# Parry America, Inc.

## Financial Statements
Years Ended March 31, 2022 and 2021

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# Parry America, Inc.

## Contents

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## Independent Auditor's Report

The Board of Directors
Parry America, Inc.
Arlington, Texas

### *Opinion*

We have audited the financial statements of Parry America, Inc. (the Company), which comprise the balance sheets as of March 31, 2022 and 2021, and related statements of income, stockholder's equity, and cash flows, for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, 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.

### *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 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 Financial Statements*

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

In preparing the 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 financial statements are issued or available to be issued.

***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 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 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 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 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 17, 2022

# Financial Statements

# Parry America, Inc.

## Balance Sheets

| *March 31,* | | 2022 | | 2021 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash | $ | **2,757,610** | $ | 4,793,794 |
| Accounts receivable - trade | | **3,383,585** | | 2,385,626 |
| Inventories | | **1,078,124** | | 1,198,390 |
| Prepaid expenses | | **57,026** | | 105,156 |
| Income taxes receivable | | **45,562** | | 24,877 |
| **Total Current Assets** | | **7,321,907** | | 8,507,843 |
| **Property and Equipment** | | | | |
| Office equipment | | **18,837** | | 18,837 |
| Vehicle | | **-** | | 36,200 |
| | | **18,837** | | 55,037 |
| Less: accumulated depreciation | | **(9,979)** | | (32,476) |
| **Property and Equipment, Net** | | **8,858** | | 22,561 |
| **Deferred Tax Asset** | | **30,754** | | 27,194 |
| **Total Assets** | $ | **7,361,519** | $ | 8,557,598 |
| **Liabilities and Stockholder's Equity** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable | $ | **31,377** | $ | 17,503 |
| Accounts payable to Parent | | **413,426** | | 2,922,082 |
| Accrued expenses | | **191,449** | | 134,314 |
| Paycheck Protection Program loan | | **-** | | 54,875 |
| **Total Current Liabilities** | | **636,252** | | 3,128,774 |
| **Commitments and Contingencies** (Note 4) | | | | |
| **Stockholder's Equity** | | | | |
| Common stock, $100 par value, 1,500 shares authorized, 776.48 shares issued and outstanding | | **77,648** | | 77,648 |
| Retained earnings | | **6,647,619** | | 5,351,176 |
| **Total Stockholder's Equity** | | **6,725,267** | | 5,428,824 |
| **Total Liabilities and Stockholder's Equity** | $ | **7,361,519** | $ | 8,557,598 |

*See accompanying notes to financial statements.*

# Parry America, Inc.

## Statements of Income

| *Year ended March 31,* | 2022 | 2021 |
|---|---|---|
| **Sales** | **$ 13,144,090** | $ 13,160,216 |
| **Cost of Sales** | **10,981,682** | 10,455,918 |
| **Gross Profit** | **2,162,408** | 2,704,298 |
| **Selling, General, and Administrative Expenses** | | |
| Marketing and advertising | **55,700** | 57,214 |
| Salaries and wages | **267,413** | 284,090 |
| Insurance | **59,477** | 44,320 |
| Professional fees | **92,098** | 122,416 |
| Travel | **5,060** | 66 |
| Licenses and permits | **29,741** | 43,445 |
| Rent | **21,714** | 22,459 |
| Payroll taxes and fees | **21,339** | 17,843 |
| Research and development | **2,230** | 68,498 |
| Dues and subscriptions | **9,330** | 9,705 |
| Depreciation | **5,425** | 6,898 |
| Auto | **247** | 1,097 |
| Communications | **5,149** | 5,577 |
| Office | **2,424** | 5,295 |
| Bank service charges | **541** | 243 |
| Postage | **12,098** | 9,499 |
| Meals and entertainment | **252** | 42 |
| Property taxes | **218** | 186 |
| **Total Selling, General, and Administrative Expenses** | **590,456** | 698,893 |
| **Operating Income** | **1,571,952** | 2,005,405 |
| **Other Income (Expense)** | | |
| Interest expense | **(49)** | (52) |
| Other income, net | **26,022** | - |
| Loan forgiveness- Paycheck Protection Program | **54,875** | - |
| **Total Other Income (Expense)** | **80,848** | (52) |
| **Income Before Income Tax Expense** | **1,652,800** | 2,005,353 |
| **Income Tax Expense** | **(356,357)** | (427,957) |
| **Net Income** | **1,296,443** | 1,577,396 |

