Deepak Nitrite Corporation Inc.

Financial Statements

March 31, 2017 and March 31, 2016

KNAV P.A.

Certified Public Accountants

One Lakeside Commons, Suite 850

990 Hammond Drive NE, Atlanta, GA 30328

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Independent Auditor's Report

To the Management of
Deepak Nitrite Corporation Inc.

We have audited the accompanying balance sheets of Deepak Nitrite Corporation, Inc. ('the Company') as at March 31, 2017 and March 31, 2016 and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

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 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 internal control relevant to the organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Company as of March 31, 2017 and March 31, 2016 and the results of its operations and the cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

KNAV P.A.

Atlanta, Georgia
April 21, 2017

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Certified Public Accountants
One Lakeside Commons, Suite 850, 990 Hammond Drive NE, Atlanta, GA 30328 E-admin@knavcpa.com

Financial Statements

Deepak Nitrite Corporation Inc.
Financial Statements
March 31, 2017 and March 31, 2016

Balance sheets

(All amounts in United States Dollars, unless otherwise stated)	Notes		As at March 31, 2017	As at March 31, 2016
ASSETS				
Current assets				
Cash and cash equivalents	B		31,548	7,524
Bank balance held on behalf of parent company	C		3,685	290,682
Accounts receivable	D		346,501	264,956
Other current assets	E		17,248	22,310
Total current assets		**$**	**398,982**	**585,472**
Computers and equipment	F		18,642	-
Total assets		**$**	**417,624**	**585,472**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	G		187,288	152,899
Other current liabilities	H		3,685	324,191
Advance from parent company	I		115,000	-
Total current liabilities		**$**	**305,973**	**477,090**
Total liabilities		**$**	**305,973**	**477,090**
Stockholder's equity				
Common stock, of $ 10 par value				
10,000 shares authorized				
7,500 shares issued and outstanding	J		75,000	75,000
Accumulated surplus			36,651	33,382
Total stockholder's equity		**$**	**111,651**	**108,382**
Total liabilities and stockholder's equity		**$**	**417,624**	**585,472**

(The accompanying notes are an integral part of these financial statements)

Statements of income

(All amounts in United States Dollars, unless otherwise stated)

	Notes	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue from trading operations		439,018	-
Service revenue		1,346,656	997,462
		1,785,674	**997,462**
Costs and expenses			
Cost of goods sold for trading operations		443,968	-
Selling, general and administrative expenses		1,336,998	955,938
Depreciation		493	-
Total cost and expenses		**$ 1,781,459**	**955,938**
Profit before tax		**4,215**	**41,524**
Income tax expense	K	946	8,142
Net income		**$ 3,269**	**33,382**

(The accompanying notes are an integral part of these financial statements)

Statements of stockholder's equity
For the years ended March 31, 2017 and March 31, 2016

(All amounts in United States Dollars, except for number of shares)

	Common stock					Total
	Authorized		Issued & outstanding		Accumulated	stockholder's
	Shares	Value ($)	Shares	Value ($)	surplus	equity
Balance as of April 1, 2015	-	-	-	-	-	-
Issuance of common stock	10,000	100,000	7,500	75,000	-	**75,000**
Net income for the year					33,382	**33,382**
Balance as of March 31, 2016	**10,000**	**100,000**	**7,500**	**75,000**	**33,382**	**108,382**
Balance as of April 1, 2016	**10,000**	**100,000**	**7,500**	**75,000**	**33,382**	**108,382**
Net income for the year					3,269	**3,269**
Balance as of March 31, 2017	**10,000**	**100,000**	**7,500**	**75,000**	**36,651**	**111,651**

(The accompanying notes are an integral part of these financial statements)

Statements of cash flows

(All amounts in United States Dollars, unless otherwise stated)

