Unichem Pharmaceuticals (USA), Inc.
Financial Statements
March 31, 2025 and 2024

Unichem Pharmaceuticals (USA), Inc.
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Independent Auditors' Report

To the Board of Directors of

Unichem Pharmaceuticals (USA), Inc.

Opinion

We have audited the accompanying financial statements of Unichem Pharmaceuticals (USA), Inc. (the "Company") which comprise the balance sheets as of March 31, 2025 and 2024 and the related statements of operations, changes in shareholder's equity, 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 the Company as of March 31, 2025 and 2024, and the results of its operations and 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 the Company 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 financials 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditing 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:

1. Exercise professional judgment and maintain professional skepticism throughout the audit.

2. 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.

3. 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 the Company's internal control. Accordingly, no such opinion is expressed.

4. 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.

5. Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the Company's ability to continue as a going concern 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.

Wilkin & Guttenplan

East Brunswick, New Jersey

May 12, 2025

Unichem Pharmaceuticals (USA), Inc.
Balance Sheets
March 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash	$ 2,194,119	$ 1,538,086
Accounts receivable, net	67,546,623	52,301,008
Inventories, net	47,529,563	22,556,814
Accounts receivable, due from parent	37,310	52,402
Accounts receivable, due from affiliate	30,479	278,013
Other prepaid expenses	892,714	495,239
Total Current Assets	118,230,808	77,221,562
Property and equipment, net	270,678	359,042
Deferred tax asset	2,996,000	796,000
Operating lease right of use asset	1,874,685	2,183,014
Total Assets	$ 123,372,171	$ 80,559,618
Liabilities and Shareholder's Equity		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	$ 10,581,736	$ 5,133,652
Accrued Medicaid	840,938	844,529
Income taxes payable	508,204	264,948
Line of credit, net	34,059,371	15,415,405
Due to parent	37,051,236	28,695,806
Due to affiliates	6,412,496	760,515
Current portion of related party long-term debt	1,000,000	-
Operating lease liability, short term	299,249	277,943
Total Current Liabilities	90,753,230	51,392,798
Long Term Liabilities		
Operating lease liability, long term	1,681,534	1,980,783
Related party long-term debt, net of current portion	4,000,000	-
Total Long Term Liabilities	5,681,534	1,980,783
Total Liabilities	96,434,764	53,373,581
Shareholder's Equity		
Common stock, $1 par value, 6,500,000 shares authorized; 6,476,955 issued and outstanding	6,476,955	6,476,955
Additional paid-in capital	979,503	729,332
Retained earnings	19,480,949	19,979,750
Shareholder's Equity	26,937,407	27,186,037
Total Liabilities and Shareholder's Equity	$ 123,372,171	$ 80,559,618

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

Unichem Pharmaceuticals (USA), Inc.
Statements of Operations
For the Years Ended March 31, 2025 and 2024

	2025	2024
Net Sales	$ 145,912,932	$ 120,713,258
Cost of Goods Sold	112,386,147	94,108,388
Gross Profit	33,526,785	26,604,870
Operating Expenses		
Officers and office salaries	6,763,217	6,740,463
Selling and distribution	6,062,595	6,107,541
Outbound freight	3,944,398	2,608,187
Professional fees	2,560,291	1,776,634
Administrative	1,465,757	1,391,119
Payroll taxes and benefits	1,259,030	1,077,100
Insurance	433,555	329,986
Marketing and trade shows	359,580	302,275
Rent	352,180	240,677
Travel and meals	306,099	316,629
Market research	165,327	197,204
Depreciation	130,204	127,805
Total Operating Expenses	23,802,233	21,215,620
Income from Operations	9,724,552	5,389,250
Non-Operating Income (Expenses)		
Interest expense	(1,494,852)	(1,315,813)
Income before Provision for Income Taxes	8,229,700	4,073,437
Provision for Income Taxes		
Current tax provision	2,174,758	655,704
Deferred tax provision	(139,000)	122,000
Total Provision for Income Taxes	2,035,758	777,704
Net Income	$ 6,193,942	$ 3,295,733

