

Subsidiary Companies Financial Statements 2021-22



Divi's Laboratories Limited

Divi's Nutraceuticals celebrated its 15th anniversary

In 2021, Divi's Nutraceuticals celebrated its 15th anniversary: on this occasion, we would like to warmly thank our customers, distributors, agents and partners for their loyalty during all these years.

It is also a good opportunity to look back on our history, and understand how it all started and how far we have come since then and what our plans are for the future.

15
Years

Quality Solutions for Human Nutrition & Health



Our Mission

Divi's Nutraceutical is committed to providing the highest quality carotenoid and vitamin ingredient solutions. Using innovative approaches, we strive to create world-class products. We see our customers as partners in success now and in the future.

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Divis Laboratories (USA) Inc.

Management Report for the financial year 2021-22

We are happy to present our Management report and the financial statements for the financial year ended March 31, 2022.

Financial results

US \$

Particulars	2021-22	2020-21
Sales Income	31,630,678	32,081,813
Cost of Goods Sold	25,157,826	25,834,903
Gross Operating Profit	6,472,852	6,246,910
Salaries / Selling Expenses	2,839,795	2,308,513
Income from operations	3,633,057	3,938,397
Current Income tax	814,768	861,290
Net Profit	2,818,289	3,077,107
Accumulated carry forward Gain	6,841,227	4,022,940

For the current financial year, the company earned a sales income of US\$ 31,630,678 as against US\$ 32,081,183 in last financial year. Gross profit for the year amounted to \$64,72,852 as against \$6,246,910 in the previous year.

Income from operations before tax for the year came to \$3,633,057 versus \$3,938,397 for the previous fiscal year. Current taxes for the year amounted to \$814,768 against to \$861,290 in the previous year.

The company made a Net Profit of \$2,818,289 as against \$3,077,107 in the Prior year. Accumulated gain as of March 31st, 2022 is \$6,841,227 as against an accumulated gain of \$4,022,940 at the end of last year.

The COVID-19 pandemic as well as the global logistics issues with significant higher costs for shipping and warehousing continues to have an impact on the supply chain management of the products. The situation at the west coast ports worsened and most of the containers from India as well Europe are directed to the east coast port. This requires the coast-to-coast trucking of inventory which results in significant additional transportation costs.

Management continues to monitor the impact of COVID-19 and supply-chain issues and making all efforts in minimizing its effect on operations of the Company and continues to ensure timely supply to customers as a key target for maintaining and expanding business.

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

Market and Outlook

The global market for Carotenoids is expected to grow at about 4% to reach \$2 Billion by 2027 (source: BCC Research). The Company has been supplying full range of carotenoids and market targeted vitamins to the nutritional, pharmaceutical, food/beverage/feed industries and has established itself as a reliable source for its customer, as well as partner for innovative new product developments. With the significant expansion of the product portfolio, the company will also be well positioned to enter additional markets, like the petfood industry and this will additionally support to continuous growth of our business.

The company faces unexpected and significant higher raw material costs, higher energy and logistic costs as a result of the global impact from the pandemic and the new political situation due to the conflict in Ukraine. Despite these increasing challenges, the demand for Divis Nutraceutical products is steadily growing and the company is prepared to support this growth. Preventive measures have been put in pace to secure supply chain and provide products to its customers.

Unusual Items after the financial year

No item, transaction or event of the material nature has arisen during the period between the end of the financial year and the date of this report, which would affect substantially the operations of the company.

Responsibility Statement

In the opinion of the Management, the accompanying financial statements were drawn up to give a true and fair view of the state of affairs of the company as on March 31, 2022 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 13, 2022

Heinz Niggli
Director & Vice President

Magone & Company, P.C.

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Divis Laboratories (USA), Inc. (a New Jersey Corporation), which comprise the balance sheets as of March 31, 2022, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the 2022 financial statements referred to above present fairly, in all material respects, the financial position of Divis Laboratories (USA), Inc. as of March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Divis Laboratories (USA), Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Divis Laboratories (USA), Inc. as of March 31, 2021 were audited by other auditors whose report dated May 17, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Divis Laboratories (USA), Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Divis Laboratories USA, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Divis Laboratories (USA), Inc.'s ability to continue as a goingconcern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

MAGONE & COMPANY, P.C.

