Lifestar Pharma LLC

Financial Statements

March 31, 2024, and March 31, 2023

KNAV CPA LLP

Certified Public Accountants

One Lakeside Commons, Suite 850

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Independent Auditor's Report

To the Member,
Lifestar Pharma LLC.

Opinion
We have audited the financial statements of Lifestar Pharma LLC. (the "Company"), which comprise the balance sheets as of March 31, 2024, and March 31, 2023, and the related statements of income (loss), changes in Member'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, 2024, and March 31, 2023, 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 ("GAAS"). 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 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 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 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.

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 GAAS 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 GAAS, 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 the Company'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 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.

KNAV CPA LLP

Atlanta, Georgia
June 05, 2024

Financial Statements

Balance Sheets

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

	As at March 31, 2024	As at March 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	4,995,932	1,337,644
Accounts receivable, net of allowances	18,713,585	8,756,404
Accounts receivable, related party	385,550	-
Inventories, net	18,461,301	5,051,682
Prepaid expenses	718,436	22,500
Total current assets	**43,274,804**	**15,168,230**
Right-of-use asset	184,738	247,941
Deferred tax assets	2,806,671	987,259
Other non-current assets	334,911	34,741
Total assets	**46,601,124**	**16,438,171**
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable, related parties	33,952,400	11,290,022
Accounts payable	103,466	-
Current portion of operating lease liabilities	66,133	61,453
Short term borrowings	-	3,000,000
Other current liabilities	3,511,256	1,831,113
Total current liabilities	**37,633,255**	**16,182,588**
Operating lease liabilities, net of current portion	121,107	187,238
Total liabilities	**37,754,362**	**16,369,826**
Member's equity		
Member's capital	26,691,528	26,401,000
Accumulated deficit	(17,844,766)	(26,332,655)
Total member's equity	**8,846,762**	**68,345**
Total liabilities and member's equity	**46,601,124**	**16,438,171**

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

Statements of Income (Loss)

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

	For the year ended	
	March 31, 2024	**March 31, 2023**
Sale of products	67,400,927	17,823,876
Marketing and sales support services	1,909,782	3,175,329
Total revenues	**69,310,709**	**20,999,205**
Costs and expenses		
Cost of revenues	48,848,748	20,079,045
Selling, general and administrative expenses	11,189,009	7,009,355
Depreciation expenses	-	5,913
Total cost and expenses	**60,037,757**	**27,094,313**
Operating income (loss)	**9,272,952**	**(6,095,108)**
Other expenses (income)		
Interest expense	84,055	135,614
Other income	-	(20,759)
Interest income	(2,993)	(886)
Income (loss) before income taxes	**9,191,890**	**(6,209,077)**
Current income tax	2,523,413	198,602
Deferred tax benefit	(1,819,412)	(987,259)
Net income (loss)	**8,487,889**	**(5,420,420)**

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

Statements of Changes in Member's Equity

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

	Member's contribution	Accumulated deficit	Total member's equity
Member's equity as of April 01, 2022	**20,401,000**	**(20,912,235)**	**(511,235)**
Member's contributions during the year	6,000,000	-	6,000,000
Net loss for the year	-	(5,420,420)	(5,420,420)
Member's equity as of March 31, 2023	**26,401,000**	**(26,332,655)**	**68,345**
Member's equity as of April 01, 2023	**26,401,000**	**(26,332,655)**	**68,345**
Member's contributions during the year	290,528	-	290,528
Net income for the year	-	8,487,889	8,487,889
Member's equity as of March 31, 2024	**26,691,528**	**(17,844,766)**	**8,846,762**

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

Statements of Cash Flows

(All amounts in United States Dollars unless otherwise stated)

