

Granules Pharmaceuticals, Inc.

Financial Statements for the years ended March 31, 2023, and
March 31, 2022

KNAV P.A.

Certified Public Accountants
One Lakeside Commons, Suite 850
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America Counts on CPAs

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Independent Accountant's Review Report

To Board of Directors,
Granules Pharmaceuticals Inc.

We have reviewed the accompanying balance sheets of Granules Pharmaceuticals Inc. ('the Company') as at March 31, 2023 and March 31, 2022, and the related statements of income, stockholder's equity, cash flows and the related notes to the financial statements for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's responsibility for the financial statements

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

Accountant's responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Granules Pharmaceuticals, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

KNAV P.A.

Atlanta, Georgia
July 13, 2023

KNAV P.A.

Certified Public Accountants

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2023-194-US

Granules Pharmaceuticals, Inc.

Financial Statements for the years ended March 31, 2023, and
March 31, 2022

Financial Statements

Granules Pharmaceuticals, Inc.

Financial Statements for the years ended March 31, 2023, and
March 31, 2022

Balance sheets

(All amounts are in United State Dollars, unless otherwise stated)

	As at	
	March 31, 2023	March 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	9,421,647	2,190,956
Accounts receivable, net of allowances	7,857,138	16,980,688
Inventories, net	62,168,427	52,150,931
Loans receivable	-	952,382
Prepaid expenses and other current assets	1,464,563	1,235,357
Total current assets	80,911,775	73,510,314
Property and equipment, net	32,239,553	33,037,080
Intangible assets, net	619,003	236,804
Investments	2,481,847	2,481,847
Deferred tax assets	4,385,551	5,512,997
Loan receivable	-	392,630
Other assets	70,298	362,097
Total assets	120,708,027	115,533,769
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	810,338	2,571,058
Due to related parties	41,209,361	41,143,242
Short term borrowings	3,000,000	-
Other current liabilities	3,084,245	3,095,214
Total liabilities	48,103,944	46,809,514
Stockholder's equity		
Common Stock - \$ 1 par value, 10,000 shares authorized as of March 31, 2023, and March 31, 2022; 4,180 shares issued and outstanding as of March 31, 2023, and 4,183 shares issued and outstanding as of March 31, 2022	4,180	4,183
Additional paid-in capital	81,566,449	81,617,917
Accumulated deficit	(8,966,546)	(12,897,845)
Total stockholder's equity	72,604,083	68,724,255
Total liabilities and stockholder's equity	120,708,027	115,533,769

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

(See independent accountant's review report)

Granules Pharmaceuticals, Inc.

Financial Statements for the years ended March 31, 2023, and
March 31, 2022

Statements of income

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

	For the year ended	
	March 31, 2023	March 31, 2022
Revenue from operations	139,465,220	126,519,302
Cost of revenues	(96,645,496)	(85,701,254)
Gross profit	42,819,724	40,818,048
Operating expenses		
Research and development expenses	2,699,771	4,919,219
Selling, general and administrative expenses	32,464,131	26,552,249
Depreciation and amortization expenses	2,209,566	1,791,636
Total operating expenses	37,373,468	33,263,104
Operating income	5,446,256	7,554,944
Other income (expenses)		
Interest expenses	(86,942)	(32,377)
Interest income	41,372	97,365
Other income	155,326	32,244
Income before income taxes	5,556,012	7,652,176
Income tax expense		
Current tax expense	497,267	337,726
Deferred tax expense	1,127,446	1,846,708
Net income	3,931,299	5,467,742

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

(See independent accountant's review report)

Granules Pharmaceuticals, Inc.Financial Statements for the years ended March 31, 2023, and
March 31, 2022**Statements of stockholder's equity**