Roseland, New Jersey
May 13, 2022

Balance Sheets

March 31, 2022 and 2021

US \$

	2022	2021
ASSETS		
CURRENT ASSETS :		
Cash	954,756	909,622
Accounts receivable, net	9,908,003	10,632,427
Inventory, net	11,229,285	7,983,743
Prepaid expenses	6,972	6,835
Prepaid taxes	<u>137,341</u>	<u>321,470</u>
TOTAL CURRENT ASSETS	22,236,357	19,854,097
PROPERTY AND EQUIPMENT, NET	35,767	36,456
SECURITY DEPOSITS	16,206	16,206
DEFERRED TAX ASSETS	<u>89,721</u>	<u>-</u>
TOTAL ASSETS	<u>22,378,051</u>	<u>19,906,759</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES :		
Accounts payable	14,703,455	14,291,628
Income taxes payable	180,540	696,415
Rebates payable	-	296,634
Accrued expenses	<u>102,829</u>	<u>49,144</u>
TOTAL CURRENT LIABILITIES	<u>14,986,824</u>	<u>15,333,821</u>
STOCKHOLDER'S EQUITY :		
Common stock	20	20
Capital in excess of par value	549,980	549,980
Retained earnings	<u>6,841,227</u>	<u>4,022,938</u>
TOTAL STOCKHOLDER'S EQUITY	<u>7,391,227</u>	<u>4,572,938</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>22,378,051</u>	<u>19,906,759</u>

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

MAGONE & COMPANY, P.C.

Roseland, New Jersey

May 13, 2022

Statements of Income and Retained Earnings For the Years Ended March 31, 2022 and 2021

US \$

	2022	2021
SALES, NET	<u>31,630,678</u>	<u>32,081,813</u>
COST OF GOODS SOLD :		
Product costs	25,004,190	25,751,978
Warehouse expense	<u>153,636</u>	<u>82,925</u>
TOTAL COST OF GOODS SOLD	<u>25,157,826</u>	<u>25,834,903</u>
GROSS PROFIT	<u>6,472,852</u>	<u>6,246,910</u>
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES :		
Salaries and employee benefits	1,367,223	1,277,465
Freight expense	420,847	402,514
Bad debt	250,674	32,993
Commissions	161,303	95,766
Travel and entertainment	151,268	31,327
Rent	131,624	139,533
Office expenses	112,802	115,742
Professional fees	71,394	74,025
Insurance	41,197	37,766
Telephone	36,723	30,006
Pension	35,742	29,781
Depreciation	8,409	8,271
Miscellaneous	<u>50,589</u>	<u>33,324</u>
TOTAL SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	<u>2,839,795</u>	<u>2,308,513</u>
INCOME BEFORE INCOME TAXES	<u>3,633,057</u>	<u>3,938,397</u>
PROVISION FOR (BENEFIT FROM) INCOME TAX EXPENSE :		
Current	904,489	861,290
Deferred	<u>(89,721)</u>	<u>-</u>
PROVISION FOR INCOME TAX EXPENSE	<u>814,768</u>	<u>861,290</u>
NET INCOME	2,818,289	3,077,107
RETAINED EARNINGS, BEGINNING OF YEAR	<u>4,022,938</u>	<u>945,831</u>
RETAINED EARNINGS, END OF YEAR	<u>6,841,227</u>	<u>4,022,938</u>

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

MAGONE & COMPANY, P.C.

Roseland, New Jersey

May 13, 2022

Statements of Cash Flows

For the Years Ended March 31, 2022 and 2021

US \$

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES :		
Net income	2,818,289	3,077,107
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES :		
Depreciation	8,409	8,271
Allowance for doubtful accounts	(250,674)	-
Deferred income taxes	(89,721)	-
(Increase) decrease in assets :		
Accounts receivable	975,098	(3,510,422)
Inventory	(3,245,542)	2,520,842
Prepaid expenses	(137)	6,193
Prepaid taxes	184,129	(321,470)
Security deposits	-	13,077
Increase (decrease) in liabilities :		
Accounts payable	411,827	(1,647,648)
Income taxes payable	(515,875)	(319,134)
Rebates payable	(296,634)	(42,065)
Accrued expenses	53,685	25,967
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	52,854	(189,282)
CASH FLOWS FROM INVESTING ACTIVITIES :		
Acquisitions of property and equipment	(7,720)	(15,278)
NET CHANGE IN CASH	45,134	(204,560)
CASH, BEGINNING OF YEAR	909,622	1,114,182
CASH, END OF YEAR	954,756	909,622
SUPPLEMENTAL CASH FLOW INFORMATION :		
Cash paid during the year for :		
Income taxes	1,236,235	1,501,894

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

MAGONE & COMPANY, P.C.