	For the year ended March 31, 2024	For the year ended March 31, 2023
Cash flows from operating activities		
Net income (loss)	**8,487,889**	**(5,420,420)**
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation expenses	-	5,913
Movement in provision for obselete and slow moving inventories	(1,733,919)	505,477
Accounts payable written back	-	(16,476)
Deferred tax benefit	(1,819,412)	(987,259)
Stock-compensation expenses	290,528	-
Provision for bonus	1,776,004	-
Changes in net operating assets and liabilities		
Accounts receivable, net of allowances	(9,957,181)	(5,512,950)
Accounts receivable, related party	(385,550)	-
Inventories, net	(11,675,700)	7,212,340
Other current assets	(695,936)	(8,241)
Other non-current assets	(300,170)	-
Accounts payable, related parties	22,662,378	(6,285,451)
Accounts payable	103,466	(4,777)
Operating lease obligations	1,752	750
Other current liabilities	(95,861)	432,823
Deferred rent, net of current portion	-	(50,995)
Net cash provided by (used in) operating activities	**6,658,288**	**(10,129,266)**
Cash flows from financing activities		
Member's contribution	-	6,000,000
Repayment of short term borrowings	(3,000,000)	-
Net cash (used in) provided by financing activities	**(3,000,000)**	**6,000,000**
Net increase (decrease) in cash and cash equivalents	3,658,288	(4,129,266)
Cash and cash equivalents at the beginning of the year	1,337,644	5,466,910
Cash and cash equivalents at the end of the year	**4,995,932**	**1,337,644**
Supplemental cash flow information		
Interest paid	98,555	121,114
Income taxes paid	2,874,166	150,114

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

Notes to Financial Statements

NOTE A - NATURE OF OPERATIONS

Lifestar Pharma LLC (the "Company") was formed on December 08, 2015. It is a wholly owned subsidiary of Mankind Pharma Limited ('the Parent Company'), a public company in India. The Company is a pharmaceutical supply chain partner focussing on developing and marketing affordable, high quality, multi-source specialty pharmaceuticals in the US market. The Company focuses on building a strategic pharmaceutical portfolio of high-quality products with various dosage forms and capabilities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1 *Basis of preparation*

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

b. All amounts are stated in United States dollars, except as otherwise specified.

c. These financial statements are presented for the year ended March 31, 2024, and March 31, 2023.

2 *Use of estimates*

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The management's estimates for realization of deferred tax assets, valuation allowances, allowance for chargebacks, discounts and rebates, allowance for expected credit loss, inventory valuation and estimation relating to unsettled transactions and events at the balance sheet dates represent certain of these particularly sensitive estimates. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates.

3 *Cash and cash equivalents*

Cash equivalents consist of highly liquid investments with a maturity of three months or less on the date of purchase. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash balances in bank accounts are insured by the Federal Deposit Insurance Corporation up to $250,000 for each insured bank for each account per depositor. At March 31, 2024, the Company had a deposit account with a balance of $294,154 (March 31, 2023: $ 291,462) and the interest income amounted to $2,993 for the year then ended (March 31, 2023: $ 886).

4 *Revenue recognition*

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied; generally, this occurs with the transfer of control of the Company's products or services. The Company's payment terms are typically between 30-90 days. Revenue is measured as the amount of consideration, the Company expects to receive, in exchange for transferring goods or providing services. A performance obligation is a promise in a contract to transfer a distinct goods or service to the customer and is the unit of account in the contract. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Some of the Company's contracts have multiple performance obligations.

The majority of the Company's performance obligations are satisfied at a point in time. i.e. upon delivery to the customer. Shipping and handling activities are considered to be fulfillment activities and are not considered to be a separate performance obligation.

5 *Significant judgments*

Revenues from product sales are recorded at the net sales price (transaction price), which includes allowances of variable consideration for reserves related to rebates, product returns, sales discounts, and wholesaler chargebacks. These reserves are based on estimates of the amounts earned or to be claimed on the related sales and are included in accounts receivable as contra accounts to the respective accounts receivable balances. Management's estimates take into consideration historical experience, current contractual and statutory requirements, specific known market events and trends, industry data, and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company's best estimates of the amount of consideration to which it is entitled based on the terms of the contract using the expected value method. The amount of variable consideration included in the net sales price is limited to the amount that is probable not to result in a significant reversal in the amount of the cumulative revenue recognized in a future period.

