

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
AUDITED
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
MARCH 31, 2023

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders' of
ADF Holdings (USA) Ltd.

Opinion

We have audited the accompanying consolidated financial statements of ADF Holdings (USA) Ltd. (a Corporation) and its Subsidiaries, which comprise the consolidated balance sheet as of March 31, 2023, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended, and related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of ADF Holdings (USA) Ltd. and its Subsidiaries, as of March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 ADF Holdings (USA) Ltd. and its Subsidiaries, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

(Cont.)

Partners
MAURIZIO AMERI
WILLIAM LAST
SONNY ANAND
JOSEPH M. CATALANO
LUIGI PERIN
PAOLO ZANOTTI
MINDY PIATOFF DAYNES
ANDREA OGGIONI

Principals
A. ADELCHI ROSSI
GIACOMO VALORI
MATTEO CAZZOLETTI
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ADF Holdings (USA) Ltd. and Subsidiaries
Independent Auditor's Report (Cont.)
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Management's Responsibility for the Consolidated Financial Statements (Cont.)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ADF Holdings (USA) Ltd. and its Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated 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 ADF Holdings (USA) Ltd. and its Subsidiaries' internal control. Accordingly, no such opinion is expressed.

(Cont.)



ADF Holdings (USA) Ltd. and Subsidiaries
Independent Auditor's Report (Cont.)
Page 3

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont.)

- 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ADF Holdings (USA) Ltd. and its Subsidiaries' 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.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 28 through 34 inclusive, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the audit procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Funaro & Co., P.C.

New York, N.Y.

May 3, 2023

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

MARCH 31, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 2,069,801
Accounts receivable	2,305,492
Inventories	3,067,170
Prepaid expenses and taxes	<u>252,240</u>
Total current assets	<u>7,694,703</u>
Property and equipment, at cost	
Machinery and equipment	98,712
Furniture and fixtures	36,223
Computer equipment	6,765
Leasehold improvements	<u>81,735</u>
Total property and equipment	223,435
Less: accumulated depreciation	<u>(53,897)</u>
Total property and equipment, subtotal	169,538
Construction in progress	<u>733,331</u>
Total property and equipment, net	<u>902,869</u>
Right of use assets (ROU)	
ROU Assets - operating lease	7,125,669
Less: Accumulated amortization - operating lease	(1,223,483)
ROU Assets - finance lease	155,741
Less: Accumulated amortization - finance lease	<u>(41,538)</u>
ROU assets, net	<u>6,016,389</u>
Other assets	
Goodwill, net	2,971,401
Security deposits	113,335
Deferred tax assets	<u>731,555</u>
Total other assets	<u>3,816,291</u>
Total assets	<u>\$ 18,430,252</u>

See independent auditor's report and notes to consolidated financial statements.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

MARCH 31, 2023

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	
Accounts payable	\$ 561,813
Accounts payable - group parent	1,458,857
Accounts payable - minority members	67,687
Lease liability - operating - current	666,118
Lease liability - finance - current	31,067
Accrued expenses	342,176
Due to member and employees	<u>13,728</u>
Total current liabilities	<u>3,141,446</u>
Long-term liabilities	
Lease liability - operating - non-current	5,629,614
Lease liability - finance - non-current	<u>85,993</u>
Total long-term liabilities	<u>5,715,607</u>
Total liabilities	<u>8,857,053</u>
Commitments and contingencies	
Stockholders' equity	
Preferred stock: Authorized 100,000 shares	
Issued and outstanding 48,697 shares	
\$0.001 par value	49
Common stock: Authorized 100,000 shares	
Issued and outstanding 12,000 shares	
\$0.001 par value	12
Additional paid-in capital	13,415,072
Treasury stock (11,152 shares)	(622,040)
Accumulated deficit	(3,496,402)
Non-controlling interest	<u>276,508</u>
Total stockholders' equity	<u>9,573,199</u>
Total liabilities and stockholders' equity	<u>\$ 18,430,252</u>

See independent auditor's report and notes to consolidated financial statements.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2023

Net sales	\$	14,627,463
Cost of goods sold		<u>11,594,820</u>
Gross profit		<u>3,032,643</u>
Operating expenses		<u>4,096,068</u>
Operating loss		<u>(1,063,425)</u>
Other income (expense)		
Reimbursed expenses from group Parent		211,675
Depreciation expense		(32,073)
Sublease rental income		139,001
Goodwill amortization		(339,018)
Interest income		43
Interest expense		<u>(48,407)</u>
Total other expense, net		<u>(68,779)</u>
Loss before income tax benefit		(1,132,204)
Income tax benefit		<u>190,350</u>
Net loss before non-controlling interest		(941,854)
Net loss attributable to non-controlling interest		<u>56,747</u>
Net loss		<u><u>(885,107)</u></u>

See independent auditor's report and notes to consolidated financial statements.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED MARCH 31, 2023

	<u>Preferred stock</u>	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Treasury stock</u>	<u>Comprehensive income (loss)</u>	<u>Accumulated deficit</u>	<u>Non-controlling interest</u>	<u>Total</u>
Balances as of April 1, 2022	\$ 49	\$ 12	\$ 13,415,072	\$ (622,040)	\$	\$ (2,611,192)	\$ 333,255	\$ 10,515,156
Share of loss for the year							(56,747)	(56,747)
Preference share dividend						(103)		(103)
Net loss	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>(885,107)</u>	<u>(885,107)</u>	<u> </u>	<u>(885,107)</u>
Total loss	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>(885,107)</u>	<u> </u>	<u> </u>	<u>(885,107)</u>
Balances as of March 31, 2023	<u>\$ 49</u>	<u>\$ 12</u>	<u>\$ 13,415,072</u>	<u>(622,040)</u>	<u> </u>	<u>\$ (3,496,402)</u>	<u>\$ 276,508</u>	<u>\$ 9,573,199</u>

Preferred stock

Series A Preferred Stock 10,000 shares par value \$0.001 per share issued at \$622.50 per share on December 10, 2015.

Series A Preferred Stock redumption and cancellation of 803 shares at issue price on May 25, 2017.

Series B Preferred Stock 1,000 shares par value \$0.001 per share issued at \$415.00 per share on March 31, 2017.

Series C Preferred Stock 1,000 shares par value \$0.001 per share issued at \$100.00 per share on March 31, 2019.

Series D Preferred Stock 10,000 shares par value \$0.001 per share issued at \$115.00 per share on November 11, 2019.

Series E Preferred Stock 5,000 shares par value \$0.001 per share issued at \$100.00 per share on July 9, 2020.

Series F Preferred Stock 22,500 shares par value \$0.001 per share issued at \$100.00 per share on February 16, 2022.

