the Company maintains substantially all of its cash balances at a financial institution in New Jersey. At times during the year, the balance may be in excess of insurance limits.

**NOTE 10 - SUBSEQUENT EVENTS :**

Subsequent events have been evaluated through May 12, 2015, the date the financial statements were issued. No events have occurred subsequent to the statement of financial position date and through the date of issuance 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 2014-15

The Directors present their report and the financial statement for the business year ended March 31, 2015.

### Financial results

Particulars	CHF	
	2014-15	2013-14
Sales Income	9,219,199	5,467,320
Cost of Goods Sold	8,554,311	5,008,649
Operating Profit	664,888	458,671
Salaries / Selling Expenses	658,595	604,611
Exchange (loss)/Gain	(379,097)	28,090
Net Loss	372,804	117,850
Retained Deficit/carry forward Loss	4,534,792	4,161,988

During the fiscal year, the company's sales income grew by over 69 % compared to the last fiscal. We made an operating profit of CHF 664,888 this year as against an operating profit of CHF 458,671 during last year. However, net loss for the year amounted to CHF 372,804 as against a net loss of CHF 117,850 during the last year, primarily due to of huge appreciation of the local currency vis-à-vis Euro, during the year, consequent to removal of the peg to Euro by the Swiss Govt.

Accumulated losses as of March 31, 2015 amounted to CHF 4,534,792 and the auditors have commented that the ability of the company to continue as a going concern depends on temporary future funding by the parent shareholder. 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

The global demand for nutraceutical ingredients is forecast to rise 7.2% annually to about \$30 billion by 2017, serving end product market totalling \$369 billion, according to report released by Reportlinker. Emerging markets will be among the fastest growing consumer and producers of nutraceutical ingredients worldwide.

Divi's Nutraceuticals supplies 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.

Increased consumer awareness and changing lifestyles has given adequate impetus to nutraceutical industry to expand its presence and visibility through innovative marketing channels. We have gained significant visibility and market reach through participation in exhibitions, intensive marketing and sales

activities as well as the use of our distributors. Using the approach of key account management in combination with an effective distribution network, we have been able to add customers in the existing as well as new territories.

### 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, 2015 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 within a reasonable time.

L. Kishore Babu  
Director

## Report of the Independent Auditor 2014/15

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 2015.

### 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 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 2015 comply with Swiss law and the company's articles of incorporation.

Without qualifying our opinion, we refer to the notes according to the ability of the Company to continue as a going-concern depends on the temporarily future funding by the shareholder and the successful realization of the business plan and is, therefore, uncertain.

We further state that the Company is over-Indebted as of 31 March 2015. As the shareholder has subordinated his claims of CHF 5'000'000 as of 31 March 2015, 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, 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-Reinach/BL, 8 May 2015

**SRG Schweizerische Revisionsgesellschaft AG**

**Philipp Aebin**

Licensed audit expert  
Auditor in charge

**Hugo Huber**

Licensed audit expert

## Balance Sheet

Particulars	31 <sup>st</sup> March, 2015 (CHF)	31 <sup>st</sup> March, 2014 (CHF)
<b>ASSETS</b>		
Cash	420'603.76	251'263.86
A/R Trade / Other	2'069'517.09	889'907.30
A/R Intercompany Divi's Lab Ltd / Divis USA	296'664.77	0.00
Prepaid Expenses & Deposits	218'016.26	140'234.65
Inventories	4'955'780.45	2'692'121.10
Current Assets	7'960'582.33	3'973'526.91
Fixed Assets	41'253.29	35'588.24
Less : Accumulated Depreciation	(21'545.97)	(18'644.97)
Setting-up costs	14'325.70	14'325.70
Less : Setting-up costs written-off	(14'325.70)	(14'325.70)
Fixed Assets, net	19'707.32	16'943.27
	<u>7'980'289.65</u>	<u>3'990'470.18</u>
<b>LIABILITIES &amp; EQUITY</b>		
A/P Trade / Other	339'865.88	538'404.91
A/P Intercompany Divi's Lab Ltd. USA	329'005.42	60'176.43
Subordinated A/P Intercompany Divi's Lab. Ltd. India	5'000'000.00	4'500'000.00
A/P Intercompany Divi's Lab. Ltd. India	6'929'806.09	3'126'771.92
Accruals	16'404.06	27'104.82
Current Liabilities	12'615'081.45	8'252'458.08
Capital	100'000.00	100'000.00
Retained Losses	(4'361'987'.90)	(4'244'138.29)
Net Loss	(372'803.90)	(117'849.61)
Stockholder's Equity	(4'634'791.80)	(4'261'987.90)
	<u>7'980'289.65</u>	<u>3'990'470.18</u>

## Statement of Income

Particulars	1.4.14 - 31.3.15 CHF	1.4.13 - 31.3.14 CHF
Sales	9'674'519.35	5'845'079.47
Carriage and freight outward	(455'320.03)	(377'759.24)
Sales	9'219'199.32	5'467'320.23
Material costs and stock adjustments	8'554'311.11	5'008'649.31
Material costs	8'554'311.11	5'008'649.31
Production profit	664'888.21	458'670.92
Personnel	291'333.64	264'267.42
Recruiting, Travel & Memberships	42'562.45	59'220.56
Outside Services	54'073.69	44'715.96
Marketing & promotional	122'415.42	122'778.94
R&M, Utilities, Insurance	144'927.46	109'966.30
Depreciation	2'901.00	2'397.65
Expenses	658'213.66	603'346.93
Operating Gain / Loss	6'674.55	(144'675.91)
Interest Income	143.18	180.86
Currency Differences	(379'096.63)	28'090.09
Property and Income Taxes	(525.00)	(1'444.65)
Net Loss	<u>(372'803.90)</u>	<u>(117'849.61)</u>

## Notes

Particulars	1.4.14 - 31.3.15		1.4.13 - 31.3.14	
	CHF		CHF	
1. Accounts drawn on accrual basis to Swiss GAAP				
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	n.a		n.a.	
7. Leasing Liabilities	36'345.75		5'476.00	
8. Accounts payable Pension Fund	0.00		0.00	
9. Calculation of Current Tax and Deferred Tax Liabilities	0.00		0.00	
Income Tax		Rate		
Federal & Communal	0.00		0.00	
Capital Tax	0.525%	100'000	525.00	525.00
10. Depreciation is charged at the following rates :				
a) Assets valuing individually not more than CHF 150 have been written-off 100%				
b) Furniture & Fixtures - 6.33% on Straight Line Method proportionate from purchase date				
c) Computers/peripherals - 16.21% on Straight Line Method proportionate from purchase date				
d) Other Equipment - 4.75% on Straight Line Method proportionate from purchase date				
11. Deferred Taxation :				
Deferred Tax Asset/Liability calculated and recognised to the extent of reasonable certainty of realisation as per applicable local laws				
12. 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 remedial actions :				
- elaboration of a business plan and cash budget in which break-even is expected in the subsequent twelve months period				
- conclusion of new sales agreements in accordance with the business plan				
- 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 2015. As the shareholder, Divi's Lab. Ltd, India has subordinated his claims of CHF 5'000'000 to the claims of other creditors, the board of directors according to article 725 para 2 of the Swiss Code of Obligation (CO, Company Law) renounced to inform the judge.				
13. The board of directors regularly performs a risk assessment (the status of the projects is assessed) and assesses the respective measures taken to minimize the risk of a material misstatement in the financial statements.				
The board of directors has not formally documented the risk assessment.				