**Parry America, Inc.**

**Financial Statements**

**And**

**Independent Auditors' Report**

**For the Years Ended March 31, 2023 and 2022**

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Independent Auditors' Report

The Board of Directors and Stockholder's
Parry America, Inc.
Arlington, Texas

We have audited the financial statements of Parry America., Inc. (the Company), which comprise the balance sheet as of March 31, 2023, and the related statements of operations, stockholder's equity, and cash flows for the year 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Other Matter***

The financial statements of Parry America, Inc. for the year ended March 31, 2022, were audited by other auditors, whose report dated May 17, 2022 expressed an unmodified opinion on those financial statements.

***Responsibility of Management 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.

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 for one year after the date that the financial statements are issued.

***Auditors' Responsibility 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 auditors' 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.

Turner, Stone & Company, LLP

Certified Public Accountants
Dallas, Texas
May 23, 2023

**PARRY AMERICA, INC.**
**BALANCE SHEETS**
**MARCH 31, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 7,128,423 | $ 2,757,610 |
| Accounts receivable, trade | 1,303,259 | 3,383,585 |
| Inventory | 486,901 | 1,078,124 |
| Prepaid expenses and other assets | 77,237 | 57,026 |
| Income taxes receivable | - | 45,562 |
| Total current assets | 8,995,820 | 7,321,907 |
| Property and equipment, net of accumulated depreciation of $15,399 and $9,979, respectively | 3,438 | 8,858 |
| Operating lease right-of-use assets, net of accumulated amortization of $11,164 and $0, respectively | 56,719 | - |
| Deferred tax asset | - | 30,754 |
| Total assets | $ 9,055,977 | $ 7,361,519 |
| **Liabilities and Stockholder's Equity** | | |
| Current liabilities: | | |
| Accounts payable, trade | $ 61,600 | $ 31,377 |
| Accounts payable to parent | 1,156,425 | 413,426 |
| Accrued expenses and other liabilities | 64,191 | 191,449 |
| Income taxes payable | 65,402 | - |
| Lease liability, current portion | 21,992 | - |
| Total current liabilities | 1,369,610 | 636,252 |
| Long-term liabilities: | | |
| Lease liability, long-term | 33,398 | - |
| Total liabilities | 1,403,008 | 636,252 |
| Commitments and contingencies (Note 3) | | |
| Stockholder's equity: | | |
| Common stock, $100 par value, 1,500 shares authorized, 776.48 shares issues and outstanding, respectively | 77,648 | 77,648 |
| Retained earnings | 7,575,321 | 6,647,619 |
| Total stockholder's equity | 7,652,969 | 6,725,267 |
| | $ 9,055,977 | $ 7,361,519 |

The accompanying notes are an integral part of these financial statements.

**PARRY AMERICA, INC.**
**STATEMENTS OF OPERATIONS**
**FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| Sales, net | $ 9,836,106 | $ 13,144,090 |
| Cost of goods sold | 8,204,592 | 10,981,682 |
| Gross profit | 1,631,514 | 2,162,408 |
| Selling, general, and administrative expenses | | |
| Marketing and advertising | 58,027 | 55,700 |
| Salaries and wages | 78,268 | 267,413 |
| Insurance | 31,431 | 59,477 |
| Professional fees | 116,410 | 92,098 |
| Travel | 5,468 | 5,060 |
| Licenses and permits | 41,628 | 29,741 |
| Rent and lease expense | 41,956 | 21,714 |
| Payroll taxes and fees | 7,605 | 21,339 |
| General and administrative | 42,068 | 37,963 |
| | 422,861 | 590,505 |
| Income from operations | 1,208,653 | 1,571,903 |
| Other income (expense): | | |
| Other income, net | - | 26,022 |
| Forgiveness of Paycheck Protection Program loan | - | 54,875 |
| | - | 80,897 |
| Income before federal and state income tax | 1,208,653 | 1,652,800 |
| Federal and state income tax provision | 280,951 | 356,357 |
| Net income | $ 927,702 | $ 1,296,443 |

The accompanying notes are an integral part of these financial statements.