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

Unichem Pharmaceuticals (USA), Inc.
Statements of Changes in Shareholder's Equity
For the Years Ended March 31, 2025 and 2024

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Total Shareholder's Equity
Balances at April 1, 2023	$ 6,476,955	$ 6,476,955	$ 356,206	$ 16,684,017	$ 23,517,178
Stock Based Compensation - Stock Options	-	-	373,126	-	373,126
Net Income	-	-	-	3,295,733	3,295,733
Balances at March 31, 2024	6,476,955	6,476,955	729,332	19,979,750	27,186,037
Stock Based Compensation - Stock Options	-	-	250,171	-	250,171
Equity Adjustment - Common Control Acquisition	-	-	-	(6,692,743)	(6,692,743)
Net Income	-	-	-	6,193,942	6,193,942
Balances at March 31, 2025	$ 6,476,955	$ 6,476,955	$ 979,503	$ 19,480,949	$ 26,937,407

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

Unichem Pharmaceuticals (USA), Inc.
Statements of Cash Flows
For the Years Ended March 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Net income	$ 6,193,942	$ 3,295,733
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation	130,204	127,805
Amortization	28,167	35,667
Deferred tax provision	(139,000)	435,000
Costs related to issuance of stock options	250,171	373,126
Operating lease right of use asset	308,329	286,250
Changes in operating assets and liabilities		
Accounts receivable, net	(15,245,615)	1,865,589
Inventories, net	(24,972,749)	(5,208,657)
Accounts receivable, due from parent	15,092	(44,231)
Accounts receivable, due from affiliate	247,534	(278,013)
Other prepaid expenses	(397,475)	13,306
Accounts payable and accrued expenses	5,448,084	595,061
Accrued Medicaid	(3,591)	131,066
Income taxes payable	243,256	201,688
Due to parent	8,355,430	2,150,077
Due to affiliate	5,651,981	760,515
Operating lease liability	(277,943)	(339,107)
Net Cash Provided by (Used In) Operating Activities	(14,164,183)	4,400,875
Cash Flows from Investing Activities		
Equity adjustment - common control acquisition	(8,753,743)	-
Acquisition of property and equipment	(41,840)	(201,626)
Net Cash Used in Investing Activities	(8,795,583)	(201,626)
Cash Flows from Financing Activities		
Draw on (Repayments of) line of credit, net	18,615,799	(5,198,149)
Proceeds from related party loan	5,000,000	-
Net Cash Provided by (Used in) Financing Activities	23,615,799	(5,198,149)
Net Increase (Decrease) in Cash	656,033	(998,900)
Cash - Beginning of Period	1,538,086	2,536,986
Cash - End of Period	$ 2,194,119	$ 1,538,086
Cash Paid During the Period for		
Interest	$ 1,386,475	$ 1,287,772
Income taxes	$ 1,930,939	$ 140,542
Non-Cash Operating Activities		
Lease assets obtained in exchange for lease obligations	$ -	$ 2,011,289

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

Note 1 Nature of Operations

Unichem Pharmaceuticals (USA), Inc. (the "Company"), was incorporated on March 9, 2004, under the laws of the State of New Jersey and is headquartered in East Brunswick, New Jersey. On October 1, 2024, the Company acquired affiliate under common control, Bayshore Pharmaceutical LLC ("Bayshore"). The Company operates as the U.S. distributor of certain generic prescription pharmaceuticals developed by Unichem Laboratories, Ltd. (the "Parent"). IPCA Laboratories LTD ("IPCA") is the parent company of Unichem Laboratories, LTD. As of March 31, 2025, the Company distributes sixty-one (61) FDA-approved generic prescription drugs.

The sole stockholder of the Company, and its parent company IPCA, an India-based developer and manufacturer of generic prescription drugs, are the primary providers of generic prescription drugs to the Company.

Note 2 Summary of Significant Accounting Policies

Recently Adopted Accounting Pronouncements

Allowance for Credit Losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The financial assets held by the company that are subject to guidance in FASB ASC 326 were trade accounts receivable. The FASB delayed adoption of the standard for private companies until January 1, 2023.

