

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
AUDITED
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

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CERTIFIED PUBLIC ACCOUNTANTS

TAX • AUDIT • ADVISORY

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, 2025, 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, 2025, 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.)

NEW YORK | MIAMI | MILAN | ROME | BARI | FRANKFURT

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.)
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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 29 through 35 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 9, 2025

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEET****MARCH 31, 2025****ASSETS**

Current assets	
Cash and cash equivalents	\$ 724,118
Accounts receivable	2,983,809
Inventories	5,000,983
Due from group parent - ADF Foods Ltd. - India	95,460
Prepaid expenses and taxes	<u>170,492</u>
Total current assets	<u>8,974,862</u>
Property and equipment, at cost	
Freezer	945,754
Machinery and equipment	191,333
Furniture and fixtures	31,988
Leasehold improvements	<u>81,735</u>
Total property and equipment	1,250,810
Less: accumulated depreciation	<u>(279,576)</u>
Total property and equipment, net	<u>971,234</u>
Right of use assets (ROU)	
ROU Assets - operating lease	7,125,669
Less: Accumulated amortization - operating lease	(2,650,272)
ROU Assets - finance lease	155,741
Less: Accumulated amortization - finance lease	<u>(103,842)</u>
ROU assets, net	<u>4,527,296</u>
Other assets	
Goodwill, net	2,265,321
Security deposits	161,127
Other receivable	79,699
Deferred tax assets	<u>973,044</u>
Total other assets	<u>3,479,191</u>
Total assets	<u><u>\$ 17,952,583</u></u>

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

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEET****MARCH 31, 2025****LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities	
Accounts payable	\$ 1,781,532
Accounts payable - ADF Foods Ltd. - India	2,258,201
Lease liability - operating - current	759,523
Lease liability - finance - current	32,741
Accrued expenses	<u>262,520</u>
Total current liabilities	<u>5,094,517</u>
Long-term liabilities	
Lease liability - operating - non-current	4,158,437
Lease liability - finance - non-current	<u>22,553</u>
Total long-term liabilities	<u>4,180,990</u>
Total liabilities	<u>9,275,507</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	13,348,191
Treasury stock (11,152 shares)	(622,040)
Accumulated deficit	<u>(4,049,136)</u>
Total stockholders' equity	<u>8,677,076</u>
Total liabilities and stockholders' equity	<u><u>\$ 17,952,583</u></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, 2025

Net sales	\$ 15,214,598
Cost of goods sold	<u>11,852,958</u>
Gross profit	<u>3,361,640</u>
Operating expenses	<u>4,613,880</u>
Operating loss	<u>(1,252,240)</u>
Other income (expense)	
Reimbursed expenses from group Parent	307,657
Depreciation expense	(170,730)
Other income	1,701
Consulting income	539,000
Storage rental	170,481
Legal settlement	300,000
Goodwill amortization	(353,040)
Interest income	2,891
Interest expense	<u>(741)</u>
Total other income (expense), net	<u>797,219</u>
Loss before income taxes	(455,021)
Income tax benefit	<u>102,793</u>
Net loss	<u><u>(352,228)</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, 2025

	<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, 2024	\$ 49	\$ 12	\$ 13,415,072	\$ (622,040)	\$	\$ (3,842,504)	\$ 78,828	\$ 9,029,417
Share of income for the period up to September 30, 2024					6,768	6,768		6,768
Share of income - minority interest adj for the period up to September 30, 2024						<u>145,699</u>	<u>(145,699)</u>	
Total before transfer of minority interest						(3,690,037)	(66,871)	
Transfer minority interest to sole member			(66,871)				66,871	
Preference share dividend						(103)		(103)
Payment to minority members			(10)					(10)
Net loss for the period October 1, 2024 to March 31, 2025					<u>(358,996)</u>	(358,996)		(358,996)
Total loss					<u>(352,228)</u>			
Balances as of March 31, 2025	<u>\$ 49</u>	<u>\$ 12</u>	<u>\$ 13,348,191</u>	<u>(622,040)</u>		<u>\$ (4,049,136)</u>	<u>\$</u>	<u>\$ 8,677,076</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 redemption 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, 2025