6 *Ancillary service*

Revenue from marketing and sales support service is recognized when services are completed in accordance with the contracts entered with the customers. Marketing and sales support service fees are charged on the basis of costs plus a reasonable mark-up for services rendered to Mankind Pharma Limited.

7 *Accounts receivable and allowance for doubtful accounts*

Accounts receivables are stated at net invoice amounts. The Company follows the expected credit losses method for recognizing allowances for doubtful accounts. Management analyzes composition of the accounts receivable aging, historical bad debts, current economic trends, and customer credit worthiness of each accounts receivable when evaluating the adequacy of the allowances for doubtful accounts. Allowances for doubtful accounts is included in selling, general and administrative expenses in the statements of income/(loss). The Company charges off uncollectable amounts against the reserve in the period in which it determines they are uncollectable.

8 *Inventories*

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method of costing.

A write down of inventory to the lower of cost or net realizable value at the close of a fiscal period creates a new cost basis and is not marked up based on changes in underlying facts and circumstances.

Goods in transit represents goods for which control has been transferred to the Company but not received at the warehouse as of balance sheet date.

Inventories are reviewed on a periodic basis for identification and write-off of slow moving & obsolete inventory and near-expiry products. Any product with a life of less than six months left for expiry are considered near expiry and are not saleable and therefore written down. Such write-downs, if any, are included in cost of revenues.

9 *Stock-based compensation*

The Company measures compensation expense for all stock-based awards based on the estimated fair value of the awards on the date of grant. Stock-based awards include stock options with service-based and/or performance-based vesting conditions. For awards that vest based on continued service, stock-based compensation is recognized on a straight-line basis over the requisite service period. For awards with both, service and performance conditions, the Company recognizes compensation cost for when the company concludes that it is probable that the performance condition will be achieved. Stock-based awards with graded vesting schedules are recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award. The Company accounts for forfeitures as they occur.

10 *Operating leases*

The Company adopted Accounting Standard Codification (“ASC”) Topic 842, "Leases" ("ASC 842") as of April 01, 2022, using the modified retrospective method.

The Company determines whether an arrangement is or contains a lease at contract inception. All of the Company’s leases are classified as operating leases, which are included in operating lease right-of-use assets and operating lease liabilities in the Company’s balance sheets.

Right-of-use assets (ROU) and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date for leases exceeding 12 months. Minimum lease payments include only the fixed lease component of the agreement. Lease terms may include options to renew when it is reasonably certain that the Company will exercise that option.

The Company estimates its incremental borrowing rate for each lease using the average incremental borrowing rate on the borrowings availed by the Company.

Management makes certain estimates and assumptions regarding each new lease and sublease agreement, renewal, and amendment, including, but not limited to, property values, market rents, property lives, discount rates and probable term, all of which can impact –

1) the classification and accounting for a lease or sublease as operating or finance, including sales-type and direct financing,

2) the rent holiday and escalations in payment that are taken into consideration when calculating straight-line rent;

3) the term over which leasehold improvements for each dental property are amortized; and

4) the values and lives of adjustments to the initial ROU asset where the Company is the lessee, or favorable and unfavorable leases where the Company is the lessor.

The amount of depreciation and amortization, interest and rent expense reported would vary if, different estimates and assumptions were used. Leases with a lease term of 12 months or less from the commencement date that do not contain a purchase option are recognized as an expense on a straight-line basis over the lease term. As a result of the Company's adoption of ASC 842, the Company recognized right-of-use of assets and lease liabilities amounting to $ 268,341 respectively on its balance sheet as at April 01, 2022

11 *Income taxes*

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

12 *Fair value measurements and financial instruments*

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

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

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

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

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and other liabilities. The estimated fair value of cash, accounts receivable, accounts payable and other liabilities approximate their carrying amounts due to the short-term nature of these instruments. None of these instruments are held for trading purposes.