Roseland, New Jersey

May 13, 2022

Notes to Financial Statements March 31, 2022 and 2021

NOTE 1 - NATURE OF BUSINESS :

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

Use of Estimates

The preparation of the 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 reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash 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

Accounts receivable arise in the normal course of business and are recorded based on revenue earned. Accounts receivable are stated net of an allowance for doubtful accounts. The Company performs ongoing evaluations of its customers and generally does not require additional collection proceedings or require collateral. Accounts are charged to bad debt expense as they are deemed uncollectible based on a periodic review of the accounts. The allowance for doubtful accounts is estimated based on the historical bad debt expense and a review of the accounts receivable at year-end. The allowance is increased by a provision for bad debts, which is charged to expense, and reduced by write-offs, net of recoveries. Allowance for doubtful accounts was \$250,674 and \$-0- at March 31, 2022 and 2021, respectively.

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. A valuation allowance is provided for obsolete and slow-moving inventory to write cost down to net realizable value (market), if necessary. The valuation allowance is based on the Company's evaluation of damage or expiration of inventory.

Property and Equipment

Major additions and improvements of property and equipment are capitalized at cost. Maintenance, repairs and minor replacements are expensed when incurred. The cost and accumulated depreciation of items sold or otherwise disposed of are removed from the related property and accumulated depreciation accounts, and the resultant gain or loss, if any, is recorded. Depreciation is provided generally on the straight-line method at rates based on estimated service lives; current service lives range from 5 to 31 years.

Revenue Recognition

Revenue from the sale of products is recognized based on the price specified in the contract. The Company recognizes sales at a point in time. Sales are made with credit terms consistent with market practice and are in line with normal credit terms, usually 30, 60, 90, or 150 days from the invoice date.

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.

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.

Shipping and Handling Costs

The Company records shipping and handling costs as a component of selling, general, and administrative expenses. Shipping and handling costs for the years ended March 31, 2022 and 2021 was \$420,847 and \$402,514, respectively.

Advertising

The Company recognizes advertising costs as they are incurred. Advertising expense for the years ending March 31, 2022 and 2021 was \$33,413 and \$3,342, respectively, and are included in miscellaneous on the statements of income and retained earnings.

Income Taxes

Income taxes are accounted for using the asset and liability method, as required by FASB ASC 740. Under this method, deferred income taxes are recognized for the estimated future tax effects attributable to temporary differences and carryforwards. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated.

Significant items creating net deferred tax assets and liabilities include the allowance for doubtful accounts, basis differences in property and equipment, deferred compensation, accrued vacation pay and inventory valuation.

The Company files income tax returns in the U.S. federal jurisdiction, New Jersey, New York, California, and Massachusetts. With few exceptions, the Company is no longer subject to U.S. federal, or state and local income tax examinations by tax authorities for fiscal years 2017 and prior. Based on the Company's assessment of many factors, including past experience and judgments about future events, the Company does not currently anticipate significant changes in its tax positions over the next 12 months.

Reclassifications

Some prior year balances have been reclassified to conform to current year presentation

Subsequent Events

Subsequent events have been evaluated through May 13, 2022, 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.

NOTE 3 - 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. As of March 31, 2022 and 2021, the cash balances exceeded this limit by approximately \$528,000 and \$208,000, respectively.

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, 2022 and 2021, substantially all the accounts payable was payable to the Parent Company and its subsidiaries.

NOTE 4 - DISAGGREGATION OF REVENUE :

The following table disaggregates revenue by country which the Company believes best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors for the year ended March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
United States of America	19,940,127	20,732,078
Chile	5,830,858	5,379,111
Canada	4,576,282	4,891,299
Other	1,283,411	1,079,325
	<u>31,630,678</u>	<u>32,081,813</u>

NOTE 5 - ACCOUNTS RECEIVABLE :

Accounts receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Accounts receivable	10,158,677	10,632,427
Less allowance for doubtful accounts	250,674	-
	<u>9,908,003</u>	<u>10,632,427</u>

NOTE 6 - INVENTORY :

Inventory consist of the following as of March 31 :

	<u>2022</u>	<u>2021</u>
Raw materials	39,625	23,737
Packing materials	21,458	22,173
Finished goods	11,245,458	8,046,272
	<u>11,306,541</u>	<u>8,092,182</u>
Less allowance for inventory obsolescence	77,255	108,439
	<u>11,229,286</u>	<u>7,983,743</u>

NOTE 7 - PROPERTY AND EQUIPMENT :

Property and equipment consisted of the following as of March 31:

	<u>2022</u>	<u>2021</u>
Computer equipment	82,173	76,748
Furniture and fixtures	52,586	50,291
Equipment	16,978	16,978
	<u>151,737</u>	<u>144,017</u>
Less accumulated depreciation	115,970	107,561
	<u>35,767</u>	<u>36,456</u>

Depreciation expense for the years ended March 31, 2022 and 2021 was \$8,409 and \$8,271, respectively.

