

Pidilite Ventures LLC

Financial Statements

March 31, 2019

KNAV P.A.

Certified Public Accountants
One Lakeside Commons, Suite 850,
990 Hammond Drive NE, Atlanta, GA 30328



America Counts on CPAs

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Independent Auditor's Report

To the Member
Pidilite Ventures LLC

We have audited the accompanying balance sheet of Pidilite Ventures LLC ("the Company") as of March 31, 2019 and the related statement of income, changes in member's equity and cash flows for the period 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 audit. We conducted our audit 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 organization's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization'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 the Company as of March 31, 2019, and the results of its operations and its cash flows for the period then ended, in accordance with the accounting principles generally accepted in the United States of America.

KNAV P.A.

Atlanta, Georgia
May 11, 2019

KNAV P.A.
Certified Public Accountants

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2019-74



FOR IDENTIFICATION

PURPOSES ONLY

Pidilite Ventures LLC
Financial Statements
March 31, 2019

Financial Statements

Pidilite Ventures LLC
Financial Statements
March 31, 2019

Balance sheet

(All amounts are stated in United States Dollars, unless otherwise stated)

	As at March 31, 2019
ASSETS	
Current assets	
Cash and cash equivalents	548,771
Total current assets	548,771
Interest receivable	14,356
Investments	500,000
Total assets	1,063,127
LIABILITIES AND MEMBER'S EQUITY	
Current liabilities	
Other liabilities	5,127
Total current liabilities	5,127
Total liabilities	5,127
Member's equity	
Member's equity	1,050,000
Accumulated surplus	8,000
Total member's equity	1,058,000
Total liabilities and member's equity	1,063,127

(The accompanying notes are an integral part of these financial statements)



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Financial Statements
March 31, 2019

Statement of income

(All amounts are stated in United States Dollars, unless otherwise stated)

	<u>For the period ended March 31, 2019</u>
Investment income	14,356
Operating costs and expenses	
General and administrative expenses	<u>4,229</u>
Net income for the period	10,127
Income tax expense	<u>2,127</u>
Net income attributable to member	<u>8,000</u>

(The accompanying notes are an integral part of these financial statements)



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March 31, 2019

Statement of member's equity

(All amounts are stated in United States Dollars unless otherwise stated)

	Member's equity	Accumulated surplus	Total member's equity
Member's contribution	1,050,000	-	1,050,000
Net income for the period	-	8,000	8,000
Balance as at March 31, 2019	1,050,000	8,000	1,058,000

(The accompanying notes are an integral part of these financial statements)



Pidilite Ventures LLC
Financial Statements
March 31, 2019

Statement of cash flows

(All amounts are stated in United States Dollars, unless otherwise stated)

For the period ended
March 31, 2019

Cash flows from operating activities

Net income 8,000

Adjustments to reconcile net income to net cash used in operating activities

Changes in assets and liabilities

Interest receivable (14,356)

Accrued expense 5,127

Net cash used in operating activities (1,229)

Cash flows from investing activities

Purchase of investment (500,000)

Net cash used in investing activities (500,000)

Cash flows from financing activities

Member's contribution 1,050,000

Net cash provided by financing activities 1,050,000

Net increase in cash and cash equivalents

548,771

Cash and cash equivalents at the beginning of the period -

Cash and cash equivalents at the end of the period 548,771

Supplementary cash flow information

Interest paid -

(The accompanying notes are an integral part of these financial statements)



Notes to Financial Statements

(All amounts are stated in United States Dollars, unless otherwise stated)

NOTE A - NATURE OF OPERATIONS

Pidilite Ventures LLC (“the Company”) is a Delaware limited liability company with Pidilite Industries Limited, an India public listed company, (“member”), as a single member. The Company was incorporated on June 04, 2018. The Company is engaged mainly in investment in early stage operating companies in the United States.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

1. *Basis of preparation*

The accompanying financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States (“US GAAP”) to reflect the financial position, results of operation and cash flows of the Company.

The financial statements presented are for the period from June 04, 2018, the date of incorporation, to March 31, 2019.

2. *Estimates and assumptions*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the fair value of investments and disclosure of contingent assets and liabilities at the date of the financial statements and the results of income and expense during the reporting period. Actual results could differ from these estimates.

3. *Cash and cash equivalents*

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. The Company believes it is not exposed to any significant risk on cash and cash equivalents.

4. *Revenue recognition*

The Company invests in private operating companies in the form of equity, debt, promissory notes or other financial instruments of similar nature. The Company is entitled to receive carried interest at various interest rates on the debt and promissory notes. Income from these carried interests are recognized only to the extent it is highly probable that a significant reversal of the cumulative amount of revenue recognized would not occur.



5. *Commitment and contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Contingent liabilities, if any, are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

6. *Income taxes*

The Company will be electing to be taxed as a C corporation before the filing of its initial tax returns. Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some portion or all of the asset will not be realized.