Cash flows from operating activities:	
Net loss	\$ <u>(352,228)</u>
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	170,730
Goodwill amortization	353,040
Deferred taxes	(112,342)
ROU - Amortization - finance lease	31,152
ROU - Interest expense - finance lease	2,831
ROU - Lease expense - operating lease	880,656
Bad debt reserve	40,000
Changes in operating assets and liabilities	
Accounts receivable	(1,421,549)
Inventories	(3,113,141)
Other receivables and taxes	(57,984)
Accounts payable and accrued expenses	2,645,829
Operating cash flows from operating leases	(868,800)
Operating cash flows from finance leases	<u>(3,135)</u>
Total adjustments	<u>(1,452,713)</u>
Net cash used in operating activities	<u>(1,804,941)</u>
Cash flows from investing activities:	
Purchases of fixed assets	(86,121)
Security deposits	<u>(2,051)</u>
Net cash used in investing activities	<u>(88,172)</u>
Cash flows from financing activities:	
Preference dividend	(103)
Minority member's payment	(10)
Financing cash flows from finance activities	<u>(31,185)</u>
Net cash used in financing activities	<u>(31,298)</u>
Net decrease in cash and cash equivalents	(1,924,411)
Cash and cash equivalents - beginning	<u>2,648,529</u>
Cash and cash equivalents - ending	\$ <u><u>724,118</u></u>
<u>Supplemental disclosures of cash flow information:</u>	
Cash paid during the year: Interest	\$ 741
Income taxes	\$ 7,050
<u>Non-cash transaction</u>	
Conversion of loan to additional paid in capital	\$ 500,000

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

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

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, 2025

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. During 2024, the distribution was extended to entire US.

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 had 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 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, and others being sold to various distributors and grocery stores located in the United States.

Acquisition of minority shareholders' shares

On August 30, 2024, the LLC's minority members namely, Harihar Dubey and Shirish Kumar Dubey, offered to sell their shares in the LLC to the majority member ADF Holdings (USA) Ltd. On September 30, 2024, the board of directors of ADF Holdings (USA) Ltd. passed a resolution to acquire both of the minority members' interests, representing a total of 30% equity ownership for a total consideration of \$10. The Company agreed to pay Harihar Dubey \$7 for 22.5% equity ownership and to Shirish Kumar Dubey \$3 for 7.5% equity ownership. Subsequently, the LLC became a single member LLC with ADF Holdings (USA) Ltd. as its sole member. For tax purposes the LLC will file an election with the IRS to be treated as a single member LLC and a disregarded entity for tax purposes.

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.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

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

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.

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 \$2,983,809 are shown net of allowance for doubtful accounts of \$155,000 as at March 31, 2025.

Inventories

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

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

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

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
Freezer	7.4 years
Leasehold improvements	lesser of the lease term or life of the asset

Repairs and maintenance are charged to expenses as incurred. Gains or losses arising from retirements or sales of assets are included in income currently. Depreciation begins when assets are placed in service. The depreciation and amortization expense amounted to \$170,730 for the year ended March 31, 2025.

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.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

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

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.

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, 2025

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 \$357,903 for the year ended March 31, 2025.

Economic dependency

The Company and its Subsidiaries purchased 98% of its finished goods from 2 suppliers Unilever (Ekaterra) and ultimate group parent company in India. As at March 31, 2025, amounts due to these suppliers are 98% of total accounts payable.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

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

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.

New accounting pronouncements

Effective January 1, 2023, the Company adopted ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Company adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. Financial assets held by the Company that are subject to ASU 2016-13 include trade accounts receivable. The adoption of this ASU did not have a material impact on the Company's financial statements but did change how the allowance for credit losses is determined.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740), which expands income tax disclosure requirements in part by requiring entities to disclose a reconciliation of their effective tax rates to statutory rates and provide disaggregation of taxes paid. The guidance also eliminates existing disclosure requirements related to anticipated changes in unrecognized tax benefits and temporary differences related to unrecorded deferred tax liabilities. The new guidance is effective for fiscal years beginning after December 15, 2024. The Company does not expect implementation of the new guidance to have a material impact on its financial statements and disclosures.