13 *Commitments and contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigations, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Contingent liabilities are not recognized but are disclosed in the notes to financial statements. Contingent assets are neither recognized nor disclosed in the financial statements.

14 *Recent accounting pronouncements adopted*

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires measurement and recognition of expected credit losses for financial assets measured at amortized cost as well as certain off balance sheet commitments (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). The Company adopted ASU 2016-13 on April 01, 2023, using a modified retrospective approach. Results for reporting periods beginning April 01, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable generally accepted accounting principles.

Further, the Company has applied scope exception as per Accounting Standard Codification ("ASC") 326- 20-15-3, for the accounts receivable and loan receivables balance from entities under common control and related parties. Therefore, the Company has not recorded any allowance for credit losses on receivables balance from entities under common control. There was no impact on adoption of ASU 2016-as of April 01, 2023.

15 *Recently issued accounting standards not yet adopted*

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance will be effective for the annual periods beginning the year ended March 31, 2026. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. The Company does not expect the adoption of this guidance to have a material impact on the financial statements.

NOTE C - FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and accounts receivable. By their nature, all accounts receivable involve risk including the credit risk of non-performance by counter parties. In management's opinion, as of March 31, 2024, and March 31, 2023, there was no significant risk of loss in the event of non-performance of the counter parties to these accounts receivable. Furthermore, the Company believes it is not exposed to any significant risk on cash and cash equivalents.

The Company's three customers accounted for 86% of the total accounts receivable as of March 31, 2024 (March 31, 2023: Three customers accounted for 92% of total accounts receivable).

The Company's two vendors accounted for 100% of the total accounts payable as of March 31, 2024 (March 31, 2023: Two vendors accounted for 100% of total accounts payable) . The Company's purchases are made entirely from its related parties. Purchases from Mankind Pharma Pte Limited ("the affiliate") accounted for 2% of the total purchases during the year ended March 31, 2024 (1% during the year ended March 31, 2023) and purchases from the Parent Company accounted for 98% of the total purchases during the year ended March 31, 2024 (99% during the year ended March 31, 2023).

NOTE D - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	As at	
	March 31, 2024	**March 31, 2023**
Deposit with banks	294,154	291,462
Balances with banks	4,701,778	1,046,182
Total	**4,995,932**	**1,337,644**

NOTE E - ACCOUNTS RECEIVABLE, NET

Accounts receivable as of March 31, 2024, and March 31, 2023 represent due from customers on product sales. Accounts receivable are stated net of provision for chargebacks, rebates, and other allowances.

	As at	
	March 31, 2024	**March 31, 2023**
Accounts receivable	37,387,747	21,737,633
Less: provision for chargebacks, rebates and other allowances	(18,674,162)	(12,981,229)
Accounts receivable, net of allowances	**18,713,585**	**8,756,404**

The activity in allowances for chargebacks, rebates, and other allowances is given below:

	March 31, 2024	**March 31, 2023**
Balance at beginning of the year	**(12,981,229)**	**(4,638,287)**
Provision for chargebacks and rebates and other allowances	(113,870,956)	(47,424,489)
Chargeback, rebates, and others, claimed and utilized	108,178,023	39,081,547
Balance at the end of the year	**(18,674,162)**	**(12,981,229)**

NOTE F - INVENTORIES, NET

Inventories, net comprises of:

	As at	
	March 31, 2024	**March 31, 2023**
Finished goods	18,827,250	7,135,947
Goods in transit	103,465	119,068
Less: provision for obsolete and slow-moving inventories	(469,414)	(2,203,333)
Total	**18,461,301**	**5,051,682**

The activity in provision for obsolete and slow-moving inventory is given below:

	March 31, 2024	**March 31, 2023**
Balance at beginning of the year	2,203,333	1,697,856
Add: additional provision during the year	777,457	1,295,362
Less: reversal of inventory provision during the year	(2,511,376)	(789,885)
Balance at the end of the year	**469,414**	**2,203,333**

