

Pidilite Ventures LLC

Financial Statements

March 31, 2020 and March 31, 2019

KNAV P.A.

Certified Public Accountants
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America Counts on CPAs

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Independent Auditor's Report

To the Member
Pidilite Ventures LLC

We have audited the accompanying financial statements of Pidilite Ventures LLC which comprise the balance sheets as at March 31, 2020 and March 31, 2019 and the related statements of income, member's equity, and cash flows for the year April 01, 2019 to March 31, 2020 and period June 04, 2018 to March 31, 2019 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; 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. 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 at March 31, 2020 and March 31, 2019 and the results of its operations, member's equity and the cash flows for the year April 01, 2019 to March 31, 2020 and period June 04, 2018 to March 31, 2019, in accordance with accounting principles generally accepted in the United States.

KNAV P.A.

Atlanta, Georgia
June 08, 2020

KNAV P.A.

Certified Public Accountants

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2020-127

Financial Statements

Pidilite Ventures LLC

Financial Statements

March 31, 2020 and March 31, 2019

Balance sheets*(All amounts in United State Dollars, unless otherwise stated)*

	As at	
	March 31, 2020	March 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	540,630	548,771
Total current assets	540,630	548,771
Interest receivable	54,356	14,356
Investments	500,000	500,000
Total assets	1,094,986	1,063,127
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Other liabilities	1,500	5,127
Total current liabilities	1,500	5,127
Total liabilities	1,500	5,127
Member's equity		
Member's equity	1,050,000	1,050,000
Accumulated surplus	43,486	8,000
Total member's equity	1,093,486	1,058,000
Total liabilities and member's equity	1,094,986	1,063,127

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

Pidilite Ventures LLC

Financial Statements

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Statements of income*(All amounts in United State Dollars, unless otherwise stated)*

	For the year ended March 31, 2020	For the period ended March 31, 2019
Investment income	40,000	14,356
Operating expenses		
General and administrative expenses	6,641	4,229
Net income for the year/period	33,359	10,127
Income tax (benefit) expense	(2,127)	2,127
Net income attributable to member	35,486	8,000

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

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Statements 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
Balance as at April 1, 2019	1,050,000	8,000	1,058,000
Net income for the year	-	35,486	35,486
Balance as at March 31, 2020	1,050,000	43,486	1,093,486

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

Pidilite Ventures LLC

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Statements of cash flows*(All amounts in United State Dollars, unless otherwise stated)***Cash flows from operating activities**

	For the year ended March 31, 2020	For the period ended March 31, 2019
Net income	35,486	8,000

**Adjustments to reconcile net income to net cash used
in operating activities****Changes in operating assets and liabilities**

Interest receivable	(40,000)	(14,356)
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Accrued expense	(3,627)	5,127
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Net cash used in operating activities	(8,141)	(1,229)
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Cash flows from investing activities

Purchase of investment	-	(500,000)
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Net cash used in investing activities	-	(500,000)
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Cash flows from financing activities

Member's contributions	-	1,050,000
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Net cash provided by financing activities	-	1,050,000
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Net (decrease) increase in cash and cash equivalents	(8,141)	548,771
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Cash and cash equivalents at beginning of year	548,771	-
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Cash and cash equivalents at end of the year	540,630	548,771
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(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 its 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 are for the period from June 4, 2018 to March 31, 2019 and for the year April 1, 2019 to March 31, 2020.

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.

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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

As a single member LLC, the Company is treated as a disregarded entity not recognized as an entity separate from its owner for U.S. tax purposes. Therefore, all the U.S. activities of the Company will be attributed to the member as if the member were directly engaged in those same activities within the United States. Therefore, no tax should be recognized at the Company level.

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. The Company does 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, the Company 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 - INVESTMENTS

Investments comprise the following:

Particulars	As at	
	March 31, 2020	March 31, 2019
<u>Private operating company</u>		
Convertible promissory note – Clare Inc.	500,000	500,000
Total investment, at fair value	500,000	500,000

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:

Particulars	As at	
	March 31, 2020	March 31, 2019
Bank balance	540,630	548,771
Total	540,630	548,771

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

Interest receivable comprises of the following:

Particulars	As at	
	March 31, 2020	March 31, 2019
Interest receivable on convertible promissory note	54,356	14,356
Total	54,356	14,356

NOTE F - RELATED PARTY TRANSACTION

Name of related party and nature of relationship:

Name of the party	Nature of relationship
Pidilite Industries Limited	Member

The transactions during the year/period are as follows:

Transactions during the period	March 31, 2020	March 31, 2019
<i>Pidilite Industries Limited</i>		
- Member's contribution	-	1,050,000

NOTE G - MEMBER'S 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, 2020.

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 H - 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, 2020:

	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

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NOTE I - 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 J - SUBSEQUENT EVENTS

The Company has evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the financial statements were issued. The management believes that there is no material impact of outbreak of COVID-19 pandemic on the Company's operations.