See independent auditor's report and notes to consolidated financial statements.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023

Cash flows from operating activities:	
Net loss	\$ <u>(885,107)</u>
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	32,073
Goodwill amortization	339,018
Deferred taxes	(220,084)
ROU - Amortization - finance lease	31,154
ROU - Interest expense - finance lease	5,197
ROU - Lease expense - operating lease	880,656
Bad debt reserve	111,074
Non-controlling interest	(56,747)
Changes in operating assets and liabilities	
Accounts receivable	(240,259)
Inventories	2,202,999
Other receivables and taxes	863,490
Accounts payable and accrued expenses	(44,175)
Operating cash flows from operating leases	(818,928)
Operating cash flows from finance leases	<u>(1,150)</u>
Total adjustments	<u>3,084,318</u>
Net cash provided by operating activities	<u>2,199,211</u>
Cash flows from investing activities:	
Purchases of property and equipment	(755,803)
Payment towards goodwill	(250,000)
Sub-tenant deposit	(35,000)
Security deposits	<u>(5,284)</u>
Net cash used in investing activities	<u>(1,046,087)</u>
Cash flows from financing activities:	
Preference dividend	(103)
Loan repaid - bank	(1,916,667)
Financing cash flows from finance activities	(33,170)
Line of credit	<u>(133,178)</u>
Net cash used in financing activities	<u>(2,083,118)</u>
Net decrease in cash and cash equivalents	(929,994)
Cash and cash equivalents - beginning	<u>2,999,795</u>
Cash and cash equivalents - ending	<u><u>\$ 2,069,801</u></u>
<u>Supplemental disclosures of cash flow information:</u>	
Cash paid during the year: Interest	\$ 48,407
Income taxes	\$ 675

See independent auditor's report and notes to consolidated financial statements.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Company overview

ADF Holdings (USA) Ltd. (the “Company”) was incorporated on September 29, 2010 under the laws of the State of Delaware. The Company is a wholly owned subsidiary of ADF Foods (UK) Ltd. (the "Parent"), a company incorporated in United Kingdom which is ultimately owned by ADF Foods Ltd., a company incorporated in India. The Company had no other material operations until 2019, apart from managing its subsidiary. The Company owned eighty nine percent (89%) of ADF Foods (USA) Ltd., a Delaware Corporation and the remaining eleven percent (11%) that was previously owned by Peter Sartorio (5%) and The Mark Cooley and Joan D' Ambrosio Revocable Trust (6%). The 11% equity interest of the minority stockholders was bought back in 2014, to be kept back as treasury stock. Subsequent to the purchase of the shares held by the minority shareholders as treasury stock, the Company effectively now owns 100% of ADF Foods (USA) Ltd.

On November 3, 2010, the Company purchased the inventory, plant, equipment and certain rights from Elena’s Food Specialties Inc., a California Corporation pursuant to an Asset Purchase Agreement (the “Purchase Agreement”). The Company’s corporate headquarters were located in South San Francisco, California where the Subsidiary operated a USDA organic certified facility engaged in the production, marketing and sales of premium natural and organic food products of various food categories with well-known brands including PJ’s, Nates, Elena’s, and Nonna’s sold to retail, private label and food service customers located in the United States and Canada.

In 2015, the ADF Foods (USA) Ltd. shut down its own manufacturing facility in California and sold, leased, transferred and abandoned its fixed assets, raw materials and packaging materials. In the same year, it entered into a manufacturing and co-packaging agreement with a packaged food manufacturing facility in Cleveland, Ohio for an initial term of two years and this agreement continued to be renewed on similar terms until mid 2021 after which this co-packer is no longer being used.

In 2016, the ADF Foods (USA) Ltd. engaged in marketing and sales of its premium natural and organic food products of various food categories mentioned above to retail, private label and food service customers located in United States and Canada.

In 2018, the ADF Foods (USA) Ltd. entered into a manufacturing and co-packaging agreement with another packaged food manufacturing facility in Vernon, California for a term of two years. This agreement was not renewed thereafter.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 1 **SUMMARY OF ACCOUNTING POLICIES (CONT.)**

Company overview (cont.)

In 2019, the Company signed an exclusive master distributorship agreement with Unilever, Canada and was thereby appointed as their sole distributor for a portfolio of products to be distributed on the East coast of USA.

In September 2021, the Company invested \$700,000, representing 70% stake in Vibrant Foods New Jersey, LLC ("the LLC"), a New Jersey Limited Liability Company. The Company acquired the food distribution and supply chain business from Sairam Imports Corporation and Vibrant Enterprises, LLC. The LLC began operations effective September 1, 2021. The LLC currently has three members ADF Holdings (USA) Ltd. (70% equity holding), and two individuals Harihar Dubey (22.5% equity holding) and Shirish Kumar Dubey (7.5% equity holding). The LLC purchased initial inventory of finished goods amounting to \$665,189 and \$157,916 from related companies Sairam Imports Corporation and Vibrant Enterprises LLC. Additionally, the individual minority members contributed towards their share in the LLC with inventory amounting to \$300,000. Since September 1, 2021, the LLC has been consolidated as a majority-owned subsidiary of the Company. The LLC is engaged in the marketing and sales of premium natural and organic food products of various categories with some well-known brands including Unilever, Ashoka, Kawan, Rasoi Magic, and others being sold to various distributors and grocery stores located in the United States.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries ADF Foods (USA) Ltd. and Vibrant Foods New Jersey, LLC. All significant inter-company investments, advances, transactions and profits have been eliminated.

Use of estimates in preparing financial statements

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as revenue and expenses during the reporting period. The most significant assumptions and estimates relate to the determination of allowances for returns, credits and doubtful accounts, inventory valuations, depreciation of property and income taxes. Actual results could differ from those estimates.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 1 **SUMMARY OF ACCOUNTING POLICIES (CONT.)**

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Concentration of risk

The Company maintains its cash in bank deposit accounts, which at times may exceed the federally insured limits of \$250,000 at each banking institution. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

Accounts receivable represent amounts due from customers for the goods sold by the Company. The provision for doubtful accounts is determined using historical information and current evaluations of accounts. Accounts receivable of \$2,305,492 are shown net of allowance for doubtful accounts of \$111,074 as at March 31, 2023.

Inventories

The inventories consist of finished goods that are valued at the lower of cost (first-in, first-out) or market.

