

Subsidiary Companies Financial Statements 2023-24

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Expanding Frontiers.



Divis Laboratories Limited



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Divis Laboratories (USA) Inc.

Management Report for the financial year 2023-24

We are pleased to present our Management report and the financial statements for the financial year ended March 31, 2024.

Financial results

US \$

Particulars	2023-24	2022-23
Sales, Net	29,818,784	29,680,278
Cost of Goods Sold	24,564,191	24,015,825
Gross Profit	5,254,593	5,664,453
Selling, General and Admin. Expenses	3,273,076	3,155,694
Income before Income taxes	1,981,517	2,508,759
Current Income Taxes	270,502	56,369
Net Profit	1,711,015	2,452,390
Accumulated carry forward gain	11,004,632	9,293,617

For the current financial year, the company earned a sales income of \$29,818,784 against an income \$29,680,278 for the previous financial year. Gross profit for the year amounted to \$5,254,593 as against prior year gross profit of \$ 5,664,483. Increased cost of procurement and movement of goods due to political uncertainties in other parts of world, impacted the gross profit margin for the current financial year. Net Profit after tax for the year came to \$1,711,015 versus \$ 2,452,390 for the previous financial year. Current taxes for the year amounted to \$270,502 against to \$ 56,369 in the previous financial year.

As our company has been earning profit, accumulated gain as of March 31st, 2024 is \$ 11,004,632 against an accumulated gain of \$9,293,617 at the end of previous year.

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

Market and Outlook

The global market for Carotenoids and Vitamins continues to grow at a 3-4% rate and the company is positioning itself with planned investments into marketing as well as capabilities to grow above this rate.

The Company has been supplying a full range of carotenoids and market targeted vitamins to the nutritional, pharmaceutical, food/ beverage and feed industries and is expanding its portfolio by adding new molecules as well as new innovative product forms.

Supply reliability is key in the Nutritional Business and Divis has a proven track record of being a reliable supplier to its customers.

The company has added sales and technical personnel to its staff to support future growth of the business, especially given the uncertain situation of the current market leaders which opens new business opportunities. It also enabled us to expand strongly into the Latin American market and we expect a significant contribution from this market.

There is some impact in shipping due to the "red sea issue "and as a counter measure the local inventory level has been increased to guarantee uninterrupted supply to our customers.

Unusual Items after the financial year

No item, transaction or event of a 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, 2024 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.

Signed on 7th
May, 2024

Heinz Niggli
Director & Vice President

Magone & Company, P.C.

Certified Public Accountants
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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Divi's laboratories (USA), Inc. (a New Jersey Corporation), which comprise the balance sheets as of March 31, 2024 and 2023 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 financial statements referred to above present fairly, in all material respects, the financial position of Divi's Laboratories (USA), Inc. as of March 31, 2024 and 2023 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Divi's Laboratories USA, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 7, 2024

Balance Sheets

March 31, 2024 and 2023

US \$

	2024	2023
ASSETS		
CURRENT ASSETS :		
Cash	792,125	1,523,509
Accounts receivable, net	9,354,312	7,402,609
Inventories net	10,004,802	15,065,599
Prepaid taxes and other expenses	690,943	752,979
TOTAL CURRENT ASSETS	<u>20,842,182</u>	<u>24,744,696</u>
PROPERTY AND EQUIPMENT, NET	32,263	30,215
RIGHT-OF-USE ASSETS UNDER OPERATING LEASE	278,652	300,048
SECURITY DEPOSITS	16,206	16,206
DEFERRED TAX ASSETS	189,296	120,794
TOTAL ASSETS	<u>21,358,599</u>	<u>25,211,959</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES :		
Current maturities of operating lease obligations	84,795	76,288
Accounts payable	8,837,409	14,199,420
Income taxes payable	558,732	760,642
Accrued expenses	135,445	102,174
TOTAL CURRENT LIABILITIES	9,616,381	15,138,524
OPERATING LEASE OBLIGATIONS, LESS CURRENT MATURITIES	187,586	229,818
TOTAL LIABILITIES	<u>9,803,967</u>	<u>15,368,342</u>
STOCKHOLDER'S EQUITY :		
Common stock	20	20
Capital in excess of par value	549,980	549,980
Retained earnings	11,004,632	9,293,617
TOTAL STOCKHOLDER'S EQUITY	<u>11,554,632</u>	<u>9,843,617</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>21,358,599</u>	<u>25,211,959</u>