NOTE G - PREPAID EXPENSES

Prepaid expenses comprise the following:

	As at	
	March 31, 2024	**March 31, 2023**
Prepaid expenses	700,750	22,500
Prepaid insurance	17,686	-
Total	**718,436**	**22,500**

NOTE H - OTHER NON-CURRENT ASSETS

Other non-current assets comprise the following:

	As at	
	March 31, 2024	**March 31, 2023**
Advance taxes	300,170	-
Security deposits	34,741	34,741
Total	**334,911**	**34,741**

NOTE I - SHORT TERM BORROWING

Short-term borrowing comprise the following:

	As at	
	March 31, 2024	**March 31, 2023**
Line of credit	-	3,000,000
Total	**-**	**3,000,000**

On August 19, 2021, the Company availed a new line of credit amounting to $3,000,000 with interest of 30-day floating LIBOR plus a spread of 150 basis points. The line of credit was payable on demand. During the year ended March 31, 2024, the Company repaid the entire borrowing in three tranches of $1,000,000 each on August 02, 2023, September 13, 2023 and September 27, 2023, respectively.

Interest expense for the year ended March 31, 2024, amounted to $84,054 (March 31, 2023: $135,614). Interest accrued as at March 31, 2024, amounted to NIL (March 31, 2023: $14,500).

NOTE J - OTHER CURRENT LIABILITIES

Other current liabilities comprise the following:

	As at	
	March 31, 2024	**March 31, 2023**
Payable for expenses	905,777	326,106
Accrued medicaid rebates	912,942	96,061
Employee related liabilities	1,692,537	1,343,863
Provision for taxes	-	50,583
Accrued interest	-	14,500
Total	**3,511,256**	**1,831,113**

NOTE K - LEASES

The table below presents the classification of the operating lease assets and liabilities:

	As at	
	March 31, 2024	**March 31, 2023**
Non-current assets		
Operating lease right-of-use assets	184,738	247,941
Liabilities		
Current	66,133	61,453
Non-current	121,107	187,238
Total Lease Liabilities	**187,240**	**248,691**

The components of lease cost for operating leases for the year ended March 31, 2024, and March 31, 2023, are summarized below:

	For the year ended	
	March 31, 2024	**March 31, 2023**
Operating lease expense*	74,252	24,750

*Operating lease expense has been recognized in the statements of income (loss) under the head "Selling, general and administrative expenses"

The following table contains supplemental cash flow information related to leases for the years ended March 31, 2024 and March 31, 2023:

	For the year ended	
	March 31, 2024	**March 31, 2023**
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	72,500	24,000

The Company leases office space, a warehouse, and equipment through non-cancellable operating leases that extend until November 30, 2026. This lease includes options for renewal, allowing the Company to extend the lease term for additional periods of 5 to 10 years at its discretion. The future minimum payments required under these non-cancellable operating leases are outlined as follows:

Year ended March 31,	**Amount**
2024-25	74,000
2025-26	75,500
2026-27	51,000
Total minimum lease payments	**200,500**
Less: imputed interest	13,260
Operating lease liabilities	**187,240**

	March 31, 2024	**March 31, 2023**
Weighted average remaining lease term	2.67 years	3.67 years
Weighted average discount rate	5%	5%

NOTE L - INCOME TAXES

For the year ended March 31, 2024, the Company will file federal and state tax returns as per regulations applicable to Chapter C corporations in the United States.