For the years ended March 31, 2023 and March 31, 2022

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

	Common Stock				Additional paid-in capital	Accumulated deficit	Total stockholder's equity
	Authorized Shares	Value	Issued and outstanding Shares	Value			
Balance as at April 01, 2021	10,000	10,000	4,180	4,180	82,562,042	(18,365,587)	64,200,635
Issuance of shares	-	-	3	3	65,430	-	65,433
Stock-based compensation expense	-	-	-	-	55,323	-	55,323
Stock-based award modification	-	-	-	-	(1,064,878)	-	(1,064,878)
Net income for the year	-	-	-	-	-	5,467,742	5,467,742
Balance as at March 31, 2022	10,000	10,000	4,183	4,183	81,617,917	(12,897,845)	68,724,255
Balance as at April 01, 2022	10,000	10,000	4,183	4,183	81,617,917	(12,897,845)	68,724,255
Buyback of shares	-	-	(3)	(3)	(65,298)	-	(65,301)
Stock-based compensation expense	-	-	-	-	13,830	-	13,830
Net income for the year	-	-	-	-	-	3,931,299	3,931,299
Balance as at March 31, 2023	10,000	10,000	4,180	4,180	81,566,449	(8,966,546)	72,604,083

*(The accompanying notes are an integral part of these financial statements)**(See independent accountant's review report)*

Granules Pharmaceuticals, Inc.

Financial Statements for the years ended March 31, 2023, and
March 31, 2022

Statements of cash flows

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

For the year ended
March 31, 2023 **March 31, 2022**

Cash flows from operating activities

Net income	3,931,299	5,467,742
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Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization expenses	2,209,566	1,791,636
Deferred tax expenses	1,127,446	1,846,708
Stock based compensation costs	13,830	55,323

Changes in operating assets and liabilities:

Accounts receivable	9,123,550	(7,061,814)
Inventories	(10,017,496)	(6,463,875)
Prepaid expenses and other current assets	(229,206)	(147,986)
Accounts payable	(1,760,720)	(703,340)
Due from related parties	66,119	12,400,002
Other non-current assets	291,799	(44,766)
Other current liabilities	(10,969)	30,973

Net cash provided by operating activities	4,745,218	7,170,603
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Cash flows from investing activities

Purchase of property and equipment and capital work in progress	(1,396,839)	(5,269,184)
Purchase of intangible assets	(397,399)	(236,804)
Proceeds from loans to related parties	1,345,012	110,019

Net cash used in investing activities	(449,226)	(5,395,969)
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Cash flows from financing activities

Proceeds from issuance of share capital	-	65,433
Payment on buyback of shares	(65,301)	-
Proceeds from borrowings	3,000,000	6,000,000
Repayment of borrowings	-	(6,000,000)

Net cash provided by financing activities	2,934,699	65,433
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Net increase in cash and cash equivalents	7,230,691	1,840,067
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Cash and cash equivalents at the beginning of the year	2,190,956	350,889
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Cash and cash equivalents at the end of the year	9,421,647	2,190,956
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(The accompanying notes are an integral part of these financial statements)

(See independent accountant's review report)

Granules Pharmaceuticals, Inc.

Financial Statements for the years ended March 31, 2023, and
March 31, 2022

Statements of cash flows

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

For the year ended
March 31, 2023 March 31, 2022

Supplemental cash flow information

Income tax paid	184,008	129,418
Interest paid	86,942	32,377
Interest received	41,372	97,365

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

(See independent accountant's review report)

Granules Pharmaceuticals, Inc.

Financial Statements for the years ended March 31, 2023, and
March 31, 2022

Notes to Financial Statements

NOTE A - NATURE OF OPERATIONS

Granules Pharmaceuticals, Inc ("GPI" the "Company") was incorporated in Delaware on October 21, 2014. The Company is a wholly owned subsidiary of Granules India Limited, a company incorporated in India. The Company focuses on research & development and manufacturing & distribution of pharmaceutical formulations and contract research services for others.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1 Basis of preparation

- 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, stockholder'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, 2023 and March 31, 2022.
- d. Certain reclassifications, regroupings, and reworking have been made in the financial statements of the prior year to conform to the classifications used in the current year. This has no impact on previously reported net income or stockholder's equity.

2 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 assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting year. The Company's most significant estimates relate to the useful life of property plant and equipment, allowance for doubtful accounts receivable, , and useful life of other intangible assets. The management's estimates use historical information and other relevant factors available to management. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

3 Cash and cash equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. 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 Federal Deposit Insurance Corporation up to an aggregate of \$250,000 per depositor at each financial institution.

Granules Pharmaceuticals, Inc.

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4 *Accounts receivable & allowance for doubtful accounts*

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and the customers' financial condition, and the current receivables ageing and current payment patterns. Past due balances over 180 days and over a specified amount are reviewed individually for collectability. Allowance for doubtful accounts is included in 'Selling, general and administrative expenses' in the statement of income. The Company charges off uncollectable amounts against the reserves in the period in which it determines they are uncollectable.

