

Virendra K Jain
Certified Public Accountant

IPCA PHARMACEUTICALS INC., USA
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

Virendra K Jain
Certified Public Accountant

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Virendra K Jain
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Independent Accountant's Report

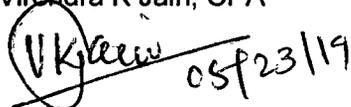
To The Shareholders of
Ipca Pharmaceuticals Inc.,
51 Cragwood Road, South Plainfield, NJ USA

I have audited the accompanying financial statements of Ipca Pharmaceuticals Inc., USA as of March 31, 2019 and 2018 and the related statements of Income, Retained earnings and Cash flow for the year then ended in accordance with standards established by the American Institute of Certified Public Accountants. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted my 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 includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In my opinion, the financial statements referred to above present fairly, in all material respect, the financial position of Ipca pharmaceuticals Inc. USA as of March 31, 2019 and 2018, and the result of operations and cash flow for the year ended March 31, 2019 and 2018, in conformity with accounting principles generally accepted in the United States of America.

For Virendra K Jain, CPA

 VKJain 05/23/19

Virendra K Jain, CPA
New York, NY
License No. 093066
Date : May 23, 2019

IPCA PHARMACEUTICALS INC., USA
BALANCE SHEET
MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Current Assets:</u>	\$	\$
Cash	51,269	369,623
Accounts Receivables	223,022	261,458
Prepaid Expenses	2,799	2,674
Total Current Assets	<u>277,090</u>	<u>633,755</u>
<u>Fixed Assets:</u>		
Net of Accumulated Depreciation of \$331,645 & \$281,710 in 2019 and 2018	875,757	925,692
<u>Investments / Acquisitions:</u>		
Pisgah Labs Inc. (Note 3)	8,860,879	8,860,879
Bayshore Pharmaceuticals LLC (Note 4)	10,435,221	---
Redeemable Preference Shares of Pisgah Labs Inc.	1,600,000	---
Security Deposit	4,833	4,833
Total Assets	<u>22,053,780</u>	<u>10,425,159</u>
<u>LIABILITIES AND STOCKHOLDERS EQUITY</u>		
<u>Current Liabilities:</u>		
Accrued Expenses	9,000	9,000
Corporate Tax Payable	8,500	---
Total Current Liabilities	<u>17,500</u>	<u>9,000</u>
<u>Stockholders' Equity:</u>		
Capital Stock	50,000	50,000
Paid in Capital	1,925,000	1,925,000
Redeemable Preference Shares (Note 5)	20,850,000	9,250,000
Retained Earnings	<u>(788,720)</u>	<u>(808,841)</u>
Total Stockholders' Equity	<u>22,036,280</u>	<u>10,416,159</u>
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	<u>22,053,780</u>	<u>10,425,159</u>

See accompanying notes to Financial Statements

IPCA PHARMACEUTICALS INC., USA
STATEMENT OF INCOME
FOR THE PERIOD ENDED MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
	\$	\$
Gross Sales	---	---
Other Income	667,577	618,353
Misc. Income	<u>17,865</u>	<u>61</u>
 Gross Revenue	 685,442	 618,414
 Gross Profit	 685,442	 618,414
 Operating Expenses:		
Salaries	316,679	298,431
Fringe & Taxes	72,215	31,894
Payroll Taxes	25,777	16,346
Traveling & Boarding	30,427	---
Rent/Utilities	39,091	34,835
Communications	9,382	7,583
Office Supplies	851	947
Insurance	2,246	4,767
Professional & Legal Expenses	26,314	63,847
Audit Fees	5,000	5,000
Depreciation	49,935	49,933
Automobiles / Transport	10,643	1,582
Repairs & Maintenance	8,628	8,143
Payroll-Admin Charges	5,458	5,082
Property Tax	28,218	24,226
Miscellaneous Expenses	<u>18,457</u>	<u>6,698</u>
TOTAL OPERATING EXPENSES	<u>649,321</u>	<u>559,314</u>
 Income (loss) before Corporate Taxes	 36,121	 59,100
Corporate Taxes (Note 6)	7,500	2,825
Tax Provision – NJ State	8,500	
Net Income (loss)	<u>20,121</u>	<u>56,275</u>

See accompanying notes to Financial Statements

IPCA PHARMACEUTICALS INC., USA
STATEMENT OF RETAINED EARNINGS
FOR THE PERIOD ENDED MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
	\$	\$
Retained Earnings - Beginning of the period	(808,841)	(865,116)
Income (loss) for the year	<u>20,121</u>	<u>56,275</u>
Retained Earnings - END OF THE PERIOD	<u>(788,720)</u>	<u>(808,841)</u>

See accompanying notes to Financial Statements

IPCA PHARMACEUTICALS INC., USA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Current Assets:	\$	\$
Cash flows from operating activities:		
Net Income (loss)	20,121	56,275
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	49,935	49,933
Changes in assets and liabilities:		
Decrease (Increase) in accounts Receivables	38,436	(238,646)
(Decrease) Increase in Prepaid expenses	(125)	---
(Decrease) Increase in Taxes Payables	<u>8,500</u>	<u>---</u>
Total adjustments	<u>96,746</u>	<u>(188,713)</u>
Net cash provided by operating activities	<u>116,867</u>	<u>(132,438)</u>
Cash flow from investing activities:		
Decrease in Security Deposit	---	1,859
Pisgah Laboratories Inc. Investment	---	(8,860,879)
Bayshore Investment	(10,435,221)	---
Increase in Fixed Assets	----	----
Net Cash from investing activities	<u>(10,435,221)</u>	<u>(8,859,020)</u>
Cash flow from financing activities:		
Increase in Pref. Redeemable Shares	11,600,000	9,250,000
Redeemable Pref Shares - Pisgah	(1,600,000)	----
Net Cash used from financing activities:	<u>10,000,000</u>	<u>9,250,000</u>
Net Increase in cash	(318,354)	258,542
Cash at beginning of period	<u>369,623</u>	<u>111,081</u>
CASH AT END OF PERIOD	<u><u>51,269</u></u>	<u><u>369,623</u></u>