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 since March 31, 2020.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 3 **INVENTORIES**

Inventories as at March 31, 2025 included finished goods, including in-transit amounting to \$5,000,983.

NOTE 4 **GOODWILL**

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.

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, 2025, Goodwill had a cost of \$3,500,000, accumulated amortization of \$1,234,679 and net book value of \$2,265,321. For the year ended March 31, 2025, goodwill amortization expense amounted to \$353,040.

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, 2025:

263A Inventory	\$ 49,392
Interest disallowed	11,760
Bad debt reserve	32,550
Net operating loss	755,304
Depreciation expense	(103)
Trademarks	(802,667)
Impairment of trademarks	840,000
Goodwill amortization	<u>86,808</u>
Total deferred tax assets	\$ <u>973,044</u>

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 5 **DEFERRED INCOME TAXES (CONT.)**

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	775,830	2036
2017	64,105	2037
2021	150,967	Indefinitely
2022	212,509	Indefinitely
2023	1,328,322	Indefinitely
2024	605,024	Indefinitely
2025	<u>459,931</u>	Indefinitely
	<u>\$ 3,596,688</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, 2025, the Company's tax years for 2021, 2022 and 2023 are subject to examination by the tax authorities.

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 paid 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.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

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

Leases (cont.)

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, 2025, which are as follows:

<u>Years</u>	<u>Amount</u>
2026	\$ 894,864
2027	921,710
2028	949,361
2029	924,795
And thereafter	<u>1,676,619</u>
	<u>\$ 5,367,349</u>

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. Subsequent to the end of initial term the managing member Shriish K Dubey gave his resignation effective August 31, 2024. For 5 months ended August 31, 2024, the LLC paid the prior managing member \$62,500. The LLC subsequently, appointed Shivaan B. Thakkar as the new managing member effective September 1, 2024.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

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

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 against Ascot alleging breach of contract, misappropriation of intellectual property and violations of the Defend Trade Secrets Act for damages to be determined at trial.

The Court gave opportunity to both the parties to settle the matter through mediation calls but the parties were unable to reach an acceptable resolution. 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. The discovery of documents and deposition of witnesses of both the parties has been completed. The Court may grant one more mediation opportunity before the trial gets commenced. No trial date has yet been set. Previously, both parties have served the request for limited discovery of documents on each other and are currently in the process of completing the process of discovery. As per ADF Foods (USA) Ltd's. legal counsel, ADF foods is vigorously defending the claim and pursuing its counterclaims and 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, 2025.

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 Court passed an interlocutory order on January 27, 2023, in favor of the Company asking the landlord to repair the roof. The rest of the claims pertaining to monetary damages suffered by the Company will be decided through regular court proceedings unless both the parties decide to settle. On June 28, 2024, the Court dismissed the case on the grounds that the matter has been settled by and between the plaintiff and defendant prior to the scheduled trial. Included in other income is \$300,000 settlement amount receivable agreed to between the plaintiff and defendant.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

NOTE 7 **LOAN PAYABLE - RELATED PARTY**

As at March 31, 2025, ADF Foods (USA) Ltd., the Subsidiary owes net \$4,392,707 to the Holding company ADF Holdings (USA) Ltd. The outstanding amounts have been eliminated on consolidation and includes:

Working capital loan (3% interest bearing)	\$ 1,623,268
Royalty payable	1,764,573
Management fee payable	820,000
Interest on unpaid loan payable	1,495,839
Interest on unpaid royalty payable	189,161
Interest on unpaid management fee	<u>55,988</u>
 Total payable	 5,948,829
Tax benefit receivable	<u>(1,556,122)</u>
 Total - net	 \$ <u><u>4,392,707</u></u>

NOTE 8 **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.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 8 **LEASES (CONT.)**

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 paid 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%.