5 *Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the monthly moving weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of fixed production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products.

Raw materials, components and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value

The comparison of cost and net realisable value is made on an item-by-item basis.

6 *Property, plant and equipment*

Property, plant & equipment are stated at cost less accumulated depreciation. Cost of items of property and equipment comprises cost of purchase and other costs necessarily incurred to bring it to the condition and location necessary for its intended use.

The Company depreciates property, plant & equipment over the estimated useful life using the straight-line method. Expenditures for maintenance and repairs are charged to expense. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited to statements of income.

The estimated useful lives used to determine depreciation are:

<u>Nature of assets</u>	<u>Estimated useful life of assets</u>
Furniture and fixtures	3 to 7 years
Computers	3 to 5 years
Machinery and equipment	3 to 7 years
Buildings	39 years
Vehicles	5 years
Improvements	15 years
Office equipment	5 years

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7 Intangible assets

The Company amortizes intangible assets over their estimated useful lives unless such lives are determined to be indefinite. Amortizable intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. Intangible assets with indefinite lives are tested at least annually for impairment and written down to the fair value as required.

Nature of assets	Estimated useful life of assets
Marketing licenses	15 years
Software	3 to 5 years

8 Impairment of long-lived assets

Long-lived assets, including certain identifiable intangible assets, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such assets are considered to be impaired if the carrying amount of the assets is higher than the future undiscounted net cash flows expected to be generated from the assets. The impairment amount to be recognized is measured by the amount by which the carrying value of the assets exceeds its fair value.

9 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 60-90 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 good 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. This includes sales of the Company's broad portfolio of active pharmaceutical ingredients ("API") and other dosage forms. For a majority of these sales, the Company's performance obligation is satisfied upon dispatch or delivery of goods to the customer. Shipping and handling activities are considered to be fulfillment activities and are not considered to be a separate performance obligation.

Significant judgments

Revenues from product sales are recorded at the net sales price (transaction price), which includes estimates 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.

Granules Pharmaceuticals, Inc.

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10 Research and development

Expenditures for research and development are expensed as incurred and include salaries, benefits, and other employee-related costs, clinical trial and related clinical manufacturing costs, pharmaceutical supplies and other outside service fees and facilities and overhead costs.

11 Income taxes

In accordance with the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards 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 carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some portion or all of the assets will not be realized.

12 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 disclosed in notes. Contingent assets are neither recognized nor disclosed.

13 Stock-based compensation

The Company accounts for stock-based compensation expense relating to stock options that have been issued by the Company to the employees. The Company computes the fair value of options granted using the Black Scholes option pricing model. An amount equal to such compensation expense for the year is credited to additional paid in capital of the Company.

The Company has used guidance in Accounting Standard Codification (“ASC”) 718; “Compensation-Stock Compensation” to account for employee share-based payments. ASC 718 requires share-based payments to employees, including grants of employee stock options and purchases under employee stock purchase plans, to be recognized in statements of operations based on their fair values.

In accordance with ASC 718, the Company recognized stock-based compensation for awards granted, that the Company expects to vest on a straight-line basis over the requisite service period of the awards. In respect of awards that have graded vesting, the Company recognizes compensation expense over the service period for each separately vesting tranche of the award as though the award were in substance, multiple awards. In determining whether an award is expected to vest, the Company uses an estimated forfeiture rate based on historical rates. The estimated forfeiture rate is updated for actual forfeitures annually.

14 Investments

The Company elected to measure equity security without a readily determinable fair value that does not qualify for the practical expedient to estimate fair value in accordance with ASC paragraph 821-10-35-59 at its cost less impairment. Acquisition related expenditure, if any, is expensed in the year of incurring the same.

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15 Fair value measurements and financial instruments

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

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

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

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

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

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

16 Recently issued accounting standards not yet adopted.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," or ASU No. 2016-13. The amendments in ASU No. 2016-13 introduce an approach based on expected losses to estimated credit losses on certain types of financial instruments, modify the impairment model for available-for-sale debt securities and provide for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The new standard requires financial assets measured at amortized cost be presented at the net amount expected to be collected through an allowance for credit losses that is deducted from the amortized cost basis. The standard will be effective for the Company on April 1, 2023, with early application permitted. The Company is evaluating the impact of adopting this new accounting guidance on its financial statements.

