

Unichem Pharmaceuticals (USA), Inc.
Financial Statements
March 31, 2026 and 2025

Unichem Pharmaceuticals (USA), Inc.

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March 31, 2026 and 2025

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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, 2026 and 2025 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, 2026 and 2025, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

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.



East Brunswick, New Jersey

May 10, 2026

Unichem Pharmaceuticals (USA), Inc.
Balance Sheets
March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Assets		
Current Assets		
Cash	\$ 2,126,929	\$ 2,194,119
Accounts receivable, net	69,302,860	67,546,623
Inventories, net	41,716,812	47,529,563
Accounts receivable, due from parent	154,535	37,310
Accounts receivable, due from affiliate	-	30,479
Prepaid income taxes	79,453	-
Other prepaid expenses	886,452	892,714
	<u>114,267,041</u>	<u>118,230,808</u>
Total Current Assets	114,267,041	118,230,808
Property and equipment, net	196,624	270,678
Deferred tax asset	3,223,000	2,996,000
Operating lease right of use asset	1,571,122	1,874,685
	<u>1,571,122</u>	<u>1,874,685</u>
Total Assets	<u>\$ 119,257,787</u>	<u>\$ 123,372,171</u>

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

Unichem Pharmaceuticals (USA), Inc.
Balance Sheets
March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Liabilities and Shareholder's Equity		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 11,373,121	\$ 10,581,736
Accrued Medicaid	883,779	840,938
Income taxes payable	-	508,204
Line of credit, net	40,903,106	34,059,371
Due to parent	28,759,358	37,051,236
Due to affiliates	4,592,225	6,412,496
Current portion of related party long-term debt	1,000,000	1,000,000
Operating lease liability, short term	319,233	299,249
	<u>87,830,822</u>	<u>90,753,230</u>
Total Current Liabilities		
Long Term Liabilities		
Operating lease liability, long term	1,362,300	1,681,534
Related party long-term debt, net of current portion	3,000,000	4,000,000
	<u>4,362,300</u>	<u>5,681,534</u>
Total Long Term Liabilities		
	<u>92,193,122</u>	<u>96,434,764</u>
Total Liabilities		
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	1,071,724	979,503
Retained earnings	19,515,986	19,480,949
	<u>27,064,665</u>	<u>26,937,407</u>
Shareholder's Equity		
	<u>27,064,665</u>	<u>26,937,407</u>
Total Liabilities and Shareholder's Equity		
	<u>\$ 119,257,787</u>	<u>\$ 123,372,171</u>

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

Unichem Pharmaceuticals (USA), Inc.
Statements of Operations
For the Years Ended March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Net Sales	\$ 163,003,500	\$ 145,912,932
Cost of Goods Sold	<u>134,711,910</u>	<u>112,386,147</u>
Gross Profit	<u>28,291,590</u>	<u>33,526,785</u>
Operating Expenses		
Officers and office salaries	7,083,782	6,763,217
Selling and distribution	6,126,266	6,062,595
Outbound freight	4,885,418	3,944,398
Professional fees	2,663,937	2,560,291
Administrative	1,662,581	1,465,757
Payroll taxes and benefits	1,431,048	1,259,030
Marketing and trade shows	482,355	359,580
Insurance	421,273	433,555
Travel and meals	403,424	306,099
Rent	327,555	352,180
Market research	173,874	165,327
Depreciation	<u>94,255</u>	<u>130,204</u>
Total Operating Expenses	<u>25,755,768</u>	<u>23,802,233</u>
Income from Operations	2,535,822	9,724,552
Non-Operating Income (Expenses)		
Interest expense	<u>(2,376,610)</u>	<u>(1,494,852)</u>
Income before Provision for Income Taxes	<u>159,212</u>	<u>8,229,700</u>
Provision for Income Taxes		
Current tax provision	351,175	2,174,758
Deferred tax provision	<u>(227,000)</u>	<u>(139,000)</u>
Total Provision for Income Taxes	<u>124,175</u>	<u>2,035,758</u>
Net Income	<u>\$ 35,037</u>	<u>\$ 6,193,942</u>

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, 2026 and 2025

	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings	Total Shareholder's Equity
Balances at April 1, 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
Stock Based Compensation - Stock Options	-	-	92,221	-	92,221
Net Income	-	-	-	35,037	35,037
Balances at March 31, 2026	<u>6,476,955</u>	<u>\$ 6,476,955</u>	<u>\$ 1,071,724</u>	<u>\$ 19,515,986</u>	<u>\$ 27,064,665</u>

