

VADILAL INDUSTRIES (USA) INC.

**ACCOUNTANT'S AUDIT REPORT
2020-21**

VADILAL INDUSTRIES (USA) INC.

For the year ending March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

The President,
Vadilal Industries (USA) Inc.
280 Wilson Avenue, Unit C
Newark, NJ 07105

We have audited the accompanying financial statements of Vadilal Industries (USA) Inc. (a New Jersey corporation), which comprise the balance sheet as of March 31, 2021, and the related statements of income, retained earnings, and cash flows for the year 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.



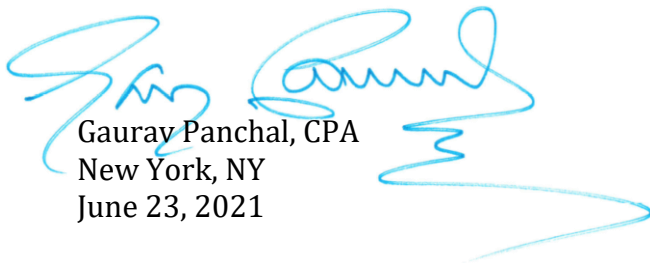
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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 Vadilal Industries (USA) Inc. as of March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CPAS


Gauray Panchal, CPA
New York, NY
June 23, 2021

VADILAL INDUSTRIES (USA) INC.
BALANCE SHEET AS OF MARCH 31, 2021 and 2020

ASSETS	03/31/2021	03/31/2020
Current Assets		
Cash & Cash Equivalents	\$ 2,227,859	\$ 361,389
Accounts Receivable	4,236,774	2,760,210
Inventory	2,346,114	1,315,405
Total Current Assets	8,810,747	4,437,004
Fixed Assets		
Equipment (net of depreciation)	606,815	618,059
Computer (net of depreciation)	4,196	2,371
Furniture & Fixtures (net of depreciation)	2,155	2,414
Office Equipments(net of depreciation)	16,724	18,748
Total Fixed Assets	629,890	641,592
Other Assets		
Intangible Assets (Net of Amortisation)	6,297	8,535
Other Advances	99,145	-
Security Deposits	133,480	126,129
Total Other Assets	238,922	134,664
TOTAL ASSETS	\$ 9,679,559	\$ 5,213,260
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts Payable	\$ 725,925	\$ 1,401,889
Accrued Expenses & Taxes Payable	2,066,298	661,073
Current Portion of Term Loans & Line of Credit	47,796	143,358
Loan from Shareholder	340,136	383,000
Total Current Liabilities	3,180,155	2,589,320
Long Term Liabilities		
Loan from Shareholder	-	331,653
Loan from Others	246,385	134,281
Deferred Tax Liabilities	87,615	36,595
Total Long Term Liabilities	334,000	502,529
Total Liabilities	3,514,155	3,091,849
Shareholder's Equity		
Common Shares Authorized 2,000, at No Par value	-	-
Common Shares Issued 225, at No Par value	-	-
Additional Paid In Capital	225,000	225,000
Retained Earnings/(Loss)	5,940,404	1,896,411
Total Shareholder's Equity	6,165,404	2,121,411
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 9,679,559	\$ 5,213,260

See accountant's report and notes to financial statements

VADILAL INDUSTRIES (USA) INC.
STATEMENT OF OPERATIONS
For the year ending March 31, 2021 and 2020

	2020-21	2019-20
Net Sales	\$ 24,477,709	\$ 17,958,312
Cost of Goods Sold	(12,806,727)	(9,425,266)
Gross Profit	11,670,982	8,533,046
Operating Expenses	6,640,122	6,766,547
Depreciation & Amortizations	53,259	48,351
Interest on Loans	52,672	92,980
Provision for Doubtful and Written Off Debts	16,911	62,901
Sundry Balances Written Off	364	9
Currency Exchange Difference on Vendor Payments	8,483	-
Net Operating Profit/(Loss)	4,899,171	1,562,258
Other income	148,370	209,180
Payroll Protection Program Loan Forgiven	508,452	-
Income Taxes incl. Provisions	(1,512,000)	(531,116)
Net Profit/(Loss)	\$ 4,043,993	\$ 1,240,322

See accountant's report and notes to financial statements

VADILAL INDUSTRIES (USA) INC.
STATEMENT OF CASH FLOWS
For the year ending March 31, 2020 and 2019