# PARRY AMERICA, INC.
## STATEMENTS OF STOCKHOLDER'S EQUITY
## FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

| | Common Stock | | Retained | |
|---|---|---|---|---|
| | Shares | Amount | Earnings | Total |
| Balance at March 31, 2021 | 776.48 | $ 77,648 | $ 5,351,176 | $ 5,428,824 |
| Net income | - | - | 1,296,443 | 1,296,443 |
| Balance at March 31, 2022 | 776.48 | 77,648 | 6,647,619 | 6,725,267 |
| Net income | - | - | 927,702 | 927,702 |
| Balance at March 31, 2023 | 776.48 | $ 77,648 | $ 7,575,321 | $ 7,652,969 |

The accompanying notes are an integral part of these financial statements.

**PARRY AMERICA, INC.**
**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| Net income | $ 927,702 | $ 1,296,443 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 5,420 | 5,425 |
| Lease liability | (1,329) | - |
| Deferred tax benefit | - | (3,560) |
| Gain on sale of vehicle | - | (26,022) |
| Loan forgiveness- Paycheck Protection Program | - | (54,875) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 2,080,326 | (997,959) |
| Inventory | 591,223 | 120,266 |
| Prepaid expenses | (20,211) | 48,130 |
| Income taxes receivable | 45,562 | (20,685) |
| Deferred tax assets | 30,754 | - |
| Accounts payable, trade | 30,223 | 13,874 |
| Accounts payable to parent | 742,999 | - |
| Accrued expenses and other liabilities | (127,258) | 57,135 |
| Income taxes payable | 65,402 | - |
| Net cash provided by operating activities | 4,370,813 | 438,172 |
| Cash flows from investing activities: | | |
| Proceeds from sale of property and equipment | - | 34,300 |
| Net cash provided by investing activities | - | 34,300 |
| Cash flows from financing activities: | | |
| Advances from (repayments to) parent | - | (2,508,656) |
| Proceeds from Paycheck Protection Program loan | - | 54,875 |
| Net cash used in financing activities | - | (2,508,656) |
| Net increase (decrease) in cash | 4,370,813 | (2,036,184) |
| Cash at beginning of year | 2,757,610 | 4,793,794 |
| Cash at end of year | $ 7,128,423 | $ 2,757,610 |

The accompanying notes are an integral part of these financial statements.

**PARRY AMERICA, INC.**
**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 59%, 18%, and 11% of total revenues for the year ended March 31, 2023, respectively, and three customers that accounted for approximately 60%, 30% and 10% of accounts receivable, trade at March 31, 2023.

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.

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, 2023 and 2022, management determined accounts receivable were fully collectible and an allowance for doubtful accounts was not recorded.

Cash and cash flows

For purposes of the statements of cash flows, cash includes demand deposits, time deposits, certificates of deposit and short-term liquid investments with original maturities of three months or less when purchased. The Company maintains deposits in a financial institution. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage of up to $250,000, per depositor, per institution. At March 31, 2023, approximately $6,878,425 of the Company's cash was in excess of federally insured limits.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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, 2023 and 2022, respectively. Inventories consist of the following:

| March 31, | 2023 | 2022 |
|---|---|---|
| Raw materials | $ 290,628 | $ 708,801 |
| Work in progress | 126,985 | 186,987 |
| Finished goods | 69,288 | 182,336 |
| | $ 486,901 | $ 1,078,124 |

### 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, which was received during the year ended March 31, 2022, at which time the liability was legally released and recorded as income in the accompanying statements of operations.

### 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 (Note 5).

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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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. At March 31, 2023, the temporary differences giving rise to deferred tax assets and liabilities were not material.

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.

### 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

### Leases

ASC 842, *Leases*, requires recognition of leases on the balance sheet as right-of-use ("ROU") assets and lease liabilities. ROU assets represent the Company's right to use underlying assets for the lease terms and lease liabilities represent the Company's obligation to make lease payments arising from the leases. Operating lease ROU assets and operating lease liabilities are recognized based on the present value and future minimum lease payments over the lease term at commencement date. As the Company's leases do not provide an implicit rate, the Company used its estimated incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The lease agreements contain options to renew and options to terminate the leases early. The lease term used to calculate ROU assets and lease liabilities only includes renewal and termination options that are deemed reasonably certain to be exercised.