		For the year ended	
		March 31, 2017	**March 31, 2016**
Cash flow from operating activities			
Net income		**3,269**	**33,382**
Adjustments to reconcile net income to net cash (used in) provided by operating activities			
Depreciation		493	-
Changes in assets and liabilities			
Accounts receivable		(81,545)	(264,956)
Other current assets		5,063	(22,310)
Accounts payable		34,389	152,898
Other current liabilities		(320,506)	324,192
Net cash (used in) provided by operating activities	**$**	**(358,837)**	**223,206**
Cash flow from investing activities			
Purchase of computers and equipment		(19,135)	-
Net cash used in investing activities	**$**	**(19,135)**	-
Cash flow from financing activities			
Proceeds from issue of common stock		-	75,000
Advance from parent company		115,000	-
Net cash provided by financing activities	**$**	**115,000**	**75,000**
Net (decrease) increase in cash and cash equivalents		(262,972)	298,206
Balance held on behalf of parent company at the beginning of year		290,682	-
Cash and cash equivalents at the beginning of year		7,524	-
Cash and cash equivalents at the end of the year (Includes balance held on behalf of parent company $ 3,685)	**$**	**35,233**	**298,206**
Supplemental disclosure of cash flow information			
Income taxes paid		16,160	-

(The accompanying notes are an integral part of these financial statements)

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Notes to Financial Statements

(All amounts in United States Dollars, unless otherwise stated)

NOTE A – NATURE OF OPERATIONS

1. Business description

Deepak Nitrite Corporation Inc. ("DNCI" or "the Company"), incorporated on November 03, 2014, began operations in April 2015. DNCI is a wholly owned subsidiary of Deepak Nitrite Limited ("DNL"), a public listed company in India. DNL is engaged in the business of manufacturing fluorescent whitening agent and other chemicals in India and selling the products in domestic and international markets.

DNCI primarily provides marketing, business development, warehousing, distribution and customer relationship management services to DNL in the United States of America ("USA" or "US"). The Company also provides assistance in collecting the sales proceeds from the customers on behalf of DNL.

During the year ended March 31, 2017, the Company also performed certain trading activities in the US, distributing chemical products.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

1. Basis of preparation

i. The accompanying financial statements are prepared under the historical cost convention on accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States of America ('US GAAP') to reflect the financial position, result of operations and cash flows of the Company.

ii. The financial statements presented are for the year April 01, 2016 to March 31, 2017 and April 01, 2015 to March 31, 2016.

iii. All amounts are stated in United States Dollars, except as otherwise specified.

iv. Certain reclassifications, regroupings and reworking have been made in the financial statements of prior periods to conform to the classifications used in the current year. These changes had no impact on previously reported net income or stockholders' equity.

2. Significant accounting policies

a) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 periods. The management's estimates for realization of deferred tax assets, useful life of fixed asset and estimation relating to unsettled transactions and events at the balance sheet date represent certain of these particularly sensitive estimates. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b) Revenue recognition

Revenue of the Company comprises revenue from rendering marketing, business development, warehousing, distribution and customer relationship management services to DNL, its parent company, which is recorded on a fully loaded cost basis plus a mark-up. The Company follows the guidance provided by Accounting Standard Codification ("ASC") Topic 605-45, "Reporting Revenue Gross as a Principal versus Net as an Agent", in reporting revenues as a sales & marketing agent.

The Company recognizes the service revenue by charging mark-up on all the costs incurred for providing the above services to its parent company, Deepak Nitrite Limited.