	2020-21	2019-20
Cash Flow from Operating Activities:		
Net Profit	\$ 4,043,993	\$ 1,240,322
<u>Add Non Cash Charges:</u>		
Depreciation & Amortization	53,259	48,351
<u>Decrease (Increase) in Operating assets:</u>		
Accounts receivable	(1,476,564)	(767,281)
Inventories	(1,030,709)	233,854
Security deposit	(7,351)	(947)
Other Advances	(99,145)	-
<u>Increase (decrease) in Operating Liabilities:</u>		
Accounts payable	(675,964)	(1,238,335)
Accrued expenses and taxes	1,456,246	225,063
	<u>\$ (1,780,228)</u>	<u>\$ (1,499,295)</u>
Net cash provided by operating activities	\$ 2,263,765	\$ (258,973)
Cash Flow from Investing Activities:		
Purchase of Assets	(39,320)	(136,172)
Net cash provided by investing activities	(39,320)	(136,172)
Cash Flow from Financing Activities:		
Net increase in loans payable	16,542	16,204
Capital Stock increase	-	-
Loan from shareholder	(374,517)	47,274
Net cash provided by financing activities	(357,975)	63,478
Net change in Cash	1,866,470	(331,667)
Cash at Beginning	361,389	693,056
Cash at End	\$ 2,227,859	\$ 361,389

See accountant's report and notes to financial statements

VADILAL INDUSTRIES (USA) INC.

NOTES TO FINANCIAL STATEMENTS For the Year ending March 31, 2021 & 2020

Note 1 Organization and nature of business

Vadilal Industries (USA) Inc. (the "Company") is a wholly owned subsidiary of Vadilal Industries Limited, a company based in India. The Company was incorporated in the State of New Jersey on August 11, 2009. The Company is an importer and wholesaler of food and other products produced by parent company and other manufacturers; serving customers located in entire United States of America. Since 2015, the company has introduced its proprietary brand of Ice Cream to US ethnic food market.

During the year 2017, the company to increase and facilitate its distribution capabilities has added two warehouse facilities in states of Illinois and California with additional employees situated at these locations. Also, during the year 2018-19, the company had moved its warehouse facility in New Jersey to a bigger location to address increased operational needs and efficiency. During the year 2020-21, the company has started manufacturing proprietary brand Ice Cream in US thru third party manufacturer.

Note 2 Summary of significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on accrual basis which is based on accounting principles generally accepted in the United State. Revenue from sales is recognized at the time of shipment of product to ultimate customers. Expenses are recognized when incurred. Accordingly, certain costs and expenses incurred but unpaid at the end of the fiscal year are recorded as liabilities. The financial records of the company are maintained on a fiscal year basis. These financial statements have been prepared for the twelve-month period ending March 31, 2021, to facilitate consolidation with the accounts of the parent company in India, whose fiscal year ends on March 31.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amount of revenues and expenses during the

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2021 & 2020**

**Note 2
Contd. Summary of significant accounting policies (continued)**

reporting period. Actual results could differ from those estimates and assumptions.

Concentration of credit risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, include cash and accounts receivable. The Company holds no collateral for these financial instruments. The Company maintains cash in financial institutions that are insured by the Federal Deposit Insurance Corporation up to a specified amount. Such cash balances at times may exceed these limits. The company has not experienced any loss on its cash and cash equivalents. To minimize its credit risk with respect to accounts receivable, management monitors the creditworthiness of the customers and reviews the outstanding receivables at period end, as well as establishes an allowance for doubtful accounts as deemed necessary.

Accounts receivable

Accounts receivable are stated at original amount less allowances for doubtful accounts and credits. The allowances for doubtful accounts and credits are determined through an analysis of the aging of accounts receivable, usually over 120 days due, at the date of the financial statements, assessments of collectability based on an evaluation of historic and anticipated trends, the financial condition of the Company's customers, and an evaluation of the impact of economic conditions.

Provision for Doubtful Debts

Provision for doubtful debts was made for \$10,000 And, it is separately stated on the statement of operations for the same year.

VADILAL INDUSTRIES (USA) INC.

NOTES TO FINANCIAL STATEMENTS For the Year ending March 31, 2021 & 2020

Note 2 Contd

Summary of significant accounting policies (continued)

Inventory

Inventory is valued at average weighted cost basis. The company has started manufacturing some ice cream products in US and such inventory is also maintained along with the purchased items of same type. There is no separate tracking or valuation used for the inventory held of the products manufactured in US. For the Current manufactured products cost remained less than 1% when compared with the value of the purchased products.

Inventory is stored at the location controlled by the vendor Preferred Freezer Services (PFS) for frozen products and other vendor for non-frozen products. Majority of the frozen products purchased from Vadilal Industries Limited, India are delivered straight to the location of PFS, who confirms the receipt and physical existence of such inventory per certain logistical criteria. However, such inventory is not available for inspection until removed from the PFS location and moved to the warehouse of the company. The management has not experienced any discrepancy or damage of the physical inventory stored at the PFS location.