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, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash Flows from Operating Activities		
Net income	\$ 35,037	\$ 6,193,942
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	94,255	130,204
Amortization	64,334	28,167
Deferred tax provision	(227,000)	(139,000)
Costs related to issuance of stock options	92,221	250,171
Operating lease right of use asset	303,563	308,329
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,756,237)	(15,245,615)
Inventories, net	5,812,751	(24,972,749)
Accounts receivable, due from parent	(117,225)	15,092
Accounts receivable, due from affiliate	30,479	247,534
Prepaid income taxes	(79,453)	-
Other prepaid expenses	6,262	(397,475)
Accounts payable and accrued expenses	791,385	5,448,084
Accrued Medicaid	42,841	(3,591)
Income taxes payable	(508,204)	243,256
Due to parent	(8,291,878)	8,355,430
Due to affiliate	(1,820,271)	5,651,981
Operating lease liability	(299,250)	(277,943)
Net Cash Used in Operating Activities	<u>(5,826,390)</u>	<u>(14,164,183)</u>
Cash Flows from Investing Activities		
Equity adjustment - common control acquisition	-	(8,753,743)
Acquisition of property and equipment	(20,201)	(41,840)
Net Cash Used in Investing Activities	<u>(20,201)</u>	<u>(8,795,583)</u>
Cash Flows from Financing Activities		
Draw on line of credit, net	6,858,151	18,615,799
Fees related to extension of the line of credit	(78,750)	-
Proceeds from/(repayments on) related party loan	(1,000,000)	5,000,000
Net Cash Provided by Financing Activities	<u>5,779,401</u>	<u>23,615,799</u>
Net Increase (Decrease) in Cash	(67,190)	656,033
Cash - Beginning of Period	<u>2,194,119</u>	<u>1,538,086</u>
Cash - End of Period	<u>\$ 2,126,929</u>	<u>\$ 2,194,119</u>
Cash Paid During the Period for		
Interest	<u>\$ 2,311,983</u>	<u>\$ 1,386,475</u>
Income taxes	<u>\$ 924,958</u>	<u>\$ 1,930,939</u>

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

Unichem Pharmaceuticals (USA), Inc.
Notes to the Financial Statements
March 31, 2026 and 2025

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, 2026, the Company distributes sixty-three (63) 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

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), 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.

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, 2026 and 2025. See Note 3.

Note 2 Summary of Significant Accounting Policies (Continued)

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.

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 performance obligations have been satisfied, 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.

Note 2 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Product Sales (Continued)

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.

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.

Note 2 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Product Sales (Continued)

Wholesaler Rebates (Continued)

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 foregoing 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, 2026 and 2025, the Company had accrued a liability related to the rebates totaling approximately \$884,000 and \$841,000, respectively, which is included in wholesaler rebates in Note 8.

Advertising

The Company's policy is to expense advertising costs as the costs are incurred. Advertising costs incurred during the years ended March 31, 2026 and 2025 total approximately \$99,000 and \$53,000, 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 \$4,885,418 and \$3,944,398 for the years ended March 31, 2026 and 2025, respectively, are included in operating expenses on the accompanying statements of operations.

Note 2 Summary of Significant Accounting Policies (Continued)

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.

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.

Unichem Pharmaceuticals (USA), Inc.
Notes to the Financial Statements
March 31, 2026 and 2025

Note 2 Summary of Significant Accounting Policies (Continued)

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,	
	<u>2026</u>	<u>2025</u>
Accounts receivable	\$ 118,561,696	\$ 120,534,118
Allowance for debtors adjustment	(37,067,094)	(39,947,621)
Allowance for wholesaler and pending rebates	(5,378,625)	(5,258,625)
Allowance for prompt payment discount	(2,914,996)	(4,026,227)
Allowance for returns	<u>(3,898,121)</u>	<u>(3,755,022)</u>
Accounts receivable, net	<u>\$ 69,302,860</u>	<u>\$ 67,546,623</u>

Note 4 Inventories, Net

Inventories consist of the following:

	March 31,	
	<u>2026</u>	<u>2025</u>
Finished goods	\$ 41,110,073	\$ 46,550,952
Raw materials	1,747,005	1,410,306
Less: Inventories reserve	<u>(1,140,266)</u>	<u>(431,695)</u>
Total	<u>\$ 41,716,812</u>	<u>\$ 47,529,563</u>