Granules Pharmaceuticals, Inc.

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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 trade receivables. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such cash equivalents and trade receivables involve risk, including the credit risk of non-performance by counterparties.

Three customers having greater than 10% of accounts receivable (gross) accounted for approximately 84% (previous year ended, three customers for 81%) of total accounts receivable. This is on account of majority of revenue contracts are entered with wholesale customers in the United States of America. One vendor having greater than 10% of accounts payable accounted for 91% (previous year ended, one vendor for 89%) of total accounts payable.

NOTE D - CASH AND CASH EQUIVALENTS

Cash and cash equivalents, include the following:

	As at	
	March 31, 2023	March 31, 2022
Balance with banks	9,421,647	2,190,956
Total	9,421,647	2,190,956

Balances on deposits with the banks are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$250,000. The Company believes it is not exposed to any significant risk on cash and cash equivalents.

NOTE E - ACCOUNTS RECEIVABLE, NET

The Company maintains an allowance for doubtful debts on all accounts receivable, based on present and prospective financial condition of the customer and aging of accounts receivable after considering historical experience and the current economic environment.

Accounts receivable as at March 31, 2023 and March 31, 2022 are stated net of provision for doubtful accounts and other allowances.

Accounts receivable, net, include the following:

	As at	
	March 31, 2023	March 31, 2022
Accounts receivable	49,796,501	48,290,444
Less: provision for chargebacks, rebates, discount and other allowances	(41,939,363)	(31,309,756)
Accounts receivable, net of allowances	7,857,138	16,980,688

The activity in provision for charge backs, rebates, discount and other allowances is given below:

	March 31, 2023	March 31, 2022
Balance at beginning of the year	31,309,756	31,671,182
Net provision for chargebacks, rebates, discount and other allowances	209,014,697	184,126,221
Chargeback, rebates and others allowances utilized	(198,385,090)	(184,487,647)
Balance at the end of the year	41,939,363	31,309,756

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March 31, 2022

NOTE F - INVENTORIES, NET

Inventories, include the following:

	As at	
	March 31, 2023	March 31, 2022
Raw materials	11,332,742	6,839,594
Packaging materials	1,801,034	757,021
Stores, spares and consumables	4,140	42,952
Work-in-progress	6,834,117	5,007,670
Finished goods [includes finished goods-in-transit \$14,962,467 and \$20,440,250 as of March 31, 2023 and March 31, 2022]	42,196,394	39,503,694
Total	62,168,427	52,150,931

NOTE G - PREPAID ASSETS AND OTHER CURRENT ASSETS

Prepaid and other current assests, include the following:

	As at	
	March 31, 2023	March 31, 2022
Prepaid expenses	1,388,547	759,202
Advance for materials and services	74,016	382,004
Interest receivable on loan to US Pharma Inc.	-	94,151
Security deposits	2,000	-
Total	1,464,563	1,235,357

NOTE H - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, include the following:

	As at	
	March 31, 2023	March 31, 2022
Land	2,609,165	2,609,165
Buildings	19,557,715	11,776,593
Machinery and equipment	19,068,575	10,163,280
Computers	586,477	514,999
Furniture & fixtures	245,515	219,029
Vehicles	41,619	47,457
Office equipment	185,858	3,265
Capital work in progress	1,214,827	16,779,124
	43,509,751	42,112,912
Less: accumulated depreciation	(11,270,198)	(9,075,832)
Property, plant and equipment, net	32,239,553	33,037,080

Depreciation expense for the year ended March 31, 2023 and March 31, 2022 was \$2,194,366 and \$1,786,389, respectively.

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NOTE I - INTANGIBLE ASSETS

Intangible assets, net, include the following:

	As at	
	March 31, 2023	March 31, 2022
Market licenses	950,000	650,000
Software	243,370	107,050
Intangibles under development	197,883	236,804
	1,391,253	993,854
Less: Accumulated amortization	(772,250)	(757,050)
Intangible assets, net	619,003	236,804

Amortization expense for the year ended March 31, 2023 and year ended March 31, 2022 was \$15,200 and \$5,247, respectively.

