

VIONA PHARMACEUTICALS INC

FINANCIAL STATEMENTS

March 31, 2026 and 2025

RAM ASSOCIATES, CPAS

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VIONA PHARMACEUTICALS INC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder's
of Viona Pharmaceuticals Inc.

Opinion

We have audited the accompanying financial statements of Viona Pharmaceuticals Inc. (a New Jersey corporation), which comprise the balance sheets as of March 31, 2026 and 2025, and the related statements of income, changes in stockholder's equity (deficit), 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 Viona Pharmaceuticals Inc. as of March 31, 2026 and 2025, and the results of its operations and its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Viona Pharmaceuticals Inc. 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 the 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 Viona Pharmaceuticals Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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.
- 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 Viona Pharmaceuticals Inc.'s internal control. Accordingly, no such opinion is expressed.
- 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Viona Pharmaceuticals Inc.'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.

Ram Associates

Ram Associates

Hamilton, New Jersey

May 15, 2026

VIONA PHARMACEUTICALS INC

Balance Sheets

March 31,

(all in thousands except shares)

2026 **2025**

ASSETS

Current assets :

Cash	\$ 68	\$ 247
Accounts receivable	43,604	32,204
Inventories	10,914	11,350
Prepaid expenses	248	216
Other current assets	2,385	3,708
Total current assets	<u>57,219</u>	<u>47,725</u>

Fixed assets, net

442 500

Operating lease right-of-use assets

121 261

Deferred tax assets

5,395 1,407

TOTAL ASSETS

\$ 63,177 **\$ 49,893**

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities :

Accounts payable	\$ 19,365	\$ 22,535
Accrued expenses	10,012	6,015
Current portion of operating lease	124	141
Total current liabilities	<u>29,501</u>	<u>28,691</u>

Long-term liabilities :

Operating lease, net of current portion	-	124
Loan from related parties	27,976	16,011
Total current and long-term liabilities	<u>57,477</u>	<u>44,826</u>

Stockholder's Equity

Common stock, \$1 per share par value - 3,000,000 shares authorized, 810,774 shares issued and outstanding	811	811
Additional paid-in capital	4,189	4,189
Retained earnings	700	67
Total stockholder's equity	<u>5,700</u>	<u>5,067</u>

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY

\$ 63,177 **\$ 49,893**

-See accompanying notes to financial statements-

VIONA PHARMACEUTICALS INC

Statements of Income

For the years ended March 31,

(all in thousands except shares)

	2026	2025
Net revenue	\$ 70,553	\$ 49,769
Cost of sales	57,915	39,791
Gross profit	12,638	9,978
Operating expenses:		
General and administrative expenses	10,829	8,728
Depreciation and amortization	100	65
Total operating expenses	10,929	8,793
Operating income before other expenses	1,709	1,185
Other expenses:		
Interest income	6	-
Interest expense	(889)	(729)
Total other expenses	(883)	(729)
Income before income tax	826	456
Income taxes (expense)/benefit:		
Federal income tax	(3,929)	(877)
State income tax	(251)	(51)
Deferred income tax	3,987	942
Income taxes	(193)	14
Net income	\$ 633	\$ 470

-See accompanying notes to financial statements-

VIONA PHARMACEUTICALS INC
Statements of Changes in Stockholder's Equity/(Deficit)
For The Years Ended March 31, 2026 and 2025

(all in thousands except shares)

	Common stock				Total
	Number of		Additional paid-	Accumulated	stockholder's
	shares	Amount	in capital	deficit	deficit
Balance at March 31, 2024	500,000	\$ 500	\$ -	\$ (403)	\$ 97
Common Stock	310,774	311	4,189		4,500
Net income				470	470
Balance at March 31, 2025	810,774	\$ 811	\$ 4,189	\$ 67	\$ 5,067
Net income				633	633
Balance at March 31, 2026	810,774	\$ 811	\$ 4,189	\$ 700	\$ 5,700

-See accompanying notes to financial statements-

VIONA PHARMACEUTICALS INC

Statements of Cash Flows

For the years ended March 31,

(all in thousands except shares)