Property and equipment

Property and equipment are stated at cost. Depreciation expense is calculated principally using the straight line method for books and double declining balance method for tax. The depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. The estimated useful lives for computing depreciation are generally as follows:

Machinery and equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	lesser of the lease term or life of the asset

Repairs and maintenance are charged to expense as incurred. Gains or losses arising from retirements or sales of assets are included in income. Depreciation begins when assets are placed in service. The depreciation expense amounted to \$32,073 for the year ended March 31, 2023. Construction in progress of \$733,331 as of March 31, 2023, has been incurred in connection with the build out of NJ warehouse freezer.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 1 **SUMMARY OF ACCOUNTING POLICIES (CONT.)**

Impairment of long-lived assets

In accordance with Codification 360-10 and 360-20, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company monitors the carrying value of long-lived assets for potential impairment based on whether certain trigger events have occurred. These events include current period losses combined with a history of losses or projection of continuing losses or a significant decrease in the market value of an asset. When a trigger event occurs, an impairment calculation is performed, comparing projected undiscounted future cash flows to the carrying value of an asset. If impairment is identified for long-lived assets to be held and used, discounted future cash flows are compared to the asset's current carrying value. Impairment is recorded when the carrying value exceeds the discounted cash flows.

Income taxes

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

The Company records net deferred tax assets to the extent it believes these assets will more-likely-than-not will be realized. In making such determination, the Company considers all available positive and negative evidences, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. In the event the Company were to determine that it would be able to realize its deferred income tax assets in the future in excess of its net recorded amount, the Company would make an adjustment to the valuation allowance which would reduce the provision for income taxes.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 1 **SUMMARY OF ACCOUNTING POLICIES (CONT.)**

Income taxes (cont.)

In July 2006, the Financial Accounting Standards Board (“FASB”) issued Financial Interpretation (“FIN”) 48, “Accounting for Uncertainty in Income Taxes,” which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with Statement of Financial Accounting Standards (“SFAS”) 109, “Accounting for Income Taxes.” (FASB Accounting Standards Codification™ (ASC or Codification) 740, Income Taxes). FIN 48 provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods.

This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 effective September 29, 2010, its inception.

The Company’s management believes that its income tax filing positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material change to the Company’s financial position. Therefore, no reserves for uncertain income tax positions were recorded.

It is the Company's policy to include any interest and penalties related to unrecognized tax benefits in its interest expense and general and administrative expenses, respectively. However, the Company currently has no interest or penalties related to unrecognized tax benefits.

Revenue recognition

Sales are generally recognized when merchandise is shipped to customers.

Advertising

Advertising and business promotion costs, not having future benefit, are charged to operations when incurred. Advertising and business promotion costs amounted to \$228,445 for the year ended March 31, 2023.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 1 **SUMMARY OF ACCOUNTING POLICIES (CONT.)**

Economic dependency

The Company and its Subsidiaries purchased 95% of its finished goods from 3 suppliers including its majority member and ultimate group parent company in India. As at March 31, 2023, amounts due to these suppliers are 86% of total accounts payable.

Comprehensive income

The Company has adopted SFAS No.130, "Reporting Comprehensive Income". SFAS No. 130 requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income.

NOTE 2 **TRADEMARKS**

In December 2010, the Company purchased certain trademarks including "PJ's", "Nate's" and "Elena's Food Specialties" and any related service marks utilizing those names from ADF Foods (Mauritius) Ltd., an affiliate, for a total purchase price of \$4,000,000. The Company's management conducted an impairment test for its trademarks and recorded an impairment charge amounting to \$1,750,000 related to its trademarks for the year ended March 31, 2017 (Refer Note 1). Management had further determined an impairment to its trademarks amounting to \$790,000 for the year ended March 31, 2018; \$1,410,000 for the year ended March 31, 2019 and \$50,000 for the year ended March 31, 2020. The book value of the Trademarks are fully written off for book purposes.

NOTE 3 **PENSION PLAN**

On January 1, 2019, the Company, established an Employee Retirement 401(k) plan for its employees. Employee contributions were voluntary and subject to maximum amounts established by the Internal Revenue Code. Effective March 31, 2023, the Company terminated the 401(k) plan. The Company's contribution to the plan for the year ended March 31, 2023, was \$10,696.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

NOTE 4 **GOODWILL**

Goodwill represents the excess of the cost of an acquired business over the fair market value of the identifiable net assets at the date of acquisition.

Effective January 1, 2014, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update 2014-02 Intangibles - Goodwill and Other (Topic 350) ("ASU 2014-02") which includes alternative accounting guidance developed by the Private Company Council that permits private companies to elect to amortize goodwill and to use a simpler impairment test at either the entity level or the reporting unit level. The Company has elected to amortize its goodwill on a straight line basis over 10 years and to test goodwill for impairment at the reporting unit level. Goodwill is only tested for impairment when a triggering event occurs that indicates that the fair value of the reporting unit may be less than its carrying amount. There is no requirement to test goodwill for impairment on an annual basis. Any impairment would be recognized for the difference between the fair value of the reporting unit and its carrying amount.

On September 1, 2021, the Company entered into an agreement with Exxaro Solutions, LLC ("the Seller") to purchase goodwill including customer lists related to two food distribution businesses for a mutually agreed upon price amounting to \$3,250,000. The Company paid \$1,250,000 to the Seller and the Seller agreed to finance the remaining balance amounting to \$2,000,000 (Note 10).

On October 7, 2022, ADF Holdings (USA) Ltd. paid \$250,000 to the LLC's minority members upon achieving agreed upon milestones at the end of one year of operation. This amount is additional goodwill on acquisition of minority members distribution business. As of March 31, 2023, Goodwill had a cost of \$3,500,000, accumulated amortization of \$528,599 and net book value of \$2,971,401. For the year ended March 31, 2023, goodwill amortization expense amounted to \$339,018.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 5 **DEFERRED INCOME TAXES**

Deferred income tax assets result from temporary differences in the recognition of certain revenue and expense items for tax and financial reporting purposes. Following is a summary of significant components of deferred tax assets (liabilities) at March 31, 2023:

263A Inventory		\$ 24,668
Net operating loss		520,558
Depreciation expense		(84)
Trademarks		(690,667)
Impairment of trademarks		840,000
Goodwill amortization		<u>37,080</u>
 Total deferred tax assets		 <u>\$ 731,555</u>

The Company has unused federal net operating loss carryforwards that expire as follows:

<u>Year of loss</u>	<u>Available NOL</u>	<u>Expiring in year</u>
2016	747,059	2036
2017	64,105	2037
2021	392,247	Indefinitely
2022	<u>1,275,437</u>	Indefinitely
	<u>\$ 2,478,848</u>	

Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. The management of the Company believes that it is more-likely-than-not that all of the deferred tax assets will be realized. The Company is subject to taxation in the United States of America ("U.S.") and seven U.S. States. As at March 31, 2023, the Company's tax years for 2020, 2021 and 2022 are subject to examination by the tax authorities.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 6 **COMMITMENTS AND CONTINGENCIES**

Leases

The Company signed an exclusive warehouse lease in New Jersey comprising of 66,000 sq ft space on April 30, 2021 for a period of 10 years (120 months). Lease commencement date is May, 1 2021 which is set to expire on April 30, 2031. The landlord provided rent free period of 4.5 months with an effective rent commencement date of September 16, 2021. The Company paid an initial rent security deposit amounting to \$104,500 on May 5, 2021 which is equal to 2 months of beginning current base rent.