The Company recognized lease liabilities, with corresponding ROU assets, based on the present value of unpaid lease payments for existing operating leases longer than twelve months. The ROU assets were adjusted per ASC 842 transition guidance for existing lease-related balances of accrued and prepaid rent, and unamortized lease incentives provided by lessors. Operating lease cost is recognized as a single lease cost on a straight-line basis over the lease term and is recorded in a separate line item on the statement of operations. Variable lease payments for common area maintenance, property taxes and other operating expenses are recognized as expense in the periods incurred and when the changes in facts and circumstances on which the variable lease payments are based occur. The Company has elected to separate lease and non-lease components for all property leases for the purposes of calculating ROU assets and lease liabilities.

### Recent accounting pronouncements

During the year ended December 31, 2023 and through May 12, 2023, there were several new accounting pronouncements issued by the FASB. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's financial statements.

### Subsequent events

In preparing the financial statements, the Company has reviewed, as determined necessary by the Company's management, events that have occurred after March 31, 2023, up until the issuance of the financial statements, which occurred on May 12, 2023. No material events or transactions have occurred since March 31, 2023 that require recognition or disclosure in the financial statements.

## 2. RELATED PARTY TRANSACTIONS

The Company purchases its products for resale from its Parent on terms generally similar to those prevailing with third parties. Approximately 100% and 94% of the Company's purchases for the years ended March 31, 2023 and 2022 were from the Parent. At March 31, 2023 and 2022, $1,156,425 and $413,426, respectively, was due to the Parent related to such purchases.

## 3. COMMITMENTS AND CONTINGENCIES

Leases

The Company adopted FASB ASC No. 842, *Leases*. The standard increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial condition and disclosing key information about leasing arrangements. Accordingly, the Company extended the term of the Skymark lease an additional 36 months, that expires August 31, 2025. The Company recorded an initial right to use asset and liability of $67,883.

| Years Ended March 31, | | Amount |
|---|---|---|
| 2024 | $ | 23,601 |
| 2025 | | 24,142 |
| 2026 | | 10,153 |
| | | 57,896 |
| Imputed interest | | (2,506) |
| Present value of remaining payments | $ | 55,390 |
| Current | $ | 21,992 |
| Noncurrent | $ | 33,398 |

Litigation and legal contingencies

From time to time, the Company may be involved in litigation in the ordinary course of business. The Company is not currently involved in any litigation that management believes could have a material adverse effect on its financial condition or results of operations.

## 4. INCOME TAXES

Income tax expense (benefit) consists of the following:

| Year ended March 31, | 2023 | 2022 |
|---|---|---|
| Current: | | |
| Federal | $ 252,478 | $ 287,790 |
| State | 30,033 | 72,127 |
| Change in estimates | (32,314) | - |
| Deferred: | | |
| Federal | 30,754 | (2,847) |
| State | - | (713) |
| | $ 280,951 | $ 356,357 |

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, | 2023 | 2022 |
|---|---|---|
| Depreciation of property and equipment | $ - | $ 4,283 |
| Accrued expenses | - | 32,963 |
| Total deferred tax assets | - | 37,246 |
| Deferred tax liability | | |
| Gain on disposal | - | (6,492) |
| Total deferred tax liability | - | (6,492) |
| Net deferred tax assets | $ - | $ 30,754 |

## 5. REVENUE DISAGGREGATION

The following tables disaggregate the Company's revenues by country and product.

By country:

| March 31, | 2023 | 2022 |
|---|---|---|
| North America | $ 7,748,808 | $ 11,260,793 |
| Australia | 1,754,617 | 640,356 |
| South America | 322,076 | 1,229,237 |
| Asia | 10,605 | 13,615 |
| | $ 9,836,106 | $ 13,144,090 |

## 5. REVENUE DISAGGREGATION (continued)

By product:

| March 31, | 2023 | 2022 |
|---|---|---|
| Neemazal Technical | $ 6,255,031 | $ 7,905,832 |
| Neemazal Formulation | 3,185,400 | 3,469,806 |
| Adjuvant | 395,675 | 1,759,038 |
| Others | - | 9,415 |
| | $ 9,836,106 | $ 13,144,090 |