Amounts recognized as right-of-use assets relate to the warehouse operating leases 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.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 8 **LEASES (CONT.)**

Operating leases (cont.)

For year ended March 31, 2025, ROU assets related to the operating leases amounted to:

<u>Right of use assets (ROU)</u>	<u>ADF Holdings NJ Warehouse</u>	<u>Vibrant Foods GA Warehouse</u>	<u>Total</u>
ROU asset - Operating lease	5,937,111	1,188,558	7,125,669
Less: Accumulated amortization	<u>(2,115,582)</u>	<u>(534,690)</u>	<u>(2,650,272)</u>
ROU asset - Operating lease, net	<u>3,821,529</u>	<u>653,868</u>	<u>4,475,397</u>

For the year ended March 31, 2025, the operating lease liabilities amounted to:

<u>Lease liability - Operating lease</u>	<u>ADF Holdings NJ Warehouse</u>	<u>Vibrant Foods GA Warehouse</u>	<u>Total</u>
Lease liability - operating - current	587,173	172,350	759,523
Lease liability - operating - non-current	<u>3,626,575</u>	<u>531,862</u>	<u>4,158,437</u>
Total lease liability - Operating lease	<u>4,213,748</u>	<u>704,212</u>	<u>4,917,960</u>

For the year ended March 31, 2025, 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, 2025 are as follows:

<u>Years</u>	<u>Amount</u>
2026	894,864
2027	921,710
2028	949,361
2029	924,795
And thereafter	<u>1,676,619</u>
Total	<u>5,367,349</u>
Less: effect of discounting	<u>(449,389)</u>
Lease liability recognized	<u>\$4,917,960</u>

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 8 **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 year ended March 31, 2025, ROU assets related to the finance leases amounted to:

<u>Right of use assets (ROU)</u>	<u>ADF Holdings</u> <u>NJ Forklift</u>	<u>Vibrant Foods</u> <u>GA Forklift</u>	<u>Total</u>
ROU asset - Finance lease	77,920	77,821	155,741
Less: Accumulated amortization	<u>53,259</u>	<u>50,583</u>	<u>(103,842)</u>
ROU asset - Finance lease, net	<u>24,661</u>	<u>27,238</u>	<u>51,899</u>

For the year ended March 31, 2025, the finance lease liabilities amounted to:

<u>Lease liability - Operating lease</u>	<u>ADF Holdings</u> <u>NJ Forklift</u>	<u>Vibrant Foods</u> <u>GA Forklift</u>	<u>Total</u>
Lease liability - operating - current	16,424	16,317	32,741
Lease liability - operating - non-current	<u>9,887</u>	<u>12,666</u>	<u>22,553</u>
Total lease liability - Operating lease	<u>26,311</u>	<u>28,983</u>	<u>55,294</u>

For the year ended March 31, 2025, the Company recognized in the selling, general and administrative expenses total ROU asset amortization of \$31,152 and interest of \$2,831 of which NJ ROU asset amortization amounted to \$15,588 and NJ interest amounted to \$1,364 and Georgia ROU asset amortization amounted to \$15,564 and Georgia interest amounted to \$1,467.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 8 **LEASES (CONT.)**

Finance leases (cont.)

Minimum future payments due under both finance leases as of March 31, 2025 are as follows:

<u>Years</u>	<u>Amount</u>
2026	34,320
2027	<u>22,880</u>
Total	57,200
Less: effect of discounting	<u>(1,906)</u>
Lease liability recognized	<u>\$55,294</u>

NOTE 9 **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, 2025. The Company's corporate tax provision consists of the following:

State taxes	\$ 9,549
Deferred taxes	<u>(112,342)</u>
Income tax benefit - net	<u>\$ 102,793</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, 2025

NOTE 10 **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 11 **RELATED PARTY TRANSACTIONS**

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

For the year ended March 31, 2025, the Company had purchases of finished goods amounting to \$3,961,471 from ADF Foods Ltd., the group parent company in India. Included in the ending inventory are finished goods purchased from group parent amounting to \$365,263 including inventory in-transit amounting to \$615,406. Included in accounts payable is \$2,258,201 due to group parent towards purchases of finished goods.

