Subsidiary Companies

Financials, 2015-16

Divis Laboratories (USA) Inc.

Independent Auditors' Report

MALESARDI, QUACKENBUSH, SWIFT & COMPANY LLC
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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 Divi's Laboratories USA, Inc. (a New Jersey corporation), which are comprised of the balance sheets as of March 31, 2016 and 2015, 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.

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 Divi's Laboratories USA, Inc. as of March 31, 2016 and 2015, 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, 2016. 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, 2016

Balance Sheets
March 31, 2016 and 2015

US $

Particulars	31st March, 2016	31st March, 2015
ASSETS		
CURRENT ASSETS		
Cash and equivalents	344,271	932,776
Accounts receivable, net of allowance for doubtful accounts of $0 and $0, respectively	2,910,878	3,235,958
Inventory	5,862,556	5,650,673
Other current assets	8,083	17,340
Total Current Assets	9,125,788	9,836,747
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $72,975 and $61,080, respectively	19,431	29,569
OTHER ASSETS :		
Deferred taxes	1,065,014	1,381,143
Security deposits	16,783	16,783
Total Other Assets	1,081,797	1,397,926
Total Assets	10,227,016	11,264,242
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES :		
Accounts payable	11,137,148	11,253,202
Accrued expenses	37,758	43,204
Loan payable - Parent Company	1,303,107	2,503,107
Total Current Liabilities	12,478,013	13,799,513
STOCKHOLDERS' DEFICIT :		
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 deficit	(2,800,997)	(3,085,271)
Total Stockholders' Deficit	(2,250,997)	(2,535,271)
Total Liabilities and Stockholders' Deficit	10,227,016	11,264,242

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, 2016 and 2015

US $

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
SALES	14,910,659	16,413,134
COST OF GOODS SOLD :		
Product costs, net	12,498,979	14,371,210
Warehouse expense	110,528	111,772
Freight expense	297,181	284,281
Commissions	34,951	64,374
Total Cost of Goods Sold	12,941,639	14,831,637
GROSS PROFIT	1,969,020	1,581,497
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES :		
Salaries - officers	242,596	266,139
Salaries - other	355,969	438,943
Payroll taxes	45,021	45,344
Pension	19,443	24,987
Rent	98,155	96,726
Telephone	28,328	33,339
Office and postage	86,559	78,280
Professional fees	54,830	51,926
Advertising	105,020	93,891
Insurance	35,643	33,405
Travel and entertainment	164,968	176,784
Employee benefits	87,869	94,705
Auto	21,266	17,685
Depreciation	11,895	8,986
Contributions	5,625	7,355
Miscellaneous	5,429	3,513
Total Selling, General, and Administrative Expenses	1,368,616	1,472,008
INCOME FROM OPERATIONS	600,404	109,489
DEFERRED INCOME TAXES	316,130	69,509
NET INCOME	284,274	39,980
RETAINED DEFICIT, Beginning of Year	(3,085,271)	(3,125,251)
RETAINED DEFICIT, End of Year	(2,800,997)	(3,085,271)

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, 2016 and 2015

US $

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
CASH FLOWS FROM OPERATING ACTIVITES :		
Net income	284,274	39,980
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,895	8,986
Change in accounts receivable	325,080	(153,355)
Change in inventory	(211,883)	1,457,975
Change in other current assets	9,257	(12,090)
Change in deferred taxes	316,129	69,509
Change in security deposits	-	(3,706)
Change in accounts payable	(116,054)	(506,710)
Change in accrued expenses	(5,446)	33,204
Net Cash Provided by Operating Activities	613,252	933,793
CASH FLOWS FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(1,757)	(6,397)
CASH FLOWS FROM FINANCING ACTIVITIES :		
Repayment of loan to Parent Company	(1,200,000)	(500,000)
NET CHANGE IN CASH AND EQUIVALENTS	(588,505)	427,396
CASH AND EQUIVALENTS, Beginning of Year	932,776	505,380
CASH AND EQUIVALENTS, End of Year	344,271	932,776

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, 2016 and 2015

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 31,2016 and 2015.