The LLC signed an exclusive warehouse lease in Georgia comprising of 34,164 sq ft space on November 1, 2021 for a period of 7.2 years (86 months). Lease commencement date is November 1, 2021, which is set to expire on December 31, 2028. The landlord provided rent free period of 2 months with an effective rent commencement date of January 1, 2022. The LLC is required to pay an initial rent security deposit amounting to \$43,564 which is equal to approximately 3 months of beginning current base rent. The Company stands as a guarantor to the Georgia warehouse landlord.

Minimum future rental payments, related to both of the above warehouses are subject to customary escalation clauses and have remaining terms in excess of one year as at March 31, 2023, which are as follows:

<u>Years</u>	<u>Amount</u>
2024	\$ 843,495
2025	868,800
2026	894,864
2027	921,710
And thereafter	<u>3,550,775</u>
	<u>\$ 7,079,644</u>

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

NOTE 6 **COMMITMENTS AND CONTINGENCIES (Cont.)**

Guaranteed payment

On September 1, 2021, the LLC entered into an operating agreement with one of its members, Shirish Kumar Dubey. Under the terms of the operating agreement, the employment shall commence on September 1, 2021, and shall continue for a period of three (3) years (the "Initial Term"), unless sooner terminated under specific circumstances stated in the operating agreement. Following the expiration of the Initial Term, either party to the employment agreement may terminate the employment services of the member who will be entitled to a members guaranteed payment of \$150,000 for each year of employment. For year ended March 31, 2023, the LLC paid the member \$150,000.

Litigation

On March 31, 2022, Ascot Valley Foods, Ltd. ("Complainant") filed a civil complaint against the subsidiary, ADF Foods (USA) Ltd., in the Southern District Court of New York claiming compensatory, direct, consequential, and punitive damages plus pre-judgment and post-judgment interest. The Complainant alleges that the ADF Foods (USA) Ltd. failed to purchase minimum quantities as set forth in the co-packing agreement and is also required to pay the Complainant for repurchase of custom materials and packaging and past due invoices. ADF Foods (USA) Ltd. filed its defense statement along with the statement of counterclaims. The Judge commenced mediation calls with the lawyers of both the parties to explore the possibility of an amicable settlement. ADF now wants to pursue its counterclaims with respect to (i) orders not filled by Ascot, and (ii) for misappropriating ADF's proprietary information and selling its products to ADF's customers unless Ascot makes a reasonable settlement offer. Both parties have served the request for limited discovery of documents on each other and are in the process of exchanging the documents. The next date of hearing will be informed once the discovery is completed. As per ADF Foods (USA) Ltd's. legal counsel, a definitive opinion on the probable outcome or estimate of the amount or range of potential loss cannot be provided at this stage of the litigation therefore no provision has been made in books at March 31, 2023.

In November 2022, the Company filed a civil suit against the Landlord of the leased warehouse in New Jersey, in the Superior District Court of New Jersey Chancery Division of Middlesex County. The cause of action was the landlord's failure to maintain the roof of the premises as per the agreement terms and failure to provide adequate power supply to run the refrigeration unit. The first date of hearing was on January 24, 2023 where the court passed a preliminary injunction and other relief order on January 27, 2023 in favor of the Company. The rest of the claims in the litigation will be decided through regular court proceedings unless both the parties decide to settle.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 7 **LEASES**

The Company adopted Accounting Standards Codification 842, Leases ("ASC 842") effective April 1, 2021. The Company determines if an arrangement contains a lease at inception based on whether or not the Company has the right to control the asset during the contract period and other facts and circumstances. The Company is the lessee in a lease contract when it obtains the right to control the asset. Operating lease right of use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Leases with a term of 12 months or less at inception are not recorded and are expensed on a straight-line basis over the lease term in the statement of operations. The Company determines the lease term by assuming the exercise of renewal options that are reasonably certain.

Operating leases

On April 30, 2021, the Company signed an exclusive warehouse lease in New Jersey comprising of 66,000 sq ft space for a period of 10 years (120 months). Lease commencement date is May 1, 2021 which is set to expire on April 30, 2031. The landlord provided rent free period of 4.5 months with an effective rent commencement date of September, 16, 2021. The warehouse lease includes variable rental payments over the term of the lease and the total cash outlay over the term of the initial lease amounts to \$6,952,727. The Company paid an initial rent security deposit amounting to \$104,500 on May 5, 2021 which is equal to 2 months of beginning current base rent. Generally, management does not consider any additional renewal periods to be reasonably certain of being exercised, as comparable locations could generally be identified within the same trade areas for comparable lease rates. The Company does not have access to the rate implicit in the lease, so they utilized an incremental borrowing rate as the discount rate. The weighted average discount rate associated with operating lease is 3%.

On November 1, 2021, the LLC signed an exclusive warehouse lease in Georgia comprising of 34,164 sq ft space for a period of 7.2 years (86 months). Lease commencement date is November 1, 2021 which is set to expire on December 31, 2028. The landlord provided rent free period of 2 months with an effective rent commencement date of January, 1, 2022. The warehouse lease includes variable rental payments over the term of the lease and the total cash outlay over the term of the initial lease amounts to \$1,328,601. The LLC is required to pay security deposit amounting to \$43,564 which is equal to 3 months of beginning current base rent. Generally, management does not consider any additional renewal periods to be reasonably certain of being exercised, as comparable locations could generally be identified within the same trade areas for comparable lease rates. The LLC does not have access to the rate implicit in the lease, so they utilized an incremental borrowing rate as the discount rate. The weighted average discount rate associated with operating lease is 3%.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

NOTE 7 **LEASES (CONT.)**

Amounts recognized as right-of-use assets relate to the warehouse operating lease and are included in ROU assets, at present value of future discounted cash flows in the accompanying consolidated financial statements, while related lease liabilities are included in the current portion and long term debt.