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities		
Net income	\$ 633	\$ 470
Adjustment to reconcile net income to net cash used in operating activities		
Depreciation and amortization	100	65
Deferred income taxes	(3,988)	(161)
Amortization of right-of-use asset	(1)	1
Changes in assets and liabilities :		
(Increase) / decrease in :		
Accounts receivable	(11,400)	(4,924)
Inventory	436	(4,077)
Prepaid expenses	(32)	(34)
Other current assets	1,323	(2,088)
Increase / (decrease) in :		
Accounts payable	(3,170)	3,310
Accrued expenses	3,997	1,610
Net cash used in operating activities	<u>(12,102)</u>	<u>(5,828)</u>
Cash flows from investing activities		
Capital expenditures	<u>(42)</u>	<u>(535)</u>
Net cash used in investing activities	<u>(42)</u>	<u>(535)</u>
Cash flows from financing activities		
Proceeds from loan from related parties	11,965	2,052
Issue of common stock	-	4,500
Net cash provided by financing activities	<u>11,965</u>	<u>6,552</u>
Net increase (decrease) in cash and cash equivalents	(179)	188
Cash and cash equivalent at the beginning of the year	247	59
Cash and cash equivalent at the end of the year	<u><u>\$ 68</u></u>	<u><u>\$ 247</u></u>
Supplementary disclosure of cash flows information:		
Cash paid during the years for:		
Income taxes	\$ 1,580	\$ 1,459
Interest	889	732

-See accompanying notes to financial statements-

VIONA PHARMACEUTICALS Inc.

NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2026 and 2025

(In thousands except share and per share data)

1) Organization and Description of Business

Viona Pharmaceuticals Inc (“the Company”) was incorporated in New Jersey on May 11, 2018, and is a 100% subsidiary Zydus Animal Health Investment Ltd which is 100% subsidiary of Zydus Lifesciences Limited, India, (“Zydus Life”), the ultimate parent company.

The Company markets and distributes Generic and Authorized Generic pharmaceutical products in the United States of America. The products are procured from Zydus Life. The Company also markets and distributes products manufactured by a third party.

The corporate office of the Company is located at Cranford, New Jersey.

2) Summary of Significant Accounting Policies

Accounting Policies

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP); consequently, revenue is recognized when services are rendered, and expenses are reflected when costs are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are inherently uncertain and unpredictable. As a result, actual result could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations.

Revenue Recognition

General

The Company recognizes revenue from product sales when obligations under the terms of a contract with the customer are satisfied; generally, this occurs with the transfer of control of the goods to customers.

VIONA PHARMACEUTICALS Inc.

NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2026 and 2025

(In thousands except share and per share data)

A contract with a customer exists only when the parties to the contract have approved it and are committed to perform their respective obligations, the Company can identify each party's rights regarding the distinct goods or services to be transferred ("performance obligations"), the Company can determine the transaction price for the goods or services to be transferred, the contract has commercial substance and it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The amount of consideration to which the Company expects to be entitled varies as a result of rebates, chargebacks, returns and other sales reserves and allowances ("SR&A") that the Company offers to its customers and their customers, as well as the occurrence or nonoccurrence of future events, including milestone events. A minimum amount of variable consideration is recorded by the Company concurrently with the satisfaction of performance obligations to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimates of variable consideration are based on historical experience and the specific terms in the individual agreements (which the Company believes approximates expected value). Rebates and chargebacks are the largest components of SR&A. For further description of SR&A components and how they are estimated, see "Variable Consideration" below.

Shipping and handling costs are recorded under Selling and Marketing expenses.

Nature of revenue streams

Most of the Company's contracts related to product sales include single performance obligation, which is to deliver products to customers based on the purchase orders received. Revenue from sales of goods, including sales to distributors is recognized when the customer obtains control of the product. This generally occurs when products are shipped and delivered to the customer and the Company has determined that physical possession, legal title and risk and rewards of ownership of the products are transferred to the customer and Company is entitled to payment. The amount of consideration the Company expects to be entitled includes invoice value, net of accruals for estimated variable considerations including but not limited to wholesaler's chargeback, rebates, distribution service fees, returns and allowances, discount, incentives and other allowances.