The Company adopted the standard effective April 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the financial statements include allowances and provisions for customer chargebacks, rebates, and cash discounts. These estimates are based on historical experience and on various assumptions that are believed to be reasonable under the current circumstances. Actual results could differ from those estimates.

Cash

Cash is held in bank accounts which are insured by the Federal Deposit Insurance Corporation subject to certain limitations. At times, the Company's bank balances exceed federally insured limits.

Note 2 Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Credit Losses

Accounts receivables are stated at the amount management expects to collect from outstanding balances. On a periodic basis, management evaluates its methodologies for estimating credit losses in consideration of actual experience, trends, and changes in the overall economic environment. Management evaluates its accounts receivable and establishes an allowance for credit losses, based upon historical collection rates by age of receivable and adjusted for reasonable expectations of future collection performance, net of estimated recoveries. A receivable is considered past due if payments have not been received by the invoice due date. Accounts are written off as uncollectible upon management's discretion. Management has determined that no allowance for credit losses is necessary at March 31, 2025 and 2024. See Note 3.

Inventories

Inventories consist of raw materials and finished goods and are valued at the lower of cost or net realizable value. Cost is primarily determined by using the moving average method. The customers are permitted to return purchased products for credit when they are within six months of the expiration date, additionally, once the product has expired, the Company will take returned goods for an additional twelve months. Returned products are generally not resold by the Company. The Company regularly reviews the inventory quantities on hand, and when appropriate, records a provision for obsolete, damaged, excess, and expired/short-dated inventory.

Operating Leases

Right of Use ("ROU") asset represents the right to use an underlying asset for the lease term, and the lease liability represents the obligation to make lease payments. The operating lease ROU asset and liability is recognized at the lease commencement date based on the present value of lease payments over the lease term. The Company uses their incremental borrowing rate based on the information available at lease commencement. The operating lease ROU asset also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option.

The Company elected the practical expedients not to apply the lease standard to leases of 12 months or less, to define major part as 75% for all classes of underlying assets and to define substantially all as 90% for all classes of underlying assets as their classification criteria to present ROU assets and lease liabilities on the balance sheets; to not reassess whether any expired or existing contracts are or contain leases, the leases classification for any existing or expired leases, or the initial indirect cost for any existing leases. As the interest rate implicit in the Company’s leases is not readily determinable, the Company utilizes the U.S Treasury rates as of the leases’ commencement dates to discount the lease payments to present value for leases. For leases that started prior to January 1, 2022, the Company utilized the January 1, 2022 U.S Treasury rate to discount the lease payments.

Note 2 Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Product Sales

The Company's primary customers consist of major pharmacies, wholesalers, and distributors. The wholesalers and distributors in turn sell the products directly to pharmacies, clinics, hospitals, and private medical practices. Revenue from product sales is recognized when substantially all the risks and rewards of ownership have been transferred to customers, when estimates of their selling price and discounts, rebates, and promotional adjustments, price adjustments, returns, chargebacks, and other potential adjustments are reasonably determined, collection is reasonably assured, and persuasive evidence of an arrangement exists.

The Company establishes allowances for chargebacks, discounts, returns, rebates, and other adjustments at the time of the sale. In determining the amount of pricing allowances to be established, the Company considers its own business experience and knowledge of industry and competitive practices, as well as its assessment of the impact on price adjustments due to external market forces, if any. The factors considered include, but are not limited to, actual pricing allowance experience by product by customer, the Company's contractual arrangements with its customers, inventory reports, estimates of products in the distribution channel, customers' right of return, applicable marketing and pricing regulations and current and projected economic conditions.

The data used by the Company in establishing pricing allowances is based on information developed internally and obtained from external sources. Pricing allowances are presented as a reduction of revenue in the statements of operations and retained earnings. The principal allowances are as follows:

Chargebacks

The provision for chargebacks is a significant estimate used in the recognition of revenue. As part of the contracts with the wholesale customers, the Company agrees to reimburse wholesalers for the difference between the gross sales price at which the Company sells its products to the wholesalers and the actual prices of the products at the time of resale to the end user. The Company estimates chargeback at the time of the sale to wholesalers based on wholesaler inventory, historical chargeback rates and current pricing.