Long-lived assets

The Company periodically evaluates the carrying value of long-lived assets to be held and used whenever events and circumstances indicate that the carrying value of the asset may no longer be recoverable. An impairment loss, measured based on the fair value of the asset, is recognized if expected future undiscounted cash flows are less than the carrying value of the assets.

Property and Equipment, and Sale of Assets

The company recorded property and equipment at cost. These assets were depreciated over their useful lives using straight-line depreciation method. For tax purposes, the Company adopted the Modified Accelerated Cost Recovery System, as required under the Tax Reform Act of 1986, for assets placed in service after December 31, 1986.

Depreciation of furniture and fixtures, and office equipment was computed using the straight-line method based principally on estimated useful lives on seven and five years respectively. Depreciation of computer equipment and software is computed using the straight-line method based on estimated useful life of five and three years respectively. Depreciation of Equipment including freezers were computed using the straight-line method based principally on estimated useful lives of fifteen to eighteen years as applicable.

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2021 & 2020**

**Note 2
Contd**

Summary of significant accounting policies (continued)

Revenue recognition

Sales is recorded when merchandise is shipped, and title and risk of loss is transferred to customers. Sale is recorded net of estimated discounts, returns and allowances which are estimated based on historic trends and an evaluation of current economic conditions.

Shipping and handling costs

The Company includes shipping and handling costs associated with outbound freight in operating expenses. For the year ending on March 31, 2021, shipping and handling costs amounted to \$1,318,034.

Cash and Cash Equivalents

The company considers as cash and cash equivalents, all funds deposited in financial institutions in checking accounts. These accounts are maintained in various financial institutions.

Income taxes

The Company provides for income taxes based on differences between the financial statement and tax bases of assets and liabilities at enacted rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company has adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes". The Company does not believe it has any uncertain tax positions that would qualify for either recognition or disclosure in the financial statements.

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2021 & 2020**

Advertising Expenses

Advertising costs are recognized as expense as & when incurred.

Miscellaneous Income

Miscellaneous income includes \$508,452 towards forgiveness of Payroll Protection Program loan. The program commonly known as PPP loan came into effect to help small businesses as part of the CARES Act enactment pursuant to Corona Virus outbreak in US in early March 2020. According to the program, the US SBA as per the established criteria, would pay off financial help obtained by employers in the form of loan from banks to maintain their workforce for certain amount of time during the pandemic, commonly known as loan forgiveness. Such loan forgiveness benefit is also specified by law as non-taxable income.

Note 3

Lease Commitment

The company considers all leases as operating leases. So, no capitalization of such leases is required.

Warehouses

The company has entered into multiple-year lease agreements to rent warehouse/office space at various locations. Per the lease agreement the lessee is liable for estimated common area maintenance charges per month in addition to the monthly base rent.

During the year 2018-19, the company vacated the Somerset, NJ and moved to Newark, NJ location. However, per the lease agreement, company is responsible for the full term of the lease. The company has entered into sub-lease agreement on 12/21/18 to sub-rent the Somerset warehouse location.

Somerset, New Jersey:

Lease Term: 12/31/2016 – 1/31/2022

Future total minimum base rent lease payments for the leases are as follows:

<u>Year ending March 31, 2021:</u>	<u>Amount</u>
Until end of the lease terms	70,344.30

Total minimum Lease base payments	70,344.30

VADILAL INDUSTRIES (USA) INC.

NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2021 & 2020

Newark, New Jersey:

Lease Term: 9/19/2021 - 11/30/2024

Future total minimum base rent lease payments for the leases are as follows:

<u>Year ending March 31, 2021:</u>	<u>Amount</u>
Not later than one year	250,717.52
Until end of the lease terms	702,810.24

Total minimum Lease base payments -----
953,527.76

Elk Grove Village, Illinois:

Lease Term: 12/15/2020 - 12/15/2021

Future total minimum base rent lease payments for the leases are as follows:

<u>Year ending March 31, 2021:</u>	<u>Amount</u>
Until end of the lease terms	89,250.00

Total minimum Lease base payments -----
89,250.00

San Francisco, California:

Lease Term: 11/1/2017 - 6/30/2021

New lease agreement Term: 7/1/2021 - 6/30/2024

Future total minimum base rent lease payments for the leases are as follows:

<u>Year ending March 31, 2021:</u>	<u>Amount</u>
Not later than one year	195,313.05
Until end of the lease terms	450,351.72

Total minimum Lease base payments -----
645,664.77

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2021 & 2020**

Auto

Company also rents car & trucks on long term basis. None of such leases include ownership transfer clause at nominal value at the end of the term. The fixed commitment towards such lease payments for next 12 months is \$257,974.53.