For the year ended March 31, 2023, ROU assets related to the operating lease amounted to:

<u>Right of use assets (ROU)</u>	<u>ADF Holdings</u> <u>NJ Warehouse</u>	<u>Vibrant Foods</u> <u>GA Warehouse</u>	<u>Total</u>
ROU asset - Operating lease	5,937,111	1,188,558	7,125,669
Less: Accumulated amortization	<u>1,007,907</u>	<u>215,576</u>	<u>1,223,483</u>
ROU asset - Operating lease, net	<u>4,929,204</u>	<u>972,982</u>	<u>5,902,186</u>

For the year ended March 31, 2023, the operating lease liabilities amounted to:

<u>Lease liability - Operating lease</u>	<u>ADF Holdings</u> <u>NJ Warehouse</u>	<u>Vibrant Foods</u> <u>GA Warehouse</u>	<u>Total</u>
Lease liability - operating - current	514,285	151,833	666,118
Lease liability - operating - non-current	<u>4,763,649</u>	<u>865,965</u>	<u>5,629,614</u>
Total lease liability - Operating lease	<u>5,277,934</u>	<u>1,017,798</u>	<u>6,295,732</u>

For the year ended March 31, 2023, the Company recognized in the selling, general and administrative expenses operating lease expense of \$880,656 of which NJ warehouse operating lease expense was \$695,268 and Georgia warehouse operating lease expense was \$185,388.

Minimum future payments due under both operating leases as of March 31, 2023 are as follows:

<u>Years</u>	<u>Amount</u>
2024	\$843,495
2025	868,800
2026	894,864
2027	921,710
2028	949,361
And thereafter	<u>2,601,414</u>
Total	7,079,644
Less: effect of discounting	<u>(783,912)</u>
Lease liability recognized	<u>\$6,295,732</u>

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

NOTE 7 **LEASES (CONT.)**

Finance leases

On August 19, 2021, the Company signed an exclusive Equipment financing lease in New Jersey comprising Forklift for a period of 5 years (60 months) expiring on August 18, 2026. The Company has entered agreement with bank for financing above lease at interest rate of 3.98%. The total cash outlay over the term of the initial lease amounts to \$85,850. The Company has determined 3.98% per annum as implicit discount rate to arrive at present value of ROU - Asset and ROU - Liability.

On January 1, 2022, the LLC signed an exclusive Equipment financing lease in New Jersey for Georgia Forklift for a period of 5 years (60 months) expiring on December 31, 2026. The Company has entered agreement with bank for financing above lease at interest rate of 3.98%. The total cash outlay over the term of the initial lease amounts to \$85,900. The Company has determined 3.98% per annum as implicit discount rate to arrive at present value of ROU - Asset and ROU - Liability.

For the year ended March 31, 2023, ROU assets related to the finance lease amounted to:

<u>Right of use assets (ROU)</u>	ADF Holdings <u>NJ Forklift</u>	Vibrant Foods <u>GA Forklift</u>	<u>Total</u>
ROU asset - Finance lease	77,920	77,821	155,741
Less: Accumulated amortization	<u>22,083</u>	<u>19,455</u>	<u>41,538</u>
ROU asset - Finance lease, net	<u>55,837</u>	<u>58,366</u>	<u>114,203</u>

For the year ended March 31, 2023, the finance lease liabilities amounted to:

<u>Lease liability - Operating lease</u>	ADF Holdings <u>NJ Forklift</u>	Vibrant Foods <u>GA Forklift</u>	<u>Total</u>
Lease liability - operating - current	15,975	15,092	31,067
Lease liability - operating - non-current	<u>41,318</u>	<u>44,675</u>	<u>85,993</u>
Total lease liability - Operating lease	<u>57,293</u>	<u>59,767</u>	<u>117,060</u>

For the year ended March 31, 2023, the Company recognized in the selling, general and administrative expenses total ROU asset amortization of \$31,154 and interest of \$5,197 of which NJ ROU asset amortization amounted to \$15,590 and NJ interest amounted to \$2,551 and Georgia ROU asset amortization amounted to \$15,564 and Georgia interest amounted to \$2,646.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 7 **LEASES (CONT.)**

Finance leases (cont.)

Minimum future payments due under both finance leases as of March 31, 2023 are as follows:

<u>Years</u>	<u>Amount</u>
2023	\$34,320
2024	34,320
2025	34,320
2026	<u>22,880</u>
Total	125,840
Less: effect of discounting	<u>(8,780)</u>
Lease liability recognized	<u>\$117,060</u>

NOTE 8 **CORPORATE TAXES**

As a result of Company's net operating loss carryforward, there is no Federal income tax liability for the year ended March 31, 2023. The Company's corporate tax provision consists of the following:

State taxes	\$ (29,734)
Deferred taxes	<u>220,084</u>
Income tax benefit - net	<u>\$ 190,350</u>

New tax legislation

In December 2017, the US Tax Cuts and Jobs Act was signed into law. Effective January 1, 2018, among other provisions the federal corporate tax rate has been replaced with a flat 21% rate and the alternative minimum tax has been eliminated. Additionally, the Act allows federal net operating losses ("NOLs") incurred after December 31, 2017 to be carried forward indefinitely, while eliminating the two year carryback rule. The Act generally limits the NOL deduction for post 2017 NOLs to 80% of taxable income, determined without regard to the NOL deduction.

The CARES Act, signed into law in March 2020, temporarily removes the current NOL limitations and allows an NOL to fully offset taxable income. The legislation reintroduces the NOL carry-back mechanism allowing an NOL from tax years beginning in 2018, 2019, or 2020 to be carried back for five years and NOLs arising in a tax year beginning in 2017 and ending in 2018 (a fiscal year) to be carried back two years. For year 2021 and onwards, the NOL deduction limitation to 80% of taxable income is reintroduced.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

NOTE 9 **LOAN PAYABLE - RELATED PARTY**

As at March 31, 2023, ADF Foods (USA) Ltd. owes net \$3,695,448 to the Holding company. The outstanding amounts have been eliminated on consolidation and includes:

Working capital loan (3% interest bearing)	\$ 558,429
Royalty payable	1,764,573
Management fee payable	820,000
Interest on unpaid loan payable	1,432,347
Interest on unpaid royalty payable	189,161
Interest on unpaid management fee	<u>55,988</u>
Total payable	4,820,498
Tax benefit receivable	<u>(1,125,050)</u>
Total - net	<u>\$ 3,695,448</u>

NOTE 10 **LOAN PAYABLE**

On September 20, 2021 the Company borrowed \$2,000,000 from Exxaro Solutions, LLC at an interest rate of 2.25% per annum. The amount was borrowed to finance the purchase of certain intangibles as part of business acquisition. This loan was repayable in eight (8) equal quarterly instalments each amounting to \$250,000 along with quarterly accrued interest. This loan was refinanced with Fifth Third Bank term loan and was fully repaid on January 24, 2022. On January 24, 2022, the Company and its Subsidiary ADF Foods (USA) Ltd. borrowed \$2,000,000 term loan for a period of 48 months from Fifth Third Bank at an interest rate of 2.75% per annum and repaid the Exxaro loan. The term loan is secured by a charge on all accounts receivables, inventories of the Company and ADF Foods (USA) Ltd. The term loan was to be repaid at a fixed amount of \$41,667 per month along with interest by May 1, 2026. This term loan was fully prepaid by the Company on January 10, 2023.

