Parry America, Inc.

Financial Statements
Years Ended March 31, 2019 and 2018

Parry America, Inc.

Financial Statements
Years Ended March 31, 2019 and 2018

Parry America, Inc.

Contents

Tel: 407-841-6930
Fax: 407-841-6347
www.bdo.com

201 South Orange Ave., Suite 800
Orlando, FL 32801

Independent Auditor's Report

To Management
Parry America, Inc.
Arlington, Texas

We have audited the accompanying financial statements of Parry America, Inc., which comprise the balance sheets as of March 31, 2019 and 2018, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parry America, Inc. as of March 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Certified Public Accountants
April 15, 2019

Financial Statements

Parry America, Inc.

Balance Sheets

March 31,	**2019**	2018
Assets		
Current:		
Cash	**$ 2,625,417**	$ 709,124
Accounts receivable – trade	**1,824,567**	3,796,969
Accounts receivable – related party	**41,604**	—
Inventories	**1,265,945**	2,041,207
Prepaid expenses	**101,456**	99,552
Income taxes receivable	**58,363**	84,976
Total current assets	**5,917,352**	6,731,828
Property and equipment:		
Office equipment	**19,001**	11,586
Vehicle	**78,700**	78,700
	97,701	90,286
Less: accumulated depreciation	**(59,006)**	(54,162)
Total property and equipment, net	**38,695**	36,124
Deferred tax asset	**17,711**	—
	$ 5,973,758	$ 6,767,952
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	**$ 8,053**	$ 54,644
Accounts payable – related party	**2,430,000**	3,443,660
Accrued expenses	**154,586**	369,072
Total current liabilities	**2,592,639**	3,867,376
Commitments (Note 5)		
Stockholder's equity:		
Common stock, $100 par value, 1,500 shares authorized, 776.48 shares issued and outstanding	**77,648**	77,648
Retained earnings	**3,303,471**	2,822,928
Total stockholder's equity	**3,381,119**	2,900,576
	$ 5,973,758	$ 6,767,952

See accompanying notes to financial statements.

Parry America, Inc.

Statements of Income and Retained Earnings

Year Ended March 31,	**2019**	2018
Sales	**$ 9,537,520**	$ 10,037,021
Cost of sales	**8,165,490**	8,486,272
Gross profit	**1,372,030**	1,550,749
Selling, general and administrative expenses:		
Marketing and advertising	**81,706**	123,079
Salaries and wages	**391,108**	279,905
Insurance	**60,283**	62,582
Professional fees	**52,269**	84,643
Travel	**97,401**	107,615
Licenses and permits	**5,093**	44,704
Rent	**22,223**	13,885
Payroll taxes and fees	**33,862**	23,738
Research and development	**22,881**	4,050
Dues and subscriptions	**14,387**	11,054
Depreciation	**10,202**	5,925
Auto	**5,514**	8,712
Communications	**7,874**	5,892
Office	**—**	21,615
Bank service charges	**1,321**	4,153
Postage	**3,951**	2,675
Meals and entertainment	**2,177**	2,238
Total selling, general and administrative expenses	**812,252**	806,465
Operating income	**559,778**	744,284
Other income (expense):		
Interest expense	**(3,490)**	(2,500)
Interest income	**34**	26,222
Other income, net	**(511)**	(105)
Total other income (expense), net	**(3,967)**	23,617
Income before income taxes	**555,811**	767,901
Income tax expense	**(75,268)**	(250,116)
Net income	**480,543**	517,785
Retained earnings, beginning of the year	**2,822,928**	2,305,143
Retained earnings, end of the year	**$ 3,303,471**	$ 2,822,928

See accompanying notes to financial statements.

Parry America, Inc.

Statements of Cash Flows

Year Ended March 31,	**2019**	2018
Cash flows from operating activities:		
Net income	**$ 480,543**	$ 517,785
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	**10,202**	5,925
Deferred tax benefit	**(17,711)**	—
Changes in operating assets and liabilities:		
Accounts receivable - trade	**1,972,402**	(1,461,977)
Inventories	**775,262**	(133,115)
Prepaid expenses	**(1,904)**	(64,928)
Income taxes receivable	**26,613**	—
Accounts payable	**(46,591)**	49,516
Accounts payable – related party	**(963,010)**	730,424
Accrued expenses	**(265,136)**	146,977
Income taxes payable	**—**	(271,749)
Net cash provided by (used for) operating activities	**1,970,670**	(481,142)
Cash flows from investing activities:		
Purchases of property and equipment	**(12,773)**	(37,923)
Cash flows from financing activities:		
Accounts receivable- related party	**(41,604)**	—
Collections on notes receivable – related party	**—**	562,825
Borrowings on line of credit	**75,000**	—
Repayment on line of credit	**(75,000)**	—
Net cash (used for) provided by financing activities	**(41,604)**	562,825
Net increase in cash	**1,916,293**	43,760
Cash, beginning of year	**709,124**	665,364
Cash, end of year	**$ 2,625,417**	$ 709,124
Supplemental disclosure of cash flow information:		
Interest paid	**$ 3,490**	$ 2,500
Income taxes paid	**$ 57,750**	$ 521,865

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Nature of Operations

Parry America, Inc. (the “Company”) was incorporated on December 14, 2000 under the laws of the State of Delaware. Effective April 1, 2018, Coromandel International Limited, formerly a related party through common ownership by E.I.D. Parry (India), Ltd., acquired the Company. As a result, the Company is a wholly-owned subsidiary of Coromandel International Limited (the “Parent”). The Company was formed to establish and grow the Parent’s organic natural pesticide product business in the United States of America, Canada, Mexico, the Caribbean, Central and South America. The Company develops organic pest control products for agriculture, turf, and home and garden applications.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, shipment has occurred, customers take ownership and assume the risk of loss, price is fixed or determinable, and collectability is reasonably assured. There are no continuing performance obligations by the Company subsequent to shipment of the product.

