

Pidilite Ventures LLC

Financial Statements

March 31, 2024, and March 31, 2023

KNAV CPA LLP

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

Opinion

We have audited the accompanying financial statements of Pidilite Ventures LLC ('the Company'), which comprise of the balance sheets as of March 31, 2024, and March 31, 2023, and the related statements of income, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024, and March 31, 2023, 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. 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 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

KNAV CPA LLP

Atlanta, Georgia
May 3, 2024

Pidilite Ventures LLC

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

	As at	
	March 31, 2024	March 31, 2023
ASSETS		
Current assets		
Cash	349,526	337,140
Total current assets	349,526	337,140
Investments	509,069	818,137
Total assets	858,595	1,155,277
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Other current liabilities	1,939	1,500
Total current liabilities	1,939	1,500
Total liabilities	1,939	1,500
Member's equity		
Member's equity	1,050,000	1,050,000
Accumulated surplus	(193,344)	103,777
Total member's equity	856,656	1,153,777
Total liabilities and member's equity	858,595	1,155,277

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

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

	For the year ended	
	March 31, 2024	March 31, 2023
Interest income on saving deposits	15,600	4,522
Operating expenses		
Impairment expense	309,069	-
General and administrative expenses	3,652	2,091
Net (loss) profit attributable to member	(297,121)	2,431

(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
Balance as at April 1, 2022	1,050,000	101,346	1,151,346
Net income for the year	-	2,431	2,431
Balance as at March 31, 2023	1,050,000	103,777	1,153,777
Balance as at April 1, 2023	1,050,000	103,777	1,153,777
Net loss for the year	-	(297,121)	(297,121)
Balance as at March 31, 2024	1,050,000	(193,344)	856,656

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

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

Net (loss) income (297,121) 2,431

Adjustments to reconcile net (loss) income to net cash provided by operating activities

Impairment expense 309,069

Changes in operating assets and liabilities

Other current liabilities 438 (559)

Net cash provided by operating activities **12,386** **1,872****Cash flows from investing activities**

Purchase of investment - (200,000)

Net cash used in investing activities **-** **(200,000)****Net increase (decrease) in cash** **12,386** **(198,128)**

Cash at beginning of year 337,140 535,268

Cash at end of the year **349,526** **337,140***(The accompanying notes are an integral part of these financial statements)*

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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 publicly listed company, (“member”), as its single member. The Company was incorporated on June 04, 2018. The Company is engaged mainly in investments in early-stage private operating companies in the United States of America.

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 years ended March 31, 2024, and March 31, 2023.

2. Estimates and assumptions

The preparation of financial statements in conformity with 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 maintains its cash balance in financial institutions which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash balances.

4. Revenue recognition

The Company invests in early-stage 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 is recognized only to the extent it is highly probable that a significant reversal of the cumulative amount of revenue recognized would not occur.

5. Investments

The investments are recorded at cost, less impairment (if any), in accordance with ‘ASC 321-10-35-2, Investments- Equity securities- subsequent measurement’ which allows a non-public entity to measure equity security without a readily determinable fair value at its cost minus impairment, if any.

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6. Commitment and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, 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.

7. 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 are attributed to the member as if the member were directly engaged in those same activities within the United States of America. Therefore, no tax is recognized at the Company level.

8. 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, 2024	March 31, 2023
<u>Private operating company</u>		
Series A-2 preferred stock – Clare Inc. (at cost)	618,137	618,137
Series pre-seed preferred stock – Ply Financial, Inc. (at cost)	200,000	200,000
Less: Provision for impairment	(309,069)	-
Total investment	509,069	818,137

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 per Accounting Standard Codification 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.

On November 16, 2021, the Company converted the convertible promissory notes amounting to \$500,000 and the outstanding accrued interest thereon amounting to \$118,137 into Series A-2 preferred stock of 757,576 shares of \$0.00001 par value at a conversion price of \$0.81594.

The provision for impairment represents the difference between the net carrying cost and the estimated selling value based on best judgment. The Company has evaluated the current business operation and the risks and uncertainties involved to determine the recoverability of the Company’s remaining cost. Impairment loss, if any, is recorded separately in the statements of income. During the year ended March 31, 2024, the Company recognized impairment amounting to \$309,069 (March 31, 2023: \$NIL).

On April 5, 2022, the Company invested \$200,000 in Series Pre-Seed Preferred Stock issued by Ply Financial, Inc.

NOTE D - RELATED PARTY

Name of the related party and nature of the relationship:

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

NOTE E - 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 (the “Agreement”). In accordance with the terms of the Agreement, the member does not have an obligation to make additional capital contributions as at March 31, 2024

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Management

The Company shall be managed generally by a committee of persons referred to as the 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 F - 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 G - SUBSEQUENT EVENTS

The Company evaluated all events and transactions that occurred after March 31, 2024, up through the date the financial statements are available to be 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.