Note 2 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Product Sales (Continued)

Wholesaler Rebates

Current accounting standards related to consideration given by a vendor to a customer, including a reseller of a vendor's products, specify that cash consideration given by a vendor to a customer is presumed to be a reduction of the selling price of the vendor's products or services and therefore should be characterized as a reduction of product sales. Consideration should be characterized as a cost incurred, if the Company receives, or will receive, an indefinable benefit (goods or services) in exchange for the consideration and the Company can reasonably estimate the fair value of the benefit received.

The Company has provided an estimate for pending customer rebates. Certain wholesaler customers submit for reimbursement throughout the course of business. The estimated allowance is based on various customer agreements in place with the Company for which the customer has not yet submitted for reimbursement.

Certain fees paid to wholesalers do not meet the foregoing conditions to be characterized as a cost, as such, the Company characterized these fees as a reduction of product sales and have included them in wholesaler rebates in the table in Note 8.

Administrative Fees

As the wholesalers sell the product through to the end users, they hold back a portion of funds due to the Company as an administrative fee. This fee does not meet the forgoing conditions characterized as a cost, and as such, the Company characterized these fees as a reduction of product sales.

Prompt Payment Discounts

Discounts for prompt payment are established based on the eligible customers' payment history, the contractual discount percentage, and the ending accounts receivable balance.

Medicaid Rebates

Federal law requires all pharmaceutical manufacturers, as a condition of having their products receive federal reimbursement under Medicaid and Medicare Part B, to pay rebates to state Medicaid programs on units of their pharmaceuticals that are re-dispensed to Medicaid beneficiaries. For the years ended March 31, 2025 and 2024, the Company had accrued a liability related to the rebates totaling approximately $841,000 and $845,000, respectively, which is included in wholesaler rebates in Note 8.

Note 2 Summary of Significant Accounting Policies (Continued)

Advertising

The Company's policy is to expense advertising costs as the costs are incurred. Advertising costs incurred during the years ended March 31, 2025 and 2024 total approximately $53,000 and $4,000, respectively, and are included in marketing and trade shows expense on the accompanying statements of operations.

Shipping and Handling Costs

Shipping and handling costs of $3,944,398 and $2,608,187 for the years ended March 31, 2025 and 2024, respectively, are included in operating expenses on the accompanying statements of operations.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided using straight-line method over the estimated useful lives of the assets: five years for equipment, seven years for furniture and fixtures, and five years for software. Expenditures for maintenance and repairs are charged to expense as incurred. In addition, the Company expenses certain de minimis capital expenditures in accordance with its capitalization policy.

Financing Costs

Financing costs incurred to obtain the line of credit (Note 7) are amortized using the straight-line method (which approximates the yield method) over the term of the related loan and are included as a component of interest expense.

Income Taxes

The Company is a C Corporation and provisions, if applicable, are made for federal and state income taxes.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the income in the periods that include the enactment date.

The Company recognizes deferred tax assets to the extent that management believes these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income and results of recent operations, see Note 9.

The Company's tax returns are open to examination by the taxing authorities for three years after the filing date.

Note 2 Summary of Significant Accounting Policies (Continued)

Stock-Based Compensation

The Company records compensation expenses for share-based compensation in accordance with ASC Topic 718, Compensation – Stock Compensation. For share options to certain officers, the Company used the Black-Scholes pricing model to determine the fair value of stock options on the grant dates for stock option awards issued. The Black-Scholes valuation model requires the Company to make assumptions and judgments about the variables used in the calculation. These variables and assumptions include the fair value of the common stock; expected term, the expected volatility, and certain present values. Forfeitures are recognized as they occur.

Subsequent Events

The Company has evaluated subsequent events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued.