For the year ended March 31, 2025, the Company paid salary to Shivaan B Thakkar, Vice President - US operations who is related to group President and CEO amounting to \$173,300. The company also paid towards his rent, travel and conveyance and other expenses total amounting to \$40,000.

For the year ended March 31, 2025, the Company paid commission to the group President and CEO amounting to \$540,000.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 11 **RELATED PARTY TRANSACTIONS (CONT.)**

ADF Foods (USA) Ltd. ("the Subsidiary")

For the year ended March 31, 2025, the Subsidiary had purchases of finished goods amounting to \$796,055 from ADF Holdings (USA) Ltd. Included in the ending inventory are finished goods purchased from parent amounting to \$320,182. Included in accounts payable is \$525,899 due to ADF Holdings (USA) Ltd. towards purchases of finished goods. For the year ended March 31, 2025, the Subsidiary paid interest on loan payable to ADF Holdings (USA) Ltd. amounting to \$40,513.

For the year ended March 31, 2025, ADF Foods (USA) Ltd. paid \$13,835 towards group President and CEO travel expenses.

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

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

For the year ended March 31, 2025, the LLC made purchases and sales of finished goods with its majority member ADF Holdings (USA) Ltd., amounting to \$4,238,448 and \$30,812. Included in the ending inventory are finished goods amounting to \$1,079,719 purchased from ADF Holdings (USA) Ltd. As at March 31, 2025, the LLC owed \$2,636,351 to ADF Holdings (USA) Ltd. towards purchases and certain other expenses.

On October 3, 2022, ADF Holdings (USA) Ltd. had 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 was to be repaid in full, one year from the date of its disbursement. During the year as at September 30, 2024, ADF Holdings (USA) Ltd. converted \$500,000 of this loan towards additional capital contribution in the LLC as members' equity. As at March 31, 2025, the short-term working capital loan amounted to \$500,000. This loan is expected to be either repaid or converted to additional paid in capital prior to the close of the next quarter. For the year ended March 31, 2025, total interest charged to the LLC by the sole member ADF Holdings (USA) Ltd. amounted to \$147,140 of which \$60,000 was on short term loan and the balance \$87,140 was charged on late payments of trade accounts payable by the LLC. As at March 31, 2025, the LLC owed \$20,000 to ADF Holdings (USA) Ltd. towards interest payable on loan.

All inter-company balances were eliminated on consolidation.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 11 **RELATED PARTY TRANSACTIONS (CONT.)**

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

During the year ended March 31, 2025, the sole member ADF Holdings (USA) Ltd. incurred various expenses on behalf of the LLC which are included in the schedule of operating expenses total amounting to \$683,767.

For the year ended March 31, 2025, the LLC incurred various brand promotion expenses on behalf of its parent company ADF Foods Ltd., India promoting products in US market which are included in other income as reimbursed expenses from group Parent total amounting to \$307,657. As at March 31, 2025, the Company had a receivable amounting to \$95,460 from the group parent company in India, ADF Foods Ltd., towards these brand promotions.

For the year ended March 31, 2025, the LLC made sales and purchases with its affiliate ADF Foods (USA) Ltd, amounting to \$60,960 and \$25,271. For the year ended March 31, 2025, the LLC had a receivable amounting to \$82,795 with the Subsidiary ADF Foods (USA) Ltd. towards sales of finished goods made during the year.

For the year ended March 31, 2025, the LLC incurred various expenses on behalf of its affiliate ADF Foods (USA) Ltd., which are included as income in the schedule of selling, general and administrative expenses total amounting to \$131,916.