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

Statements of Income and Retained Earnings For the Years Ended March 31, 2024 and 2023

US \$

	2024	2023
SALES, NET	<u>29,818,784</u>	<u>29,680,278</u>
COST OF GOODS SOLD :		
Product costs	24,184,166	23,866,354
Warehouse	<u>380,025</u>	<u>149,471</u>
TOTAL COST OF GOODS SOLD	<u>24,564,191</u>	<u>24,015,825</u>
GROSS PROFIT	<u>5,254,593</u>	<u>5,664,453</u>
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES :		
Salaries and employee benefits	1,765,401	1,478,180
Freight	339,271	646,977
Travel and entertainment	251,450	248,577
Bad debt	190,349	29,718
Rent expense	133,640	134,061
Office	114,642	119,252
Commissions	108,517	159,514
Professional fees	80,286	62,356
Pension	40,743	36,711
Insurance	37,576	41,138
Telephone	30,714	29,169
Depreciation	9,066	9,087
Miscellaneous	<u>171,421</u>	<u>160,954</u>
TOTAL SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	<u>3,273,076</u>	<u>3,155,694</u>
INCOME BEFORE INCOME TAXES	<u>1,981,517</u>	<u>2,508,759</u>
PROVISION FOR (BENEFIT FROM) INCOME TAX :		
Current	339,004	87,442
Deferred	<u>(68,502)</u>	<u>(31,073)</u>
PROVISION FOR INCOME TAXES	<u>270,502</u>	<u>56,369</u>
NET INCOME	1,711,015	2,452,390
RETAINED EARNINGS, BEGINNING OF YEAR	<u>9,293,617</u>	<u>6,841,227</u>
RETAINED EARNINGS, END OF YEAR	<u>11,004,632</u>	<u>9,293,617</u>

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

Statements of Cash Flows

For the Years Ended March 31, 2024 and 2023

US \$

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES :		
Net income	1,711,015	2,452,390
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH		
(USED IN) PROVIDED BY OPERATING ACTIVITIES :		
Depreciation	9,066	9,087
Allowance for inventory obsolescence	52,142	159,573
Allowance for doubtful accounts	190,349	74,615
Write-off of inventories	(104,668)	(82,697)
Write-off of accounts receivable	-	(44,898)
Benefit from deferred income tax	(68,502)	(31,073)
(Increase) decrease in assets :		
Accounts receivable	(2,142,052)	2,475,677
Inventories	5,113,323	(3,913,190)
Prepaid taxes and other expenses	(62,036)	(608,666)
Increase (decrease) in liabilities :		
Accounts payable	(5,362,011)	(504,035)
Income taxes payable	(201,910)	580,102
Accrued expenses	33,271	(655)
Operating lease obligations	(12,329)	6,058
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(720,270)</u>	<u>572,288</u>
CASH FLOWS FROM INVESTING ACTIVITIES :		
Acquisitions of property and equipment	<u>(11,114)</u>	<u>(3,535)</u>
NET CHANGE IN CASH	(731,384)	568,753
CASH, BEGINNING OF YEAR	<u>1,523,509</u>	<u>954,756</u>
CASH, END OF YEAR	<u>792,125</u>	<u>1,523,509</u>
SUPPLEMENTAL CASH FLOW INFORMATION :		
Cash paid during the year for Income taxes	<u>698,606</u>	<u>796,178</u>

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

Notes to Financial Statements March 31, 2024 and 2023

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 credit losses was \$470,741 and \$280,391 at of March 31, 2024 and 2023, 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 of 180 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, 2024 and 2023 was \$339,271 and \$646,977, respectively.