The components of the provision for income tax are as follows:

	For the year ended	
	March 31, 2024	**March 31, 2023**
Current income tax	2,523,413	198,602
Deferred tax benefit	(1,819,412)	(987,259)
Total tax expense (benefit)	**704,001**	**(788,657)**

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

	As at	
	March 31, 2024	**March 31, 2023**
Net income (loss) before tax	**9,191,890**	**(6,209,077)**
Income tax at federal rate of 21%	1,930,297	(1,303,906)
Permanent differences	3,288	1,456,544
State taxes	160,946	19,771
State deferred tax expense	-	(45,510)
Change in valuation allowance	(1,375,556)	(933,212)
Change in Net operating losses	-	9,794
True-up	-	7,862
Rate Change	(13,553)	-
Federal return to provision	(1,421)	-
Total	**704,001**	**(788,657)**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes are as follows:

	As at	
	March 31, 2024	**March 31, 2023**
Deferred tax assets		
Equipment, net	-	377
Accrued medicaid rebates	204,057	21,240
Accrued sales returns	490,256	93,697
Provision on inventories	104,921	487,185
Share-based payments	64,937	-
Accrued chargebacks	2,415,811	-
Accrued rebates	752,591	-
Provision for doubtful accounts	-	147,651
Lease adjustment	559	166
263A adjustment	-	56,859
Accrued billback	285,816	440,097
Net operating losses	26,759	1,142,302
Deferred tax assets	**4,345,707**	**2,389,574**
Deferred tax liabilities:		
Accrued chargebacks (481a adjustment)	(1,282,600)	-
Accrued rebate (481a adjustment)	(229,677)	-
Total deferred tax liabilities	**(1,512,277)**	**-**
Net deferred asset	**2,833,430**	**2,389,574**
Less: deferred tax asset valuation allowance	(26,759)	(1,402,315)
Net deferred taxes after valuation allowance	**2,806,671**	**987,259**

In assessing the realization of deferred tax assets, the likelihood of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized must be considered. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary differences become deductible. The Company considers the projected future taxable income and tax planning strategies in making this assessment.

Based on the assessment of the positive and negative evidence, the Company believes it is more likely than not that the deferred tax assets will be realized in the foreseeable future. However, the Company filed PL 86-272 protective return CA and the Company has losses of $383,165 and a deferred tax asset balance of $26,759, on which the valuation allowance has been created for the year ended March 31, 2024. In addition, the valuation allowance on other items of $1,375,556 has been released and the current year deferred tax asset of $2,806,671 has been realized as on March 31, 2024, on account of temporary differences arising out for tax purposes.

As on March 31, 2024, the Company has no federal net operating loss carry forwards and state net operating loss carry forwards of approximately $383,165.

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

The tax years of 2020 through 2022 remain subject to examination by the taxing authorities.

NOTE M - RELATED PARTY TRANSACTIONS

A. Related parties with whom transactions have taken place during the year:
  a. Mankind Pharma Limited ('the Parent Company')
  b. Mankind Pharma Pte. Ltd ('the Affiliate')

B. Summary of transactions with related parties in the normal course of business are as follows:

	For the years ended	
	March 31, 2024	March 31, 2023
Transactions during the year		
Mankind Pharma Limited		
- Goods purchased (including goods in transit)	60,972,662	11,046,672
- Marketing and sales services provided	1,909,782	3,175,329
- Guarantee commission	30,000	60,000
Mankind Pharma Pte. Ltd		
- Goods purchased (including goods in transit)	1,286,432	1,313,860

C. Summary of balances with related parties in the normal course of business are as follows:

	As at	
	March 31, 2024	March 31, 2023
Accounts payable, related parties		
- Mankind Pharma Limited	33,952,400	11,106,664
- Mankind Pharma Pte. Ltd	-	183,358
Accounts receivable, related party		
- Mankind Pharma Limited	385,550	-

NOTE N - EMPLOYEE BENEFIT PLAN

The Company has a 401(k) defined contribution plan. Under this plan, each employee can elect to participate after meeting the minimum age requirement and other eligibility requirements set forth in the Adoption Agreement. The Company will make a Safe Harbor Matching Contribution equal to 100% of the elective deferrals. The Company will not match elective deferrals that exceed 4% of the participant eligible earnings. The total employer contribution for the year ended March 31, 2024, and March 31, 2023, was $75,979 and $231,999, respectively and it is included under "Selling, general and administrative expenses" on the statements of income (loss). The 401(k) contributions are charged to expense in the year in which they are incurred.