Contract assets and liabilities

Contract assets are mainly comprised of trade receivables net of allowance for doubtful debts, which includes amounts billed and currently due from customers.

Contract liabilities are mainly comprised of deferred revenues. There were no contract liabilities for the year ended March 31, 2026 and 2025.

VIONA PHARMACEUTICALS Inc.

NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2026 and 2025

(In thousands except share and per share data)

Variable consideration

Variable consideration mainly includes SR&A, comprised of rebates (including Medicaid and other governmental program discounts), chargebacks, returns and other promotional (including shelf stock adjustments) items. All variable considerations except Medicaid and returns are netted against trade receivables. The Company recognizes these provisions at the time of sale and adjusts them if the actual amounts differ from the estimated provisions. The following describes the nature of each deduction and how provisions are estimated:

Chargebacks

The Company has agreements with certain indirect customers, such as independent pharmacies, retail pharmacy chains, managed care organizations, hospitals, governmental agencies and pharmacy benefit managers, which establish contract prices for certain products. The indirect customers then independently select a wholesaler from which to purchase the products at these contracted prices. Alternatively, certain wholesalers may enter into agreements with indirect customers that establish contract pricing for certain products, which the wholesalers provide. Under either arrangement, the Company will provide credit to the wholesaler for any difference between the contracted price with the indirect party and the wholesaler's invoice price. Such credits are called chargebacks. The provision for chargebacks is based on expected sell-through levels by the wholesaler customers to indirect customers, as well as estimated wholesaler inventory levels at a given date.

Rebates, promotional programs and other sales allowances

This category includes rebate and other programs to assist in product sales. These programs generally provide that the customer receives credit directly related to the amount of purchases or credits upon the attainment of pre-established volumes. Also included in this category are prompt pay discounts, administrative fees and price adjustments to reflect decreases in the selling prices of products. Since these rebates and allowances are contractually agreed upon, they are estimated based on the specific terms in each agreement based on historical trends and expected sales. Externally obtained inventory levels are evaluated in relation to estimates made for rebates payable to indirect customers.

Medicaid and Other Governmental Rebates

Pharmaceutical manufacturers whose products are covered by the Medicaid, Medicare and other Government programs are required to provide a rebate to each state as a percentage of their average manufacturer's price for the products dispensed. Many states have also implemented supplemental rebate programs that obligate manufacturers to pay rebates in excess of those required under federal law. The Company estimates these rebates based on historical trends of rebates paid, as well as on changes in wholesaler inventory levels and increases or decreases in sales.

VIONA PHARMACEUTICALS Inc.

NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2026 and 2025

(In thousands except share and per share data)

Shelf Stock Adjustments

The custom in the pharmaceutical industry is generally to grant customers a shelf stock adjustment based on the customers' existing inventory contemporaneously with decreases in the market price of the related product. The most significant of these relate to products for which an exclusive or semi-exclusive period exists. Provisions for price reductions depend on future events, including price competition, new competitive launches and the level of customer inventories at the time of the price decline. The Company regularly monitors the competitive factors that influence the pricing of its products and customer inventory levels and adjust these estimates where appropriate.

Returns

Returns primarily relate to customer returns of expired products which, the customer has the right to return six months before and up to one year following the expiration date. Such returned products are destroyed, and credits and/or refunds are issued to the customer for the value of the returns. Accordingly, no returned assets are recorded in connection with those products. The returns provision is estimated by applying a historical return rate to the amounts of revenue estimated to be subject to returns. Revenue subject to returns is estimated based on the lag time from time of sale to date of return. The estimated lag time is developed by analyzing historical experience. Additionally, the Company considers specific factors, such as estimated levels of inventory in the distribution channel, product dating and expiration, size and maturity of launch, entrance of new competitors, changes in formularies and any changes to customer terms, for determining the overall expected levels of returns.

Accounts receivable balances in the Company's financial statements are presented net of SRA estimates. SRA balances in accounts receivable were \$31,178 and \$16,438 on March 31, 2026 and 2025, respectively. SRA balances within accounts payable and accrued expenses were \$4,864 and \$2,549 on March 31, 2026 and 2025, respectively.

