

VADILAL INDUSTRIES (USA) INC.

ACCOUNTANT'S AUDIT REPORT

VADILAL INDUSTRIES (USA) INC.

For the year ending March 31, 2019

CONTENTS	PAGE
Report	
Independent Accountant's Audit Report	1
Financial Statements	
Balance Sheet	3
Statement of Operations	4
Statement of Cash Flow	5
Notes to Financial Statements	6
Supplementary Information	
Statement of Operating Expenses	14

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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, 2019, 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, 2019, 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
New York, NY
May 24, 2019

VADILAL INDUSTRIES (USA) INC.
BALANCE SHEET AS OF MARCH 31, 2019 and 2018

ASSETS	3/31/2019	3/31/2018
Current Assets		
Cash & Cash Equivalents	\$ 693,056	\$ 181,757
Accounts Receivable	1,992,929	2,149,097
Inventory	1,549,259	986,613
Total Current Assets	4,235,244	3,317,467
Fixed Assets		
Equipments (net of depreciation)	532,526	325,824
Computer (net of depreciation)	1,786	1,965
Furniture & Fixtures (net of depreciation)	2,674	59
Office Equipments(net of depreciation)	14,744	4,019
Total Fixed Assets	551,730	331,867
Other Assets		
Intangible Assets (Net of Amortisation)	10,576	3,971
Security Deposits	125,182	147,371
Total Other Assets	135,758	151,342
TOTAL ASSETS	\$ 4,922,732	\$ 3,800,676
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts Payable	\$ 2,640,224	\$ 2,503,428
Accrued Expenses & Taxes Payable	436,010	235,756
Total Current Liabilities	3,076,234	2,739,184
Long Term Liabilities		
Loan from Shareholder	767,379	767,379
Loan from Others	161,435	-
Deferred Tax Liabilities	36,595	11,031
Total Long Term Liabilities	965,409	778,410
Total Liabilities	4,041,643	901,680
Shareholder's Equity		
Common stock, no par value	225,000	225,000
Retained Earnings/(Loss)	656,089	58,082
Total Shareholder's Equity	881,089	283,082
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 4,922,732	\$ 3,800,676

See accountant's report and notes to financial statements

VADILAL INDUSTRIES (USA) INC.
STATEMENT OF OPERATIONS
For the year ending March 31, 2019 and 2018

	2018-19	2017-18
Net Sales	\$ 14,225,105	\$ 8,396,231
Cost of Goods Sold	(7,262,148)	(4,228,808)
Gross Profit	<u>6,962,957</u>	<u>4,167,423</u>
Operating Expenses	6,013,177	3,644,108
Depreciation & Amortizations	30,550	10,548
Interest on Loans	44,569	12,536
Provision for Doubtful Debts	95,488	90,519
Sundry Balances Written Off	14,023	-
Currency Exchange Difference on Vendor Payments	960	-
Net Operating Profit/(Loss)	<u>764,190</u>	<u>409,712</u>
Other income	67,951	22,831
Income Taxes incl. Provisions	(234,134)	(18,652)
Net Profit/(Loss)	<u>\$ 598,007</u>	<u>\$ 413,891</u>



See accountant's report and notes to financial statements

VADILAL INDUSTRIES (USA) INC.
STATEMENT OF CASH FLOWS
For the year ending March 31, 2019 and 2018

	2018-19	2017-18
Cash Flow from Operating Activities:		
Net Profit	\$ 598,007	\$ 413,891
<u>Add Non Cash Charged:</u>		
Depreciation & Amortization	30,550	10,548
<u>Decrease (Increase) in Operating assets:</u>		
Accounts receivable	156,169	(1,654,407)
Inventories	(562,646)	(455,241)
Loans Receivables	-	-
Security deposit	22,189	(85,748)
<u>Increase (decrease) in Operating Liabilities:</u>		
Accounts payable	136,796	1,402,770
Accured expenses and taxes	225,818	136,304
	\$ 8,876	
Net cash provided by operating activities	\$ 606,883	(231,883)
Cash Flow from Investing Activities:		
Purchase of Assets	(257,019)	(338,814)
Net cash provided by investing activities	(257,019)	(338,814)
Cash Flow from Financing Activities:		
Net increase in loans payable	161,435	
Capital Stock increase	-	
Loan from shareholder	-	384,379
Net cash provided by financing activities	161,435	384,379
Net change in Cash	511,299	(186,318)
Cash at Beginning	181,757	368,075
Cash at End	\$ 693,056	\$ 181,757

See accountant's report and notes to financial statements

VADILAL INDUSTRIES (USA) INC.

NOTES TO FINANCIAL STATEMENTS For the Year ending March 31, 2019 & 2018

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, servings 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 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.

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 2017-18, the company had moved its warehouse facility in New Jersey to a bigger location to address increased operational needs and efficiency.

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, 2019, to facilitate consolidation with the accounts of the parent company in India, whose fiscal year ends on March 31.