NOTE J - INVESTMENTS

The Company has investments in 410.51 equity shares of US Pharma Inc. amounting to \$5,481,847. The Company does not have any significant influence in US Pharma Inc. and the investment is recorded at cost.

Investments, include the following:

	As at	
	March 31, 2023	March 31, 2022
Investment in US Pharma Inc.	5,481,847	5,481,847
Less: permanent diminution in value/impairment loss	(3,000,000)	(3,000,000)
Total	2,481,847	2,481,847

The Company recorded an investment impairment charge when management believed that the investment has experienced a decline in value that is judged to be other than temporary. The Company monitors its investments for impairment by considering current factors including economic environment, market conditions and the operational performance and other specific factors relating to the business underlying the investment.

Based on its assessment of its carrying value of investment, the Company impaired the carrying value of the investment in US Pharma Inc.'s shares, and recorded impairment loss in value in investment amounting to \$3,000,000 in the statement of income for the year ended March 31, 2020.

In current year ended March 31, 2023, the Company has evaluated the business operation and the risk and uncertainties involved to determine recoverability of the Company's remaining cost. Based on management's assessment, no further decrease in value is identified.

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NOTE K - LOAN RECEIVABLE

Loan receivable, include the following:

	As at	
	March 31, 2023	March 31, 2022
Current portion	-	952,382
Non-current portion	-	392,630
Total	-	1,345,012

The Company advanced a loan to its related party US Pharma Inc. at coupon rate of 7% p.a. for working capital purposes. Loan is repayable starting from March 2021 onwards in 12 quarterly instalments ending December 31, 2023. As of March 31, 2023, the entire loan is repaid. Interest income for the year ended March 31, 2023 and March 31, 2022 was \$41,372 and \$94,151, respectively. The entire amount of interest is paid as of March 31, 2023 and March 31, 2022.

NOTE L - OTHER ASSETS

Other assets, include the following:

	As at	
	March 31, 2023	March 31, 2022
Advance income taxes	-	291,799
Other tax assets	70,298	70,298
Total	70,298	362,097

NOTE M - SHORT TERM BORROWINGS

Other assets comprise the following:

	As at	
	March 31, 2023	March 31, 2022
Line of credit	3,000,000	-
Total	3,000,000	-

Under a line of credit agreement (the "agreement") with a bank, the Company has available borrowings of \$4,000,000. During the year ended March 31, 2023, the Company availed \$3,000,000 in two installments amounting to \$2,000,000 and \$1,000,000 at an interest rate of 3.82% and 3.00%, respectively. The interest expense for the year ended March 31, 2023, was \$ 86,942 which was duly paid. The interest outstanding as at March 31, 2023 is NIL.

NOTE N - OTHER CURRENT LIABILITIES

Other current liabilities, include the following:

	As at	
	March 31, 2023	March 31, 2022
Employee benefits	2,041,297	2,169,953
Other payable and provisions	876,367	893,354
Payroll taxes	43,299	31,907
Income tax liabilities	123,282	-
Total	3,084,245	3,095,214

Granules Pharmaceuticals, Inc.

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NOTE O - REVENUE FROM OPERATIONS

The Company's contracts with customers are comprised of purchase orders along with standard terms and conditions. These contracts with customers 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.

The following table disaggregates revenue by source of revenue:

	For the year ended	
	March 31, 2023	March 31, 2022
Sale of goods	139,465,220	126,519,302
Total	139,465,220	126,519,302

The following table disaggregates revenue based on geographical regions:

	For the year ended	
	March 31, 2023	March 31, 2022
United States	139,465,220	126,519,302
Total	139,465,220	126,519,302

The following table presents revenue disaggregated by timing of recognition:

	For the year ended	
	March 31, 2023	March 31, 2022
Goods transferred at a point of time	139,465,220	126,519,302
Total	139,465,220	126,519,302

	As at	
	March 31, 2023	March 31, 2022
Accounts receivable	7,857,138	16,980,688
	7,857,138	16,980,688

NOTE P - RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses comprise the following:

	For the year	
	March 31, 2023	March 31, 2022
Cost of labor	2,089,350	2,225,374
Cost of supplies	298,377	1,876,484
Other contract research expenses	312,044	817,361
	2,699,771	4,919,219

Granules Pharmaceuticals, Inc.