The movements in the SRA reserve balances during the year ended March 31, 2026 are as follows:

	<u>March 31, 2026</u>	<u>March 31, 2025</u>
Balance at the Beginning	\$ 18,987	\$ 14,179
Add: Accrual to reduce gross sales to net sales	231,495	159,784
Less: Payments and other	213,440	154,976
Balance at the end	<u>\$ 37,042</u>	<u>\$ 18,987</u>

The SRA accruals recorded to reduce gross product sales to net product sales were as follows for the years ended March 31,

VIONA PHARMACEUTICALS Inc.

NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2026 and 2025

(In thousands except share and per share data)

	<u>2026</u>	<u>2025</u>
Gross product sales	\$ 302,048	\$ 209,553
Accruals to reduce gross sales to net sales	<u>(231,495)</u>	<u>(159,784)</u>
Net product sales	<u>\$ 70,553</u>	<u>\$ 49,769</u>
<i>Percentage of SRA accruals to gross sales</i>	77%	76 %

The increase in SRA accruals was primarily due to increased competition and price reduction.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents and trade accounts receivable. The Company maintains cash balances, which may exceed federally insured limits. The Company does not believe that this results in any significant credit risk.

Concentration of credit risks with respect to accounts receivable is limited because of the credit worthiness of the Company's major customers. The majority of the Company's accounts receivable arise from product sales in the United States and are primarily due from drug wholesalers and retailers, distributors and pharmacy benefit managers. The Company monitors the financial performance and creditworthiness of its customers so that it can properly assess and respond to changes in their credit profile. Revenue from the Company's four major customers represented approximately 79% and 69% of the Company's net revenue for the years ended March 31, 2026 and 2025, respectively. Accounts receivable from the same five customers represented approximately 96% and 94% of total accounts receivable as of March 31, 2026 and 2025, respectively. A major customer is defined as any customer that accounts for 10% or more of total revenues.

Cash and cash equivalents

The Company considers all highly-liquid investments (including money market funds) with an original maturity at acquisition of three months or less to be cash equivalents. The Company maintains cash balances, which may exceed federally insured limits. The Company does not believe that this results in any significant credit risk.

Accounts receivable

The Company extends credit to clients based upon management's assessment of their creditworthiness on an unsecured basis. Accounts receivables are presented net of allowance for credit losses in the balance sheet.

VIONA PHARMACEUTICALS Inc.

NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2026 and 2025

(In thousands except share and per share data)

Allowance for Credit Losses

The allowance for credit losses (ACL) on trade receivables is a valuation account that is used to present the net amount expected to be collected on trade receivables. An ACL under the current expected credit losses (CECL) methodology is determined using loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. While the Company uses various credit quality metrics, it primarily monitors collectability by assessing the credit worthiness of its customers and its experience with delinquent trade receivables. Based on the Company's experience, the risk of delinquent trade receivables with the Company's customers is low. Accordingly, the Company has a zero-loss expectation under which, for a materiality exclusion, it recognized essentially no loss on its receivables. The ACL as of March 31, 2026 and March 31, 2025, and change in the ACL during the fiscal years ended March 31, 2026 and March 31, 2025, was not material to the financial statements.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a moving weighted average basis. The Company establishes reserves for its inventory to reflect situations in which the cost of the inventory is not expected to be recovered. In evaluating whether inventory is stated at the lower of cost or net realizable value, management considers such factors as the amount of inventory on hand; estimated time required to sell such inventory, remaining shelf life and current and expected market conditions, including level of competition. As of March 31, 2026 and 2025, provisions for the inventory reserves were \$460 and \$225, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss if any. The Company provides for depreciation of property and equipment using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 39.5 years. The Company charges repairs and maintenance costs that do not extend the lives of the assets to expenses as incurred. There were no repairs and maintenance expenses during the years ended March 31, 2026 and 2025.