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

NOTE 12 **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 9, 2025, the date on which the consolidated financial statements were available to be issued. No events 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, 2025

Inventories - beginning	\$ 1,887,842
Purchases	13,751,804
Incoming costs	<u>1,214,295</u>
Goods available for sale	16,853,941
Less: inventories - ending	<u>(5,000,983)</u>
Cost of goods sold	<u><u>\$ 11,852,958</u></u>

See independent auditor's report.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED MARCH 31, 2025

Salaries	\$ 929,845
Guaranteed payment	62,500
Commission	648,127
Consulting fee	256,837
Advertisement and business promotion	357,903
Payroll taxes and expenses	80,823
Office expenses	162,994
Insurance	160,094
RE taxes and common maintenance	18,456
Taxes and license fee	28,161
Bad debt	50,946
Legal fees	102,726
Postage and delivery	1,041
Bank charges	16,219
Dues and subscription	29,022
Accounting fee	74,000
Directors fee	14,000
Travel	38,830
Meals and entertainment	2,088
Utilities, telephone and internet	192,755
Freight out - auto and truck expenses	284,386
Repairs and maintenance	128,273
Sales and distribution expenses	59,215
ROU - Interest expense - finance lease	2,831
ROU - Amortization - finance lease	31,152
ROU - Lease expense - operating lease	<u>880,656</u>
Total operating expenses	<u><u>\$ 4,613,880</u></u>

See independent auditor's report.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEETS

MARCH 31, 2025

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	\$ 724,118	\$	\$ 496,114	\$ 80,484	\$ 147,520
Accounts receivable, net	2,983,809		1,466,134	238,339	1,279,336
Due from affiliate - ADF Foods (USA) Ltd.		(82,795)			82,795
Due from affiliate - ADF Foods Ltd. - India	95,460				95,460
Inter-company receivables		(4,192,473)	2,636,351	1,556,122	
Inventories, net	5,000,983	(59,551)	3,575,053	320,182	1,165,299
Loan and interest receivable - Vibrant		(520,000)	520,000		
Prepaid expenses and taxes	<u>170,492</u>	<u></u>	<u>86,706</u>	<u>82,064</u>	<u>1,722</u>
Total current assets	<u>8,974,862</u>	<u>(4,854,819)</u>	<u>8,780,358</u>	<u>2,277,191</u>	<u>2,772,132</u>
Investment in subsidiary	<u></u>	<u>(2,100,010)</u>	<u>2,100,010</u>	<u></u>	<u></u>
Property and equipment, at cost					
Freezer	945,754		945,754		
Machinery and equipment	191,333		50,285		141,048
Furniture and fixtures	31,988		31,988		
Computer equipment					
Leasehold improvements	<u>81,735</u>	<u></u>	<u>81,735</u>	<u></u>	<u></u>
Total property and equipment	1,250,810		1,109,762		141,048
Less: accumulated depreciation	<u>(279,576)</u>	<u></u>	<u>(224,581)</u>	<u></u>	<u>(54,995)</u>
Total property and equipment, net	<u>971,234</u>	<u></u>	<u>885,181</u>	<u></u>	<u>86,053</u>
Right of use assets (ROU)					
ROU assets - Operating leases	7,125,669		5,937,111		1,188,558
Less: Accumulated amortization	(2,650,272)		(2,115,582)		(534,690)
ROU assets - Finance leases	155,741		77,920		77,821
Less: Accumulated amortization	<u>(103,842)</u>	<u></u>	<u>(53,259)</u>	<u></u>	<u>(50,583)</u>
ROU assets, net	<u>4,527,296</u>	<u></u>	<u>3,846,190</u>	<u></u>	<u>681,106</u>
Other assets					
Goodwill, net	2,265,321		2,265,321		
Other receivable	79,699		79,699		
Security deposits	161,127		116,963		44,164
Due from ADF Foods (USA) Ltd.		(5,948,829)	5,948,829		
Deferred tax assets	<u>973,044</u>	<u></u>	<u>973,044</u>	<u></u>	<u></u>
Total other assets	<u>3,479,191</u>	<u>(5,948,829)</u>	<u>9,383,856</u>	<u></u>	<u>44,164</u>
Total assets	<u>\$ 17,952,583</u>	<u>\$ (12,903,658)</u>	<u>\$ 24,995,595</u>	<u>\$ 2,277,191</u>	<u>\$ 3,583,455</u>