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 using the straight-line method over the estimated useful lives of the respective assets. Maintenance, repairs, and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial 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 2016 or 2015 and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the balance sheets date.

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

The Company recorded a deferred tax asset as a result of cumulative net operating losses. The total net operating losses at March 31, 2016 approximated $2,597,224 for federal purposes and $2,021,751 for state purposes and can be carried forward to offset future taxable income. $499,569 of the state NOL expired as of March 31, 2015.

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, 2016 and 2015 was $105,020 and $93,891, respectively.

Cash and Equivalents

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

Estimates

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

Open Tax Years

The Company's Forms 1120, U.S. Corporation Income Tax Return, for the years ending March 31,2013,2014,2015, and 2016 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 $600,404 for the year ending March 31, 2016. However, as of March 31, 2016 and 2015, the Company's current liabilities exceed current assets by $3,352,225 and $3,962,766, respectively, and the Company had an accumulated stockholder's deficit of $2,250,997 and $2,535,271, 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 31,2016. 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, the parent will decide on calling these loans based on the profitability of the subsidiary and cash flow requirements, without affecting support to the company.

The Company purchases substantially its entire inventory from the Parent Company or subsidiaries of the Parent Company. During the years ended March 31, 2016 and 2015, the Company purchased $12,147,818 and $12,381,298 of inventory from its Parent Company or the Parent Company's subsidiaries, respectively.

At March 31,2016 and 2015, the Company had accounts payable related to the purchase of inventory of $11,034,734 and $11,162,360, respectively.

NOTE 5 - PENSION PLAN :

On January 1, 2006, the Company established a Simple IRA plan which covers all eligible employees. The Company is obligated to make matching contributions to a maximum 3% of compensation. On January 21, 2014, the Company established a 401 K plan to replace the original Simple IRA plan. The plan covers all eligible employees. The Company is obligated to contribute 3% of all eligible participant's compensation. Pension expense was $19,443 and $24,987 for the years ended March 31, 2016 and 2015, respectively.

NOTE 6 - PROPERTY AND EQUIPMENT :

Property and equipment consisted of the following :

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

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	$ 90,649	$ 61,080	$ 29,569

Total depreciation expense for the years ended March 31, 2016 and 2015 was $11,895 and $8,986 respectively.

NOTE 7 - CONCENTRATIONS :

The Company purchases substantially its entire product from its Parent Company and the Parent Company's subsidiaries. At March 31, 2016 and 2015, substantially all of the accounts payable was payable to the Parent Company and its subsidiaries.

NOTE 8 - CONCENTRATION OF CREDIT RISK :

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES :

The Company leases premises in Florham Park, New Jersey for its office. The lease will expire on April 30, 2020. The Company leases an apartment in Morristown, New Jersey for the use of its employees, its parent company and guests. The lease will expire on April 24, 2017. The Company entered into operating lease agreements for two vehicles expiring on March 11, 2017 and August 20, 2018.

Future minimum lease payments are as follows :

	Office	Apartment	Vehicles	Total
2016	$ 40,848	$ 35,838	$ 10,933	$ 87,619
2017	52,304	15,928	9,621	77,853
2018	52,304	-	5,312	57,616
2019	52,304	-	-	52,304
2020	17,435	-	-	17,435
Total	$ 215,195	$ 51, 766	$ 25,866	$ 292,827

Rent expense for the years ending March 31, 2016 and 2015 was $98,155 and $96,726 respectively. Vehicle lease expense amounted to $14,416 and $16,792 for the years ended March 31, 2016 and 2015 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 10 - SUBSEQUENT EVENTS :

Subsequent events have been evaluated through May 12, 2016, the date the financial statements were issued. No events have occurred subsequent to the statements of financial position date and through the date of issuance that would require adjustment to or disclosure in the accompanying financial statements.