Unichem Pharmaceuticals (USA), Inc.
Notes to the Financial Statements
March 31, 2026 and 2025

Note 5 Property and Equipment

Property and equipment, net consist of the following:

	March 31,	
	2026	2025
Equipment	\$ 125,114	\$ 122,748
Furniture and fixtures	362,758	362,758
Computers	190,267	182,432
Computer software	<u>865,795</u>	<u>855,795</u>
Total	1,543,934	1,523,733
Less: accumulated depreciation	<u>(1,347,310)</u>	<u>(1,253,055)</u>
Total property and equipment, net	<u>\$ 196,624</u>	<u>\$ 270,678</u>

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.

Unichem Pharmaceuticals (USA), Inc.
Notes to the Financial Statements
March 31, 2026 and 2025

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 \$92,221 and \$250,171 of costs related to options as of March 31, 2026 and 2025, 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, 2026 and 2025, there was \$19,043 and \$368,483, 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 0.08 and 1.08 years as of March 31, 2026 and 2025.

A summary of unvested stock option activity as of March 31, 2025 and 2026, and changes during the years ended is as follows:

	<u>Stock Options</u>	<u>Weighted Average Exercise Price</u>
Balance at April 1, 2024	500,000	\$ 4.51
Granted	-	-
Vested	(250,000)	4.51
Cancelled	-	-
	<u>250,000</u>	<u>4.51</u>
Balance at March 31, 2025	250,000	4.51
Granted	-	-
Vested	(125,000)	4.51
Cancelled	-	-
	<u>125,000</u>	<u>4.51</u>
Balance at March 31, 2026	<u>125,000</u>	<u>\$ 4.51</u>

Unichem Pharmaceuticals (USA), Inc.
Notes to the Financial Statements
March 31, 2026 and 2025

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 expired in June 2025. The line of credit's interest rate at March 31, 2025 was equal to the 30-day SOFR rate plus 1.50%. The 30-day SOFR on March 31, 2025 was 4.41%, which equated to an effective interest rate of 5.94%.

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.

The line of credit required 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 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.

On June 20, 2025, the Company secured a security agreement with Citibank, N.A., in the amount of \$35,000,000. On September 19, 2025, this was extended to \$45,000,000. The agreement is a continuing agreement and will remain in effect until 30 calendar days after either the bank or the Company receive written notice of intent to terminate. The security agreement is secured by all of the assets of the Company and guaranteed by the Parent.

The security agreement interest rate at March 31, 2026 was equal to the 30-day SOFR rate plus 1.35%. The 30-day SOFR on March 31, 2026 was 3.68%, which equated to an effective interest rate of 5.03%.

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

	<u>March 31,</u>	
	<u>2026</u>	<u>2025</u>
Outstanding balance of the line of credit	\$ 40,926,439	\$ 34,068,288
Unamortized financing costs	<u>(23,333)</u>	<u>(8,917)</u>
Net line of credit balance	<u>\$ 40,903,106</u>	<u>\$ 34,059,371</u>

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 \$64,334 and \$28,167 for the years ended March 31, 2026 and 2025.

Unichem Pharmaceuticals (USA), Inc.
Notes to the Financial Statements
March 31, 2026 and 2025

Note 8 Gross-to-Net Product Sales

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

	March 31,	
	<u>2026</u>	<u>2025</u>
Gross sales	\$ 544,380,643	\$ 497,128,378
Chargebacks	(327,320,258)	(302,659,087)
Wholesaler rebates	(21,989,136)	(19,558,549)
Administrative fees	(14,599,230)	(12,963,761)
Prompt payment discount	(11,289,102)	(10,823,809)
Other reductions	(5,497,716)	(4,560,671)
Off invoice discounts	<u>(681,701)</u>	<u>(649,569)</u>
Net Sales	<u>\$ 163,003,500</u>	<u>\$ 145,912,932</u>

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, 2026 and 2025, federal and state income taxes have been provided as follows:

