

Fermenta Biotech USA LLC
Consolidated Financial Statements
March 31, 2021

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Fermenta Biotech USA LLC

Consolidated Financial Statements

March 31, 2021

Consolidated balance sheet*(All amounts stated in United States Dollars, unless otherwise stated)*

	Notes	As at March 31, 2021
Assets		
Non-current assets		
Goodwill	3	900,845
Other intangible assets	4	557,381
Deferred tax assets (net)	16	105,404
Total non-current assets		1,563,630
Current assets		
Inventories	5	717,826
Financial assets		
Trade receivables	6	1,182,022
Cash and cash equivalents	7	377,741
Other current assets	8	39,825
Total current assets		2,317,414
Total assets		3,881,044
Equity and liabilities		
Equity		
Member's equity	9	1,600,000
Accumulated deficit	9	(447,117)
Equity attributable to equity holders of the parent		1,152,883
Non-controlling interest		(34,804)
Total equity		1,118,079
Current liabilities		
Financial liabilities		
Trade payables	10	2,762,965
Total current liabilities		2,762,965
Total liabilities		2,762,965
Total equity and liabilities		3,881,044

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

Fermenta Biotech USA LLC

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Consolidated statement of comprehensive loss*(All amounts in stated United States Dollars, unless otherwise stated)*

	Notes	For the period May 27, 2020 to March 31, 2021
Revenue from operations	11	3,302,544
Total revenue		3,302,544
Changes in inventories of traded goods	12	(717,826)
Purchase of traded goods		4,619,993
Employee benefits expense	13	98,070
Amortization expense	14	39,813
Other expenses	15	210,194
Total expenses		4,250,244
Loss before tax		(947,700)
(1) Current tax	16	-
(2) Deferred tax credit	16	(105,404)
Total comprehensive loss for the period, net of tax		(842,296)
<u>Total comprehensive loss attributable to:</u>		
Equity holders of the parent		(447,117)
Non-controlling interest		(395,179)

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

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Consolidated statement of cash flows

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

**For the period
May 27, 2020 to
March 31, 2021****A. Operating activities**

Loss before tax (947,700)

Adjustments to reconcile loss before tax to net cash flows:

Amortization expense 39,813

Working capital adjustments:

Increase in inventory 1,268,972

Decrease in trade receivable (957,180)

Decrease in other current assets (14,940)

Increase in trade payables 600,025

Decrease in other current liabilities (3,652)

Net cash flows used in operating activities (A) (14,662)**B. Investing activities**

Acquisition of a subsidiary, net of cash acquired (refer Note 2) (1,207,597)

Net cash flows used in investing activities (B) (1,207,597)**C. Financing activities**

Proceeds from member 1,600,000

Net cash provided by financing activities (C) 1,600,000**Net increase in cash and cash equivalents (A+B+C) 377,741**

Cash and cash equivalents at the beginning of the period -

Cash and cash equivalents at the end of the period 377,741*(The accompanying notes are an integral part of these consolidated financial statements)*

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Consolidated statement of changes in equity

Particulars	<u>Attributable to the equity holders of the parent</u>				Total equity
	Member's equity	Accumulated deficit	Total member's equity	Non-controlling interest	
As at May 27, 2020	-	-	-	-	-
Member's contribution during the period	1,600,000	-	1,600,000	-	1,600,000
Acquisition of a subsidiary	-	-	-	360,375	360,375
Loss for the period	-	(447,117)	(447,117)	(395,179)	(842,296)
As at March 31, 2021	1,600,000	(447,117)	1,152,883	(34,804)	1,118,079

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

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NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Fermenta Biotech USA LLC ("FBUL" or "the Company" or "the Parent Company") incorporated on May 27, 2020 in the State of Texas, United States, is a holding company. Fermenta Biotech Limited a public listed India company, is the Ultimate Parent Company of FBUL.

On December 01, 2020, the Company acquired 52% membership interest in AGD Nutrition LLC ("the subsidiary" or "the acquiree"), a Company based in Texas for a total consideration of \$ 1,291,251. AGD Nutrition LLC is engaged in the business of marketing and developing nutritional ingredients used in feed, food, pharmaceutical, and nutraceutical applications.

On December 09, 2020, the name of the subsidiary was changed to Fermenta USA LLC.

The Company conducts business through its subsidiary, namely, Fermenta USA LLC ("FUSA").

These consolidated financial statements comprise the Parent company and its subsidiary (together referred to as "the Group"), the details of which are set out above.

