

**VADILAL INDUSTRIES (USA) INC.**

**ACCOUNTANT'S AUDIT REPORT**

# VADILAL INDUSTRIES (USA) INC.

For the year ending March 31, 2020

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# CP ACCOUNTAX SERVICES

a CPA firm

## 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, 2020, 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.

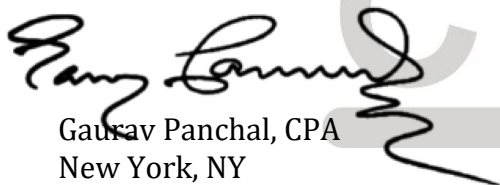


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

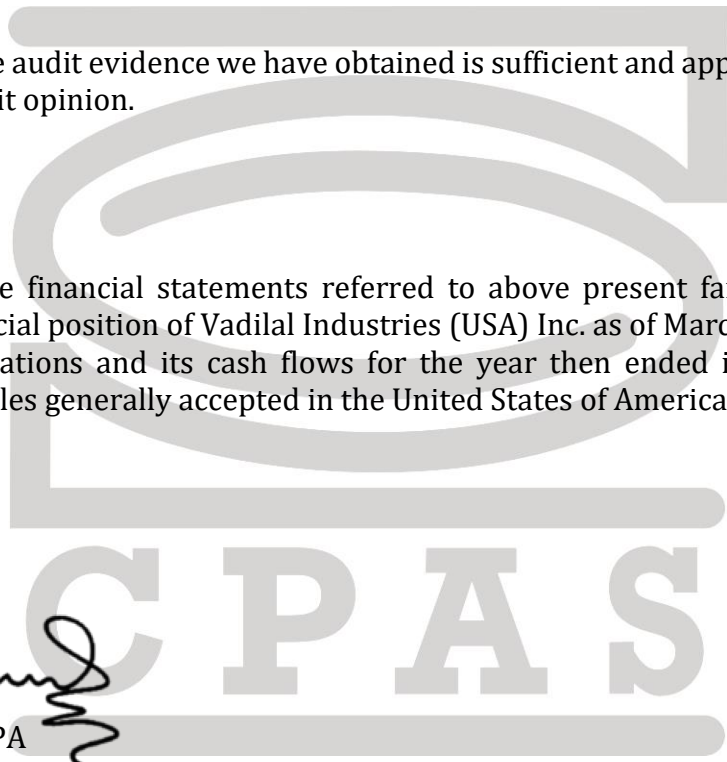
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, 2020, 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  
June 24, 2020



**VADILAL INDUSTRIES (USA) INC.**  
**BALANCE SHEET AS OF MARCH 31, 2020 and 2019**

<b>ASSETS</b>	<b>3/31/2020</b>	<b>3/31/2019</b>
Current Assets		
Cash & Cash Equivalents	\$ 361,389	\$ 693,056
Accounts Receivable	2,760,210	1,992,929
Inventory	1,315,405	1,549,259
<b>Total Current Assets</b>	<b>4,437,004</b>	<b>4,235,244</b>
Fixed Assets		
Equipment (net of depreciation)	618,059	532,526
Computer (net of depreciation)	2,371	1,786
Furniture & Fixtures (net of depreciation)	2,414	2,674
Office Equipments(net of depreciation)	18,748	14,744
<b>Total Fixed Assets</b>	<b>641,592</b>	<b>551,730</b>
Other Assets		
Intangible Assets (Net of Amortisation)	8,535	10,576
Security Deposits	126,129	125,182
<b>Total Other Assets</b>	<b>134,664</b>	<b>135,758</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,213,260</b>	<b>\$ 4,922,732</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current Liabilities		
Accounts Payable	\$ 1,401,889	\$ 2,640,224
Accrued Expenses & Taxes Payable	661,073	436,010
<b>Total Current Liabilities</b>	<b>2,062,962</b>	<b>3,076,234</b>
Long Term Liabilities		
Loan from Shareholder	714,653	767,379
Loan from Others	277,639	161,435
Deferred Tax Liabilities	36,595	36,595
<b>Total Long Term Liabilities</b>	<b>1,028,887</b>	<b>965,409</b>
<b>Total Liabilities</b>	<b>3,091,849</b>	<b>4,041,643</b>
Shareholder's Equity		
Common stock, no par value	225,000	225,000
Retained Earnings/(Loss)	1,896,411	656,089
<b>Total Shareholder's Equity</b>	<b>2,121,411</b>	<b>881,089</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ 5,213,260</b>	<b>\$ 4,922,732</b>

See accountant's report and notes to financial statements

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

	<b>2019-20</b>	<b>2018-19</b>
Net Sales	\$ 17,958,312	\$ 14,225,105
Cost of Goods Sold	(9,425,266)	(7,262,148)
Gross Profit	8,533,046	6,962,957
Operating Expenses	6,766,547	6,013,177
Depreciation & Amortizations	48,351	30,550
Interest on Loans	92,980	44,569
Provision for Doubtful and Written Off Debts	62,901	95,488
Sundry Balances Written Off	9	14,023
Currency Exchange Difference on Vendor Payments	-	960
Net Operating Profit/(Loss)	1,562,258	764,190
Other income	209,180	67,951
Income Taxes incl. Provisions	(531,116)	(234,134)
<b>Net Profit/(Loss)</b>	<b>\$ 1,240,322</b>	<b>\$ 598,007</b>