	March 31,	
	<u>2026</u>	<u>2025</u>
Current Tax		
Current		
Federal income tax expense	\$ 322,175	\$ 1,974,758
State income tax expense	<u>29,000</u>	<u>200,000</u>
Total Current	351,175	2,174,758
Deferred tax and other		
Federal income tax expense/(benefit)	(271,000)	(123,000)
State income tax expense/(benefit)	<u>44,000</u>	<u>(16,000)</u>
Total Deferred	<u>(227,000)</u>	<u>(139,000)</u>
Total	<u>\$ 124,175</u>	<u>\$ 2,035,758</u>

Unichem Pharmaceuticals (USA), Inc.
Notes to the Financial Statements
March 31, 2026 and 2025

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, 2026 and 2025:

	<u>March 31,</u>	
	<u>2026</u>	<u>2025</u>
Deferred Tax Asset		
Disallowed interest	\$ 357,000	\$ -
Inventory capitalization	121,000	141,000
Stock compensation	165,000	147,000
Accrued payroll	106,000	109,000
Accrued Medicaid	189,000	198,000
Donated product	491,000	443,000
Goodwill	1,812,000	1,993,000
Loss to lease	<u>25,000</u>	<u>25,000</u>
Deferred Tax Asset	3,266,000	3,056,000
Less: deferred tax liability: property plant and equipment	<u>(43,000)</u>	<u>(60,000)</u>
Total	<u>\$ 3,223,000</u>	<u>\$2,996,000</u>

Management determined that no valuation allowance is needed for the deferred tax asset at March 31, 2026 and 2025. 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, 2026 and 2025 were \$98,064,009 and \$116,349,020, respectively. The Parent also provides freight services to the Company. Total freight reimbursements were approximately \$453,000 and \$1,644,000 for the years ended March 31, 2026 and 2025, respectively.

At March 31, 2026 and 2025, the Company owed the Parent approximately \$28,759,000 and \$37,051,000, respectively, for purchases of inventory, which is included on the accompanying balance sheets. At March 31, 2026 and 2025, the Company had receivables from the Parent of approximately \$155,000 and \$37,000 respectively, which is included on the accompanying balance sheets, as accounts receivable, due from parent.

Unichem Pharmaceuticals (USA), Inc.
Notes to the Financial Statements
March 31, 2026 and 2025

Note 10 Related Party Transactions (Continued)

Unichem Laboratories, LTD (Continued)

In addition, during the year ended March 31, 2026, the Company had a profit share arrangement with the Parent for some of the Parent-owned ANDAs. Total expenses incurred as a result of the agreement were \$107,365. No such agreements were in place during the year ended March 31, 2025. Other expenses incurred by the Company for the Parent company totaled \$682,105 and \$67,847 for sample purchases and recall expenses for the years ended March 31, 2026, and 2025, respectively.

During the year ended March 31, 2026, the Company acquired a new security agreement with Citibank, N.A, see Note 7. The Parent has guaranteed the debt, and as a result, an agreement is in place whereas the Company is paying a guarantee fee to the Parent equal to 1% of the face value of the debt. For the year ended March 31, 2026, the Company paid approximately \$376,000 in accordance with this agreement.

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. Total interest expense during the years ended March 31, 2026, and 2025 approximated \$265,000 and \$70,000, respectively. Interest accrued on the loan as of March 31, 2026, and 2025 totaled \$47,678 and \$70,123, respectively.

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

2027	\$ 1,000,000
2028	1,000,000
2029	1,000,000
2030	<u>1,000,000</u>
Total	<u>\$ 4,000,000</u>

Ipca Laboratories, LTD

The Company purchased approximately \$11,013,000 and \$7,900,000 of API from Ipca during the years ended March 31, 2026 and 2025, respectively. The Company also had \$17,251 of expenses related to SAP maintenance fees paid for by Ipca during the year ended March 31, 2026. No such reimbursements occurred for the year ended March 31, 2025. At March 31, 2026 and 2025, the Company owed Ipca approximately \$4,592,000 and \$6,412,000, respectively, and is included in due to affiliates on the accompanying balance sheets.

In addition, during the years ended March 31, 2026 and 2025, the Company had a profit share arrangement with Ipca for some of the Ipca-owned ANDAs. Total expenses incurred as a result of the agreement were \$1,239,707 and \$274,886, respectively.

Unichem Pharmaceuticals (USA), Inc.
Notes to the Financial Statements
March 31, 2026 and 2025

Note 10 Related Party Transactions (Continued)

Ipca Pharmaceuticals, Inc.