Note 4 Subsequent Events

Subsequent events were evaluated through June 15, 2021, the date the financial statements were available to be issued.

The Company has adopted SFAS No. 165, "Subsequent Events". The Company evaluated the need for disclosure and/ or additional adjustments resulting from subsequent events through June 15, 2021, the date the financial statements were available to be issued.

The company has signed a 10-year warehouse rental agreement at a location under construction in Bucks county of the state of Pennsylvania. The lessor is yet to deliver possession of the demised premises. No rent payment is due until the possession of the premises given.

The Company did not identify any further subsequent events that required disclosure and / or adjustments in the financial statements.

The Company does not anticipate the adoption of the other recently issued accounting pronouncements to have a significant impact on the Company's financial statements.

Note 5 Employee Benefits

The company does not have any specific employee benefit or retirement plan.

Note 6 Depreciation

At March 31, 2021, the Company has provided for depreciation on straight line basis based on useful lives of each asset.

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2021 & 2020**

Note 7 Loans & Credit Facility

The company has Line of Credit facility of \$2,000,000 from Bank of America secured against tangible & intangible assets of the company. The unused credit remained at \$2,000,000 as of March 31, 2021. Company has also a term loan from Bank of America.

The company has also obtained US Small Business Administration loan of \$159,900 approved under the CARES Act enacted pursuant to the Corona Virus outbreak in US. Out of the same loan amount, \$10,000 loan advance may become non-returnable.

Note 8 Income taxes

For the year ending March 31, 2021, net provision of \$1,512,000 was done for income taxes consisting of deferred tax liabilities.

Note 9 Related party transactions and balances

The Company purchased majority of the products from its parent company Vadilal Industries Limited, a company incorporated in India. In the ordinary course of business, the company had the following related party transactions and balances:

Net purchases	\$ 10,172,590
Interest payable	\$ 43,670
Advance for Purchases	\$ 659,982
Loans Payable	\$ 340,136

Note 10 Major Supplier

For the year ending March 31, 2021, purchases from one vendor & related party represented over 85% of net purchases.

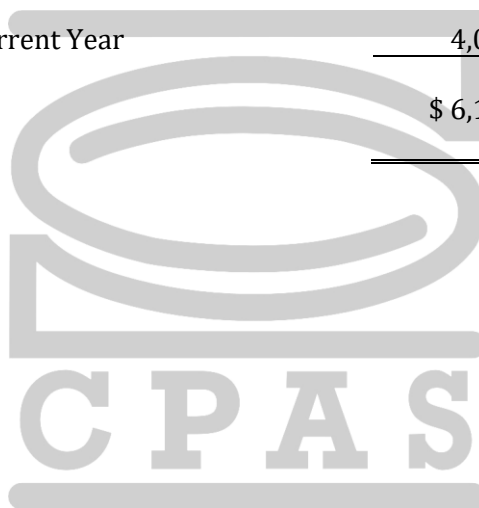
VADILAL INDUSTRIES (USA) INC.

NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2021 & 2020

Note 11 Changes in Shareholders' Equity

The changes in shareholder's equity are as follows:

	2020-21	2019-20
Common Stock		
250 shares at No Par Value	\$ 0	\$ 0
Additional Paid-In Capital	225,000	225,000
Retained Earnings at the beginning of period	1,896,411	656,089
Income (Loss) for Current Year	<u>4,043,993</u>	<u>1,240,322</u>
Total Equity	<u>\$ 6,165,404</u>	<u>\$ 2,121,411</u>



VADILAL INDUSTRIES (USA) INC.
Statement of Operating Expenses
For the year ending March 31, 2021 and 2020

Operating Expenses:

	2020-21	2019-20
Salaries & Wages	\$ 2,505,585	\$ 2,365,081
Rent	\$ 1,018,194	\$ 1,020,788
Telephone	\$ 27,303	\$ 32,757
Office Expenses	\$ 509,285	\$ 472,516
Travel Expenses	\$ 353,304	\$ 525,979
Insurance	\$ 265,966	\$ 149,897
Advertising	\$ 61,206	\$ 194,307
Payroll & Other Taxes	\$ 193,967	\$ 205,365
Bank Charges	\$ 20,269	\$ 22,383
Legal & Professional Fees	\$ 92,078	\$ 168,172
Repairs & Maintenance	\$ 208,443	\$ 228,142
Delivery & Shipping	\$ 1,318,034	\$ 1,229,027
Temporary Help	\$ 40,019	\$ 141,802
Vehicle Rentals	\$ 26,469	\$ 10,331
Total Operating Expenses	\$ 6,640,122	\$ 6,766,547

See accountant's report and notes to financial statements