The Company recognizes liabilities for uncertain tax positions based on a twostep process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation process, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions within the provision for income taxes.

7. *Fair value measurements*

Assets and liabilities recorded at fair value in the balance sheet are measured and classified in accordance with a fair value hierarchy consisting of three "levels" based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

Level 1: Fair value measurements that are based on quoted prices (unadjusted) in active markets that we have the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. We do not adjust the quoted price for such instruments.

Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, we must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.



For non-quoted securities of private companies, the fair value has been estimated by the managing member considering such factors as recent financing rounds, significant changes in the company's prospects, comparable public company data and overall market conditions. Level 3 portfolio companies are valued on an annual basis and the valuation process involves review, evaluation and updating of a variety of key operating information and financial developments about the Company's portfolio companies, their industry and product market developments, and changes in capital markets, particularly as these affect equity investments generally, the securities of publicly traded peers and competitors of the portfolio companies and private financing markets for early stage life companies (collectively, the valuation data).

NOTE C - INVESTMENT

Investments comprise the following:

	<u>As at March 31, 2019</u>
<u>Private operating company</u>	
Convertible promissory note – Clare Inc.	500,000
Total investment, at fair value	<u>500,000</u>

On November 20, 2018 the Company invested \$500,000 in Seed-1 Note series convertible promissory notes (“notes”) issued by Clare Inc... The notes contain an embedded derivative in the form of an equity conversion option upon qualifying conditions.

Management has elected the option to measure the hybrid instrument at fair value in its entirety with changes in fair value recognized in earnings as given under ASC 815-15-25-4.

The Company measured its investment at fair value using Level 3 indicators considering recent financing rounds as the indicator of fair value.

NOTE D - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	<u>As at March 31, 2019</u>
Bank balance	548,771
Total	<u>548,771</u>

Cash balances on operating and checking accounts with the bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$ 250,000 per financial institution per depositor. The Company believes it is not exposed to any significant risk on cash and cash equivalents.

NOTE E - INTEREST RECEIVABLE

Other current assets comprise the following:

	<u>As at March 31, 2019</u>
Interest receivable on convertible promissory note	14,356
Total	<u>14,356</u>



NOTE F - RELATED PARTY TRANSACTION

Name of related party and nature of relationship:

<u>Name of the party</u>	<u>Nature of relationship</u>
Pidilite Industries Limited	Member

March 31, 2019

Transactions during the period

Pidilite Industries Limited

- Member's contribution 1,050,000

NOTE G - INCOME TAXES

For the period ended March 31, 2019 the Company will file federal and state tax returns as per regulations applicable to Chapter C corporations in the United States.

The components of the provision for income taxes are as follows:

	<u>As at</u>
	<u>March 31, 2019</u>
Current tax	<u>2,127</u>
Total income tax expense	<u>2,127</u>

The Company recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Company's financial position, results of operation or cash flows.

NOTE H - MEMBERS' EQUITY

Member's equity represents interest held by Pidilite Industries Limited, the sole member, in the form of net assets in the Company as per the terms of the Limited Liability Company Agreement. In accordance with the terms of the agreement, the member does not have an obligation to make additional capital contribution as at March 31, 2019.

Management

The Company shall be managed generally by a committee of persons referred to as Board of Managers, having primary responsibility for implementing the Company's strategy and business plan. The Board of Managers may exercise all the powers of the Company, including the power and authority to take any and all actions necessary, appropriate, proper, advisable, convenient or incidental to or for the furtherance of the purposes of the Company.

Allocation of profits and distribution

All profits and losses of the Company for any fiscal year or other accounting period shall be allocated to the Member. The Board of Managers shall make all distributions to the member (excluding liquidation) at such times and in such aggregate amounts as it deems appropriate.



NOTE I - FAIR VALUE MEASUREMENT

The Company's assets recorded at fair value have been categorized based on a fair value hierarchy as described in the Company's significant policies in Note B. The following table represents information about the Company's assets measured at fair value as of March 31, 2019:

	Amount (\$)	Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Convertible promissory note	500,000	-	-	500,000
Total investments	500,000	-	-	500,000

NOTE J - RISK AND UNCERTAINTIES

Management of the Company seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events, particularly to each industry in which the Company invests, and general economic and political conditions, may have a significant negative effect on the investee's operations and profitability. In addition, the Company is subject to changing regulatory and tax environments. These events are beyond the Company's control and the likelihood that they may occur cannot be predicted. Furthermore, the Company's investments are made in private operating companies whose shares do not trade on established exchanges. While it is expected that these companies may pursue initial public offerings, trade sales or other liquidation events, there are generally no public markets for these investments at the current time. The Company's ability to liquidate its private operating companies and realize value is subject to significant limitations and uncertainties.

NOTE K - SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred after March 31, 2019 up through May 11, 2019, the date the financial statements were issued. Based on this evaluation, the Company is not aware of any events or transactions that should require recognition or disclosure in the financial statements.