Note 3 Accounts Receivable, Net

Accounts receivable with customers are reflected at net of allowances for pending chargebacks, rebates, fees, and cash discount. The receivables are generally due within 30 to 90 days, depending on the customer, from the invoice date. Accounts receivable consists of:

	March 31,	
	2025	2024
Accounts receivable	$ 120,534,118	$100,192,011
Allowance for debtors adjustment	(39,947,621)	(35,880,922)
Allowance for wholesaler and pending rebates	(5,258,625)	(7,063,509)
Allowance for prompt payment discount	(4,026,227)	(2,473,309)
Allowance for other reductions	(3,755,022)	(2,473,263)
Accounts receivable, net	$ 67,546,623	$ 52,301,008

Note 4 Inventories, Net

Inventories consist of the following:

	March 31,	
	2025	2024
Finished goods	$ 46,550,952	$ 22,061,470
Raw materials	1,410,306	760,515
Less: Inventories reserve	(431,695)	(265,171)
Total	$ 47,529,563	$ 22,556,814

Note 5 Property and Equipment

Property and equipment, net consist of the following:

	March 31, 2025	March 31, 2024
Equipment	$ 122,748	$ 89,369
Furniture and fixtures	362,758	371,998
Computers	182,432	164,731
Computer software	855,795	855,795
Total	1,523,733	1,481,893
Less: accumulated depreciation	(1,253,055)	(1,122,851)
Total property and equipment, net	$ 270,678	$ 359,042

Note 6 Stock Compensation

As of June 30, 2018, as part of the Company's employment for the president, the president was granted stock options of 352,000 shares of the Parent's common stock.

The Parent-issued options vests 50% at the end of the fourth year following the date of issuance of the grant of options, and 50% at the end of the fifth year following the date of issuance of the grant of options. The values attributable to these options are amortized over the vesting period. The Company believes that the fair value of the options is more reliably measurable than the fair value of the services received. In April 2023, the stock options for all 352,000 shares were surrendered back to the Parent.

The option exercise price generally may not be less than the underlying stock's fair market value at the date of grant. Certain options and share awards provide for accelerated vesting if there is a change in control, as defined in the Plan.

Employee stock awards under the Company's compensation plans are accounted for in accordance with ASC 718 Compensation – Stock Compensation. This statement defines a fair value-based method of accounting for employee restricted stock awards. Under the fair value method, compensation cost is measured at the grant date of the option based on the value of the award and is recognized over the service period, which is the vesting period.

Note 6 Stock Compensation (Continued)

During the year ended March 31, 2024, as part of the Company's updated employment agreement with the president, the president was granted stock options of 500,000 shares of the Parent's common stock. The Parent-issued options vests 50% after one year, 25% by May 1, 2025, and the remaining 25% by May 1, 2026. The values attributable to these options are amortized over the vesting period. The Company believes that the fair value of the options is more reliably measurable than the fair value of the services received. Included in officer and office salaries expense is approximately $250,200 and $373,100 of costs related to options as of March 31, 2025 and 2024, respectively.

The weighted average assumptions utilized for option grants during the year ended March 31, 2024 are as follows:

Expected volatility	48%
Expected option life (years)	2.83
Risk-free interest rate	7.11%
Expected dividend yield	1.38%

As of March 31, 2025 and 2024, there was $368,483 and $118,312, respectively, of total unrecognized compensation cost related to non-vested, share-based compensation arrangements, which is expected to be recognized over a weighted average period of approximately 1.08 and 2.08 years as of March 31, 2025 and 2024.

A summary of unvested stock option activity as of March 31, 2024 and 2025, and changes during the years ended is as follows:

	Stock Options	Weighted Average Exercise Price
Balance at April 1, 2023	$ 352,000	$ 3.71
Granted	500,000	4.51
Vested	-	-
Cancelled	(352,000)	3.71
Balance at March 31, 2024	500,000	4.51
Granted	-	-
Vested	(375,000)	4.51
Cancelled	-	-
Balance at March 31, 2025	$ 125,000	$ 4.51

Note 7 Line of Credit

On June 27, 2019, the Company secured a line of credit with Citibank, N.A. in the amount of $35,000,000 which has been extended to June 2025. The line of credit's interest rate in March 2025 and 2024 was equal to the 30-day SOFR rate plus 1.50%. The 30-day SOFR on March 31, 2025 and 2024 was 4.41% and 5.34%, respectively, which equated to an effective interest rate of 5.94% and 6.84%, respectively.