Advertising

The Company recognizes advertising costs as they are incurred. Advertising expense for the years ending March 31, 2024 and 2023 was \$145,278 and \$130,462, 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 2019 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.

Leases

The Company recognizes right-of-use assets and lease liabilities when the Company has both the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the identified asset.

A short-term lease is defined as a lease that, at the lease commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the Company is reasonably certain to exercise.

The Company has applied the short-term lease exception under Accounting Standards Codification (ASC) 842 in which the Company does not recognize a right-of-use asset and lease liability for short-term leases. This election has been made for all classes of underlying assets.

The Company utilizes the rate implicit in the lease if it is readily determinable, regardless of whether it is higher than the Company's incremental borrowing rate, in determining the lease liability. If the rate implicit in the lease is not readily determinable, the discount rate reflects the Company's incremental secured borrowing rate.

Reclassifications

As of January 1, 2023, finance leases have been reclassified as operating leases with no material impact on Company's balance sheet and the income statement for the recognition of ROU assets and lease liabilities.

Accounting Pronouncements Adopted

In June 2016, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13" or "ASC 326"). ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and require organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. During 2019, the FASB issued additional ASUs amending certain aspects of ASU 2016-13.

On January 1st, 2023, the Company adopted the new accounting standard and all of the related amendments using the modified retrospective method. As of January 1st, 2023, adoption of Topic 326 did not result in any material adjustments to balance sheet accounts related to accounts receivables.

Subsequent Events

Subsequent events have been evaluated through May 7, 2024, 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, 2024 and 2023, the cash balances exceeded this limit by approximately \$547,000 and \$1,039,000, 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, 2024 and 2023, substantially all the accounts payable are 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
United States of America	16,439,189	18,761,133
Chile	6,399,100	5,636,750
Canada	4,770,036	3,281,520
Other	2,210,459	2,000,875
	<u>29,818,784</u>	<u>29,680,278</u>

NOTE 5 - ACCOUNTS RECEIVABLE :

Accounts receivable consisted of the following:

	<u>2024</u>	<u>2023</u>
Accounts receivable	9,825,052	7,683,000
Less allowance for doubtful accounts	470,740	280,391
	<u>9,354,312</u>	<u>7,402,609</u>

NOTE 6 - INVENTORIES :

Inventory consist of the following as of March 31 :

	<u>2024</u>	<u>2023</u>
Raw materials	8,909	9,994
Packing materials	8,046	8,282
Finished goods	10,194,120	15,201,454
	<u>10,211,075</u>	<u>15,219,730</u>
Less allowance for inventory obsolescence	206,273	154,131
	<u>10,004,802</u>	<u>15,065,599</u>

NOTE 7 - PROPERTY AND EQUIPMENT :

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

	<u>2024</u>	<u>2023</u>
Computer equipment	94,120	85,408
Furniture and fixtures	54,988	52,586
Equipment	17,277	17,277
	<u>166,385</u>	<u>155,271</u>
Less accumulated depreciation	134,122	125,056
	<u>32,263</u>	<u>30,215</u>

Depreciation expense for the years ended March 31, 2024 and 2023 was \$9,066 and \$9,087, 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 \$40,743 and \$36,711 for the years ended March 31, 2024 and 2023, respectively.

NOTE 9 - INCOME TAXES :

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

	<u>2024</u>	<u>2023</u>
Current provision (benefit) :		
Federal	248,867	336,283
State and local	<u>90,137</u>	<u>(248,841)</u>
	<u>339,004</u>	<u>87,442</u>
Deferred tax benefit :		
Federal	(49,605)	(22,501)
State and local	<u>(18,897)</u>	<u>(8,572)</u>
	<u>(68,502)</u>	<u>(31,073)</u>
	<u>270,502</u>	<u>56,369</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>2024</u>	<u>2023</u>
Expected federal tax provision at 21%	416,118	529,948
Non deductible expenses	71,131	46,865
Tax deductible expenses	(18,655)	(20,829)
Nontaxable income	(46,143)	(56,458)
Other	<u>(223,189)</u>	<u>(185,744)</u>
	<u>199,262</u>	<u>313,782</u>