On January 24, 2022, the Company obtained a one-year revolving line of credit from Fifth Third Bank in the amount of \$3,500,000. The line of credit bears an interest rate based on Fifth Third Bank's Prime of 2.75% per year at March 31, 2023. The line of credit is secured by the accounts receivables and inventories of the Company and ADF Foods (USA) Ltd. pursuant to an assignment, security and subordination agreement between the Company and the Bank. On January 23, 2023, the bank added Vibrant Foods New Jersey, LLC as a co-borrower alongwith the Company and ADF Foods (USA) Ltd and extended the renewal date for the revolving credit line to July 23, 2023. The loan agreement contains financial and non-financial covenants and as at March 31, 2023, the Company was not in compliance with the one of the two financial covenants. The amount of used line of credit at March 31, 2023 was \$0.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 11 **DUE TO / FROM PARENT COMPANY**

In December 2015, the Company converted Parent loan into Preferred stock issuing 10,000 Preferred stock (Series A) for a total amount of \$6,225,000.

In March 2017, the Company converted Parent loan into Preferred stock issuing 1,000 Preferred stock (Series B) for a total amount of \$415,000.

On May 25, 2017 the Company redeemed and cancelled 803 shares of Series A Preferred stock at its issue price.

On March 31, 2019, the Company converted Parent loan into Preferred stock issuing 1,000 Preferred stock (Series C) for a total amount of \$100,000.

On November 11, 2019, the Company converted Parent loan into Preferred stock issuing 10,000 Preferred stock (Series D) for a total amount of \$1,150,000.

On July 9, 2020, the Company converted Parent loan into Preferred stock issuing 5,000 Preferred stock (Series E) for a total amount of \$500,000.

On February 16, 2022, the Company converted Parent loan into Preferred stock issuing 22,500 Preferred stock (Series F) for a total amount of \$2,250,000.

NOTE 12 **RELATED PARTY TRANSACTIONS**

ADF Holdings (USA) Ltd. ("the Company")

For the year ended March 31, 2023, the Company paid commission to the group President and CEO amounting to \$467,600 of which \$62,000 is payable at the year end and is included in accrued expenses.

ADF Foods (USA) Ltd.

For the year ended March 31, 2023, ADF Foods (USA) Ltd. had a receivable amounting to \$3,408 from the group parent company in India, ADF Foods Ltd, towards expenses incurred by them for ADF Foods Ltd., India.

For the year ended March 31, 2023, ADF Foods (USA) Ltd. paid \$7,454 towards group President and CEO travel expenses.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 12 **RELATED PARTY TRANSACTIONS (CONT.)**

ADF Foods (USA) Ltd. (cont.)

For the year ended March 31, 2023, ADF Foods (USA) Ltd. had purchases of finished goods amounting to \$36,723 from the LLC. Included in the ending inventory are finished goods amounting to \$15,617 purchased from the LLC. For the year ended March 31, 2023, ADF Foods (USA) Ltd. owed \$10,740 to Vibrant Foods New Jersey, LLC towards purchases of finished goods.

Vibrant Foods New Jersey, LLC ("the LLC")

For the year ended March 31, 2023, the LLC made purchases of finished goods amounting to \$1,600,277 from its majority member ADF Holdings (USA) Ltd. Included in the ending inventory are finished goods amounting to \$105,268 purchased from its majority member. For the year ended March 31, 2023, the LLC sold finished goods amounting to \$38,367 to its majority member. As at March 31, 2023, the LLC owed \$368,637 to its majority member towards purchases and certain other expenses.

During the year ended March 31, 2023, the majority member advanced to the LLC a short-term working capital loan for one year amounting to \$1,000,000 at 8% per annum rate of interest. This loan shall be repaid in full one year from the date of its disbursement. For the year ended March 31, 2023 total interest paid by the LLC to the majority member ADF Holdings (USA) Ltd. amounted to \$73,763 of which \$26,194 was on short term loan and the balance \$47,569 was charged on late payments of trade accounts payable by the LLC to the majority member.

During the year ended March 31, 2023, the majority member incurred various expenses on behalf of the Company which are included in the schedule of selling, general and administrative expenses total amounting to \$319,480.

For the year ended March 31, 2023, the LLC had purchases of finished goods including inventory in-transit amounting to \$3,950,214 from the group parent company in India, ADF Foods Ltd. Included in the ending inventory are finished goods amounting to \$1,105,743 and inventory in-transit amounting to \$468,187 from group parent. As at March 31, 2023, the LLC owed \$1,485,857 to ADF Foods Ltd., towards purchases of finished goods.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

NOTE 12 **RELATED PARTY TRANSACTIONS (CONT.)**

Vibrant Foods New Jersey, LLC ("the LLC") (cont.)

For the year ended March 31, 2023, the LLC received from the group parent company in India, ADF Foods Ltd, \$211,675 towards reimbursement of expenses which included \$70,223 received towards brand promotion of Parent company products in USA and \$130,707 received towards reimbursement of warehousing costs and other \$10,745 towards various other expenses incurred by the LLC on behalf of the group parent. This receivable is netted with accounts payable by the Company to the group parent company in India, ADF Foods Ltd.

For the year ended March 31, 2023, the LLC made no purchases from the minority individual members. Included in the ending inventory are finished goods purchased from Sairam Imports Corporation and Vibrant Enterprises LLC, amounting to \$50,047 and \$0. Included in the accounts payable as at March 31, 2023, are balances due to Sairam Imports Corporation and Vibrant Enterprises LLC, amounting to \$67,133 and \$554 to towards prior years purchases of finished goods.

For the year ended March 31, 2023, the LLC made sales to its affiliate ADF Foods (USA) Ltd, amounting to \$36,723. As at March 31, 2023, the Company had a net receivable amounting to \$10,740 from ADF Foods (USA) Ltd. towards these sales.

For the year ended March 31, 2023, the LLC paid compensation amounting to \$150,000 to one of the minority members acting as managing member of the LLC.

All significant inter-company transactions and profits have been eliminated on consolidation.

NOTE 13 **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 3, 2023, the date on which the consolidated financial statements were available to be issued. No events other than below were identified that required adjustment or disclosure in the consolidated financial statements.