Subsidiary Companies

Financials, 2015-16

Divis Laboratories Europe AG

Report of the Independent Auditor 2015/16

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 2016.

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 2016 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 2016. As the shareholder has subordinated his claims of CHF 5'000'000 as of 31 March 2016, 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, 6 May 2016

SRG Schweizerische Revisionsgesellschaft AG

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

Balance Sheet

Particulars	31st March, 2016 CHF	31st March, 2015 CHF
ASSETS		
Cash	1’715’313.75	420’603.76
A/R Trade/Other	2’485’277.62	2’069’517.09
A/R Intercompany Divi’s Lab Ltd /Divis USA	174’062.81	296’664.77
Inventories	3’966’449.14	4’955’780.45
Prepaid Expenses & Deposits	253’516.12	218’016.26
Current Assets	8’594’619.44	7’960’582.33
Fixed Assets	45’369.29	41’253.29
Less : Accumulated Depreciation	(24’774.89)	(21’545.97)
Setting-up costs	14’325.70	14’325.70
Less : Setting-up costs written-off	(14’325.70)	(14’325.70)
Fixed Assets, net	20’594.40	19’707.32
Total Assets	**8’615’213.84**	**7’980’289.65**
LIABILITIES & EQUITY		
A/P Trade/Other	314’993.14	339’865.88
A/P Intercompany Divi’s Lab Ltd. USA	117’546.46	329’005.42
A/P Intercompany Divi’s Lab. Ltd. India	6’148’136.55	6’929’806.09
Accruals	39’056.10	16’404.06
Current Liabilities	6’619’732.25	7’615’081.45
Subordinated A/P Intercompany Divi’s Lab. Ltd. India	5’000’000.00	5’000’000.00
Non-Current Liabilities	5’000’000.00	5’000’000.00
Capital	100’000.00	100’000.00
Retained Losses	(4’734’791.80)	(4’361’987.90)
Net Gain/(Loss)	1’630’273.39	(372’803.90)
Stockholders’ Equity	(3’004’518.41)	(4’634’791.80)
Total Liabilities & Equity	**8’615’213.84**	**7’980’289.65**

Statement of Income

Particulars	1.4.15 - 31.3.16 CHF	1.4.14 - 31.3.15 CHF
Sales	13’541’524.33	9’674’519.35
Carriage and freight outward	(415’248.54)	(455’320.03)
Sales	13’126’275.79	9’219’199.32
Material costs and stock adjustments	11’080’698.66	8’554’311.11
Material costs	11’080’698.66	8’554’311.11
Production Profit	**2’045’577.13**	**664’888.21**
Personnel	370’082.30	291’333.64
Recruiting, Travel & Memberships	45’737.95	42’562.45
Outside Services	215’606.38	54’073.69
Marketing & Promotional	101’836.70	122’415.42
R&M, Utilities, Insurance	153’445.93	144’927.46
Depreciation	3’228.92	2’901.00
Expenses	889’938.18	658’213.66
Operating Gain	**1’155’638.95**	**6’674.55**
Interest Income	38.50	143.18
Currency Differences	474’353.44	(379’096.63)
Misc Income	767.50	0.00
Property and income taxes	(525.00)	(525.00)
Net Gain/(Loss)	**1’630’273.39**	**(372’803.90)**

Notes

Particulars			31, March 2016 CHF	31, March 2015 CHF
1. The financial statements of Divi's Laboratories Europe AG have been prepared in accordance with the stipulations of Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).				
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 (Car)			26'202.75	36'345.75
Liabilities due long-term rental contract (Office)			88'000.00	114'400.00
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 belives to be appropriate, in spite of the significant losses suffered to date. The board of directors took the following actions:

- elaboration of a business plan and cash budget
- 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 2016. 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 annual average number of full-time equivalents for 2015/16 and 2014/15 did not exceed ten people.