NOTE 8 - PENSION PLAN :

The Company has a 401(k) plan that covers all eligible employees. All employees may participate in the plan upon hire. The Company is obligated to contribute 3% of all eligible participant's compensation. Pension expense was \$35,742 and \$29,781 for the years ended March 31, 2022 and 2021, respectively.

NOTE 9 - INCOME TAXES :

The provisions for income taxes were as follows for the years ended March 31:

	<u>2022</u>	<u>2021</u>
Current provision:		
Federal	723,949	819,018
State and local	180,540	42,272
	<u>904,489</u>	<u>861,290</u>
Deferred tax benefit :		
Federal	(64,970)	-
State and local	(24,751)	-
	<u>(89,721)</u>	<u>-</u>
	<u>814,768</u>	<u>861,290</u>

The provision for federal income taxes differs from that computed by applying federal statutory rates to income before federal income tax expense, as indicated in the following analysis:

	<u>2022</u>	<u>2021</u>
Expected federal tax provision at 21%	762,942	827,063
Nondeductible expenses	52,642	-
Tax deductible expenses	(7,589)	-
Other	(84,046)	(8,045)
	<u>723,949</u>	<u>819,018</u>

The deferred tax assets and liabilities were as follows as of March 31 :

	<u>2022</u>	<u>2021</u>
Deferred tax assets :		
Inventories	22,404	-
Allowance for doubtful accounts	<u>72,695</u>	<u>-</u>
	95,099	-
Deferred tax liability :		
Property and equipment	5,378	-
Net deferred tax asset	<u>89,721</u>	<u>-</u>

Note 10 - COMMON STOCK :

Common stock consists of 3,000 authorized shares of \$0.01 par value common stock, of which 2,000 shares are issued and outstanding.

NOTE 11 - COMMITMENTS AND CONTINGENCIES :

In January 2020, the Company signed a lease for an office space in Florham Park, New Jersey. The lease term is for seven years and will expire on April 30, 2027. The monthly base rent is \$6,285 ending on April 30, 2023, when it will increase to \$6,599 until the lease expires.

The Company signed a lease for an apartment in Morristown, New Jersey for the use of its employees, Parent Company, or guests. The lease term will expire on June 24, 2023 with monthly base rent charges of \$4,476 and monthly parking rent charges of \$100.

The Company also maintains two operating lease agreements on vehicles. The one lease is for three and half years and is set to expire on July 20, 2023 with a monthly instalment of \$393. The other lease is for three years and is set to expire on March 2, 2024 with a monthly instalment of \$670.

Future minimum lease payments are as follows for the years ending :

2023	143,153
2024	101,568
2025	79,191
2026	79,191
2027	79,191
Thereafter	6,599
	<u>488,893</u>

Rent expense for the years ending March 31, 2022 and 2021 was \$131,624 and \$139,533, respectively. Vehicle lease expense amounted to \$16,933 and \$20,638 for the years ended March 31, 2022 and 2021, 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 12 - RELATED PARTIES :

The Company purchases substantially its entire inventory from the Parent Company or subsidiaries of the Parent Company. For the years ended March 31, 2022 and 2021, the Company purchased \$28,214,326 and \$22,840,175 of inventory from its Parent Company or the Parent Company's subsidiaries, respectively.

As of March 31, 2022 and 2021, the Company had accounts payable related to the purchase of inventory from the Parent Company and subsidiaries of \$14,620,687 and \$14,199,776, respectively.

NOTE 13 - ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE :

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early application is permitted. The Company has not yet determined what the effects of the adoption of this standard on the Company's financial position and results of operations will be.

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Divi's Laboratories Europe AG

Management Report for fiscal year 2021-22

The Directors present their report and the financial statements for the business year ended March 31, 2022.

