

DAHLIA THERAPEUTICS LTD

LA CHAUX-DE-FONDS

- REPORT OF THE STATUTORY AUDITORS AS OF MARCH 31, 2023

YVERDON-LES-BAINS, MAY 1, 2023

Report of the statutory auditor to the General Meeting of DAHLIA THERAPEUTICS LTD, La Chaux-de-Fonds

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DAHLIA THERAPEUTICS LTD, which comprise the statement of financial position as at 31 March 2023, statement of profit or loss and other comprehensive income, notes, statement of changes in equity and statement of cash flows, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other observations

We draw attention to the fact that DAHLIA THERAPEUTICS LTD is over-indebted as per article 725b CO. Due to the fact that company's shareholder subordinated a loan amounting to USD 100'000.00, the board of Directors has refrained from notifying the court.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

GF Audit SA, succursale d'Yverdon-les-Bains

Vincent Lebet

1 mai 2023

Qualified Electronic Signature by  SwissID

Licensed audit Expert
N°103'661
(Auditor in charge)

JEREMIE PASCHE

1 mai 2023

Qualified Electronic Signature by  SwissID

Licensed auditor
N°112'679

Yverdon-les-Bains, May 1, 2023

Enclosures :

- Financial statements (statement of financial position, statement of profit or loss and other comprehensive income, notes, statement of changes in equity and statement of cash flows)

Dahlia Pharmaceuticals SA

Statement of financial position for the year ended 31 March 2023

		31.03.2023	31.03.2022
	Note	USD	USD
ASSETS			
Current assets			
Trade and other receivables	6	26'378	-321
Cash at bank	7	493'230	543'624
		<u>519'608</u>	<u>543'302</u>
Non Current assets			
Investment		-	-
Total assets		<u>519'608</u>	<u>543'302</u>
EQUITY			
Capital and reserves			
Share capital	8	99'000	99'000
Retained Earnings		-142'500	-126'094
Total equity		<u>-43'500</u>	<u>-27'094</u>
LIABILITIES			
Current liabilities			
Trade and other payables	9	563'108	570'396
		<u>563'108</u>	<u>570'396</u>
Total equity and liabilities		<u>519'608</u>	<u>543'302</u>

Dahlia Pharmaceuticals SA

Statement of profit or loss and other comprehensive income as at 31 March 2023

	Note	31.03.2023 USD	31.03.2022 USD
Revenue	4	-	-
General & Administrative expenses	4.1	16'406	17'951
Profit / (loss) before tax		-16'406	-17'951
Income tax expense	5	-	-
Profit / (loss) for the year		-16'406	-17'951

Dahlia Pharmaceuticals SA

Schedule to the financial statements for the year ended 31 March
2023

4. Revenue	31.03.2023	31.03.2022
	USD	USD
Miscellaneous Income	-	-
	-	-

4.1 General & Administrative expenses	31.03.2023	31.03.2022
	USD	USD
Bank Charges	2'313	1'819
Rates And Taxes	203	713
Accounting Services	11'253	12'080
Exchange Loss - Vendors	349	-
Auditors Remuneration	2'288	3'340
Total	16'406	17'951

Dahlia Pharmaceuticals SA

Schedule to the financial statements for the year ended 31 March 2023

5. Tax Charge	31.03.2023	31.03.2022
	USD	USD
Income Tax Expense	-	-

6. Trade and other receivables	31.03.2023	31.03.2022
	USD	USD
Amounts owed by ultimate parent company		
Amounts owed by Branch, Subsidiary and Associates	26'787	-
Prepayments		
Indirect taxation	-409	-321
	26'378	-321

Note: The amounts due by the ultimate parent company and by the shareholder are unsecured, interest free and repayable on demand.

7. Cash at bank	31.03.2023	31.03.2022
	USD	USD
Cash at bank	493'230	543'624

8. Share capital	31.03.2023	31.03.2022
	USD	USD
Authorised share capital		
100,000 Ordinary shares of CHF 1 each	99'000	99'000
Issued and fully paid-up share capital		
100,000 Ordinary shares of CHF 1 each	99'000	99'000

9. Trade and other payables	31.03.2023	31.03.2022
	USD	USD
Accruals	5'000	3'246
Amount due to parent company	557'150	567'150
Other payables	958	-
	563'108	570'396

Dahlia Pharmaceuticals SA
Statement of changes in equity
for the year ended 31 March 2023

	Share Capital	Accumulated Losses	Total
	USD	USD	USD
At 1 April 2021	99'000	-108'143	-9'143
Result for the year	-	-17'951	-17'951
Other comprehensive income	-	-	-
Total Comprehensive expense	-	-	-
As at 31 March 2022	99'000	-126'094	-27'094
At 1 April 2022	99'000	-126'094	-27'094
Result for the year	-	-16'406	-16'406
Other comprehensive income	-	-	-
Total Comprehensive income	-	-	-
As at 31 March 2023	99'000	-142'500	-43'500

Dahlia Pharmaceuticals SA

Statement of cash flows

for the year ended 31 March 2023

		31.03.2023	31.03.2022
	Note	USD	USD
Cash flows from operating activities			
Profit / loss before tax	4	-16'406	-17'951
Working capital changes:			
Change in trade and other receivables		-26'699	204
Change in trade and other payables		-7'288	555'895
Net cash generated from operating activities		-50'394	538'148
Net movement in cash and cash equivalents		-50'394	538'148
Cash and cash equivalents at beginning of year		543'624	5'476
Cash and cash equivalent at end of year	7	493'230	543'624

Notes to the financial statements as at 31 March 2023

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial information are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

1.1 Use of estimates and judgements

Accounting policies

Accounting convention and basis of preparation

These financial statements are presented using the USD, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the entity. They are prepared under the historical cost convention as modified by the fair valuation convention where required by Swiss laws. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entity, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with Swiss laws requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies

1.2 Basis of measurement

Assets and liabilities are measured at historical cost.

1.3 Functional and presentation currency

These financial statements are presented in USD, which is the Company's functional currency.

1.4 The accompanying financial statements comprise the following periods:

- Statements of financial position as of March 31, 2023.
- Statements of comprehensive income by function for the periods between April 1, 2022 and March 31, 2023.
- Statements of changes in equity for the periods between April 1, 2022 and March 31, 2023.
- Statements of cash flows for the periods between April 1, 2022 and March 31, 2023.

Dahlia Pharmaceuticals SA

2 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2.1 Revenue recognition

Revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control- at a point in time or over time - requires judgement. The Company recognizes revenue from sale of goods based on a five step model:

Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

2.2 Accounts receivables

Receivables are stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts.

The management undertakes a periodic review of the amount recoverable from Accounts & other receivables and determines recoverability based on various factors such as ageing of receivables, payment history, collateral available & other knowledge about the receivables.

2.3 Trade payables

Payables are stated at nominal amounts payable for goods or services rendered.

2.4 Provisions

Provisions are recognized when the company has a present obligation as a result of past event & it is probable that the outflow of resources will be required to settle the obligation.

2.5 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term investments that are held to meet short-term cash commitments rather than for investment or other purposes.

3. Financial risk management

Financial risk factors

The Company has exposure to the following risks arising from financial instruments and are the most significant risks to which the entity is exposed to:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The entity's risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position.

The company continuously monitors defaults of customers and other counterparts and incorporates this information into credit risk controls. The company's policy is to deal only with creditworthy counterparties.

None of the company's financial assets is secured by collateral or other credit enhancements. The credit risk for liquid funds is considered to be negligible, since the counterparties are reputable institutions with high quality external credit ratings.

Liquidity risk

The entity's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the entity's obligations when they become due.