See independent auditor's report.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEETS

MARCH 31, 2025

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	\$ 1,781,532	\$	\$ 976,592	\$ 671,366	\$ 133,574
Account payable group parent	2,258,201		2,258,201		
Accounts payable sole member		(2,636,351)			2,636,351
Other payable affiliate - Vibrant		(82,795)		82,795	
Lease liability - operating - current	759,523		587,173		172,350
Lease liability - finance - current	32,741		16,424		16,317
Loan and interest payable sole member		(520,000)			520,000
Accrued expenses and other payables	262,520	(2)	86,022	132,159	44,337
Due to ADF Foods (USA) Ltd.	<u> </u>	<u>(1,556,122)</u>	<u>1,556,122</u>	<u> </u>	<u> </u>
Total current liabilities	<u>5,094,517</u>	<u>(4,795,266)</u>	<u>5,480,534</u>	<u>886,320</u>	<u>3,522,929</u>
Long-term liabilities					
Lease liability - operating - non-current	4,158,437		3,626,575		531,862
Lease liability - finance - non-current	22,553		9,887		12,666
Inter-company payables	<u> </u>	<u>(5,948,829)</u>	<u> </u>	<u>5,948,829</u>	<u> </u>
Total long-term liabilities	<u>4,180,990</u>	<u>(5,948,829)</u>	<u>3,636,462</u>	<u>5,948,829</u>	<u>544,528</u>
Total liabilities	<u>9,275,507</u>	<u>(10,744,095)</u>	<u>9,116,996</u>	<u>6,835,149</u>	<u>4,067,457</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	13,348,191	(966,781)	13,415,072	899,900	
Treasury stock (11,152 shares)	(622,040)			(622,040)	
Accumulated deficit	(4,049,136)	307,318	2,463,466	(4,835,918)	(1,984,002)
Members' equity	<u> </u>	<u>(1,500,000)</u>	<u> </u>	<u> </u>	<u>1,500,000</u>
Total stockholders' equity (deficiency)	<u>8,677,076</u>	<u>(2,159,563)</u>	<u>15,878,599</u>	<u>(4,557,958)</u>	<u>(484,002)</u>
Total liabilities and stockholders' equity	<u>\$ 17,952,583</u>	<u>\$ (12,903,658)</u>	<u>\$ 24,995,595</u>	<u>\$ 2,277,191</u>	<u>\$ 3,583,455</u>

See independent auditor's report.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2025

	<u>Consolidated</u>	<u>Elimination</u> <u>s</u>	<u>ADF Holdings</u> <u>(USA) Ltd.</u>	<u>ADF Foods</u> <u>(USA) Ltd.</u>	<u>Vibrant Foods</u> <u>New Jersey LLC</u>
Net sales	\$ 15,214,598	\$ (5,151,546)	\$ 13,824,701	\$ 833,568	\$ 5,707,875
Cost of goods sold	<u>11,852,958</u>	<u>(5,130,416)</u>	<u>10,911,694</u>	<u>639,436</u>	<u>5,432,244</u>
Gross profit	<u>3,361,640</u>	<u>(21,130)</u>	<u>2,913,007</u>	<u>194,132</u>	<u>275,631</u>
Operating expenses	<u>4,613,880</u>	<u> </u>	<u>1,766,976</u>	<u>1,012,555</u>	<u>1,834,349</u>
Operating income (loss)	<u>(1,252,240)</u>	<u>(21,130)</u>	<u>1,146,031</u>	<u>(818,423)</u>	<u>(1,558,718)</u>
Other income (expense)					
Reimbursed expenses from group Parent	307,657				307,657
Depreciation expense	(170,730)		(151,177)		(19,553)
Other income	1,701				1,701
Consulting income	539,000		539,000		
Storage rental	170,481				170,481
Legal settlement	300,000		300,000		
Goodwill amortization	(353,040)		(353,040)		
Interest income	2,891	(187,653)	190,544		
Interest expense	<u>(741)</u>	<u>187,653</u>	<u> </u>	<u>(40,513)</u>	<u>(147,881)</u>
Total other income, net	<u>797,219</u>	<u> </u>	<u>525,327</u>	<u>(40,513)</u>	<u>312,405</u>
Loss before income tax benefit (expense)	(455,021)	(21,130)	1,671,358	(858,936)	(1,246,313)
Income tax benefit (expense)	<u>(102,793)</u>	<u> </u>	<u>(202,399)</u>	<u>305,642</u>	<u>(450)</u>
Net income (loss)	<u>(352,228)</u>	<u>(21,130)</u>	<u>1,468,959</u>	<u>(553,294)</u>	<u>(1,246,763)</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, 2025