The borrowing base of the line of credit consisted of 85% of the eligible receivables, and 65% of eligible inventory, net of certain caps as defined in the credit agreement. The line of credit was also collateralized by substantially all of the assets of the Company.

In August 2020, the Company amended the line of credit with Citibank, N.A. to stipulate the trade payable with Unichem Laboratories, LTD to not be less than $15,000,000 at any point in time.

The line of credit requires the Company to meet certain negative covenants. If the Company fails to meet these covenants, the commitments under the revolving credit facility could be terminated, and any outstanding borrowings, together with accrued interest, under the line of credit could be declared immediately due and payable. The Company was in compliance with all such covenants at March 31, 2024, but was not in compliance with one covenant at March 31, 2025, however, the Company received a waiver from the bank for the instance of non-compliance.

The schedule below presents the amount drawn on the line of credit and the unamortized financing costs associated with the debt acquisition:

	March 31,	
	2025	2024
Outstanding balance of the line of credit	$ 34,068,288	$ 15,449,988
Unamortized financing costs	(8,917)	(34,583)
Net line of credit balance	$ 34,059,371	$ 15,415,405

Amortization of the debt issuance costs is reported as interest expense in the statement of operations. Interest expense related to the amortization of financing costs was $28,167 and $35,667 for the years ended March 31, 2025 and 2024.

Note 8 Gross-to-Net Product Sales

The schedule below presents the Gross-to-Net product sales reconciliation for the years ended:

	March 31, 2025	March 31, 2024
Gross sales	$ 497,128,378	$ 475,490,960
Chargebacks	(302,659,087)	(308,260,361)
Wholesaler rebates	(19,558,549)	(20,980,089)
Administrative fees	(12,963,761)	(11,187,136)
Prompt payment discount	(10,823,809)	(11,096,306)
Other reductions	(4,560,671)	(2,634,965)
Off invoice discounts	(649,569)	(618,845)
Net Sales	$ 145,912,932	$ 120,713,258

Note 9 Income Taxes

The Company periodically evaluates, in accordance with ASC 740, whether there are any uncertain tax positions requiring accounting recognition in the financial statements. Based on this evaluation, the Company has determined that there are no material uncertain tax positions requiring recognition or disclosure.

For the years ended March 31, 2025 and 2024, federal and state income taxes have been provided as follows:

	March 31, 2025	March 31, 2024
Current Tax		
Current		
Federal income tax expense	$ 1,974,758	$ 591,704
State income tax expense	200,000	64,000
Total Current	2,174,758	655,704
Deferred tax and other		
Federal income tax expense/(benefit)	(123,000)	107,000
State income tax expense/(benefit)	(16,000)	15,000
Total Deferred	(139,000)	122,000
Total	$ 2,035,758	$ 777,704

Note 9 Income Taxes (Continued)

The tax effect of temporary differences that gave rise to significant components of deferred tax assets and liabilities consisted of the following at March 31, 2025 and 2024:

	March 31, 2025	March 31, 2024
Deferred tax asset		
Start-up cost	$ -	$ 39,000
Inventory capitalization	141,000	67,000
Stock compensation	147,000	88,000
Accrued payroll	109,000	-
Accrued Medicaid	198,000	198,000
Donated product	443,000	466,000
Goodwill	1,993,000	-
Loss to lease	25,000	18,000
Deferred Tax Asset	3,056,000	876,000
Less: deferred tax liability: property plant and equipment	(60,000)	(80,000)
Total	$ 2,996,000	$ 796,000

Management determined that no valuation allowance is needed for the deferred tax asset at March 31, 2025 and 2024. As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets.

