U.S. Nutraceuticals, Inc.
(d/b/a Valensa International)
and Subsidiary

Consolidated Financial Statements
Years Ended March 31, 2023 and 2022

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Contents

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Independent Auditor's Report

The Board of Directors
U.S. Nutraceuticals, Inc. (d/b/a Valensa International)
Eustis, Florida

Opinion

We have audited the consolidated financial statements of U.S. Nutraceuticals, Inc. (d/b/a Valensa International) and its subsidiary (the Company), which comprise the consolidated balance sheets as of March 31, 2023 and 2022, and the related consolidated statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of its operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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 the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA LLP

May 5, 2023

Consolidated Financial Statements

U.S. Nutraceuticals, Inc.
(d/b/a Valensa International)
and Subsidiary

Consolidated Balance Sheets

March 31,	**2023**	2022
Assets		
Current Assets		
Cash and cash equivalents	**$ 107,424**	$ 144,500
Accounts receivable, net	**3,606,283**	4,799,548
Inventories, net	**11,438,566**	15,865,632
Income tax receivable	**-**	120,000
Prepaid expenses and other current assets	**197,883**	1,292,416
Total Current Assets	**15,350,156**	22,222,096
Property and Equipment, Net	**1,506,516**	1,369,076
Other Assets		
Intangible assets, net	**1,158,546**	1,265,603
Goodwill, net	**430,375**	496,587
Deposits	**175,571**	1,390
Total Other Assets	**1,764,492**	1,763,580
Total Assets	**$ 18,621,164**	$ 25,354,752
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable	**$ 1,209,923**	$ 1,350,161
Accrued expenses	**1,340,104**	1,999,167
Related-party payables	**3,483,930**	4,110,622
Line of credit	**7,900,000**	9,300,000
Total Current Liabilities	**13,933,957**	16,759,950
Commitments and Contingencies (Note 11)		
Stockholder's Equity (Deficit)		
Common stock, $1 par value, 1,000 shares authorized; 1,027 issued and outstanding	**1,027**	1,027
Additional paid-in capital	**20,121,437**	20,121,437
Accumulated deficit	**(15,435,257)**	(11,527,662)
Total Stockholder's Equity	**4,687,207**	8,594,802
Total Liabilities and Stockholder's Equity	**$ 18,621,164**	$ 25,354,752

See accompanying notes to consolidated financial statements.

U.S. Nutraceuticals, Inc.
(d/b/a Valensa International)
and Subsidiary

Consolidated Statements of Operations

Year ended March 31,	**2023**	2022
Revenues		
Product sales	**$ 28,933,458**	$ 33,354,125
Other revenues	**175,756**	514,480
Total Revenues	**29,109,214**	33,868,605
Cost of Sales	**24,516,933**	26,218,996
Gross Profit	**4,592,281**	7,649,609
Selling, General, and Administrative Expenses (Income)		
Salaries and wages	**3,590,406**	3,580,146
Insurance	**978,167**	997,860
Royalties expense (income)	**(288,306)**	40,346
Depreciation	**214,751**	359,887
Professional fees	**1,600,077**	1,581,443
Gas	**558,977**	451,230
Travel expenses	**288,790**	193,767
Repairs and maintenance	**261,310**	257,390
Amortization	**225,520**	283,043
Payroll taxes	**236,130**	234,650
Utilities	**199,351**	183,242
Supplies	**224,346**	211,978
Promotional events	**242,727**	90,475
Employee benefits	**119,464**	127,892
Taxes and licenses	**70,116**	74,179
Miscellaneous	**46,143**	79,612
Outside labor	**-**	18,964
Telephone	**69,171**	50,955
Advertising and marketing	**840,999**	2,278,027
Meals and entertainment	**32,953**	41,663
Internet and computer services	**50,476**	59,749
Samples	**285,279**	116,008
Rent	**311,858**	193,578
Uniforms	**62,818**	50,062
Dues and subscriptions	**78,982**	89,386
Postage and freight	**35,244**	81,173
Bank charges	**69,932**	68,701
Data processing	**9,900**	15,358
Loss (gain) on disposal of property and equipment	**6,939**	(2,000)
Safety	**2,680**	1,998
Provision for doubtful accounts	**-**	23,221
Impairment of intangible assets	**27,493**	38,125
Less: applied production costs	**(2,374,892)**	(2,446,632)
Total Selling, General, and Administrative Expenses	**8,077,801**	9,425,476
Research and Development Expenses	**16,727**	37,165
Operating Loss	**(3,502,247)**	(1,813,032)