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

	<u>2024</u>	<u>2023</u>
Deferred tax assets :		
Allowance of Inventory obsolescence	59,819	44,698
Allowance for doubtful accounts	<u>136,515</u>	<u>81,314</u>
	196,334	126,012
Deferred tax liability :		
Property and equipment	<u>(7,038)</u>	<u>(5,218)</u>
Net deferred tax asset	<u>189,296</u>	<u>120,794</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 :

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 - Leasing Activities

The Company leases an apartment in Morristown, New Jersey for the use of its employees, Parent Company, or guests. The lease term is for 12 months and will expire on June 24, 2024. The monthly base rent and parking charges are \$4,476 and \$115, respectively. The Company has elected not to capitalize this short-term lease on the balance sheet and instead has recognized lease payments as an expense.

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 \$6,599 until the lease expires. The Company has elected to capitalize this lease on the balance sheet in accordance with ASU 2016-02, Leases (Topic 842).

Rent paid for the years ended March 31, 2024 and 2023 was \$133,640 and \$134,061, respectively.

The Company also maintains two lease agreements on vehicles. The one lease is for 39 months and is set to expire on February 26, 2027 with a monthly installment of \$1,050. The other lease is for three years and is set to expire on August 28, 2026, with a monthly installment of \$550.

The following summarizes the line items in the balance sheets which include amounts for operating and finance leases as of March 31:

Operating Lease:

	<u>2024</u>	<u>2023</u>
Right-of-use assets under operating lease, net	<u>\$ 278,652</u>	<u>\$ 300,048</u>
Current maturities of operating lease obligations	\$ 84,795	\$ 76,288
Operating lease obligations, net of current maturities	<u>\$ 187,586</u>	<u>\$ 229,818</u>
Total operating lease liabilities	<u>\$ 272,381</u>	<u>\$ 306,106</u>

The maturities of lease liabilities as of March 31, 2024 were as follows:

Year ending March 31:	Short-term	Operating
2025	13,773	98,391
2026	-	98,391
2027	-	93,491
2028	-	6,599
Total lease payments	<u>13,773</u>	<u>296,872</u>
Less interest	<u>-</u>	<u>24,491</u>
Present value of lease liabilities	<u>13,773</u>	<u>272,381</u>

The following summarizes the weighted average remaining lease term and discount rate as of March 31:

	<u>2024</u>	<u>2023</u>
Weighted Average Remaining Lease Term :		
Operating lease	3 Years	4 Years

Weighted Average Discount Rate :

	<u>2024</u>	<u>2023</u>
Operating lease	5.93%	7.64%

The following summarizes the line items in the income statements which include the components of lease expense for the year ended March 31:

	<u>2024</u>	<u>2023</u>
Operating lease costs included in the statement of income : and retained earnings	<u>\$ 151,682</u>	<u>\$ 147,937</u>

The following summarizes cash flow information related to leases for the year ended March 31 :

	<u>2024</u>	<u>2023</u>
Lease assets obtained in exchange for lease obligations: Operating lease	<u>\$ 60,415</u>	<u>\$ 376,694</u>

NOTE 13 - 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, 2024 and 2023, the Company purchased \$19,124,369 and \$27,641,932 of inventory from its Parent Company or the Parent Company's subsidiaries, respectively.

As of March 31, 2024 and 2023, the Company had accounts payable related to the purchase of inventory from the Parent Company and subsidiaries of \$8,720,065 and \$14,120,959, respectively.

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Divi's Laboratories Europe AG

Management Report for fiscal year 2023-24

The Directors present their report and the financial statement for the business year ended March 31, 2024.