Note 10 Related Party Transactions

Unichem Laboratories, LTD

The Company purchases substantially all of its finished good inventory from the Parent. The Company also purchases testing supplies for which it is reimbursed by the Parent. Purchases and reimbursements for the years ended March 31, 2025 and 2024 were $116,349,020 and $98,598,636, respectively.

At March 31, 2025 and 2024, the Company owed the Parent approximately $37,051,000 and $28,696,000, respectively, for purchases of inventory, which is included on the accompanying balance sheets. At March 31, 2025 and 2024, the Company had receivables from the Parent of approximately $37,000 and $52,000 respectively, which is included on the accompanying balance sheets, as accounts receivable, due from parent..

Note 10 Related Party Transactions (Continued)

On December 5, 2024, the Company entered into a $5 million loan agreement with its Parent. The loan carries an interest rate of six-month SOFR rate plus 1.50% per annum, with interest payments commencing six months after disbursement and continuing semiannually thereafter. The loan has a term of five years, with an option for extension. The principal repayment schedule requires annual installments of $1 million, beginning one year after the disbursement date, with the full principal amount to be repaid within the five-year term. Interest accrued on the loan as of March 31, 2025, amounted to $70,123 and has been recognized as an interest expense for year ended March 31, 2025.

Maturities of long-term debt for the years ending March 31, are as follows:

2026	$ 1,000,000
2027	1,000,000
2028	1,000,000
2029	1,000,000
2030	1,000,000
Total	$ 5,000,000

IPCA Laboratories
The Company purchased approximately $7,900,000 and $260,000 of API from IPCA during the years ended March 31, 2025 and March 31, 2024, respectively. At March 31, 2025 and 2024 the Company owed IPCA approximately $6,138,000 and $260,000 and is included in due to affiliates on the accompanying balance sheets.

In addition, during the year ended March 31, 2025, the company entered into profit share arrangements with IPCA for some of the IPCA owned ANDAs. Total expenses incurred as a result of the agreement is $274,866, which remains payable and is included in due to affiliates on the accompanying balance sheets.

The Company is owed approximately $30,000, and $0 as of March 31, 2025, and 2024, respectively, for reimbursement of expenses from IPCA. This receivable is reflected in accounts receivable, due from affiliate on the accompanying balance sheets.

SJD Group, L.L.C. ("SJD")
During the years ended March 31, 2025 and 2024, the Company incurred legal fees for contract review to a law firm, SJD, that is owned by the spouse of the president of the Company. Amounts paid to SJD for the years ended March 31, 2025 and 2024 were approximately $180,000 and $153,000, respectively. As of March 31, 2024, approximately $6,100 was owed to SJD and is included in accounts payable and accrued expenses. There were no amounts due to SJD as of March 31, 2025.

Note 10 Related Party Transactions (Continued)

Bayshore Pharmaceutical

Common Control Transaction
On October 1, 2024, the Company entered into an asset purchase agreement to acquire the business assets and liabilities, including the working capital ("Acquisition"), of Bayshore Pharmaceutical LLC ("Bayshore"), an ultimate subsidiary of IPCA, for a total consideration of $10 million. As of October 1, 2024, Bayshore's working capital, valued at $1,246,257, was rolled into the books of the Company, and the remaining amount of $8,753,743 was recorded as an adjustment to retained earnings, net of the deferred tax asset, see below, in accordance with the ASC Topic 805-50 Business combinations – common control transactions accounting principle. Furthermore, the transaction was accounted for prospectively, and prior period financial statements for periods prior to the transaction date do not include the results of the acquired assets. Of the total consideration, $7,350,000 was paid by December 31, 2024, while the remaining balance of $2,650,000 was included under due to affiliates in the accompanying balance sheets.

Recognition of Deferred Tax Asset
For tax purposes, the excess consideration qualifies as an intangible asset under the IRS Section 197 rules and is amortizable over 15 years. As a result, a deferred tax asset of $2,061,000 was recognized at the transaction date, calculated based on the temporary difference of $8,753,743 at the effective tax rate of 23.5%. This deferred tax asset will reverse over 15 years, with an annual amortization of $137,400, reducing taxable income.