Operating Lease

The Company assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the balance sheet. ROU assets and liabilities are recognized at the lease commencement date based on the

VIONA PHARMACEUTICALS Inc.

NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2026 and 2025

(In thousands except share and per share data)

estimated present value of lease payments over the lease term. Lease expense is recognized for these leases on a straight-line basis over the lease term.

The lease terms include options to extend the leases when it is reasonably certain that the Company will exercise that option. These operating leases contain renewal options for periods ranging from three to five years that expire at various dates with no residual value guarantees. Future obligations relating to the exercise of renewal options is included in the measurement if, based on the judgment of management, the renewal option is reasonably certain to be exercised. Factors in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of leasehold improvements, the value of the renewal rate compared to market rates, and the presence of factors that would cause a significant economic penalty to the Company if the option is not exercised. The exercise of lease renewal options is at the Company's sole discretion.

The Company uses the implicit rate when it is readily determinable. Since the Company's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Company's incremental borrowing rate based on the information available at lease commencement.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures* defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. FASB ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash, accounts receivable, accounts payable and accrued expenses and other liabilities.

Income taxes

Income taxes have been provided for using an assets and liability approach in which deferred tax assets and liabilities are recognized for the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided for the portion of deferred tax assets when, based on available evidence, it is not "more-likely-than-not" that a

VIONA PHARMACEUTICALS Inc.

NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2026 and 2025

(In thousands except share and per share data)

portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rate and laws.

The Company's effective tax rate is 22.4% for period ended March 31, 2026 and 21% for the period ended March 31, 2025. The future effective income tax rate depends on various factors, such as the Company's income (loss) before taxes, tax legislation and the geographic composition of pre-tax income.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

3) Property and Equipment

Property and equipment consisted of the following on March 31,

	2026	2025
Building Improvement	\$ 26	\$ -
Computer and Equipment	27	23
Furniture and Fixtures	57	61
Office Equipment	30	31
Software	630	522
Asset Under Construction	5	
	775	637
Less: Accumulated Depreciation	333	137
Net Fixed Assets	\$ 442	\$ 500

Depreciation expense during the years ended March 31, 2026 and 2025 was \$100 and \$60 respectively.

4) Intangible assets

Intangible assets consisted of the following at March 31,

	2026	2025
Logo	\$ 109	\$ 109
Accumulated amortization	(109)	(109)
Total	\$ 0	\$ 0

VIONA PHARMACEUTICALS Inc.

NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2026 and 2025

(In thousands except share and per share data)

Amortization expense during the years ended March 31, 2026 and 2025 was \$0 and \$5 respectively.

5) Accounts payable

Accounts payable include amounts due to Zydus Life, the ultimate parent company. The balance due on March 31, 2026 and 2025 were \$15,812 and \$20,267, respectively.

Accounts payable include amounts due to Zydus Worldwide DMCC. The balance due on March 31, 2026 and 2025 were 0 and (\$5), respectively.

Accounts payable include amounts due to Zydus Lifesciences Global FZE (UAE). The balance due on March 31, 2026 and 2025 were \$2,944 and \$1,947, respectively.

Accounts payable includes amounts due to Zydus Pharmaceuticals (USA) Inc. The balance due on March 31, 2026 and 2025 were \$197 and \$98, respectively.

6) Accrued expenses

Accrued expenses represent amounts accrued towards various outstanding expenses at the end of year. It also includes \$ 4,864 and \$ 2,549 respectively, for the years ended March 31, 2026 and 2025 towards Medicaid, Medicare, Tricare, Brand prescription fees, Product Returns, etc. accrued for different state and federal programs.

7) Short-Term Debt

i) Loan from Zydus Animal Health and Investment Limited.

The Company entered in to short-term loan agreement for \$5,000 with the parent company Zydus Animal Health and Investments Limited. For the years ended March 31, 2026 and 2025 the outstanding loan amount was \$5,000 and \$5,000 respectively. The Company has paid interest in the applicable arm's length rates.

ii) Loan from Zydus Pharmaceuticals USA Inc.