*See accompanying notes to financial statements.*

# Parry America, Inc.

## Statements of Stockholders' Equity

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Shares | | Amount | | Retained Earnings | | Total Stockholder's Equity |
| **Balance,** March 31, 2020 | 776.48 | $ | 77,648 | $ | 3,773,780 | $ | 3,851,428 |
| Net income | - | | - | | 1,577,396 | | 1,577,396 |
| **Balance,** March 31, 2021 | 776.48 | | 77,648 | | 5,351,176 | | 5,428,824 |
| Net income | | | | | 1,296,443 | | 1,296,443 |
| **Balance,** March 31, 2022 | 776.48 | $ | 77,648 | $ | 6,647,619 | $ | 6,725,267 |

*See accompanying notes to financial statements.*

# Parry America, Inc.

## Statements of Cash Flows

| *Year ended March 31,* | | **2022** | | 2021 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| Net income | $ | **1,296,443** | $ | 1,577,396 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation | | **5,425** | | 6,898 |
| Deferred tax benefit | | **(3,560)** | | (12,511) |
| Gain on sale of vehicle | | **(26,022)** | | - |
| Loan forgiveness- Paycheck Protection Program | | **(54,875)** | | - |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable – trade | | **(997,959)** | | (312,739) |
| Inventories | | **120,266** | | (361,936) |
| Prepaid expenses | | **48,130** | | (53,368) |
| Income taxes receivable | | **(20,685)** | | (15,662) |
| Accounts payable | | **13,874** | | 6,188 |
| Accrued expenses | | **57,135** | | 20,176 |
| **Net Cash Provided by Operating Activities** | | **438,172** | | 854,442 |
| **Cash Flows from Investing Activities** | | | | |
| Purchases of property and equipment | | **-** | | (684) |
| Proceeds from sale of vehicle | | **34,300** | | |
| **Net Cash Provided by (Used in) Investing Activities** | | **34,300** | | (684) |
| **Cash Flows from Financing Activities** | | | | |
| Advances from (payments to) Parent | | **(2,508,656)** | | 1,941,511 |
| Proceeds from Paycheck Protection Program loan | | **54,875** | | 54,875 |
| **Net Cash Provided by (Used In) Financing Activities** | | **(2,508,656)** | | 1,996,386 |
| **Net Increase (Decrease) in Cash** | | **(2,036,184)** | | 2,850,144 |
| **Cash,** beginning of year | | **4,793,794** | | 1,943,650 |
| **Cash,** end of year | $ | **2,757,610** | $ | 4,793,794 |
| **Supplemental Disclosure of Cash Flow Information** | | | | |
| Income taxes paid | $ | **434,000** | $ | 428,400 |
| Forgiveness of Paycheck Protection Program loan | | **54,875** | | - |

*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. 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, Australia, Canada, Mexico, the Caribbean, and Central and South America. The Company develops organic pest control products for agriculture, turf, and home and garden applications.

### *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 63%, 12%, and 10% of total revenues for the year ended March 31, 2022, respectively, and two customers that accounted for approximately 70% and 21%of accounts receivable – trade at March 31, 2022.

The Company had four customers that accounted for approximately 43%, 26%, 15%, and 11% of total revenues for the year ended March 31, 2021, respectively, and three customers that accounted for approximately 40%, 28% and 15% of accounts receivable – trade at March 31, 2021.

### *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. 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, 2022 and 2021, management determined accounts receivable were fully collectible and an allowance for doubtful accounts was not recorded.

### *Inventories*

Inventories consist of raw material, work in process, and finished goods. The raw material, Neemazal Technical, is a formulated and non-formulated pesticide product. Inventories are stated at the lower of cost (based on the weighted-average method) or net realizable value. A reserve is recorded for any inventories deemed slow moving or obsolete. The Company analyzed the need for an inventory reserve, and concluded no inventory reserve was necessary at March 31, 2022 and 2021, respectively. Inventories consist of the following:

| *March 31,* | | **2022** | | 2021 |
|---|---|---|---|---|
| Raw materials | **$** | **708,801** | $ | 827,840 |
| Work in process | | **186,987** | | 114,533 |
| Finished goods | | **182,336** | | 256,017 |
| | **$** | **1,078,124** | $ | 1,198,390 |

### *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 two to ten 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.