Financial results

CHF

Particulars	2021-22	2021-22
Sales Income	29,491,601	25,991,274
Cost of Goods Sold	25,614,343	23,357,685
Production Profit	3,877,258	2,633,589
Salaries I Selling Expenses	4,114,239	1,905,563
Operating (Loss) / Gain	(2,36,981)	728,026
Exchange Gain	34,675	218,190
Income Tax	7,641	126,000
Net (Loss) / Profit	(2,09,947)	820,216

The company earned a sales income of CHF 29,491,601 as against CHF 25,991,274 for the previous financial year, which has a 14% growth over the last year. Operating profit for the year amounted to CHF 3,877,258 as against CHF 2,633,589 for the previous year.

The company had a net Loss after tax of CHF 209,947 for the year as against a net profit of CHF 820,216 for the last year. The loss incurred during the year is due to higher marketing/promotional expenses incurred during the year.

We have an accumulated profit of CHF 1,568,727 as at the end of the current year as against an accumulated gain of CHF 1,778,674 as at the end of last year.

Market and Outlook

The global market for Carotenoids is expected to grow at about 4% to reach \$ 2 Billion by 2027 (source: BCC Research). The Company has been supplying full range of carotenoids and market targeted vitamins to the nutritional, pharmaceutical, food/beverage/feed industries and has established itself as a reliable source for their customer, as well as partner for innovative new product development's.

The Company faces tremendous increase in raw material, energy and logistics costs as a result of the global impact from the COVID pandemic as well as the new political disturbances in eastern Europe. Despite these challenges, the demand for our products is growing and Divi's Nutraceuticals is prepared to meet the growing demand. Preventive measures have been taken to secure the necessary raw material supply.

Directors

Mrs. Claudia Mastrangelo, Mr. Franz Probst and Mr Kiran S Divi continue as Directors of the company.

Unusual Items after the financial year

No item, transaction or event of the material nature has arisen during the period between the end of the financial year and the date of this report, which would affect substantially the operations of the company during the current year.

Responsibility Statement

In the opinion of the Directors and Managers, the accompanying financial statements were drawn up so as to give a true and fair view of the state of affairs of the company as on March 31, 2022 and of the results of the business for the period. Directors and Managers have taken all reasonable steps to prepare these financial statements on a going concern basis and the suitable accounting policies have been adopted consistently.

CH - Basel
May 06, 2022

Mrs. Claudia Mastrangelo
Director

SRG Swiss Audit Corporation Ltd.
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Report of the independent auditors on the financial statements to the Board of Directors of Divi's Laboratories Europe AG, Basel

As independent auditors and in accordance with your instructions, we have audited the accompanying financial statements of Divi's Laboratories Europe AG, which comprise the balance sheet, income statement, cash flow statement and notes for the financial year ended 31 March 2022.

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 2022 comply with Swiss law and the company's articles of incorporation.

CH-Basel, 6th May 2022

SRG Swiss Audit Corporation Ltd.

Christoph Huber
Licensed audit expert
Auditor in charge

Philipp Aebin
Licensed audit expert

Enclosures :

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

Balance Sheet

	31 st March, 2022 CHF	31 st March, 2021 CHF
ASSETS		
Cash	972,999.87	942,435.02
A/R Trade/Other	5,847,337.75	6,378,570.90
A/R Intercompany Divi's Lab Ltd. USA	744,274.12	952,076.63
Prepaid Expenses & Deposits	212,503.02	247,647.30
Inventories	17,337,387.72	8,438,973.12
Total Current Assets	25,114,502.48	16,959,702.97
Fixed Assets	102,600.56	94,139.14
Less : Accumulated Depreciation	-58,938.60	-51,255.66
Setting-up costs	14,325.70	14,325.70
Less : Setting-up costs written-off	-14,325.70	-14,325.70
Fixed Assets, net	43,661.96	42,883.48
	<u>25,158,164.44</u>	<u>17,002,586.45</u>
LIABILITIES & EQUITY		
A/P Trade/Other	2,408,457.74	1,587,200.89
A/P Intercompany Divi's Lab Ltd. USA	36,885.54	191,858.52
A/P Intercompany Divi's Lab. Ltd. India	19,894,975.74	12,785,718.54
Accruals	1,149,118.64	559,134.51
Short-term Current Liabilities	23,489,437.66	15,123,912.46
Capital	100,000.00	100,000.00
Legal capital reserves	50,000.00	50,000.00
Retained Gains / Losses	1,728,673.99	908,457.65
Net (Loss)/Gain	-209,947.21	820,216.34
Stockholders' Equity	1,668,726.78	1,878,673.99
	<u>25,158,164.44</u>	<u>17,002,586.45</u>

