

Vadilal Industries (USA) Inc. and Subsidiary

Consolidated Financial Statements

March 31, 2023, and March 31, 2022

KNAV P.A.

Certified Public Accountants
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America Counts on CPAs

Table of Contents

Independent Auditor's Report	3
Consolidated Financial Statements	5
<i>Consolidated balance sheets</i>	<i>6</i>
<i>Consolidated statements of income</i>	<i>7</i>
<i>Consolidated statements of cash flows.....</i>	<i>8</i>

Independent Auditor's Report

Board of Directors
Vadilal Industries (USA) Inc. and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Vadilal Industries (USA) Inc. and Subsidiary (“the Company”), which comprise the consolidated balance sheet as of March 31, 2023, and the related consolidated statement of income, stockholder’s equity, and cash flow for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2023, 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.

Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the consolidated financial statements’ section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Vadilal Industries (USA) Inc. for the year ended March 31, 2022, were audited by another auditor, who expressed an unmodified opinion on those statements on May 25, 2022.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Company’s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally

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accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KNAV P.A.

Atlanta, Georgia

May 27, 2023

Vadilal Industries (USA) Inc. and Subsidiary
Consolidated Financial Statements
March 31, 2023, and March 31, 2022

Consolidated Financial Statements

Vadilal Industries (USA) Inc. and SubsidiaryConsolidated Financial Statements
March 31, 2023, and March 31, 2022**Consolidated balance sheets***(All amounts are in United States Dollars, unless otherwise stated)*

	As at	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	3,043,026	5,529,396
Accounts receivable, net	5,391,599	4,097,659
Inventories, net	4,717,055	3,226,898
Other current assets	1,157,138	329,493
Total current assets	\$ 14,308,818	13,183,446
Property, plant and equipment, net	2,608,769	802,418
Capital work in progress	99,801	-
Operating lease right-of-use assets	9,037,787	1,232,128
Goodwill and other intangible assets, net	259,696	3,375
Other assets	947,051	1,269,986
Total assets	\$ 27,261,921	16,491,353
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	1,280,616	625,985
Current portion of long-term debt	191,930	49,293
Current portion of operating lease obligations	676,709	543,865
Current portion of finance lease obligations	173,511	206,383
Other current liabilities	639,397	2,771,619
Total current liabilities	\$ 2,962,163	4,197,145
Deferred tax liabilities	515,592	107,142
Long-term debt, less current portion	711,149	199,519
Operating lease obligations, less current portion	8,670,109	688,265
Finance lease obligations, less current portion	303,087	465,193
Total liabilities	\$ 13,162,100	5,657,264
Stockholder's equity		
Common stock, at no par value, 2,000 shares authorized; 225 shares issued and outstanding	-	-
Additional paid in capital	225,000	225,000
Retained earnings	13,874,821	10,609,089
Total stockholder's equity	\$ 14,099,821	10,834,089
Total liabilities and stockholder's equity	\$ 27,261,921	16,491,353

Vadilal Industries (USA) Inc. and SubsidiaryConsolidated Financial Statements
March 31, 2023, and March 31, 2022**Consolidated statements of income***(All amounts are in United States Dollars, unless otherwise stated)*

	For the year ended	
	March 31, 2023	March 31, 2022
Revenue from operations, net	35,054,269	32,597,399
Cost of goods sold	18,940,924	16,625,809
Gross profit	\$ 16,113,345	15,971,590
Costs and expenses		
Employee cost	4,358,345	3,654,556
Selling, general and administrative expenses	7,028,031	5,651,056
Depreciation and amortization	350,504	112,323
Interest expense	59,865	26,086
Total cost and expenses	\$ 11,796,745	9,444,021
Operating income before taxes	4,316,600	6,527,569
Other income	377,938	171,103
Income before taxes	\$ 4,694,538	6,698,672
Current tax expense	1,072,821	2,010,459
Deferred tax expense	356,430	19,526
Net income for the year	\$ 3,265,287	4,668,687

Vadilal Industries (USA) Inc. and SubsidiaryConsolidated Financial Statements
March 31, 2023, and March 31, 2022**Consolidated statements of cash flows***(All amounts are in United States Dollars, unless otherwise stated)***For the year ended**
March 31, 2023 March 31, 2022**Cash flows from operating activities**

Net income for the year 3,265,287 4,668,687

Adjustments to reconcile net income to net cash (used in) provided by operating activities

Depreciation and amortization 350,504 112,323

Deferred tax expense 356,430 19,526

Allowance for doubtful debts 67,860 -

Provision for slow moving and obsolete inventory 11,091 21,040

Changes in assets and liabilities

Accounts receivable (1,361,800) (829,819)

Inventories (1,501,248) (902,324)

Other current assets (812,931) 679,274

Other assets and operating lease right-of-use assets (7,482,724) (1,076,690)

Accounts payable 654,631 (99,939)

Other current liabilities and operating lease obligations 5,985,898 1,546,468

Net cash (used in) provided by operating activities (467,002) 4,138,546**Cash flows from investing activities**

Purchase of property, plant, and equipment (2,235,562) (281,929)

Payment for business acquisition, net of cash acquired (240,110) -

Net cash used in investing activities (2,475,672) (281,929)**Cash flow from financing activities**

Receipt (repayment) of loan 654,267 (385,505)

Principal repayment of finance lease obligations (197,963) (169,575)

Net cash provided by (used in) financing activities 456,304 (555,080)**Net (decrease) increase in cash and cash equivalents (2,486,370) 3,301,537**

Cash and cash equivalents at the beginning of the year 5,529,396 2,227,859

Cash and cash equivalents at end of the year 3,043,026 5,529,396**Supplemental cash flow information**

Income taxes paid 1,389,600 -

Interest paid 47,586 35,589