Concentrations and Credit Risk

The Company’s financial instruments that are exposed to concentrations of credit risk consist of cash 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 51%, 18%, and 10% of total revenues for the year ended March 31, 2019. The Company had three customers that accounted for approximately 47%, and 12% of accounts receivable – trade at March 31, 2019.

The Company had four customers that accounted for approximately 45%, 21%, 17%, and 11% of total revenues for the year ended March 31, 2018. The Company had two customers that accounted for approximately 42% and 45% accounts receivable – trade at March 31, 2018.

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 ownership of the product. Management’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, 2019 and 2018, management determined accounts receivable were fully collectible and an allowance for doubtful accounts was not recorded.

Inventories

Inventories consist primarily of formulated and non-formulated pesticide product, Neemazal Technical, which is a raw material. Inventory is stated at the lower of cost (first-in, first-out) or market. A reserve is recorded for any inventories deemed slow moving or obsolete. The Company recorded no inventory reserve at March 31, 2019 and 2018, respectively.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the useful lives of the assets. Useful lives range from 2 to 10 years. Maintenance and repairs are charged to expense as incurred. The carrying amount and accumulated depreciation of assets sold or retired are removed from the accounts in the year of disposal and any resulting gain or loss is included in results of operations.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the 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 balance sheet. 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.

The Act “To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018” (the “Act”) was enacted December 22, 2017. The Act reduced the US federal corporate income tax rate to 21% from 35% and changed certain other provisions effective January 1, 2018. The enactment-date effects of the Act included recording the remeasurement of certain deferred tax assets and liabilities based on the rates at which they were expected to reverse in the future (which was generally 21%). The Company benefited from the reduced 21% federal income tax rate (effective for income earned after January 1, 2018), 100% bonus depreciation, and the repeal of Corporate Alternative Minimum Tax. The Company will incur additional tax due to the reduced deductibility of meals and entertainment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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).

The three levels of the fair value hierarchy are described below:

Level 1 – Valuation based on adjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.

Level 3 – Valuation 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 accounts receivable, accounts payable, accrued expenses and income taxes receivable.

The Company does not have any financial assets or liabilities measured at fair value on a recurring basis.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The new standard allows for early adoption for annual periods beginning after December 15, 2016. Management is currently evaluating the impact of its pending adoption of ASU 2014-09 on its financial statements and has not yet determined the method by which it will adopt the standard.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018 that also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Management is currently evaluating the impact of this ASU on its financial statements.

2. Related Party Transactions

Accounts Receivable – Related Party

Accounts receivable – related party of $41,604 at March 31, 2019 represents reimbursements for payments made on behalf of the Company's Parent.

Accounts Payable – Related Party

The Company purchases its products for resale from the Parent on terms generally similar to those prevailing with unrelated parties. Approximately 92% of the Company's purchases for each of the years ended March 31, 2019 and 2018, were from the Parent. At March 31, 2019 and 2018, $2,430,000 and $3,393,010, respectively, was due to the Parent related to such purchases.

In 2014, the Company entered into an arrangement to pay commission to the Parent, based on sales made in the Brazilian market. At March 31, 2019 and 2018, the Company owed the Parent $0 and $50,650, respectively.

3. Line of Credit

In September 2017, the Company obtained a revolving line of credit with a bank for maximum borrowings of $1,000,000. The line bears interest at the bank's prime rate plus .5% (6% at March 31, 2019). The line is secured by accounts receivables of the Company, is guaranteed by the Company's CEO, and matures on June 8, 2019. At March 31, 2019 and 2018, the Company had no amounts outstanding on this loan.

4. Income Taxes

Income tax expense (benefit) consists of the following:

For the Year Ended March 31,	**2019**	2018
Current:		
Federal	**$ 74,346**	$ 205,000
State	**18,633**	45,116
	92,979	250,116
Deferred:		
Federal	**(14,162)**	–
State	**(3,549)**	–
	(17,711)	–
Total income tax expense	**$ 75,268**	$ 250,116

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 carry forwards while deferred tax liabilities are recorded to reflect taxable temporary differences.

Deferred tax asset consists of the following:

March 31,	**2019**	2018
Depreciation of property and equipment	**$ 10,000**	$ –
Accrued expenses	**7,711**	–
	$ 17,711	$ –

5. Commitments

The Company rents office space under an operating lease that expires in 2023, with an option to terminate the lease without penalty in 2021. Future minimum lease payments under this lease are as follows:

Year Ending March 31,		
2020	$	19,810
2021		20,351
2022		20,893
2023		8,799
	$	69,854

Rent expense for the years ended March 31, 2019 and 2018 was approximately $22,200 and $13,900, respectively.

6. Subsequent Events

The Company has evaluated events and transactions occurring subsequent to March 31, 2019 as of April 15, 2019, which is the date the financial statements were available to be issued. Subsequent events occurring after April 15, 2019 have not been evaluated by management. No material events have occurred since March 31, 2019 that require recognition or disclosure in the financial statements.