Statement of Income

	1.4.21 - 31.3.22 CHF	1.4.20 - 31.3.21 CHF
Sales	31,195,404.10	27,229,274.55
Carriage and freight outward	<u>-1,703,802.78</u>	<u>-1,238,000.18</u>
Sales	29,491,601.32	25,991,274.37
Material costs and stock adjustments	<u>25,614,343.39</u>	<u>23,357,685.29</u>
Material costs	25,614,343.39	23,357,685.29
Production Profit	<u>3,877,257.93</u>	<u>2,633,589.08</u>
Personnel	1,120,871.89	908,890.90
Recruiting, Travel & Memberships	54,664.29	18,312.03
Outside Services	203,431.77	354,530.88
Marketing & Promotional	2,332,097.41	195,112.18
R&M, Utilities, Insurance	395,490.08	426,097.62
Depreciation	<u>7,682.94</u>	<u>6,802.84</u>
Expenses	4,114,238.38	1,909,746.45
Operating (Loss)/Gain	<u>-236,980.45</u>	<u>723,842.63</u>
Currency Differences	34,674.59	218,189.57
Income and Capital taxes	-7,641.35	-126,000.00
Miscellaneous Income	0.00	4,184.14
Net (Loss)/Gain	<u>-209,947.21</u>	<u>820,216.34</u>

Statements of Cash Flows For the Years Ended March 31, 2022 and 2021

CHF

CASH FLOWS STATEMENT (Indirect Method)	2022	2021
Net (Loss)/Gain	-209,947.21	820,216.34
Depreciation	7,682.94	6,802.84
Decrease (+) / Increase (-) A/R Trade/Other	531,233.15	-2,656,908.38
Decrease (+) / Increase (-) A/R Intercompany Divi's Lab. Ltd. USA	207,802.51	1,119,011.84
Decrease (+) / Increase (-) Prepaid Expenses & Deposits	35,144.28	204,482.33
Decrease (+) / Increase (-) Inventories	-8,898,414.60	355,338.25
Increase (+) / Decrease (-) A/P Trade/Others	821,256.85	-225,475.80
Increase (+) / Decrease (-) A/P Intercompany Divi's Lab. Ltd. USA	-154,972.98	75,098.41
Increase (+) / Decrease (-) A/P Intercompany Divi's Lab. Ltd. India	7,109,257.20	204,870.59
Increase (+) / Decrease (-) Accruals	589,984.13	180,213.94
Operating Cash Flow	39,026.27	83,650.36
Investment (-) in Financial Assets	0.00	0.00
Investment (-) in Fixed Assets	-8,461.42	-15,789.59
Divestment (+) of Fixed Assets	0.00	0.00
Investing Cash Flow	-8,461.42	-15,789.59
Increase (+) / Decrease (-) Financial Debt	0.00	0.00
Financing Cash Flow	0.00	0.00
Net change in the balance item cash	<u>30,564.85</u>	<u>67,860.77</u>
Cash as of 31.03. (+)	972,999.87	942,435.02
Cash as of 01.04. (-)	-942,435.02	-874,574.25
Net change in the balance item cash	<u>30,564.85</u>	<u>67,860.77</u>

Notes

	1.4.21 - 31.3.22 CHF	1.4.20 - 31.3.21 CHF
1. The financial statements of Divi's Laboratories Europe AG have been prepared in accordance with the provisions of swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).	-	-
2. Contingent Liabilities	-	-
3. Disputed claims	-	-
4. Undisputed claims	-	-
5. Assets pledged to secure liabilities : rent deposit	18'000.00	18'000.00
6. Residual leasing / rental Liabilities		
The rental agreement at offices was prolonged until 2024. The remaining rental payments based on the rental agreement.	157'500.00	211'500.00
7. Accounts payable Pension Fund	18 297.95	15'414.00
8. Miscellaneous Income	0.00	4'184
9. Calculation of Current Tax and Deferred Tax Liabilities		
<u>Income tax</u>		
Federal & Communal	0.00	124'000
With holding tax	13 951.00	10'103
<u>Capital Tax</u>	3 650.00.	2'000

10. Depreciation is charged at the following rates :

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

11. The annual average number of full-time equivalents for 2021/22 and 2020/21 did not exceed ten people.

12 Significant events after the balance sheet date

No adjusting or other non adjusting event to be disclosed occurred subsequently to the balance sheet date until the closing of the audit of these financial statements on 6 May 2022.



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