Financial results

CHF

Particulars	2023-24	2022-23
Sales Income	32,003,048	30,663,613
Cost of Goods Sold	28,342,787	26,725,181
Production Profit	3,660,261	3,938,432
Salaries / Selling Expenses	3451598	3,400,195
Operating Gain	208,663	538,237
Exchange Gain	78,171	432,827
Income Tax	36,828	105,000
Net Profit	250,006	866,064

The company earned a sales income of CHF 32,003,048 as against income of CHF 30,663,613 for the previous financial year, recording a sales growth of 4%. Production profit for the year amounted to CHF 3,660,261 as against previous year of CHF 3,938,432. Gains from improved sales were curtailed by enhanced cost of procurement and processing resulted in lower production profit which consequently impacted net profit for the year. The company made a Net Profit of CHF 250,006 as against CHF 866,064 in the previous year.

We have Retained Gains of CHF 26,84,796 as at the end of the current business year as against CHF 2,434,791 as at the end previous business year.

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

Market and Outlook

The global market for Carotenoids is still growing at an expected rate of about 4 % Divi's Nutraceuticals is a global, technology-driven manufacturer of high-quality carotenoid and vitamin ingredients used in the food, beverage, dietary supplement, pet food and feed industries.

Divi's Nutraceuticals focus is the growth of Carotenoid lines where we are fully backward integrated and offer an increased line of product forms for the Nutrition and Health of both human and animal consumption.

Despite the increasingly challenging circumstances, the demand for Divi's Nutraceuticals products is steadily growing and the company is prepared to support this growth. New capabilities and capacities are under review and will be implemented in time to manage future new requirements and challenges.

Supply reliability became the major focus point for our customers, and we continue to manage our operations to guarantee timely delivery to our customers, not only to maintain our existing customers base but also increase our business, being the reliable supplier.

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, 2024 and of the results of the business for the period. Directors and Managers have taken all reasonable steps to prepare these financial statements in accordance with the accounting principles generally accepted as per swiss Law.

CH - Basel
April 26th, 2024

Mrs. Claudia Mastrangelo
Director

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Report of the independent auditor on the financial statements to the Board of Directors of Divi's Laboratories Europe AG, Basel

Opinion

We have audited the financial statements of Divi's Laboratories Europe AG (the Company), which comprise the balance sheet as at 31 March 2024, the statement of income for the year then ended, the statement of cash flow for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements comply with Swiss law and the Company's articles of incorporation.

Basic for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities 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 a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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, misrepresentation, or the override of internal control.
- 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 existence and effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Basel, 26th April 2024

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)

Financial Statements 2023/2024

Balance Sheet

	31 st March, 2024 CHF	31 st March, 2023 CHF
ASSETS		
Cash	1'366'630.27	1'444'988.16
A/R Trade/Other	6'988'000.28	6'644'815.98
A/R Intercompany Divi's Lab Ltd. USA	1'666'617.04	1'210'962.46
Prepaid Expenses & Deposits	219'948.61	284'835.96
Inventories	<u>16'401'090.18</u>	<u>16'070'134.90</u>
Total Current Assets	26'642'286.38	25'655'737.46
Fixed Assets	120'764.64	116'869.64
Less : Accumulated Depreciation	-74'029.97	-66'521.21
Setting-up costs	14'325.70	14'325.70
Less : Setting-up costs written-off	<u>-14,325.70</u>	<u>-14'325.70</u>
Fixed Assets, net	46'734.67	50'348.43
Total	<u>26'689'021.05</u>	<u>25'706'085.89</u>
LIABILITIES & EQUITY		
A/P Trade/Other	878'370.07	932'136.46
A/P Intercompany Divi's Lab Ltd. USA	164'425.57	0.00
A/P Intercompany Divi's Lab. Ltd. India	21'865'724.59	20'788'324.87
Accruals	995'704.59	1'450'833.85
Short-term Current Liabilities	<u>23'904'224.82</u>	<u>23'171'295.18</u>
Capital	100'000.00	100'000.00
Legal capital reserves	50'000.00	50'000.00
Retained Gains / Losses	2'384'790.71	1'518'726.78
Gain/ (Net Loss)	<u>250'005.52</u>	<u>866'063.93</u>
Stockholders' Equity	<u>2'784'796.23</u>	<u>2'534'790.71</u>
Total	<u>26'689'021.05</u>	<u>25'706'085.89</u>