U.S. Nutraceuticals, Inc.
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and Subsidiary

Consolidated Statements of Operations

Year ended March 31,		**2023**		2022
Other Expense				
Interest expense, net	**$**	**(398,167)**	$	(236,088)
Other expense, net		**(7,181)**		(4,538)
Total Other Expense, Net		**(405,348)**		(240,626)
Net Loss, before income taxes		**(3,907,595)**		(2,053,658)
Income Tax Expense		**-**		(963,463)
Net Loss	**$**	**(3,907,595)**	$	(3,017,121)

See accompanying notes to consolidated financial statements.

U.S. Nutraceuticals, Inc.
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Consolidated Statements of Stockholder's Equity

	Common Stock		Additional	Accumulated	Total Stockholder's
	Shares	Amount	Paid-in Capital	Deficit	Equity
Balance, March 31, 2021	1,027	$ 1,027	$ 20,121,437	$ (8,510,541)	$ 11,611,923
Net loss	-	-	-	(3,017,121)	(3,017,121)
Balance, March 31, 2022	1,027	1,027	20,121,437	(11,527,662)	8,594,802
Net loss	-	-	-	(3,907,595)	(3,907,595)
Balance, March 31, 2023	1,027	$ 1,027	$ 20,121,437	$ (15,435,257)	$ 4,687,207

See accompanying notes to consolidated financial statements.

U.S. Nutraceuticals, Inc.
(d/b/a Valensa International)
and Subsidiary

Consolidated Statements of Cash Flows

Year ended March 31,	**2023**	2022
Cash Flows from Operating Activities		
Net loss	**$ (3,907,595)**	$ (3,017,121)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	**440,271**	642,930
Loss (gain) on disposal of property and equipment	**6,939**	(2,000)
Provision for doubtful accounts	**-**	23,221
Impairment of intangible assets	**27,493**	38,125
Loss on write-off of obsolete inventory	**2,662,432**	95,409
Deferred income taxes	**-**	963,463
Changes in operating assets and liabilities:		
Accounts receivable	**1,193,266**	211,719
Inventories	**1,764,634**	(3,254,939)
Prepaid expenses and other current assets	**1,094,533**	(944,331)
Deposits	**(174,180)**	25,680
Accounts payable	**(140,239)**	38,465
Accrued expenses	**(659,063)**	203,526
Related-party receivables/payables, net	**-**	848,033
Income tax receivable	**120,000**	(238,712)
Net Cash Provided by (Used in) Operating Activities	**2,428,491**	(4,366,532)
Cash Flows from Investing Activities		
Purchase of property and equipment	**(352,192)**	(1,785)
Purchase of intangible assets	**(86,683)**	(2,804)
Net Cash Used in Investing Activities	**(438,875)**	(4,589)
Cash Flows from Financing Activities		
Borrowings under line of credit	**14,150,000**	13,950,000
Payables to related party	**(626,692)**	-
Repayments under line of credit	**(15,550,000)**	(9,550,000)
Net Cash Provided by (Used in) Financing Activities	**(2,026,692)**	4,400,000
Net Increase (Decrease) in Cash and Cash Equivalents	**(37,076)**	28,879
Cash and Cash Equivalents, beginning of year	**144,500**	115,621
Cash and Cash Equivalents, end of year	**$ 107,424**	$ 144,500
Supplemental Disclosures of Cash Flow Information		
Interest paid	**$ 256,521**	$ 242,246
Taxes paid	**-**	120,000

See accompanying notes to consolidated financial statements.

