

VADILAL INDUSTRIES (USA) INC.

ACCOUNTANT'S AUDIT REPORT

VADILAL INDUSTRIES (USA) INC.

For the year ending March 31, 2017

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C & P

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The President,
VADILAL INDUSTRIES (USA) INC
20 World's Fair Dr., Unit A-B
Somerset, NJ 08873

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, 2017, and the related statements of income, retained earnings, and cash flow 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.

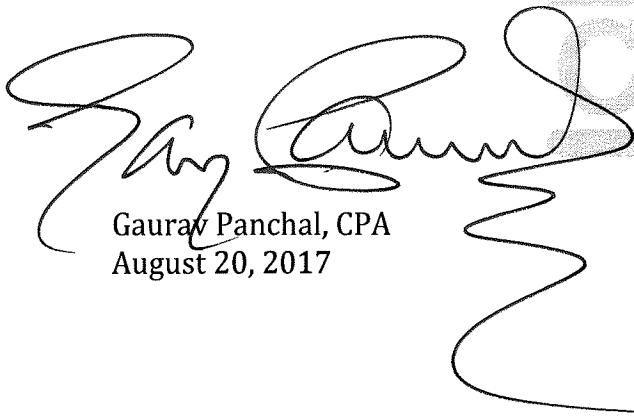


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2017, 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.



Gaurav Panchal, CPA
August 20, 2017

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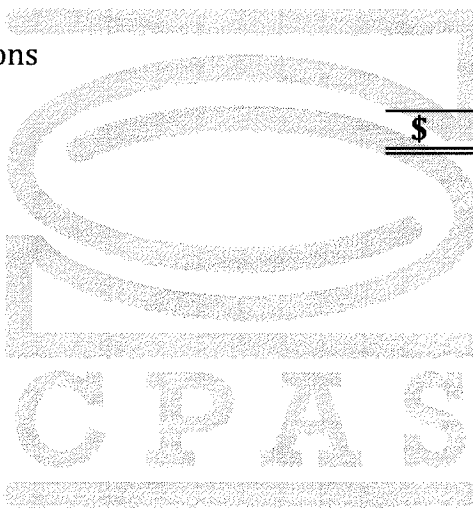
VADILAL INDUSTRIES (USA) INC.
BALANCE SHEET AS OF MARCH 31, 2017 and 2016

ASSETS	3/31/2017	3/31/2016
Current Assets		
Cash & Cash Equivalents	\$ 368,075	\$ 21,789
Accounts Receivable	547,266	217,389
Inventory	531,373	143,113
Loans Receivable	-	-
Total Current Assets	1,446,714	382,291
Fixed Assets		
Equipments (net of depreciation)	3,832	1,360
Computer (net of depreciation)	283	712
Furniture & Fixtures (net of depreciation)	69	78
Automobile(net of depreciation)	-	-
Office Equipments(net of depreciation)	3,340	3,694
Total Fixed Assets	7,523	5,844
Other Assets		
Intangible Assets	47	-
Security Deposits	9,048	6,848
Total Other Assets	9,095	6,848
TOTAL ASSETS	\$ 1,463,332	\$ 394,983
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts Payable	\$ 1,100,658	\$ 444,622
Accrued Expenses & Taxes Payable	110,483	74,058
Total Current Liabilities	1,211,141	518,680
Long Term Liabilities		
Loan from Shareholder	383,000	383,000
Total Long Term Liabilities	383,000	383,000
Total Liabilities	901,680	901,680
Shareholder's Equity		
Common stock, no par value	225,000	225,000
Retained Earnings/(Loss)	(355,809)	(731,697)
Total Shareholder's Equity	(130,809)	(506,697)
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 1,463,332	\$ 394,983

See accountant's report and notes to financial statements
2015-16 data are from unaudited financial statements

VADILAL INDUSTRIES (USA) INC.
STATEMENT OF OPERATIONS
For the year ending March 31, 2017 and 2016

	2016-17	2015-16
Net Sales	\$ 2,640,910	\$ 979,057
Cost of Goods Sold	(1,477,657)	(611,726)
Gross Profit	1,163,253	367,331
Operating Expenses	810,155	334,179
Depreciation & Amortizations	1,960	2,547
Net Operating Profit/(Loss)	351,138	30,605
Other income	26,750	-
Income Taxes incl. Provisions	(2,000)	(1,500)
Net Profit/(Loss)	\$ 375,888	\$ 29,105



See accountant's report and notes to financial statements
2015-16 data are from unaudited financial statements

VADILAL INDUSTRIES (USA) INC.
STATEMENT OF CASH FLOWS
For the year ending March 31, 2017 and 2016

	2016-17	2015-16
Cash flows from operating activities		
Net Profit	\$ 375,888	\$ 29,105
Depreciation & Amortization	1,960	2,547
Adjustment to reconcile net profit/(loss) to net cash provided by operating activities		
Changes in assets and liabilities		
Accounts receivable	\$ (329,876)	\$ 44,872
Inventories	(388,260)	99,011
Loans Receivables	-	2,010
Security deposit	(2,200)	-
Accounts payable	656,036	(130,191)
Accured expenses and taxes	36,425	(69,539)
	(27,875)	(53,837)
Net cash provided by operating activities	349,973	(22,185)
Cash flows from investing activities		
Purchase of Assets	(3,687)	(4,866)
	(3,687)	(4,866)
Net cash provided by investing activities	(3,687)	(4,866)
Cash flows from financing activities		
Net increase in loans payable	-	-
Capital Stock increase	-	-
Loan from shareholder	-	-
	-	-
Net cash provided by financing activities	-	-
Net change in cash	346,286	(27,051)
Cash at beginning	21,789	48,840
Cash at End	\$ 368,075	\$ 21,789

See accountant's report and notes to financial statements
2015-16 data are from unaudited financial statements

VADILAL INDUSTRIES (USA) INC.