Financial Statements 2023/2024

Statement of Income

	1.4.2023 - 31.3.2024 CHF	1.4.2022 - 31.3.2023 CHF
Sales	33'431'635.16	32'617'238.77
Carriage and freight outward	<u>-1'428'587.27</u>	<u>-1'953'625.77</u>
Sales	32'003'047.89	30'663'613.00
Material costs and stock adjustments	<u>28'342'787.47</u>	<u>26'725'180.90</u>
Material costs	28'342'787.47	26'725'180.90
Production Profit	<u>3'660'260.42</u>	<u>3'938'432.10</u>
Personnel	1'281'115.99	1'153'059.96
Recruiting, Travel & Memberships	140'545.18	143'586.73
Outside Services	188'211.70	193'667.52
Marketing & Promotional	1'512'316.32	1'625'253.14
R&M, Utilities, Insurance	321'900.17	277'045.12
Depreciation	7'508.76	7'582.61
Expenses	3'451'598.12	3'400'195.08
Operating Gain / (Loss)	<u>208'662.30</u>	<u>538'237.02</u>
Currency Differences	78.171.12	432'826.91
Income tax	-36'827.90	-105'000.00
Gain / (Net Loss)	<u>250'005.52</u>	<u>866'063.93</u>

Financial Statements 2023/2024

Statements of Cash Flows (indirect method)

CASH FLOWS STATEMENT (Indirect Method)	2023/2024 CHF	2022/2023 CHF
Gain/ (Net Loss)	250'005.52	-866'063.93
Depreciation	7'508.76	7'582.61
Decrease (+) / Increase (-) A/R Trade/Other	-343'184.30	-797'478.23
Decrease (+) / Increase (-) A/R Intercompany Divi's Lab. Ltd. USA	-455'654.58	-466'688.34
Increase (+) / Decrease (-) Prepaid Expenses and Deposits	-64'887.35	-72'332.94
Decrease (+) / Increase (-) Inventories	-330'955.28	1'267'252.82
Increase (+) / Decrease (-) A/P Trade/Others	-53'766.39	-1'476'321.28
Increase (+) / Decrease (-) A/P Intercompany Divi's Lab. Ltd. USA	-164'425.57	-36'885.54
Increase (+) / Decrease (-) A/P Intercompany Divi's Lab. Ltd. India	1'077'399.72	893'349.13
Increase (+) / Decrease (-) Accruals	-455'129.26	301'715.21
Operating Cash Flow	-74'462.89	486'257.37
Investment (-) in Financial Assets	0.00	0.00
Investment (-) in Fixed Assets	-3'895.00	-14'269.08
Divestment (+) of Fixed Assets	0.00	0.00
Investing Cash Flow	-3'895.00	-14'269.08
Increase (+) / Decrease (-) Financial Debt	0.00	0.00
Financing Cash Flow	0.00	0.00
Net change in the balance item cash	-78'357.89	471'988.29
Cash as of 31.03. (+)	1'366'630.27	1'444'988.16
Cash as of 01.04. (-)	-1'444'988.16	-972'999.87
Net change in the balance item cash	-78'357.89	471'988.29

Financial Statements 2023/2024

Notes

	31 March 2024 CHF	31 March 2023 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.	49'500.00	103'500.00
7. Accounts payable Pension Fund	27'874.90	26'075.15
	01.04.2023 - 31.03.2024	01.04.2023 - 31.03.2024
	CHF	CHF
8. Miscellaneous Income	0.00	0.00
9. Current Tax expenses		
<u>Income tax</u>		
Federal & Communal	39'500.00	105'000.00
With holding tax	14'288.87	10'412.93
<u>Capital Tax</u>	3'500.00	3'500.00
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		
	<u>2023/24</u>	<u>2022/23</u>
11. Annual average number of full-time equivalents	<50	<10
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 authorization of these financial statements by the Board of Directors on 26 April 2024.		



Supplements



Beverages



Foods



Pet Food



Feed

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