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NOTE Q - RETIREMENT BENEFITS

The Company has a 401(k) Defined Contribution Plan. Under the 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 makes a matching contribution to the plan up to 2% of employee wages for those electing to participate in the plan. The total employer contribution for the year ended March 31, 2023 and March 31, 2022, was \$287,152 and \$128,896, respectively. The 401(k) contribution is charged to expense in the period in which incurred.

NOTE R - STOCK OPTION PLAN

The Company adopted an incentive stock option plan in accordance with section 422 of the Internal Revenue Code (the "Plan"), under which the employees of the Company may subscribe to incentive stock options. Under the Plan, incentive stock options to purchase the Company's common stock may be granted to employees at prices not lower than fair value at the date of grant. Stock options have a maximum term of 10 years. Activity under the Plan to the extent related to employees of the Company is as under:

	Options	Weighted average	remaining
	Outstanding	Weighted average	contractual life
		exercies price	(months)
As at April 01, 2021	228	19,149	8
Less: options lapsed/cancelled during the year	(140)	-	-
Less: options exercised during the year	(6)	-	-
As at March 31, 2022	82	19,149	2
As at April 01, 2022	82	19,149	2
Less: options lapsed/cancelled during the year	(82)	-	-
Less: options exercised during the year	-	-	-
As at March 31, 2023	-	-	-

The grant date fair value of options has been estimated using the Black-Scholes single option pricing model. Company recognized \$13,830 and \$55,323 for the years ended March 31, 2023 and March 31, 2022, respectively.

During the year ended March 31, 2022, the Company replaced Equity Compensation Plan (the "Plan") with the cash bonus program (the "Bonus Program") for certain participants. This modification led to a change in classification of the award from equity to liability. The Company recognized a liability of \$1,064,878 by crediting additional paid in capital.

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March 31, 2022

NOTE 5 - INCOME TAXES

For the year ended March 31, 2023, the Company will file federal and state tax returns as per regulations applicable to Chapter C corporations in the United States of America.

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

	For the year ended	
	March 31, 2023	March 31, 2022
Current tax expenses	497,267	337,726
Deferred tax expenses	1,127,446	1,846,708
Total	1,624,713	2,184,434

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

	For the year ended	
	March 31, 2023	March 31, 2022
Income tax at federal rate	1,183,417	1,608,598
Change in R&D credit	(106,986)	23,109
Federal true up	(108,093)	(852,489)
State tax, net of federal effect	554,928	607,376
Permanent differences	6,564	39
Change in net operating loss (NOL)	93,076	808,201
Change in valuation allowance	1,807	(10,400)
Income tax expense	1,624,713	2,184,434

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, 2023	March 31, 2022
Deferred tax liability		
Property, plant and equipment	(2,495,558)	(902,188)
Total deferred tax liability	(2,495,558)	(902,188)
Deferred tax assets		
Net operating loss (NOL)	2,604,782	3,137,553
UNICAP 263A	377,812	251,432
Research credit	2,171,385	2,064,400
Provision for medicaid	350,794	311,592
Provision for sales returns	424,183	227,406
Accrued bonus	364,820	408,935
Charitable contribution	3,966	1,954
Impairment loss	716,680	714,873
Provision for legal expense	-	11,913
IRC 174 cost	583,367	-
Total deferred tax assets	7,597,789	7,130,058
Deferred tax assets, net	5,102,231	6,227,870
Less: Deferred tax asset valuation allowance	(716,680)	(714,873)
Net deferred taxes after valuation allowance	4,385,551	5,512,997

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Realization of net deferred tax assets is dependent upon generation of sufficient taxable income in future years, benefit from the reversal of taxable temporary differences and tax planning strategies. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

The Company owns 11.87% interest in US Pharma Inc. In the year ended March 31, 2020, the management recorded impairment of loss of \$3 Million for the investment in the US Pharma Inc. Since this loss will be treated as capital loss as per IRC 165, the management believes that it is more likely that the deferred tax assets may not be realized during foreseeable future and accordingly, a valuation allowance of \$716,680 and \$714,873 was recognized as at March 31, 2023 and March 31, 2022, respectively. However, the Company has recognized deferred tax asset of \$4,385,551 and \$5,512,997 as of March 31, 2023 and March 31, 2022 respectively on account of temporary differences arising out for tax purposes.