1. Nature of Organization and Operations

U.S. Nutraceuticals, Inc. (the Company), formerly U.S. Nutraceuticals, LLC, was formed on July 27, 1998 under the laws of the state of Florida. The Company is a wholly owned subsidiary of E.I.D. Parry (India), Ltd. (the Parent). The Company is doing business as Valensa International and is a science-based developer and producer of botanical-sourced products, including nutraceutical supplements, functional foods, general nutrition, and functional cosmetic ingredients.

On September 30, 2019, the Company acquired the remaining 51% membership interest in LaBelle Botanics, LLC (LaBelle), requiring a change from the equity method to consolidation of LaBelle, which is now a wholly owned subsidiary.

2. Summary of Significant Accounting Policies

Basis of Accounting and Principles of Consolidation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). All intercompany accounts and transactions between the Company and its wholly owned subsidiary have been eliminated in consolidation.

Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less, from date of purchase, to be cash equivalents.

Accounts Receivable

The Company sells its products on credit terms that the Company establishes for each customer. Trade receivables are recorded upon recognition of sales based upon the date the customer takes control of the product. The Company's determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio. Accounts are written off when they are determined to be uncollectible. As of March 31, 2023 and 2022, the Company has recorded an allowance for doubtful accounts of approximately $43,000 for each year.

Inventories

Inventories consist of raw materials, work-in-process, and finished goods. Inventories are stated at the lower of cost (based on the weighted-average method) or net realizable value. Capitalized labor and overhead costs are absorbed into inventory production through an "applied production costs" account on the consolidated statements of operations. A reserve is recorded for any inventories deemed slow moving or obsolete. During the year ended March 31, 2023, the Company recorded an increase of $2,662,432 to the inventory obsolescence reserve associated with a fire at a third-party warehouse that damaged inventory held at the facility. The expense associated with the increase to the reserve was recorded in cost of sales within the consolidated statements of operations.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred. The carrying amount of accumulated depreciation of assets sold or retired is removed from the accounts in the year of disposal and any resulting gain or loss is included in results of operations.

Goodwill and Other Intangible Assets

Intangible assets consist of goodwill, patents, patents pending, regulatory permitting costs, trademarks, and tradenames. Definite-lived intangibles are amortized using the straight-line method over the life of the intangible, ranging from six to 20 years. The Company's goodwill was recorded as a result of the Company's business combination of LaBelle in fiscal 2020.

Effective April 1, 2019, the Company adopted Accounting Standards Update (ASU) 2014-18, *Accounting for Identifiable Intangible Assets in a Business Combination*, which allows for private companies to not recognize separately from goodwill certain assets arising from customer relationships and noncompetition agreements upon a business acquisition unless they are contract assets that are capable of being sold or licensed independently from other assets of a business. Eligible customer-related intangible assets would be subsumed into goodwill and the goodwill is amortized. ASU 2014-18 requires the adoption of ASU 2014-12, *Accounting for Goodwill*, which allows eligible private companies to amortize goodwill and apply a one-step impairment model. Accordingly, the excess of the fair value of consideration paid over fair value of net identifiable assets and liabilities of an acquired business (goodwill) is amortized on a straight-line basis over ten years.

The Company assesses the recoverability of its goodwill and indefinite-lived intangible assets whenever events or changes in circumstances indicate that the carrying amount of the asset may be not recoverable. The Company recorded an impairment on its patents of $27,493 and $38,125 during the years ended March 31, 2023 and 2022, respectively, as a result of a decision to discontinue selling products related to certain patents.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment, such as property and equipment and purchased definite-lived intangibles, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There was no impairment of long-lived assets during the years ended March 31, 2023 and 2022.

Revenue Recognition

The Company recognizes revenue from product sales at a point in time when performance obligations under the terms of a contract with a customer are satisfied. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods. Control of the goods is transferred either upon shipment from the Company's warehouse or upon receipt by the customer, depending on the shipping terms of the contract.

There are several factors in determining that control transfers to the customer upon shipment of products, which include that legal title transfers to the customer, present right to payment exists, and that the customer has assumed the risks and rewards of ownership.