The Company entered in to short-term loan agreement with the related company Zydus Pharmaceuticals (USA) Inc. For the years ended March 31, 2026 and 2025 the outstanding loan amount was \$22,976 and \$11,011 respectively. The Company has paid interest at the applicable arm's length rates.

8) Employee Benefit Plan

The Company participates in a savings plan under section 401(k) of the Internal Revenue Code (Code) covering all eligible employees. The plan provides that the Company can make

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NOTES TO FINANCIAL STATEMENTS For the years ended March 31, 2026 and 2025

(In thousands except share and per share data)

matching contributions, which is equivalent to the employee's contributions subject to a maximum of 5% of the gross pay of the employee subject to Federal limits. All qualifying matching contributions are 100% vested at the completion of five years of service by an employee and are subject to certain withdrawal restrictions. For the years ended March 31, 2026 and 2025, the Company's contribution to the plan, were \$ 99 and \$78 respectively.

9) Contingent Liability

The Company has guaranteed a severance package covering three to six months of annual salary to some of its employees for the years ended March 31, 2026 and 2025, in the event the Company terminates employment for reason other than cause and in case of voluntary termination of employment due to significant and adverse change to; title, current salary, mandatory relocation or change in management reporting structure. The contingent liabilities for the years ended March 31, 2026 and 2025 were approximately \$977 and \$840 respectively.

10) Related Party Transactions

a) For the years ended March 31, 2026 and 2025, purchases of \$50,490 and \$40,570 respectively were made from Zydus Lifesciences Limited, the ultimate parent company. The Company has paid various expenses on behalf of Zydus Life during the years ended March 31, 2026 and 2025. The Company has been reimbursed a net amount of \$134 and \$93 by Zydus Life for the years ended March 31, 2026 and 2025, respectively.

b) During the year ended March 2026, the Company received an additional loan of \$11,965 from Zydus Pharmaceuticals USA Inc. ('ZPU'). The interest paid towards the same during the year ended March 31, 2026 and 2025 was \$657 and \$455 respectively. The Company spent \$314 and \$60 respectively for support service provided by ZPU and also reimbursed \$69 and \$592 respectively for various expenses incurred by ZPU on behalf of the Company.

c) For the years ended March 31, 2026 and 2025, the Company has paid interest amounts of \$232 and \$274 respectively to Zydus Animal Health and Investment Ltd.

d) For the years ended March 31, 2026 and 2025, purchases of \$8,895 and \$4,563 respectively were made from Zydus Lifesciences Global FZE (UAE).

e) For the years ended March 31, 2026 and 2025, purchases of \$0 and \$671 respectively were made from Zydus Worldwide DMCC (Dubai).

11) Product Liability

Accruals for product liability claims if any are recorded, on an undiscounted basis, when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The accruals are adjusted periodically as additional

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information becomes available. From time to time the Company is subject to claims and law suits arising in the ordinary course of business, including patent, product liability and other litigation. In determining whether liabilities should be recorded for pending claims, the Company assesses the allegations made and the likelihood that it will be able to defend against the claim successfully. The Company records provisions to the extent it concludes that a contingent liability is probable, and the amount thereof is estimable. Because litigation outcomes and contingencies are unpredictable, and because excessive verdicts can occur, these assessments involve complex judgments about future events and can rely heavily on estimates and assumptions. The Company is not involved in product liability lawsuits for the years ended March 31, 2026 and 2025, and hence no accruals for product liability were made. Zydus Life, the ultimate parent company, will reimburse product liability related expenses incurred by the Company in case of any claims on products sourced from them.

12) Income Tax

The Company accounts for income taxes in accordance with FASB ASC Topic 740, *Income Taxes*. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Management evaluates all available evidence about future taxable income and other possible sources of realization of deferred tax assets. A valuation allowance is established to reduce deferred tax assets to an amount that represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized. To the extent the Company establishes a valuation allowance or increased the allowance in any given period, an expense is recognized within the provision for income taxes in the statement of income.

The Company recognizes the tax benefit from uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to income tax matters as other expense in the statement of income. Based on management's evaluations, there are no uncertain tax positions requiring recognition as of the date of these financial statements.