During the year ended March 31, 2017, the Company carried out trading activities for chemical products and recognized the revenue from sale of goods when they are earned, specifically when all the following conditions are met:

- There is a persuasive evidence that an arrangement exists.
- Delivery has occurred.
- The sales price is fixed or determinable.
- Collectability is reasonably assured.

c) Cash and cash equivalents

All liquid investments with remaining maturities, at the date of purchase or investment, of three months or less are considered as cash equivalents.

d) Bank balance held on behalf of parent company

Company acts as a collection agent on behalf of Deepak Nitrite Limited. This is separately collected and deposited in bank account and held as bank balance held on behalf of the parent company.

e) Accounts receivable & allowance for doubtful accounts

Accounts receivable represent dues for the following:

a. Service revenue from Deepak Nitrite Limited. DNL carries the risk of shortfall in collection, if any, from the ultimate customers.

b. Product sales from trading activities:

The Company follows specific identification method for recognizing bad debts. Management analyses accounts receivable and the composition of the accounts receivable aging, historical bad debts, current economic trends and customer credit worthiness when evaluating the adequacy of the provision for doubtful accounts. Allowance for doubtful debt is included in selling, general and administrative expenses in the statement of income.

f) Computers and equipment

Computers and equipment are stated at cost less accumulated depreciation and impairment. Cost of items of computers and equipment comprise cost of purchase and other costs necessarily incurred to bring it to the condition and location necessary for its intended use. The Company depreciates computer and equipment over the estimated useful life using the straight-line method. Upon retirement or disposal of assets, the cost and accumulated depreciation will be eliminated from the accounts and the resulting gain or loss will be credited or charged to operations.

The estimated useful life used to determine depreciation is:

Class of asset	Useful life
Laboratory equipment	5 years
Computer equipment	3 years

The cost of computers and equipment not ready for use before the balance sheet date are disclosed under capital work-in-progress. Costs for maintenance and repairs are expensed as incurred.

f) Income taxes

In accordance with the provisions of Financial Accounting Standards Board ("FASB") ASC Topic 740 "Income Taxes," income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some portion or all of the asset will not be realized.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions within the provision for income taxes.

g) Fair values of financial instruments

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 – unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities.

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Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term in the statement of income. Renewal terms generally reflect market rates at the time of renewal.

i) Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigations, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

		As at	
		March 31, 2017	March 31, 2016
Bank balance		31,548	7,524
Total	$	**31,548**	**7,524**

Cash balances on deposits with bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of $ 250,000. As at March 31, 2017, the Company had no cash at risk (March 31, 2016: $ Nil).

NOTE C – BANK BALANCE HELD ON BEHALF OF PARENT COMPANY

Company acts as a collection agent on behalf of DNL. Money is separately collected and deposited in bank account and held as bank balance held on behalf of parent company *(Refer note H)*.

		As at	
		March 31, 2017	March 31, 2016
Bank balance held on behalf of the parent company		3,685	290,682
Total	$	**3,685**	**290,682**

NOTE D – ACCOUNTS RECEIVABLE

The Company's accounts receivables primarily relate to service revenues from DNL. It also comprises of receivables for product sales to customer from its trading activities.

		As at	
		March 31, 2017	March 31, 2016
Account receivable from parent company		208,223	264,956
Other customers		138,278	-
Total	$	**346,501**	**264,956**

NOTE E –OTHER CURRENT ASSETS

Other current assets comprise the following:

		As at	
		March 31, 2017	March 31, 2016
Advances to employees		7,500	9,500

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Others		2,500	12,810
Advance taxes		7,247	-
Total	$	**17,247**	**22,310**

NOTE F – COMPUTERS AND EQUIPMENT

The Company has the following fixed assets:

		As at	
		March 31, 2017	March 31, 2016
Computers		1,480	-
Accumulated depreciation		(493)	-
Computers, net		**987**	-
Laboratory equipment*		17,655	-
NET BLOCK	$	**18,642**	-

*Laboratory equipment purchased during the year has not been put to use by the end of the year. Depreciation expense for the year is $493. (March 31, 2016: $ Nil)

NOTE G – ACCOUNTS PAYABLE

		As at	
		March 31, 2017	March 31, 2016
Accounts payable		187,288	109,508
Other payables to related party, DNL		-	43,391
Total	$	**187,288**	**152,899**

NOTE H – OTHER CURRENT LIABILITIES

Other current liabilities comprise of the following:

		As at	
		March 31, 2017	March 31, 2016
Accrued expenses		-	25,367
Income taxes payable		-	8,142
Bank balance payable to DNL *(Refer Note C)*		3,685	290,682
Total	$	**3,685**	**324,191**

NOTE I – ADVANCE FROM PARENT COMPANY

During the year ended March 31, 2017, the Company received trade advances from DNL amounting to $ 115,000, which are payable on demand. (March 31, 2016: $ Nil).