### *Paycheck Protection Program (PPP) Loan and Forgiveness*

The Company accounted for its PPP loan in accordance with Accounting Standards Codification (ASC) 470, *Debt*. Under this model, the liability is derecognized upon repayment to the creditor or upon legal release under ASC 405-20, *Extinguishments of Liabilities*. Legal release occurs upon confirmation of forgiveness from the Small Business Administration, at which time the liability will be released and recorded as income.

### *Revenue Recognition*

The Company recognizes revenue from product sales at a point in time when control of the promised goods is transferred to the customer in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. All of the Company's shipments are drop shipment sales in which the Company will have goods shipped directly to the customer from the Company's third-party vendor/supplier or manufacturer. Control of the goods is transferred either upon shipment from the third-party warehouse or upon receipt by the customer depending on the shipping terms of the contract.

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

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 the customer has assumed the risks and rewards of ownership.

### *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 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 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.

On March 27, 2020 the Coronavirus Aid, Relief and Economics Security Act (CARES Act) was enacted. The CARES Act was enacted to address the economic fallout of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) on the economy. The CARES Act included benefits to corporate taxpayers including, but not limited to, allowing net operating losses to be carried back, increasing the 163(j) deductible interest limitation, and accelerating the refund of alternative minimum tax credits. Management has evaluated the effect and determined the corporate tax relief from the CARES Act did not have a significant impact to the Company’s financial statements.

### *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* – 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 accounts receivable, income taxes receivable, accounts payable, accrued expenses, and the PPP loan.

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

***Accounting Pronouncements Issued but Not Yet Adopted***

*Leases*

In February 2016, the Financial Accounting Standards Board (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. 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, *Leases*, was issued in June 2018, which 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. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities* that allows entities to elect to postpone adoption until fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of Topic 842 on its financial statements.

*Financial Instruments – 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 financial statements.

## 2. Paycheck Protection Program Loan

On March 27, 2020, President Trump signed the CARES Act into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the Small Business Administration PPP loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

The Company applied for, and received, funds under the PPP in the amount of $54,875 on May 5, 2020. On April 2, 2021, the Company was notified by the lender that the entire unpaid principal balance of $54,875 was forgiven, which is reflected as loan forgiveness revenue on the accompanying statement of income and retained earnings.

## 3. Related-Party Transactions

***Accounts Payable – Parent***

The Company purchases its products for resale from its Parent on terms generally similar to those prevailing with third parties. Approximately 94% of the Company's purchases for each of the years ended March 31, 2022 and 2021 were from the Parent. At March 31, 2022 and 2021, $413,426 and $2,922,082, respectively, was due to the Parent related to such purchases.

## 4. Income Taxes

Income tax expense (benefit) consists of the following:

| *Year ended March 31,* | **2022** | 2021 |
|---|---|---|
| Current: | | |
| Federal | **$ 287,790** | $ 352,198 |
| State | **72,127** | 88,270 |
| | **359,917** | 440,468 |
| Deferred: | | |
| Federal | **(2,847)** | (10,004) |
| State | **(713)** | (2,507) |
| | **(3,560)** | (12,511) |
| **Total Income Tax Expense** | **$ 356,357** | $ 427,957 |

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.

Net deferred tax assets and liabilities consists of the following:

| *March 31,* | | **2022** | | 2021 |
|---|---|---|---|---|
| Depreciation of property and equipment | $ | **4,283** | $ | 3,403 |
| Accrued expenses | | **32,964** | | 23,791 |
| **Total Deferred Tax Assets** | | **37,246** | | 27,194 |
| **Deferred Tax Liability** | | | | |
| **Gain on Disposal** | | **(6,492)** | | - |
| **Total Deferred Tax Liability** | | **(6,492)** | | - |
| **Net Deferred Tax Asset** | **$** | **30,754** | $ | 27,194 |

## 5. Commitments and Contingencies

***Leases***

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,* | | |
|---|---|---|
| 2023 | $ | 8,799 |

Rent expense for the years ended March 31, 2022 and 2021 was approximately $22,000 in both years ended March 31, 2022 and 2021, respectively.

***Litigation***

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition, cash flows or results of operations of the Company.

## 5. Subsequent Events

The Company has evaluated events and transactions occurring subsequent to March 31, 2022 as of May 17, 2022, which is the date the financial statements were available to be issued. Subsequent events occurring after May 17, 2022 have not been evaluated by management. No material events have occurred since March 31, 2021 that require recognition or disclosure in the financial statements.