Income tax expense (benefit) was computed as follows for the years ended March 31,

	2026	2025
Federal income tax	\$ 3,932	\$ 979
State income tax	248	51
	4,180	1,030
Total income taxes, current provision		
Deferred income taxes (benefit)	(3,987)	(929)
Total income tax expense (benefit)	\$ 193	\$ 101

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The deferred tax assets (liabilities) consist of the following at March 31,

	2026	2025
Property and equipment	\$ (369)	\$ (120)
Sales accruals and other items	5,764	1,527
Total deferred income taxes	\$ 5,395	\$ 1,407

The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from different State income tax effective rates that were used in the accrual for the income provision for financial statement purposes versus the actual rate realized on the income tax returns. The Company files its income tax returns on a calendar year basis.

The Company files income tax returns in the U.S. federal jurisdiction, and various State jurisdictions. The Company is generally no longer subject to U.S. Federal, State and local examinations by tax authorities for the years before 2021. There are no on-going open period income tax audits with any Federal, State and/or local tax authorities.

13) Supply and Distribution Agreement

The Company has entered into a supply and distribution agreement with Zydus Life, its ultimate parent Company. Zydus Life has appointed the Company as its distributor in US territory to sell, warehouse and distribute the products, either directly or through its sub-distributors. The agreement also records the entire understanding between the parties in respect of development, approvals (regulatory), manufacture, quality control, and liabilities of the parties in respect of claims from third parties and or as between the parties for pre-manufacturing and post-manufacturing defects and operations. The agreement also sets the parameter for determining the price, which shall be reviewed periodically, to enable the Company to earn return on an arm's length basis for the distribution functions that it performs, having regard to its assets utilized, and risks undertaken.

14) New Accounting Pronouncements

Accounting Standards Update (ASU) 2023-09 Improvements to Income Tax Disclosures, Income Taxes (Topic 740): This ASU requires enhanced disclosures about a reporting entity's effective tax rate and its income taxes paid (refunded). Entities other than Public Business Entities are required to qualitatively disclose the nature and effect of the specific categories of reconciling items listed in ASC 740-10-50-12A(a) as well as individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. Numerical reconciliation is not required. Further, income taxes paid must be disaggregated by foreign, domestic, and state taxes, with further disaggregation by jurisdiction on the basis of a

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quantitative threshold of 5 percent “of total income taxes paid (net of refunds received). However, comparative information for all periods presented is not required for the disclosures related to income taxes paid in an individual jurisdiction under ASC 740-10-50-23. ASU 2023-09 is effective for public business entities for annual periods beginning after December 15, 2025, and for annual periods beginning after December 15, 2026, for all other entities.

15) Operating lease commitments

The Company has facilities in Cranford, New Jersey. The lease expires in January 2027.

Operating lease cost for the year ended March 31, 2026 was \$158.

Supplemental balance sheet information related to leases was as follows for the year ended March 31, 2026:

Schedule of balance sheet related to leases:

ROU assets	\$	121
Lease liabilities, included in current liabilities		124
Lease liabilities, included in long-term liabilities		-
Total lease liabilities	\$	<u>124</u>

Supplemental cash flow and other information related to leases was as follows for the year ended March 31, 2026:

Schedule of cash flow related to leases:

Cash paid for amounts included in the measurement of lease liabilities:

Cash flows from leases	\$	150
ROU assets obtained in exchange for lease liabilities:		-
Weighted average remaining lease term (in months):		10
Weighted average discount rate:		5%

Total future minimum payments required under the lease obligations as of March 31, 2026, are as follows:

2026-27	\$	126
Total lease payments		<u>126</u>
Less amount representing interest		<u>2</u>
Total lease obligation	\$	<u>124</u>

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16) Contingencies

The Company records accruals for contingencies to the extent that the Company determines their occurrence is probable and that the related liabilities are estimable. When accruing these costs, the Company will recognize an accrual of best estimable amount based on the data and knowledge available. No accrual has been made for contingencies for the years ended March 31, 2026 and 2025.

17) Subsequent events

The Company has evaluated subsequent events through May 15, 2026, the date, which the financial statements were available to be issued.