S U P P L E M E N T A R Y I N F O R M A T I O N
(See Independent Auditor's Report)

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF COST OF GOODS SOLD
FOR THE YEAR ENDED MARCH 31, 2023

Inventories - beginning	\$ 5,270,169
Purchases	9,030,636
Clearing and forwarding	38,742
Incoming costs	<u>322,443</u>
Goods available for sale	14,661,990
Less: inventories - ending	<u>(3,067,170)</u>
Cost of goods sold	<u>\$ 11,594,820</u>

See independent auditor's report.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023

Salaries	\$	1,013,781
Advertisement and business promotion		228,445
Sales and distribution expenses		7,735
Consulting fee		51,424
Commission		467,600
Payroll taxes and expenses		123,621
Office expenses		63,670
Insurance		160,845
RE taxes and common maintenance		67,433
Taxes and license fee		27,845
Bad debt		119,928
Legal fees		173,170
Postage and delivery		2,211
Bank charges		9,435
Dues and subscription		14,883
Accounting fee		105,000
Directors fee		14,000
Travel		20,901
Meals and entertainment		8,252
Utilities, telephone and internet		91,921
Guaranteed payment		150,000
Auto and truck expenses		198,136
Penalties		800
Miscellaneous expenses		(899)
Repairs and maintenance		58,924
ROU - Interest expense - finance lease		5,197
ROU - Amortization - finance lease		31,154
ROU - Lease expense - operating lease		<u>880,656</u>
Total operating expenses	\$	<u><u>4,096,068</u></u>

See independent auditor's report.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEETS

MARCH 31, 2023

ASSETS

	<u>Consolidated</u>	<u>Eliminations</u>	<u>ADF Holdings (USA) Ltd.</u>	<u>ADF Foods (USA) Ltd.</u>	<u>Vibrant Foods New Jersey LLC</u>
Current assets					
Cash and cash equivalents	\$ 2,069,801	\$	\$ 1,795,035	\$ 34,134	\$ 240,632
Accounts receivable	2,305,492		601,061	51,060	1,653,371
Inter-company receivables		(1,504,427)	368,637	1,125,050	10,740
Inventories	3,067,170	(17,245)	855,680	107,295	2,121,440
Loan receivable - Vibrant Foods NJ, LLC		(1,000,000)	1,000,000		
Prepaid expenses and taxes	<u>252,240</u>	<u></u>	<u>170,013</u>	<u>71,191</u>	<u>11,036</u>
 Total current assets	 <u>7,694,703</u>	 <u>(2,521,672)</u>	 <u>4,790,426</u>	 <u>1,388,730</u>	 <u>4,037,219</u>
 Investment in subsidiary	 <u></u>	 <u>(1,600,000)</u>	 <u>1,600,000</u>	 <u></u>	 <u></u>
Property and equipment, at cost					
Machinery and equipment	98,712		21,877		76,835
Furniture and fixtures	36,223		31,988	4,235	
Computer equipment	6,765			6,765	
Leasehold improvements	<u>81,735</u>	<u></u>	<u>81,735</u>	<u></u>	<u></u>
 Total property and equipment	 223,435		 135,600	 11,000	 76,835
Less: accumulated depreciation	<u>(53,897)</u>	<u></u>	<u>(23,688)</u>	<u>(11,000)</u>	<u>(19,209)</u>
Total property and equipment, subtotal	169,538		111,912		57,626
Construction in progress	<u>733,331</u>	<u></u>	<u>733,331</u>	<u></u>	<u></u>
 Total property and equipment, net	 <u>902,869</u>	 <u></u>	 <u>845,243</u>	 <u></u>	 <u>57,626</u>
Right of use assets (ROU)					
ROU assets - Operating leases	7,125,669		5,937,111		1,188,558
Less: Accumulated amortization	(1,223,483)		(1,007,907)		(215,576)
ROU assets - Finance leases	155,741		77,920		77,821
Less: Accumulated amortization	<u>(41,538)</u>	<u></u>	<u>(22,083)</u>	<u></u>	<u>(19,455)</u>
 ROU assets, net	 <u>6,016,389</u>	 <u></u>	 <u>4,985,041</u>	 <u></u>	 <u>1,031,348</u>
Other assets					
Goodwill, net	2,971,401		2,971,401		
Security deposits	113,335		111,684	1,051	600
Due from ADF Foods (USA) Ltd.		(3,143,012)	3,143,012		
Deferred tax assets	731,555		731,555		
Interest receivable ADF Foods (USA) Ltd.	<u></u>	<u>(1,677,486)</u>	<u>1,677,486</u>	<u></u>	<u></u>
 Total other assets	 <u>3,816,291</u>	 <u>(4,820,498)</u>	 <u>8,635,138</u>	 <u>1,051</u>	 <u>600</u>
 Total assets	 <u>\$ 18,430,252</u>	 <u>\$ (8,942,170)</u>	 <u>\$ 20,855,848</u>	 <u>\$ 1,389,781</u>	 <u>\$ 5,126,793</u>

See independent auditor's report.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEETS

MARCH 31, 2023

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)

	<u>Consolidated</u>	<u>Eliminations</u>	<u>ADF Holdings (USA) Ltd.</u>	<u>ADF Foods (USA) Ltd.</u>	<u>Vibrant Foods New Jersey LLC</u>
Current liabilities					
Accounts payable	\$ 561,813	\$	\$ 287,871	\$ 116,307	\$ 157,635
Account payable group parent	1,458,857				1,458,857
Accounts payable majority member		(368,637)			368,637
Accounts payable minority members	67,687				67,687
Accounts payable affiliate		(10,740)		10,740	
Lease liability - operating - current	666,118		514,285		151,833
Lease liability - finance - current	31,067		15,975		15,092
Loan payable majority member		(1,000,000)			1,000,000
Accrued expenses and other payables	342,176		135,458	145,726	60,992
Due to ADF Foods (USA) Ltd.		(1,125,050)	1,125,050		
Due to member	<u>13,728</u>				<u>13,728</u>
Total current liabilities	<u>3,141,446</u>	<u>(2,504,427)</u>	<u>2,078,639</u>	<u>272,773</u>	<u>3,294,461</u>
Long-term liabilities					
Lease liability - operating - non-current	5,629,614		4,763,649		865,965
Lease liability - finance - non-current	85,993		41,318		44,675
Inter-company payables		<u>(4,820,498)</u>		<u>4,820,498</u>	
Total long-term liabilities	<u>5,715,607</u>	<u>(4,820,498)</u>	<u>4,804,967</u>	<u>4,820,498</u>	<u>910,640</u>
Total liabilities	<u>8,857,053</u>	<u>(7,324,925)</u>	<u>6,883,606</u>	<u>5,093,271</u>	<u>4,205,101</u>
Commitments and contingencies					
Stockholders' equity (deficiency)					
Preferred stock: Authorized 100,000 shares Issued, outstanding 48,697 shares \$0.001 par	49		49		
Common stock: Authorized 100,000 shares Issued, outstanding 12,000 shares \$0.001 par	12	(100)	12	100	
Additional paid-in capital	13,415,072	(899,900)	13,415,072	899,900	
Treasury stock (11,152 shares)	(622,040)			(622,040)	
Retained earnings (accumulated deficit)	(3,496,402)	6,247	557,109	(3,981,450)	(78,308)
Members equity		(1,000,000)			1,000,000
Non-controlling interest	<u>276,508</u>	<u>276,508</u>			
Total stockholders' equity (deficiency)	<u>9,573,199</u>	<u>(1,617,245)</u>	<u>13,972,242</u>	<u>(3,703,490)</u>	<u>921,692</u>
Total liabilities and stockholders' equity	<u>\$ 18,430,252</u>	<u>\$ (8,942,170)</u>	<u>\$ 20,855,848</u>	<u>\$ 1,389,781</u>	<u>\$ 5,126,793</u>