NOTE J – STOCKHOLDER'S EQUITY

Common stock
The authorized share capital of the Company is $ 100,000 comprising of 10,000 shares of par value $ 10 each, of which 7,500 common stock are issued and outstanding.

Voting

Each holder of common stock is entitled to one vote in respect of each share held by him in the records of the Company for all matters submitted to a vote.

Liquidation

In the event of liquidation of the Company, the holders of common stock shall be entitled to receive all of the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

NOTE K – INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. As of March 31, 2017 and March 31, 2016 no temporary differences were noted.

The components of the provision for income taxes are as follows

		Year ended	
		March 31, 2017	**March 31, 2016**
Federal tax			
Current taxes		740	5,891
State tax			
Current taxes		206	2,251
Total	**$**	**946**	**8,142**

<u>Accounting for uncertain tax position</u>
The Company recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Company's financial position, results of operation or cash flow.

The tax year 2015 remains subject to examination by the taxing authorities.

NOTE L –COMMITMENTS

The Company had a lease agreement for warehouse for a term of one year, which commenced from March 01, 2016 and ended on February 28, 2017. The Company is expected to renew the lease further for a year. The rent expense for the year ended March 31, 2017 is $ 196,353.

Future rental commitment is as follows:

For the year ending	USD
March 31, 2018	185,400

NOTE M – RELATED PARTY TRANSACTIONS

Related parties with whom transactions have taken place during the year:

- Deepak Nitrite Limited – Ultimate parent company

Summary of transactions with related parties are as follows:

Transactions during the period		**March 31, 2017**	**March 31, 2016**
Service revenue	$	1,346,656	997,462
Reimbursable expenses incurred on behalf of DNL	$	-	15,000
Balance at year end			
Accounts receivable	$	208,223	264,956
Bank balance held on behalf of parent company	$	3,685	290,682
Trade advance	$	115,000	-
Custom duty refund payable	$	-	43,391

The Company has the following contractual and other arrangements with its affiliates pursuant to which the above expenses, payments and services were incurred or paid:

1. **Agreement dated April 22, 2015, between Deepak Nitrite Corporation Inc., and Deepak Nitrite Limited.**

Deepak Nitrite Corporation Inc. acts as the marketing arm of Deepak Nitrite Limited to sell fluorescent whitening agent and other products. The Company promotes, markets and distributes the products of DNL in North America and Latin America. DNCI also assists in further processing of the products and collection of sales proceeds from the customers on behalf of DNL.

The agreement is effective from April 01, 2015 for the period of five years. As a consideration for the services provided by the Company, DNL has agreed to pay an amount of 5% on the marketing, promoting, distributing and incidental expenses incurred by the Company on monthly basis.

NOTE N – CONCENTRATION OF RISK

During the periods ended March 31, 2017 and March 31, 2016, the Company provided services to DNL, which accounted for 100% of the total service revenues and 100% of the total accounts receivable due from DNL.

For trading operations, the Company earned 100% of product sales revenue from one customer.

NOTE O – SUBSEQUENT EVENTS

The Company evaluated all events and transactions that occurred after March 31, 2017 through April 21, 2017; the date the financial statements are issued. Based on the evaluation, the Company is not aware of any events or transactions that would require recognition or disclosure in the financial statements.

KNAV P. A. CERTIFIED PUBLIC ACCOUNTANTS ATLANTA, GEORGIA