	<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	\$ 1,887,842	\$ (38,421)	\$ 322,043	\$ 52,315	\$ 1,551,905
Purchases	13,751,804	(5,151,546)	13,496,150	856,717	4,550,483
Incoming and warehousing costs	<u>1,214,295</u>	<u></u>	<u>668,554</u>	<u>50,586</u>	<u>495,155</u>
Goods available for sale	16,853,941	(5,189,967)	14,486,747	959,618	6,597,543
Less: inventories - ending	<u>(5,000,983)</u>	<u>59,551</u>	<u>(3,575,053)</u>	<u>(320,182)</u>	<u>(1,165,299)</u>
Cost of goods sold	<u>\$ 11,852,958</u>	<u>\$ (5,130,416)</u>	<u>\$ 10,911,694</u>	<u>\$ 639,436</u>	<u>\$ 5,432,244</u>

See independent auditor's report.

ADF HOLDINGS (USA) LTD. AND SUBSIDIARIES

CONSOLIDATING SCHEDULES OF OPERATING EXPENSES

FOR THE YEAR ENDED MARCH 31, 2025

	<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>
Salaries	\$ 929,845	\$	\$ 492,072	\$ 15,566	\$ 422,207
Guaranteed payment	62,500				62,500
Commission	648,127		540,000	108,127	
Sales and distribution expenses	59,215			59,215	
Consulting fee	256,837		60,000	149,536	47,301
Advertisement and business promotion	357,903			339,163	18,740
Payroll taxes and expenses	80,823		33,231	2,484	45,108
Office expenses	162,994		66,352	22,040	74,602
Insurance	160,094		106,030	54,064	
RE taxes and common maintenance	18,456				18,456
Taxes and license fee	28,161		10,170	16,851	1,140
Bad debt	50,946				50,946
Legal fees	102,726		61,148	41,578	
Postage and delivery	1,041			1,041	
Bank charges	16,219		5,618	1,768	8,833
Dues and subscription	29,022			29,022	
Accounting fee	74,000		20,000	6,500	47,500
Directors fee	14,000		7,000	7,000	
Travel	38,830		11,411	21,635	5,784
Meals and entertainment	2,088				2,088
Utilities, telephone and internet	192,755		183,347	5,049	4,359
Intercompany recharges - ADF Foods				131,916	(131,916)
Intercompany recharges - ADF Holdings			(683,767)		683,767
Freight out - auto and truck expenses	284,386		91,674		192,712
Repairs and maintenance	128,273		50,470		77,803
ROU - Interest expense - finance lease	2,831		1,364		1,467
ROU - Amortization - finance lease	31,152		15,588		15,564
ROU - Lease expense - operating lease	<u>880,656</u>		<u>695,268</u>		<u>185,388</u>
Total operating expenses	<u>\$ 4,613,880</u>	<u>\$</u>	<u>\$ 1,766,976</u>	<u>\$ 1,012,555</u>	<u>\$ 1,834,349</u>

See independent auditor's report.