See independent auditor's report.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2023

	<u>Consolidated</u>	<u>Elimination</u> <u>s</u>	ADF Holdings (USA) Ltd.	ADF Foods (USA) Ltd.	Vibrant Foods New Jersey LLC
Net sales	\$ 14,627,463	\$1,666,607)	\$ 7,768,181	\$ 201,310	\$ 8,324,579
Cost of goods sold	<u>11,594,820</u>	<u>1,660,109</u>	<u>6,367,374</u>	<u>244,345</u>	<u>6,643,210</u>
Gross profit (loss)	<u>3,032,643</u>	<u>(6,498)</u>	<u>1,400,807</u>	<u>(43,035)</u>	<u>1,681,369</u>
Operating expenses	<u>4,096,068</u>	<u> </u>	<u>1,398,509</u>	<u>705,163</u>	<u>1,992,396</u>
Operating income (loss)	<u>(1,063,425)</u>	<u>(6,498)</u>	<u>2,298</u>	<u>(748,198)</u>	<u>(311,027)</u>
Other income (expense)					
Reimbursed expenses from group Parent	211,675				211,675
Depreciation expense	(32,073)		(16,670)	(36)	(15,367)
Sublease rental income	139,001		139,001		
Goodwill amortization	(339,018)		(339,018)		
Interest income	43	(90,340)	90,383		
Interest expense	<u>(48,407)</u>	<u>90,340</u>	<u>(48,351)</u>	<u>(16,633)</u>	<u>(73,763)</u>
Total other income (expense), net	<u>(68,779)</u>	<u> </u>	<u>(174,655)</u>	<u>(16,669)</u>	<u>122,545</u>
Loss before income tax expense	(1,132,204)	(6,498)	(172,357)	(764,867)	(188,482)
Income tax benefit (expense)	<u>190,350</u>	<u> </u>	<u>32,927</u>	<u>158,098</u>	<u>(675)</u>
Net loss before non-controlling interest	(941,854)	(6,498)	(139,430)	(606,769)	(189,157)
Loss attributable to non-controlling interest	<u>56,747</u>	<u>56,747</u>	<u> </u>	<u> </u>	<u> </u>
Net loss	<u>(885,107)</u>	<u>50,249</u>	<u>(139,430)</u>	<u>(606,769)</u>	<u>(189,157)</u>

See independent auditor's report.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF COST OF GOODS SOLD
FOR THE YEAR ENDED MARCH 31, 2023

	<u>Consolidated</u>	<u>Eliminations</u>	<u>ADF Holdings (USA) Ltd.</u>	<u>ADF Foods (USA) Ltd.</u>	<u>Vibrant Foods New Jersey LLC</u>
Inventories - beginning	\$ 5,270,169	\$ (10,747)	\$ 3,569,439	\$ 64,534	\$ 1,646,943
Purchases	9,030,636	(1,666,607)	3,503,026	247,890	6,946,327
Clearing and forwarding	38,742		38,742		
Incoming and warehousing costs	<u>322,443</u>	<u> </u>	<u>111,847</u>	<u>39,216</u>	<u>171,380</u>
Goods available for sale	14,661,990	(1,677,354)	7,223,054	351,640	8,764,650
Less: inventories - ending	<u>(3,067,170)</u>	<u>17,245</u>	<u>(855,680)</u>	<u>(107,295)</u>	<u>(2,121,440)</u>
Cost of goods sold	<u>\$ 11,594,820</u>	<u>\$ (1,660,109)</u>	<u>\$ 6,367,374</u>	<u>\$ 244,345</u>	<u>\$ 6,643,210</u>

See independent auditor's report.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023

	<u>Consolidated</u>	<u>Eliminations</u>	ADF Holdings (USA) Ltd.	ADF Foods (USA) Ltd.	Vibrant Foods New Jersey LLC
Salaries	\$ 1,013,781	\$	\$ 197,022	\$ 142,701	\$ 674,058
Advertisement and business promotion	228,445		1,608	226,837	
Sales and distribution expenses	7,735			7,735	
Consulting fee	51,424			33,849	17,575
Commission	467,600		467,600		
Payroll taxes and expenses	123,621		15,468	29,940	78,213
Office expenses	63,670		1,529	21,480	40,661
Insurance	160,845		57,191	93,066	10,588
RE taxes and common maintenance	67,433				67,433
Taxes and license fee	27,845		9,309	5,479	13,057
Bad debt	119,928		8,854		111,074
Legal fees	173,170		91,678	73,580	7,912
Postage and delivery	2,211			1,549	662
Bank charges	9,435		4,346	2,434	2,655
Dues and subscription	14,883			14,883	
Accounting fee	105,000		50,000	25,000	30,000
Directors fee	14,000		7,000	7,000	
Travel	20,901		447	8,571	11,883
Meals and entertainment	8,252				8,252
Utilities, telephone and internet	91,921		48,939	10,803	32,179
Guaranteed payment	150,000				150,000
Intercompany recharges			(319,480)		319,480
Auto and truck expenses	198,136				198,136
Penalties	800		600	200	
Miscellaneous expenses	(899)		(583)	56	(372)
Repairs and maintenance	58,924		43,572		15,352
ROU - Interest expense - finance lease	5,197		2,551		2,646
ROU - Amortization - finance lease	31,154		15,590		15,564
ROU - Lease expense - operating lease	<u>880,656</u>	<u> </u>	<u>695,268</u>	<u> </u>	<u>185,388</u>
Total operating expenses	<u>\$ 4,096,068</u>	<u>\$</u>	<u>\$ 1,398,509</u>	<u>\$ 705,163</u>	<u>\$ 1,992,396</u>

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