NOTE 2 - BUSINESS COMBINATION

Acquisition of AGD Nutrition LLC

On December 01, 2020, the Company acquired 52% of the membership of AGD Nutrition LLC, a company based in Texas for a total consideration of \$ 1,291,251.

The Company elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The fair value of the identifiable assets and liabilities of AGD Nutrition LLC as at the date of acquisition were:

	Fair value recognised at acquisition
<i>Assets</i>	
Intangible assets (Refer note 4)	597,194
Cash and cash equivalents	83,655
Trade receivables	224,842
Other current assets	24,885
Inventories	1,986,798
Total assets	2,917,374
<i>Liabilities</i>	
Trade payables	(2,162,940)
Other current liabilities	(3,652)
Total liabilities	(2,166,592)
Total identifiable net assets at fair value	750,782
Non-controlling interest	(360,375)
Goodwill arising on acquisition	900,845
Purchase consideration transferred	1,291,252

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	Cash flow on acquisition
Net cash acquired with the subsidiary	83,655
Cash paid	(1,291,252)
Net cash flow on acquisition	(1,207,597)

NOTE 3 - GOODWILL

	As at March 31, 2021
Balance at beginning of the period	-
Additional amounts recognized from business combinations during the period	900,845
Balance at end of the period	900,845

NOTE 4 - OTHER INTANGIBLE ASSETS

	Customer Relationships
Cost	
As at May 27, 2020	-
Additions	597,194
As at March 31, 2021	597,194

Amortisation	
As at May 27, 2020	-
Amortisation	39,813
As at March 31, 2021	39,813

Net book value	
As at March 31, 2021	557,381

Other intangible assets include Customer Relationships acquired through business combinations. The useful life of the Customer Relationships is estimated to be 5 years.

NOTE 5 - INVENTORIES

	As at March 31, 2021
Traded goods	717,826
(including goods-in-transit amounting to \$ 287,410)	717,826

NOTE 6 - TRADE RECEIVABLES

	As at March 31, 2021
Considered good	1,182,022
	1,182,022

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NOTE 7 - CASH AND CASH EQUIVALENTS

	As at March 31, 2021
	<u>377,741</u>
Balances with banks	377,741
	<u>377,741</u>

Cash and cash equivalent comprises of balance in accounts with banks. These accounts do not earn interest.

NOTE 8 - OTHER CURRENT ASSETS

	As at March 31, 2021
	<u>39,375</u>
Prepaid expenses	39,375
Others	450
	<u>39,825</u>

NOTE 9- MEMBER'S EQUITY AND OTHER EQUITY**A MEMBER'S EQUITY**

	As at March 31, 2021
	<u>-</u>
At the beginning of the period	-
Member's contribution during the period	1,600,000
Outstanding at the end of the period	<u>1,600,000</u>

B Accumulated deficit

	As at March 31, 2021
	<u>-</u>
Accumulated deficit	
At the beginning of the period	-
Loss for the period	(447,117)
Balance at the end of the period	<u>(447,117)</u>

NOTE 10- TRADE PAYABLES

	As at March 31, 2021
	<u>2,762,965</u>
Payable to related parties (<i>Refer Note 17</i>)	2,571,135
Payable to others	191,830
	<u>2,762,965</u>

Trade payables are non-interest bearing and are normally settled on 60-day terms.

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NOTE 11- REVENUE FROM OPERATIONS

	For the period May 27, 2020 to March 31, 2021

Sale of products	3,302,544
	3,302,544
	=====
<i>Disaggregated revenue information</i>	
Revenue recognized at a point in time	3,302,544
	3,302,544
	=====

NOTE 12- CHANGES IN INVENTORIES OF TRADED GOODS

	For the period May 27, 2020 to March 31, 2021

Opening inventory	
Traded goods	-

Closing inventory	
Traded goods	717,826
	717,826

Decrease in inventory	(717,826)
	=====

NOTE 13- EMPLOYEE BENEFITS EXPENSE

	For the period May 27, 2020 to March 31, 2021

Salaries and wages	98,070
	98,070
	=====

NOTE 14- AMORTIZATION EXPENSE

	For the period May 27, 2020 to March 31, 2021

Amortization of intangible assets <i>(Refer Note 4)</i>	39,813
	39,813
	=====

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NOTE 15- OTHER EXPENSES

	For the period May 27, 2020 to March 31, 2021
Freight and forwarding charges	130,192
Commission on sales	12,709
Professional and legal fees	42,370
Insurance	11,288
Printing and stationery	859
Postage and telephone	1,802
Rent	6,552
Analytical Charges	275
Bank charges	111
Miscellaneous expenses	4,036
	210,194