NOTE O - SHARE BASED COMPENSATION ARRANGEMENTS

Stock option plan

In the year ended March 31, 2023, Mankind Pharma Limited, the Parent Company approved the Mankind Pharma Limited - Employee Stock Option Plan 2022' ("ESOP-2022"/"the Plan"), under which the Nomination and Remuneration Committee is authorised to grant options to eligible employees in one more tranches. The employees of Lifestar Pharma LLC with a pre-defined grade may be granted options to purchase equity shares of Mankind Pharma Limited.

Employee Stock Option Scheme "ESOP-2022" was approved by Board of Directors of the Parent Company in their meeting held on July 19, 2022 and by its shareholders in their meeting dated August 9, 2022 respectively. Under ESOP-2022, Nomination and Remuneration Committee is authorised to grant options to eligible employees in one more tranches. Options granted under ESOP-2022 shall not vest earlier than a minimum vesting period of one year and not later than a maximum vesting period of four years from date of grant. The exercise period in respect of vested options shall be subject to maximum period of five years commencing from the date of vesting. The options granted under ESOP-2022 carry no rights to dividends and no voting rights till the date of exercise.

The fair value of the share options is estimated at the grant date using Black- Scholes Model, taking into account the terms and conditions upon which the share options were granted.

The Company has recognised an expense of $290,528 (March 31, 2023 : Nil) on grant of 116,278 ESOP granted during the year. These expenses are considered as a contribution to member's equity from the Parent Company.

The following table summarizes the Plan's stock option activity for the year ended March 31, 2024

	Outstanding	Weighted average exercise price (INR)	Average remaining contractual life (Years)	Aggregate intrinsic value (INR)
As at March 31, 2023	-	-	-	-
Options granted	116,278	₹ 860	7	₹ 62,603,494
Options exercised	-	-	-	-
Options cancelled, forfeited or expired	-	-	-	-
As at March 31, 2024	**116,278**	**₹ 860**	**7**	**₹ 62,603,494**
Options vested and exercisable	11,628	₹ 860	5	₹ 5,199,111

The grant date fair value of options has been estimated using the Black-Scholes single option pricing model with following assumptions:

Particulars	As at March 31, 2024
Risk free interest rate	7.17%
Expected life of option in years	7
Expected volatility	27.52

NOTE P - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's contracts with customers are comprised of purchase orders along with standard terms and conditions. These contracts with customers typically consist of sale of products which represent single performance obligations that are satisfied upon transfer of control of the product to the customer at a point in time.

Disaggregated revenue information

	For the year ended March 31, 2024	For the year ended March 31, 2023
Type of goods or services		
Sale of products	67,400,927	17,823,876
Marketing and sales support services	1,909,782	3,175,329
Total	**69,310,709**	**20,999,205**
Timing of revenue recognition		
Goods transferred at a point of time	67,400,927	17,823,876
Services provided over a period of time	1,909,782	3,175,329
Total	**69,310,709**	**20,999,205**
Geographical location		
United States of America	67,400,927	17,823,876
India	1,909,782	3,175,329
Total	**69,310,709**	**20,999,205**

NOTE Q - RISK AND UNCERTAINTIES

The Company's future results of operations involve several risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, competitive factors, including but not limited to pricing pressures; deterioration in general economic conditions; the Company's ability to effectively manage operating costs and increase operating efficiencies; declines in revenues; technological and market changes; the ability to attract and retain qualified employees and the Company's ability to execute on its business plan.

NOTE R - FAIR VALUE MEASUREMENTS

The Company's financial instruments consist primarily cash and cash equivalents, prepaid expenses, accounts receivable, accounts payable, and accrued expenses, the fair values of which approximate their carrying values. As a policy, the Company does not engage in speculative or leveraged transactions.

NOTE S - SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the financial statements were available to be issued. Based upon the review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.