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2019 & 2018**

**Note 2
Contd.**

Summary of significant accounting policies (continued)

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.

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 \$95,488. 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, 2019 & 2018

Note 2 Contd

Summary of significant accounting policies (continued)

Inventory

Inventories are valued at average weighted cost basis. Inventory is stored at the location controlled by vendor Preferred Freezer Services (PFS) and other non-freezer third party controlled warehouse location. 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.

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, 2019 & 2018**

**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, 2019, shipping and handling costs amounted to \$1,143,059.

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.

Advertising Expenses

Advertising costs are recognized as expense as & when incurred.

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2019 & 2018**

Note 3 Lease Commitment

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 2017-18, 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 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:

Year ending March 31, 2019:

	<u>Amount</u>
Not later than one year	79,965.38
Until end of the lease terms	152,708.56

Total minimum Lease base payments	232,673.94
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Newark, New Jersey:

Lease Term: 9/19/2019 – 11/30/2024

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

Year ending March 31, 2019:

	<u>Amount</u>
Not later than one year	237,004.64
Until end of the lease terms	1,197,297.84

Total minimum Lease base payments	1,434,302.48
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VADILAL INDUSTRIES (USA) INC.

NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2019 & 2018

Elk Grove Village, Illinois:

Lease Term: 12/15/2018 – 12/15/2021

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

<u>Year ending March 31, 2019:</u>	<u>Amount</u>
Not later than one year	126,000.00
Until end of the lease terms	215,250.00

Total minimum Lease base payments	341,250.00

San Francisco, California:

Lease Term: 11/1/2017 – 6/30/2021

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

<u>Year ending March 31, 2019:</u>	<u>Amount</u>
Not later than one year	196,714.64
Until end of the lease terms	253,639.08

Total minimum Lease base payments	450,353.72

Note 4

Subsequent Events

Subsequent events were evaluated through May 23, 2019, 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 May 23, 2019, 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.

VADILAL INDUSTRIES (USA) INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2019 & 2018**

Note 5 Employee Benefits

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

Note 6 Depreciation

At March 31, 2019, the Company has provided for depreciation on straight line basis based on useful lives of each asset.

Note 7 Loans

The company has obtained 5 (five) different financing from various lenders secured against and for the acquisition & installation of Cold Storage Racking System, Dry Storage Racking System, Freezer Box of New Jersey & Illinois and Delivery Truck for the terms of 3 (three) years except the loan against the Illinois Freezer Box, what is obtained for two years.

Note 8 Income taxes

For the year ending March 31, 2019, net provision for income taxes of \$234,134 consisted of the following:

	Federal	State and local	Total
Current	\$141,713	\$ 66,857	\$208,570
Deferred	\$ 17,379	\$ 8,185	\$ 25,564
	<u>\$159,092</u>	<u>\$ 75,042</u>	<u>\$234,134</u>

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	\$ 5,983,922
Interest payable	\$ 28,914
Accounts payable	\$ 2,336,210
Loans Payable	\$ 767,379

VADILAL INDUSTRIES (USA) INC.

NOTES TO FINANCIAL STATEMENTS
For the Year ending March 31, 2019 & 2018

Note 10 Major Supplier

For the year ending March 31, 2019, purchases from one vendor & related party represented over 90% of net purchases.

Note 11 Changes in Shareholders' Equity

The changes in shareholder's equity are as follows:

	2019-18	2017-18
Capital Stock	\$ 225,000	\$ 225,000
Retained Earnings at the beginning of period	58,082	(355,809)
Income (Loss) for Current Year	<u>598,007</u>	<u>413,891</u>
Total Equity	<u>\$ 881,089</u>	<u>\$ 283,082</u>

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VADILAL INDUSTRIES (USA) INC.
Statement of Operating Expenses
For the year ending March 31, 2019 and 2018

Operating Expenses:

	2018-19	2017-18
Salaries & Wages	\$ 1,853,922	\$ 1,013,671
Rent	\$ 969,014	\$ 669,843
Telephone	\$ 23,849	\$ 22,077
Office Expenses	\$ 378,266	\$ 219,445
Travel Expenses	\$ 530,513	\$ 317,533
Insurance	\$ 118,376	\$ 42,327
Advertising	\$ 316,927	\$ 18,286
Payroll & Other Taxes	\$ 177,394	\$ 80,214
Bank Charges	\$ 5,216	\$ 1,732
Legal & Professional Fees	\$ 139,770	\$ 65,943
Repairs & Maintenance	\$ 229,625	\$ 108,305
Delivery & Shipping	\$ 1,143,059	\$ 1,063,510
Temporary Help	\$ 118,176	\$ 21,222
Licenses & Permits	\$ 328	-
Vehicle Rentals	\$ 8,742	-
Total Operating Expenses	<u>\$ 6,013,177</u>	<u>\$ 3,644,108</u>

See accountant's report and notes to financial statements