Sales (and similar) taxes that are imposed on sales and collected from customers are excluded from revenues.

Advertising Costs

Advertising costs, included in selling, general, and administrative expenses on the consolidated statements of operations, are expensed as incurred. The Company incurred approximately $507,000 and $495,000 in advertising expenses for the years ended March 31, 2023 and 2022, respectively.

Research and Development

Research and development costs to develop new products are charged to expense as incurred.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes resulting from temporary differences. Such temporary differences result from differences in the carrying value of assets and liabilities for tax and financial reporting purposes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less-than-more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the consolidated balance sheets. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to adjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Accounting Standards Codification (ASC) 820 describes the following three levels of inputs that may be used to measure fair value:

Level 1 – This level consists of valuations based on adjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – This level consists of valuations based on quoted market prices for similar assets and liabilities in active markets.

Level 3 – This level consists of valuations based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management.

The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and related-party payables. The fair value of the Company's line of credit is estimated based on current rates that would be available for debt of similar terms that is not significantly different from its stated value.

The Company does not have any Level 1, 2, or 3 financial instruments.

Recently Adopted Accounting Pronouncement

Leases

On February 24, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)* (ASC 842), a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet for all leases with terms greater than 12 months, including for those leases classified as operating leases under the legacy standard (ASC 840). There was no impact as a result of the adoption of ASC 842 on the consolidated financial statements, as the Company has no leases with terms longer than 12 months.

Accounting Pronouncement Issued but Not Yet Adopted

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard provides guidance for estimating credit losses on certain types of financial instruments, including trade receivables, by introducing an approach based on expected losses. The expected-loss approach will require entities to incorporate considerations of historical information, current information, and reasonable and supportable forecasts. ASU 2017-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The FASB has issued several amendments to the standard. In November 2019, the FASB amended the standard with the issuance of ASU 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*. The amendment revised the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

3. Inventories

Inventories consist of the following:

March 31,		**2023**		2022
Raw materials	**$**	**5,845,980**	$	2,182,838
Work-in-process		**2,769,054**		3,771,423
Finished goods		**5,621,035**		10,081,701
Less: reserve for slow-moving or obsolete inventory		**(2,797,503)**		(170,330)
	$	**11,438,566**	$	15,865,632

4. Property and Equipment, Net

Property and equipment, net consists of the following:

March 31,		**2023**		2022	Estimated Useful Life (Years)
Land and improvements	**$**	**234,143**	$	234,143	0-20
Building and improvements		**4,913,419**		4,913,418	7-20
Machinery and equipment		**5,356,094**		4,771,200	5-12
Furniture and fixtures		**280,736**		273,073	3-10
Construction-in-process		**30,961**		271,327	
		10,815,353		10,463,161	
Less: accumulated depreciation		**(9,308,837)**		(9,094,085)	
	$	**1,506,516**	$	1,369,076	

Depreciation expense was $214,751 and $359,887 for the years ended March 31, 2023 and 2022, respectively.

5. Goodwill and Other Intangibles

Goodwill

The change in the carrying amount of goodwill is as follows:

Year ended March 31,		**2023**		2022
Balance, beginning of year	**$**	**496,587**	$	562,798
Amortization expense		**(66,212)**		(66,211)
Balance, end of year	**$**	**430,375**	$	496,587

Future amortization of goodwill is as follows as of March 31, 2022:

Year ending March 31,		
2024	$	66,211
2025		66,211
2026		66,211
2027		66,211
2028		66,211
Thereafter		99,320
Total	$	430,375

Other intangible assets consist of the following:

March 31,		**2023**		2022	Estimated Useful Lives (Years)
Patents	**$**	**1,989,963**	$	2,017,187	10-20
Pending patents		**437,361**		367,720	-
Regulatory permitting costs		**142,302**		142,302	10-20
Trademarks		**342,097**		352,547	Indefinite
Tradename		**278,300**		278,300	6
		3,190,023		3,158,056	
Less: accumulated amortization		**(2,031,477)**		(1,892,453)	
	$	**1,158,546**	$	1,265,603	

Amortization expense of goodwill and intangible assets was $225,520 and $283,043 for the years ended March 31, 2023 and 2022, respectively. Impairment of intangible assets was $27,493 and $38,125 for the years ended March 31, 2023 and 2022, respectively.