NOTES TO FINANCIAL STATEMENTS For the Year ending March 31, 2017

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 frozen food products whose customers are located in entire United States of America. Since 2015, the company has introduced its proprietary brand of Ice Cream to US ethnic food market and aggressively started marketing of the same. To support aggressive marketing and sales efforts, the company has hired more employees in different parts of the country and is adding more distribution facilities in different parts of the country.

Note 2 Summary of significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on an accrual basis which is based on accounting principles generally accepted in the United State. Revenue from sales is recognized at the time of product shipment 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, 2017, to facilitate consolidation with the accounts of the parent company in India, whose fiscal year ends on March 31. Information pertaining to the year ending March 31, 2016 is obtained from unaudited financial statements.

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

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2017**

**Note 2
Contd.**

Summary of significant accounting policies (continued)

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 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. At the end of year as of March 31, 2017, the management has determined that allowances for doubts accounts and credits are not required.

Inventory

Inventories are valued at average weighted cost basis. Inventory is stored at the location controlled by vendor Preferred Freezer Services (PFS). All 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 in or damage of the physical inventory stored at the PFS location.

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2017**

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

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.

Revenue recognition

Sales is recorded when merchandises are shipped and title and risk of loss are transferred to customers. Sales are 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, 2017, shipping and handling costs amounted to \$176,338.

Cash and Cash Equivalents

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

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2017**

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

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.

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 April 21, 2017, the date the financial statements were available to be issued. 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.

Advertising Expenses

Advertising costs are recognized as expense as & when incurred.

Note 3 Lease Commitment

The company has entered into a 5-year lease agreement to rent warehouse/office space. The company has rented space of about 10,000 sq. ft. at Unit A-B, 20 World's Fair Dr., Somerset, NJ 08873. Such lease is expiring on January 31, 2022. Per the lease agreement the lessee is liable for estimated common area maintenance charges starting at \$3,825 per month.

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2017**

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

<u>Year ending December 31, 2017:</u>	<u>Amount</u>
Not later than one year	68,750.00
Until end of the lease terms	329,435.20

Total minimum Lease payments	398,185.20

Note 4 Subsequent Events

Subsequent events were evaluated through August 14, 2017, the date the financial statements were available to be issued.

The company had made payment of \$50,375 towards the security deposits pertaining to the lease agreement entered into in December 2016. There were no other events to be recognized or disclosed.

Note 5 Employee Benefits

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

Note 6 Depreciation

At March 31, 2017, the Company has provided for depreciation on straight line basis. 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.

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2017**

Note 7 Income taxes

For the year ending March 31, 2017, the net provision for income taxes of \$2,000 consisted of the following:

	Federal	State and local	Total
Current	\$ -	\$ 2,000	\$ 2,000
Deferred	-	-	-
	\$ -	\$ 2,000	\$ 2,000

At March 31, 2016, there were no significant components of the net deferred tax assets.

Note 8 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	\$ 1,571,459
Accounts payable	\$ 1,049,569

Note 9 Major Supplier

For the year ending March 31, 2017, purchases from one vendor & related party represented about 100% of net purchases.

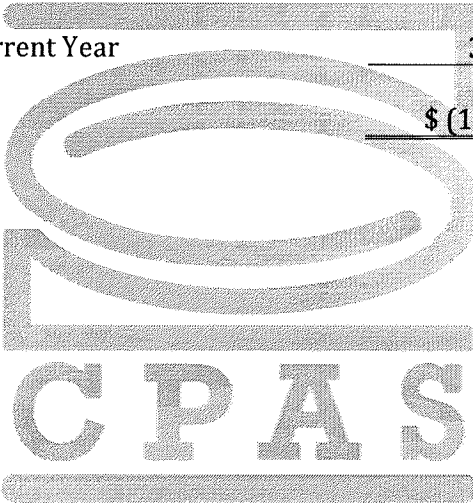
VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2017**

Note 10 Changes in Shareholders' Equity

The changes in shareholder's equity are as follows:

	2016-17	2015-16
Capital Stock	\$ 225,000	\$ 225,000
Retained Earnings at the beginning of period	(731,697)	(760,802)
Income (Loss) for Current Year	<u>375,888</u>	<u>29,105</u>
Total Equity	<u>\$ (130,809)</u>	<u>\$ (506,697)</u>



**See accountant's report and notes to financial statements
2015-16 data are from unaudited financial statements**

VADILAL INDUSTRIES (USA) INC.

STATEMENT OF OPERATING EXPENSES
For the Year ending March 31, 2017

Operating Expenses:

	2016-17	2015-16
Salaries-Officers	242,912	92,400
Rent	177,707	99,908
Telephone	4,253	2,841
Office Expenses	38,795	27,368
Travel Expenses	42,495	18,513
Insurance	15,730	18,137
Advertising	41,185	5,099
Payroll & Other Taxes	34,571	10,054
Bank Charges	1,412	712
Legal & Professional Fees	27,160	5,000
Repairs & Maintenance	626	2,511
Delivery & Shipping	176,338	42,755
Temporary Help	4,231	1,390
Licenses & Permits	2,740	7,411
Total Operating Expenses	\$810,155	334,179

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