See accompanying notes to Financial Statements

IPCA PHARMACEUTICALS INC., USA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019 AND 2018

Note 1 **A summary of significant Accounting Policies**

CORPORATION:

The entity is C Corporation organized and incorporated under the laws of state of New Jersey USA. The Corporation is a wholly owned subsidiary of Ipca Laboratories Ltd., India, a limited liability company registered in India and listed on Indian Stock Exchange.

The corporation is formed with the objective to monitor the registration of generic finished dose formulations and establish marketing and distributing relationships with the companies in USA for these products. Additionally, it also imports Active Pharmaceuticals Ingredients from India to sell to customers in USA.

USE OF ESTIMATES IN FINANCIAL STATEMENTS PREPARTION:

The preparation of Financial statements in conformity with accounting principal generally accepted in United State of America require the use of estimates and assumptions that affect the reported amounts of Assets & Liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. The company's financial statements include amounts that are based on management's best estimates and judgments.

FIXED ASSETS

Acquisition of equipment's, furniture and fixtures are capitalized in their respective accounts at cost. Ordinary maintenance and repair items are charged directly to expenses as incurred.

Depreciation is being provided based in the estimated useful life using straight line method.

NOTE 2 **Income:**

The Corporation imports and sells approved Active Pharmaceutical Ingredients to customers in USA. Sales are derived from this activity. However there is no sale purchase during the year. The corporation also provides liaisioning and post marketing support services. Other Income includes service charges from this activity.

**IPCA PHARMACEUTICALS INC., USA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019 AND 2018**

NOTE 3 Investment In Pisgah Laboratories Inc. NC, USA :

(A) During the year under report effective January 16th 2018, the Company had acquired 90% common stock of Pisgah Laboratories Inc. (Pisgah) based out of North Carolina, USA. Pisgah was originally founded in the year 1981 as a contract manufacturer and developer of active pharmaceutical ingredients (APIs) and intermediates and has been a chemistry solutions provider for over three decades. This acquisition will help the Company to establish its foothold in the US market (including but not limited to) in the field of research / small volume APIs and intermediates manufacturing. Pisgah will continue to operate out of its North Carolina manufacturing facility under the Pisgah trade name.

(B) Ipca Pharmaceuticals Inc. USA had acquired a USA company "Pisgah Laboratories Inc." a C Corporation Incorporated in State of North Carolina, (NC) USA on January 16, 2018 with 10% ownership of Onyx Scientific Limited, of UK, a step down subsidiary of Ipca Laboratories Limited, India. A summary of the total deal arrived as under

Total Cost of Acquisition	\$ 9,825,879
Share of 10% of the purchase consideration paid by Onyx Scientific Limited, UK	\$ <u>(965,000)</u>
Balance 90% paid by Ipca USA	\$ <u>8,860,879</u>

NOTE 4 Investment In Bayshore Pharmaceuticals LLC, USA:

The Company has acquired, on October 2nd 2018, 80% Share Capital of Bayshore Pharmaceuticals LLC, a New Jersey limited liability company (Bayshore), 788 Morris Turnpike, Suite 200, Short Hills, New Jersey, USA for a total cost of \$10,435,221.

Bayshore is currently engaged in selling and marketing of FDA approved Generics Drug Products in the USA. The acquisition of the majority stake in Bayshore will add an opportunity to the parent company to commercialize its registered Generics Drug Products in the USA market through this entity.

NOTE 5 Shareholders Equity:

IPCA Pharmaceuticals Inc USA have following Shareholding pattern as of March 31, 2019

Authorized:

Common Stock : 1000 shares @ \$ 50 per share :	Total \$ 50,000
Paid in Capital	Total \$ 1,925,000
Redeemable Preference shares 40,000 shares @ \$ 1000 each :	Total \$ 40,000,000
(Non Voting)	

Issued and Paid up:

Common Stock: 1000 shares @ \$ 50 per share	Total \$	50,000
Paid in Capital	Total \$	1,925,000
Redeemable Preference shares 20,850 shares @ \$ 1000 each (Non Voting)	Total \$	20,850,000

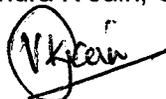
NOTE 6 Corporate Tax:

Since the corporation has accumulated losses, no Corporate Income Tax provision has been made for Federal Tax. However, \$ 7,500 taxes paid to NJ state for 2018 and provision of taxes of \$ 8,500 made for current year Income

NOTE 7 Commitments and Contingencies:

The corporation has one lease commitments for its office which expires on March 31, 2021. The total lease commitments are \$ 67,176 and \$ 26,571 as of March 31, 2019 and 2018.

For Virendra K Jain, CPA

 05/23/19

Virendra K Jain, CPA
New York, NY
License No. 093066
Date: May 23, 2019