The Company will begin amortizing $437,361 in pending patent costs upon their approval by the associated regulatory agency. Approximate future amortization expense on the remaining definite-lived intangibles is as follows:

Year ending March 31,		
2024	$	148,000
2025		130,000
2026		80,000
2027		23,000
2028		5,000
	$	386,000

6. Related Party Transactions

Related-Party Payables

Related-party payables consist of inventory purchases from the Parent or entities related through common ownership. No defined repayment terms exist on related-party payables, as they are considered normal trade liabilities of the Company for normal operational purposes and are classified as current liabilities on the accompanying consolidated balance sheets.

Related-party payables of $3,483,930 at March 31, 2023 includes trade accounts payable for inventory purchases to the Parent of $2,457,271 and amounts owed to Alimtec S.A. and Algavista Green Biotech, entities under common ownership with the Parent, of $1,024,134 and $2,525, respectively.

Related-party payables of $4,110,622 at March 31, 2022 include trade accounts payable for inventory purchases to the Parent of $1,749,635 and amounts owed to Alimtec S.A., an entity under common ownership with the Parent, of $2,348,412.

Other Related-Party Transactions

For the year ended March 31, 2023, the Company purchased product from the Parent, Alimtec S.A., and Algavista of approximately $3,790,000, $419,000 and $14,000, respectively. Approximately 22%, 2%, and less than 1% respectively, of the Company's purchases for the year ended March 31, 2023 were from the Parent, Alimtec S.A., and Algavista.

For the year ended March 31, 2022, the Company purchased product from the Parent and Alimtec S.A. of approximately $5,350,000 and $2,738,000, respectively. Approximately 25% and 13%, respectively, of the Company's purchases for the year ended March 31, 2022 were from the Parent and Alimtec S.A.

7. Lines of Credit

In August 2019, the Company obtained a revolving line of credit with a bank for maximum borrowings of $10,000,000. In November 2021, the line of credit was renewed and matured in August 2023 prior to being terminated by the Company during the year ended March 31, 2023. The line bears interest at the bank's prime rate less 1.18%. The loan was secured by substantially all the assets of the

Company and three standby letters of credit totaling $10,000,000 issued by State Bank of India for $6,000,000, $2,000,000, and $2,000,000, all of which matured on September 15, 2021. Amounts outstanding under the line of credit cannot exceed the aggregate value of the letters of credit. At March 31, 2022, the Company had $9,300,000, outstanding on the line of credit. As of March 31, 2023, the outstanding balance on the revolving line of credit has been fully repaid by the new revolving line of credit.

In August 2020, LaBelle obtained a revolving line of credit with a bank for maximum borrowings of $3,500,000. In November 2021, the line of credit was increased to $5,500,000 and matures in August 2022. The line bears interest at the Secured Overnight Financing Rate (SOFR) plus 2.750%. The loan is secured by substantially all the assets of the Company. The Company paid the entire outstanding balance in April 2022 and there was no outstanding balance under this line of credit as of March 31, 2023.

On April 22, 2022, the Company entered into a revolving line of credit with a new lender for maximum borrowings of $15,500,000. The new line matures in July 2023 and is secured by a standby letter of credit totaling $15,500,000. The line of credit does not require compliance with any financial covenants and it replaced the previous line of credit. The line bears interest at the bank's rate (SOFR) plus 0.80% per annum. As of March 31, 2023, the outstanding balance on the line of credit is $7,900,000 and is reflected as a current liability. Subsequent to March 31, 2023, the line of credit has been renewed and now matures on July 31, 2024, and bears interest at the bank's rate (SOFR) plus 1.50% per annum.

8. Concentrations and Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents placed with federally insured financial institutions. Such accounts may at times exceed federally insured limits. Management believes the associated risk is minimized by placing such assets with quality financial institutions. The Company has not experienced any losses on such accounts.