NOTE 16- TAXATION

	For the period May 27, 2020 to March 31, 2021
Tax expense	
(a) Amounts recognised in profit and loss	
Current tax	-
Deferred tax benefit	(105,404)
	(105,404)
(b) Reconciliation of effective tax rate	
Profit before tax	(947,700)
Tax using the Company's domestic tax rate (March 31, 2021 : 21%)	(199,017)
<i>Tax effect of:</i>	
Loss allocable to non-controlling interest	93,613
Effect of current year losses for which no deferred tax asset is recognised	
Tax expense as per profit or loss	(105,404)
(c) Movement in deferred tax balances	
Deferred tax asset	
Identified Intangibles	2,898
Net operating loss	106,710
	109,608
Deferred tax liabilities	
Goodwill	(4,204)
	(4,204)
Net deferred tax assets	105,404

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NOTE 17- RELATED PARTY TRANSACTIONS

Related party relationships are as follows:

The Ultimate Parent Company:

Fermenta Biotech Limited

Non-controlling interest holder:

Reyn Capital LLC

Nature of transaction	Name of related party	For the period May 27, 2020 to March 31, 2021
Purchases of products	Fermenta Biotech Limited	1,836,985
Expenses incurred on behalf of the Company	Fermenta Biotech Limited	9,000

Balances as at March 31, 2021

Particulars	Name of related party	As at March 31, 2021
Trade payables	Fermenta Biotech Limited	2,571,135

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NOTE 18 - FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group is exposed to credit risk, liquidity risk and market risk. The Group's financial risk management is an integral part of how to plan and execute its business strategies. The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates, commodity prices and equity price risk). Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short term and long-term borrowings. The Company is exposed to market risks related to foreign exchange rate risk, commodity rate risk, interest rate risk and other price risks, such as equity price risks. Thus, the Group's exposure to market risk is a function of borrowing activities, revenue generating and operating activities in foreign currencies.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). The Group does majority of its transaction in its functional currency which is USD. Accordingly, the Group is not exposed to foreign currency risk.

Credit risk

Credit risk is the risk of financial loss, if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, loans and other financial assets. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of counterparty to which the Group grants credit terms in the normal course of business. Cash balances in bank accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$ 250,000 for each insured bank for each account per depositor.

The following table details the Group's exposure to credit risk

Particulars	As at March 31, 2021
Trade receivables	1,182,022
Cash and cash equivalents	377,741

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations as they fall due. The Group's policy on liquidity risk is to maintain sufficient liquidity in the form of cash and investment in liquid banks deposits to meet the Group's operating requirements with an appropriate level of headroom. In addition, processes and policies related to such risks are overseen by senior management. Management monitors the Group's net liquidity position through rolling forecasts on the basis of expected cash flows.

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The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments

Particulars	Total	Less than 12 months
As at March 31, 2021		
Trade payable	2,762,965	2,762,965

Impact of COVID 19

The macro economic impact of the COVID-19 pandemic is uncertain, and continues to evolve, with potential disruption to financial markets including to currencies, interest rates, borrowing costs and the availability of debt financing. In addition, global stress in the markets brought on by the COVID-19 crisis is being felt globally through lack of liquidity in foreign funding markets. In this environment, the Group has already taken measures to manage its liquidity and capital carefully until the crisis is over. The Group's management has been closely monitoring the cash flows and forecasts on a timely manner to maintain a reasonably healthy balance sheet during this time and beyond. As at the date of signature of these consolidated financial statements, management notes that the Group has sufficient liquidity to meet its obligations as they become due and that there are no doubts surrounding the Group's ability to continue as a going concern for the foreseeable future. Further, the Group would be supported by the Ultimate Parent Company if required in order to ensure sufficient liquidity and ability to continue as a going concern.

Management has assessed that the COVID-19 outbreak will not have a material adverse impact on the future results of the Group and accordingly no impairment indicators on the Group's non-financial assets exist as at March 31, 2021.

NOTE 19 - CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital and retained earnings. The primary objective of the Group's capital management is to maximise the value of member.

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for members and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions to member or return capital to its member. The Group monitors capital for consistency with others in the industry.

The Ultimate Parent Company will continue to provide financial support to the Group to meet its capital requirements.

NOTE 20 - EVENTS AFTER THE REPORTING PERIOD

The Company has evaluated subsequent events through the date of issuing the consolidated financial statements, which is June 22, 2021 and no other event has occurred from the consolidated balance sheet date through that date that would impact the consolidated financial statements materially.