

# NEULAND LABORATORIES, INC.

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Financial Statements For the year Ended

March 31, 2019

And Independent Auditors' Report



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# NEULAND LABORATORIES, INC.

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## FINANCIAL STATEMENTS

MARCH 31, 2019

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Shareholder of  
Neuland Laboratories, Inc.

We have audited the accompanying balance sheet of Neuland Laboratories, Inc., (the Company) as of March 31, 2019, and the related statements of income and retained earnings, and cash flows for the year then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility:***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 internal control relevant to the Company'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 Company'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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neuland Laboratories, Inc. as of March 31, 2019, 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.

*Shrinivas Elliott & Eday LLP CPAs*

New York, NY  
April 30, 2019

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# NEULAND LABORATORIES, INC.

## BALANCE SHEET AS AT MARCH 31, 2019

### Assets

#### Current Assets

Cash and Cash Equivalents	\$35,497
Accounts receivable from parent company	<u>511,065</u>
<b>Total Current Assets</b>	<b><u>\$546,562</u></b>

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<b>Total Assets</b>	<b><u>\$546,562</u></b>
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### Liabilities & Stockholder's Equity

#### Current Liabilities

Accounts payable and accrued expenses	\$9,487
Payable to employees	7,314
Income taxes payable	2,456
Deferred taxes payable	<u>110,225</u>
<b>Total Liabilities</b>	<b><u>\$129,482</u></b>

#### Stockholder's Equity:

Common stock, par value of \$1 per share	
1,000 shares authorized, issued and outstanding	\$1,000
Retained earnings	<u>416,080</u>
<b>Total Stockholder's Equity</b>	<b><u>\$417,080</u></b>

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<b>Total Liabilities &amp; Stockholder's Equity</b>	<b><u>\$546,562</u></b>
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See Independent Auditors' Report and notes to financial statements.

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# NEULAND LABORATORIES, INC.

## STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 2019

<b>Revenues</b>	
From parent company	<u>\$1,065,872</u>
<b>Total revenues</b>	<b><u>\$1,065,872</u></b>
<b>Expenses:</b>	
Compensation and benefits	677,857
Operating expenses	<u>337,259</u>
<b>Total Expenses</b>	<b><u>1,015,116</u></b>
<hr/>	
<b>Income before provision for income taxes</b>	<b>50,756</b>
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<b>Provision for Income taxes:</b>	21,079
<hr/>	
<b>Net Income</b>	<b>29,677</b>
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Retained Earnings, beginning of year	386,403
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<b>Retained Earnings, end of year</b>	<b>416,080</b>
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See Independent Auditors' Report and notes to financial statements.

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# NEULAND LABORATORIES, INC.

## Statement of Cash Flows for the year ended March 31, 2019

### Cash flows from Operating Activities:

Net Income	\$29,677
Adjustments to reconcile net income to net cash used by Operating activities:	
Deferred tax provision	11,156
Changes in operating assets and liabilities:	
Accounts receivable from parent company	129,128
Prepaid expenses	-
Other current assets	-
Accounts payable and accrued expenses	(168,970)
Payable to employees	(5,804)
Income taxes payable	9,923
<b>Net Cash from operating activities</b>	<b>5,110</b>
<b>Cash flows from Investing Activities</b>	<b>\$0</b>
<b>Cash flows from Financing Activities</b>	<b>\$0</b>

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<b>Net increase in Cash</b>	<b>5,110</b>
Cash, beginning of year	30,387
<b>Cash, end of year</b>	<b>\$35,497</b>

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See Independent Auditors' Report and notes to financial statements.

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# NEULAND LABORATORIES, INC.

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## Notes to Financial Statements

March 31, 2019

### **1. BUSINESS ACTIVITY**

Neuland Laboratories, Inc. (the Company) was incorporated on January 4, 2007 in the State of Delaware. The Company is a wholly owned subsidiary of Neuland Laboratories Limited (the Parent). The Parent is based in Hyderabad, India. The Parent is a manufacturer and exporter of active pharmaceutical ingredients and intermediates for the pharmaceuticals industry. The Parent and the Company have entered into a Marketing and Business Support Services Agreement (the Agreement). The Company provides marketing and business support services for the Parent throughout North America. The Company utilizes a fiscal year end of March 31.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The financial statements of the Company are prepared under the accrual method of accounting.

#### **Cash and Cash Equivalents**

The Company considers cash in operating bank accounts and cash-on-hand as cash equivalents for financial reporting purposes.

#### **Accounts Receivable**

Accounts receivable are stated at the amount the Company expects to collect. Accounts receivable represents the balance due from the Parent.

#### **Revenue Recognition**

The Company recognizes revenues when services are performed. In accordance with the Agreement, the Company generally recognizes revenue equal to 105% of the actual costs incurred.

#### **Concentration of Credit Risk**

The Company generates all of its revenues from the Parent.

#### **Advertising Costs**

The Company expenses advertising costs as incurred. Advertising expense was \$0 for the year ended March 31, 2019.

*See accompanying independent auditors' report.*

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*See audit*



# NEULAND LABORATORIES, INC.

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## Notes to Financial Statements

March 31, 2019

### **Deferred 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.

### **Accounting for Uncertainty in Income Taxes**

The Company accounts for uncertainty in income taxes under the required provisions of accounting guidance issued by the FASB. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance requires that the Company determine whether the benefits of tax positions are "more likely than not" of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, the Company recognizes the largest amount of the benefit that is more likely than not of being sustained in the financial statements. For tax positions that are not more likely than not of being sustained upon audit, the Company does not recognize any portion of the benefit in the financial statements. For the year ended March 31, 2019, the Company had no accruals for potential losses related to uncertain tax positions. The Company believes it is no longer subject to income tax examinations for years prior to 2012.

### **Fair Value of Financial Instruments**

The Financial Accounting Standards Board (FASB) provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this framework are described as follows:

#### Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

#### Level 2

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;

***See accompanying independent auditors' report.***

# NEULAND LABORATORIES, INC.

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## Notes to Financial Statements

March 31, 2019

### **Fair Value of Financial Instruments (continued)**

- inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

#### Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Accordingly, the Company believes the carrying value of cash, accounts receivable, accounts payable and accrued expenses to be representative of their fair values based on their short term nature.

### **Subsequent Events**

The Company has evaluated subsequent events through the date of the independent auditors' report, which is the date the accompanying financial statements were available to be issued.

### **Use of 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 reporting period. Actual results could differ from those estimates.

*See accompanying independent auditors' report.*

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*See audit*

# NEULAND LABORATORIES, INC.

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## Notes to Financial Statements March 31, 2019

### **COMMITMENTS**

The Company entered into an operating lease agreement on February 14, 2014 for an office space located in Princeton, New Jersey. The agreement was amended on December 12, 2016 to extend the lease term for 38 months beginning May 1, 2017. Total rent expense for the year ended March 31, 2019 was approximately \$36,217.

The future annual rental commitments on the lease are as follows:

<u>Year ending</u>	<u>Rents Due</u>
March 31, 2020	\$33,636

### **INCOME TAXES**

The provision for income taxes consists of the following:

Current tax provision:

Federal	\$6,723
State	\$3,200

Deferred tax provision:

Federal	\$8,925
State	<u>\$2,231</u>
Total provision	<u>\$21,079</u>

The deferred income tax liability consists of the accrual to cash basis adjustment.

*See accompanying independent auditors' report.*

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*See audit*