Impact on Equity
The $8,753,743 excess consideration, net of the deferred tax asset of $2,061,000, has been directly adjusted in retained earnings in the statement of changes in stockholder's equity. There is no impact on the income statement as the transaction is accounted for at book value, with adjustments made solely to equity.

Prior to acquisition, the Company purchased approximately $0 and $501,000 of API during the years ended March 31, 2025 and 2024, respectively. At March 31, 2024, the Company owed Bayshore approximately $501,000, which is included in due to affiliates on the accompanying balance sheets. At March 31, 2024, the Company had receivables from Bayshore of approximately $278,000, for expense reimbursements, which is included on the accompanying balance sheets as accounts receivable, due from affiliates.

Note 11 Concentrations

For the year ended March 31, 2025, three customers accounted for approximately 27%, 18% and 14% of net sales, respectively. In addition, two customers accounted for approximately 54% and 21%, respectively, of gross accounts receivable at March 31, 2025.

Note 11 Concentrations (Continued)

For the year ended March 31, 2024, three customers accounted for approximately 24%, 18%, and 15% of net sales, respectively. In addition, two customers accounted for approximately 53% and 26%, respectively, of gross accounts receivable at March 31, 2024.

Note 12 Defined Contribution Plan

The Company participates in a qualified retirement plan under Section 401(k) of the Internal Revenue Code (the "Code") that permits nonunion employees over the age of 21 to voluntarily contribute up to the maximum allowed under the Code. The Company matches 100% of employee contributions up to the first 3% of compensation and 50% of employee contributions between 3% and 5% of compensation (4% in total). Employer contributions for the years ended March 31, 2025 and 2024 were approximately $149,000 and $135,000, respectively and are included in payroll taxes and benefits on the accompanying statement of operations.

Note 13 Commitments and Contingencies

Leases

The Company leases office space in East Brunswick, NJ with an initial expiration date of March 2025. During the year ended March 31, 2023, the East Brunswick office lease was amended. The monthly rental payments based upon the initial lease were extended to August 2025. Additionally, the Company signed an agreement to lease additional floor space starting in November 2023. From the period November 2023 through August 2025, the Company will pay its landlord for their original office space, under the initial extension of the lease and the additional floor space as outlined in the second lease signed. After the initial lease expires in August 2025, the Company's original space will then be leased under the agreement which began in November 2023. The second lease will expire in November 2030.

In addition, the company had leased space in Hasbrouck Heights, which expired in May 2024, and a copier for which the operating lease expires January 2027.

On March 31, 2023, the Company adopted ASC 842 (see Note 2). The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Operating leases are included in operating lease right-of-use ("ROU") assets, short term operating lease liability and long-term operating lease liability in the accompanying balance sheets.

Note 13 Commitments and Contingencies (Continued)

Leases (Continued)

The Company's lease agreements contain lease and variable components such as the Company's share of utility costs, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

Management only reassesses its determination if the terms and conditions of the contract are changed.

The following summarizes the weighted average remaining lease terms and discount rate for the years ended March 31, 2025 and 2024:

	2025	2024
Weighted Average Remaining Lease Term		
Operating leases	5.67 years	6.60 years
Weighted Average Discount Rate		
Operating leases	4.20%	4.18%

The maturities of lease liabilities as of March 31, 2025 are as follows:

Years Ending March 31,	
2026	$ 375,434
2027	382,450
2028	390,099
2029	397,901
2030	405,859
Thereafter	274,613
Total lease payments	2,226,356
Less: interest	(245,573)
Present value of lease liabilities	$ 1,980,783

The following summarizes the components of lease expense, which is reflected as rent, in the statement of operations for the year ended March 31, 2025:

Operating lease expense	$ 345,018
Variable lease expense	23,278
Sublease income	(16,116)
Total	$ 352,180

Note 13 Commitments and Contingencies (Continued)

Letters of Credit

At March 31, 2024, the Company was contingently liable under an outstanding letter of credit totaling $50,000 which was issued as a security deposit for the Hasbrouck Heights space. During the current year end, this letter of credit was terminated.