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**

	<b>2019-20</b>	<b>2018-19</b>
<b>Cash Flow from Operating Activities:</b>		
Net Profit	\$ 1,240,322	\$ 598,007
<u>Add Non Cash Charges:</u>		
Depreciation & Amortization	48,351	30,550
<u>Decrease (Increase) in Operating assets:</u>		
Accounts receivable	(767,281)	156,169
Inventories	233,854	(562,646)
Loans Receivables	-	-
Security deposit	(947)	22,189
<u>Increase (decrease) in Operating Liabilities:</u>		
Accounts payable	(1,238,335)	136,796
Accrued expenses and taxes	225,063	225,818
	\$ (1,499,295)	\$ 8,876
Net cash provided by operating activities	\$ (258,973)	\$ 606,883
<b>Cash Flow from Investing Activities:</b>		
Purchase of Assets	(136,172)	(257,019)
Net cash provided by investing activities	(136,172)	(257,019)
<b>Cash Flow from Financing Activities:</b>		
Net increase in loans payable	16,204	161,435
Capital Stock increase	-	-
Loan from shareholder	47,274	-
Net cash provided by financing activities	63,478	161,435
<b>Net change in Cash</b>	(331,667)	-
<b>Cash at Beginning</b>	693,056	181,757
<b>Cash at End</b>	\$ 361,389	\$ 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, 2020 & 2019

#### **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 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 2018-19, 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, 2020, 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, 2020 & 2019

#### 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 \$20,000 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, 2020 & 2019**

**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, 2020 & 2019**

**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, 2020, shipping and handling costs amounted to \$1,229,027.

**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, 2020 & 2019**

**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 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 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, 2020:

	<u>Amount</u>
Not later than one year	82,364.26
Until end of the lease terms	70,344.30

<b>Total minimum Lease base payments</b>	<b>152,708.56</b>
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**Newark, New Jersey:**

Lease Term: 9/19/2020 – 11/30/2024

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

Year ending March 31, 2020:

	<u>Amount</u>
Not later than one year	244,007.28
Until end of the lease terms	953,527.76

<b>Total minimum Lease base payments</b>	<b>1,197,535.04</b>
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VADILAL INDUSTRIES (USA) INC.

NOTES TO FINANCIAL STATEMENTS  
For the Year ending March 31, 2020 & 2019

**Elk Grove Village, Illinois:**

Lease Term: 12/15/2019 – 12/15/2021

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

<u>Year ending March 31, 2020:</u>	<u>Amount</u>
Not later than one year	126,000.00
Until end of the lease terms	89,250.00
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<b>Total minimum Lease base payments</b>	<b>215,250.00</b>

**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, 2020:</u>	<u>Amount</u>
Not later than one year	202,614.03
Until end of the lease terms	51,025.05
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<b>Total minimum Lease base payments</b>	<b>253,639.08</b>

**Note 4**

**Subsequent Events**

Subsequent events were evaluated through June 24, 2020, 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 24, 2020, the date the financial statements were available to be issued.

In United States of America, starting March 2020, there is significant outbreak of Corona Virus causing Covid-19 disease in humans. The outbreak has caused the federal, state & local governments to issue orders to restrict public gathering, remote working for businesses and closure of certain businesses. Such restricted movement is resulting in significant slowdown of the business activities and many unanticipated reactions from the consumers. Management anticipates the overall revenue during this time of uncertainty may go down by about 20%.

## VADILAL INDUSTRIES (USA) INC.

### NOTES TO FINANCIAL STATEMENTS For the Year ending March 31, 2020 & 2019

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, 2020, the Company has provided for depreciation on straight line basis based on useful lives of each asset.

#### **Note 7 Loans & Credit Facility**

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.

The company has also obtained Line of Credit facility of \$185,000 from Bank of America in January 2020 secured against tangible & intangible assets of the company. The unused credit remained at \$85,000 as of March 31, 2020.

#### **Note 8 Income taxes**

For the year ending March 31, 2020, net provision of \$531,116 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

**VADILAL INDUSTRIES (USA) INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year ending March 31, 2020 & 2019**

course of business, the company had the following related party transactions and balances:

Net purchases	\$ 6,555,704
Interest payable	\$ 46,425
Accounts payable	\$ 1,163,017
Loans Payable	\$ 714,653

**Note 10 Major Supplier**

For the year ending March 31, 2020, 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:

	<b>2019-20</b>	<b>2018-19</b>
Capital Stock	\$ 225,000	\$ 225,000
Retained Earnings at the beginning of period	656,089	58,082
Income (Loss) for Current Year	<u>1,240,322</u>	<u>598,007</u>
Total Equity	<u>\$ 1,896,411</u>	<u>\$ 881,089</u>

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

**Operating Expenses:**

	<b>2019-20</b>	<b>2018-19</b>
Salaries & Wages	\$ 2,365,081	\$ 1,853,922
Rent	\$ 1,020,788	\$ 969,014
Telephone	\$ 32,757	\$ 23,849
Office Expenses	\$ 472,516	\$ 378,266
Travel Expenses	\$ 525,979	\$ 530,513
Insurance	\$ 149,897	\$ 118,376
Advertising	\$ 194,307	\$ 316,927
Payroll & Other Taxes	\$ 205,365	\$ 177,394
Bank Charges	\$ 22,383	\$ 5,216
Legal & Professional Fees	\$ 168,172	\$ 139,770
Repairs & Maintenance	\$ 228,142	\$ 229,625
Delivery & Shipping	\$ 1,229,027	\$ 1,143,059
Temporary Help	\$ 141,802	\$ 118,176
Licenses & Permits	\$ -	\$ 328
Vehicle Rentals	\$ 10,331	\$ 8,742
<b>Total Operating Expenses</b>	<b>\$ 6,766,547</b>	<b>\$ 6,013,177</b>

See accountant's report and notes to financial statements