Ipca Pharmaceuticals, Inc. ("Ipca Pharma") is a subsidiary of Ipca Laboratories, LTD, and is therefore an affiliate of the Company. During the year ended March 31, 2026, \$10,500 of expenses were reimbursed by the Company to Ipca Pharma. During the year ended March 31, 2025, \$1,700 of expenses were reimbursed by Ipca Pharma to the Company. The Company also subleases part of its office space to Ipca Pharma (see Note 13). Total sublease income for the years ended March 31, 2026 and 2025 totaled \$28,800 for both years. The Company was owed \$30,500 as of March 31, 2025 for reimbursement of expenses from Ipca Pharma, and is reflected in accounts receivable, due from affiliate on the accompanying balance sheets. There were no amounts owed from Ipca Pharma as of March 31, 2026.

Pisgah Laboratories Inc.

Pisgah Laboratories, Inc. ("Pisgah") is a subsidiary of Ipca and therefore a related party of the Company. The Company purchased goods totaling \$72,800 and \$56,000 from Pisgah during the years ended March 31, 2026 and 2025, respectively.

SJD Group, L.L.C. ("SJD")

During the years ended March 31, 2026 and 2025, 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, 2026 and 2025 were approximately \$198,000 and \$180,000, respectively. As of March 31, 2026, approximately \$7,000 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.

Sawgrass Pharmaceuticals (Formerly 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. During the current year ended March 31, 2026, Bayshore was renamed Sawgrass Pharmaceuticals ("Sawgrass").

Note 10 Related Party Transactions (Continued)

**Sawgrass Pharmaceuticals (Formerly Bayshore Pharmaceutical)
(Continued)**

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. See also Note 9.

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.

Note 11 Concentrations

For the year ended March 31, 2026, three customers accounted for approximately 27%, 15% and 14% of net sales, respectively. In addition, two customers accounted for approximately 52% and 21%, respectively, of gross accounts receivable at March 31, 2026.

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 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, 2026 and 2025 were approximately \$170,000 and \$149,000, respectively and are included in payroll taxes and benefits on the accompanying statement of operations.

Unichem Pharmaceuticals (USA), Inc.
Notes to the Financial Statements
March 31, 2026 and 2025

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.

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:

	<u>2026</u>	<u>2025</u>
Weighted Average Remaining Lease Term		
Operating leases	4.67 years	5.67 years
Weighted Average Discount Rate		
Operating leases	4.20%	4.20%

Unichem Pharmaceuticals (USA), Inc.
Notes to the Financial Statements
March 31, 2026 and 2025

Note 13 Commitments and Contingencies (Continued)

Leases (Continued)

The maturities of lease liabilities as of March 31, 2026 are as follows:

<u>Years Ending March 31,</u>	
2027	\$ 382,450
2028	390,099
2029	397,901
2030	405,859
2031	<u>274,613</u>
Total lease payments	1,850,922
Less: interest	<u>(169,389)</u>
Present value of lease liabilities	<u>\$ 1,681,533</u>

The following summarizes the components of lease expense, which is reflected as rent, in the statement of operations for the year ended March 31, 2026:

Operating lease expense	\$ 329,104
Variable lease expense	27,521
Sublease income	<u>(28,800)</u>
Total	<u>\$ 327,555</u>

Note 14 Risks and Uncertainties

The Company is subject to various risks and uncertainties that may affect future operations, cash flows, and the carrying value of its assets. These risks include, but are not limited to, changes in domestic and international economic conditions, shifting federal and state policies, regulatory developments, interest rate fluctuations, supply chain disruptions, and evolving trade and tariff regulations.

Management continuously monitors these conditions and evaluates their potential impact on the Company's financial position and results of operations. However, the full effect of these external factors cannot be predicted and may vary depending on the timing, scope, and duration of future policy or economic developments.

Note 15 New Accounting Pronouncement

ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments are intended to enhance the transparency and decision usefulness of income tax disclosures by requiring additional disaggregation of information about income taxes paid and income tax expense (benefit) from continuing operations, as well as expanded qualitative and quantitative information about significant reconciling items in the effective tax rate reconciliation. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025, with early adoption permitted. The Company, which prepares its financial statements in accordance with U.S. generally accepted accounting principles, has not early adopted ASU 2023-09. The Company is currently evaluating the impact that the new disclosure requirements will have on its income tax disclosures in the notes to the financial statements; the guidance will be effective for the Company's fiscal year beginning April 1, 2026.