The Company has federal NOLs of \$11,459,918 and \$13,340,143 as at March 31, 2023 and March 31, 2022 respectively. The NOLs generated till 2017-18 which if unutilized will expire by the year 2037 and the NOLs generated after 2018-19 will be carried forward indefinitely.

The Company has state net operating loss carryforwards of approximately \$11,459,818 and \$13,340,143 as at March 31, 2023 and March 31, 2022 respectively, which if unutilized will expire based on the state statutes.

Accounting for uncertain tax position

The Company recognizes the benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. Interest and penalties, if incurred, are recognized in the statement of income. The Company has no unrecognized tax positions at March 31, 2023 and March 31, 2022.

The tax years of 2019 through 2021 remain subject to examination by the taxing authorities.

NOTE T - COMMITMENTS AND CONTINGENCIES

Contingencies

a) United States Food & Drug Administration (USFDA) Vs Granules Pharmaceuticals, Inc.

During the year 2019-20, the Company received a class action suit from a plaintiff stating that one of the products of the Company – Metformin had a carcinogenic element. However, the USFDA obtained test results from the Company and issued a clean report. As of March 31, 2023, the litigation is active. The legal attorney is unable to state that an outcome unfavorable to the Company is either probable or remote, nor they are in a position to provide an estimate of the amount or range of potential loss in the event of an unfavorable outcome.

b) Tri Window Guys LLC Vs Granules Pharmaceuticals, Inc

This breach of contract matter arises out of a March 13, 2019 construction agreement between plaintiff, Tri Window Guys, LLC (“TWG”) and Granules Pharmaceuticals, Inc. (“GPI”). TWG has also set forth tortious interference and fraudulent inducement claims. Defendants, GPI, Karthikeyan Kumarasamy and Vijay Ramanavarapu, have answered Plaintiff’s first amended complaint, filed counterclaims and filed a third party complaint. Defendants have propounded written discovery demands upon TWG, which are not yet due. GPI Management is aggressively defending this action and as indicated above has filed both counterclaims and third party claims relative to the contract and construction at issue. The Court dismissed Company’s petition in part and the hearing will be scheduled. The Company has filed another suit against TWG in Virginia.

Granules Pharmaceuticals, Inc.Financial Statements for the years ended March 31, 2023, and
March 31, 2022**NOTE U - RELATED PARTY TRANSACTIONS**

A. The Company had transactions with:

Parent company:

1. Granules India Limited ('the Parent Company')

Other related parties where common control exists:

1. Granules USA, Inc. ('the Affiliate')
2. Granules Europe Limited ('the Affiliate')

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

	For the years ended	
	March 31, 2023	March 31, 2022
Granules India Limited		
<i>Transactions during the year ended</i>		
- Purchase of goods	79,870,771	71,181,073
- Expenses incurred by the company	234,121	1,240,254
- Reimbursement of expenses	49,875	29,539
- Sale of material	146,794	-
<i>Balance</i>		
- Accounts payable	40,719,465	41,045,848
Granules USA, Inc. and its Subsidiary		
<i>Transactions during the year ended</i>		
- Purchase of goods	2,033,611	1,110,317
- Expenses incurred by the company	150,990	2,066
- Reimbursement of expenses	49,686	91,875
- Sale of material	214,294	-
<i>Balance</i>		
- Accounts payable	489,897	97,394
Granules Europe Limited		
<i>Transactions during the year ended</i>		
- Reimbursement of expenses	280,591	119,238

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NOTE V - STOCKHOLDER'S EQUITY

Common Stock

The Company was incorporated on October 20, 2014, with an authorized capital of 10,000 shares of its common stock with a par value of \$1 per share. The Company's share capital amounting to \$4,180 and \$4,183 were issued and outstanding as of March 31, 2023, and March 31, 2022, respectively.

Voting

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

Liquidation

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

NOTE W - SHARE REPURCHASE

On June 01, 2022, the Company repurchased 3.41 shares issued to employee at the exercise price of \$19,149.86 per share for an aggregate amount of \$65,301.

NOTE X - SUBSEQUENT EVENTS

The Company evaluated all events and transactions that occurred after March 31, 2023, through the date the financial statements are available to be issued. Based on the evaluation, the Company is not aware of any subsequent events or transactions which would require recognition or disclosure in the financial statements.