The Company had three customers that accounted for approximately 19%, 18%, and 10% of total revenues for the year ended March 31, 2023. The Company had one customer that accounted for approximately 15% of total revenues for the year ended March 31, 2022. The Company had two customers that accounted for 32% and 9% of accounts receivable at March 31, 2023. The Company had three customers that accounted for 22%, 22%, and 10% of accounts receivable at March 31, 2022.

The Company purchases inventory in excess of 10% of total purchases from the parent, EID Parry, as discussed in Note 6.

9. License Agreements

The Company had certain royalty commitments associated with the licensing of certain products. Royalty expense is generally based on a percentage of the underlying revenue. Royalty expense was approximately $0 and $40,000 for the years ended March 31, 2023 and 2022, respectively, and is included in royalties expense (income) on the consolidated statements of operations.

10. Retirement Plans

Effective March 1, 2004, the Company adopted the U.S. Nutraceuticals Savings Plan (Plan). This Plan is a defined contribution plan, which includes a salary reduction feature. Employees are eligible to participate in the Plan based upon specific eligibility conditions set forth in the Plan document. The Company contributed matching funds equal to 100% of salary reduction contributions up to 3% of compensation, and 50% of salary reduction contributions for amounts greater than 3% of compensation for the employees electing to participate in the salary reduction program, up to a maximum of 5% of an employee's compensation. Matching contributions vest 100% immediately. For the years ended March 31, 2023 and 2022, the Company made approximately $87,000 and $90,000, respectively, in employer matching contributions, which are included in employee benefits on the accompanying consolidated statements of operations.

11. Commitments and Contingencies

The Company from time to time is involved in various legal actions arising in the normal course of business. Management, after reviewing with legal counsel all of these actions and proceedings, believes that the aggregate losses, if any, will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

12. Income Taxes

Income tax expense consists of the following:

Year ended March 31,	**2023**	2022
Current		
Federal	**$ -**	$ -
State	**-**	-
	-	-
Deferred		
Federal	**-**	(810,931)
State	**-**	(152,532)
	-	(963,463)
Total Income Tax Expense	**$ -**	$ (963,463)

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred tax assets are recorded to reflect deductible temporary differences and operating loss carryforwards, while deferred tax liabilities are recorded to reflect taxable temporary differences.

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Deferred tax asset consists of the following:

March 31,		**2023**		2022
Depreciation on property and equipment	**$**	**195,607**	$	328,287
Loss on disposal of property and equipment		**-**		(13,517)
Amortization of intangible assets		**108,056**		96,971
Accounts receivable allowance		**10,569**		10,771
Inventory reserve		**684,883**		42,497
Accrued salaries and wages		**126,405**		237,072
Accrued expenses		**97,718**		164,634
Patent pending reserve		**136,894**		139,922
Loss on LaBelle		**-**		44,793
UNICAP		**25,886**		40,697
Income from partnership		**57,329**		13,633
Excess business interest expense		**97,479**		-
Operating loss carryforward		**822,655**		432,408
Total Deferred Tax Asset		**2,363,481**		1,538,168
Valuation allowance		**(2,363,481)**		(1,538,168)
Net Deferred Tax Asset	**$**	**-**	$	-

As of March 31, 2023 and 2022, the Company had federal net operating losses (NOL) of $3,419,440 and $1,733,104, respectively. The federal NOL generated after December 31, 2017 of $3,419,440 will not expire. A full valuation allowance was established against the Company's deferred tax assets resulting in no income tax expense being recorded during the year ended March 31, 2023. The valuation allowance increased by $825,313 and $1,538,168 during the years ended March 31, 2023 and 2022, respectively.

13. Subsequent Events

The Company has evaluated events and transactions occurring subsequent to March 31, 2023 as of May 5, 2023, which is the date the consolidated financial statements were available to be issued. Subsequent events occurring after May 5, 2023 have not been evaluated by management. No material events have occurred since March 31, 2023 that require recognition or disclosure in the consolidated financial statements other than the renewal of the line of credit as described in Note 7.