

GOLDIAM USA, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED MARCH 31, 2021

GOLDIAM USA, INC.

FOR THE YEAR ENDED MARCH 31, 2021

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Stockholder of
Goldiam USA, Inc.:

We have reviewed the accompanying financial statements of Goldiam USA, Inc., which comprise the balance sheet as of March 31, 2021, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Prajapati & Company CPAs LLP

May 4, 2021

GOLDIAM USA, INC.

**BALANCE SHEET
MARCH 31, 2021**

ASSETS

Current assets

Cash	\$ 439,886
Accounts receivable, net of allowance for doubtful accounts of \$5,000	9,965,038
Inventories	10,959,859
Prepaid expenses	26,994
Other current assets	<u>15,000</u>
Total current assets	21,406,777

Property and equipment, net of accumulated
depreciation of \$79,658

28,768

Other assets

Deposits	22,000
Deferred income taxes	<u>9,000</u>
	<u>31,000</u>
	<u>\$ 21,466,545</u>

GOLDIAM USA, INC.

BALANCE SHEET

MARCH 31, 2021

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities

Accounts payable	\$ 16,293,029
Accrued expenses and taxes	383,123
Customer refund liabilities	392,584
Loans payable	555
Notes payable	<u>53,414</u>
Total current assets	17,122,705

Other liabilities

Notes payable	53,980
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Commitments and contingencies

Stockholder's equity

Common stock, \$0.01 par value; 1,000 shares authorized, 200 shares issued and outstanding	2
Additional paid-in capital	179,998
Retained earnings	<u>4,109,860</u>
	<u>4,289,860</u>
	<u>\$ 21,466,545</u>

GOLDIAM USA, INC.

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2021**

Net sales	\$ 39,504,391
Cost of sales	<u>35,700,486</u>
Gross profit	3,803,905
Operating expenses	<u>2,260,568</u>
Income from operations	1,543,337
Other income	<u>13,287</u>
Income before provision for income taxes	1,556,624
Provision for income taxes	<u>325,375</u>
Net income	1,231,249
Retained earnings – beginning	<u>2,878,611</u>
Retained earnings – end	<u>\$ 4,109,860</u>

See accountants' review report and notes to financial statements.

GOLDIAM USA, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021**

Cash flows from operating activities	
Net income	\$ 1,231,249
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	7,036
Changes in assets and liabilities	
Accounts receivable	(4,968,242)
Inventories	(1,649,424)
Prepaid expenses	(23,093)
Accounts payable	5,096,484
Accrued expenses and taxes	290,168
Customer refund liabilities	<u>72,789</u>
Net cash provided by operating activities	56,967
Cash flows from investing activities	
Capital expenditures	(20,560)
Net increase in deposits	<u>(10,222)</u>
Net cash used in investing activities	(30,782)
Cash flows from financing activities	
Net increase in loans payable	555
Net increase in notes payable	<u>107,394</u>
Net cash provided by financing activities	107,949
Net change in cash	134,134
Cash at beginning	<u>305,752</u>
Cash at end	<u>\$ 439,886</u>

Supplemental disclosure of cash flows information	
Cash paid for interest	\$ -
Cash paid for income taxes	<u>\$ 197,573</u>

See accountants' review report and notes to financial statements.

GOLDIAM USA, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021**

Note 1 – Description of company’s business

Goldiam USA, Inc. (the “Company”) is a wholly owned subsidiary of Goldiam International Limited, a company based in India. The Company was incorporated in New York on July 31, 2008. The Company is an importer and wholesaler of diamonds and jewelry whose customers are located primarily throughout the United States of America.

Note 2 – Summary of significant accounting policies

Basis of accounting

The Company’s accounting policies are in accordance with accounting principles generally accepted in the United States of America. Outlined below are those policies considered particularly significant.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

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. 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 an allowance for doubtful accounts. An allowance for doubtful accounts is 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.

GOLDIAM USA, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021**

Note 2 – Summary of significant accounting policies (continued)

Accounts receivable (continued)

Estimated costs associated with trade discounts, advertising allowances, markdowns, and allowances for returns which constitute variable consideration are reflected as a reduction of sales and classified as current liabilities. The Company makes allowances against known chargebacks, as well as for an estimate of potential future deductions by customers. These allowances result from negotiations with the Company's customers, historical deduction trends and the evaluation of current market conditions.

Inventories

Inventories, which consist primarily of finished goods, are stated at the lower of cost or net realizable value, with cost being determined under the FIFO (First-in, First-out) method.

Property and equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line or an accelerated method over the estimated useful lives of the assets, ranging from 3 to 7 years. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful asset lives. Major additions are capitalized, and repairs and maintenance costs are expensed when incurred.

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 assets, is recognized if expected future undiscounted cash flows are less than the carrying value of the assets. At March 31, 2021, the Company was not aware of any events or changes in circumstances that indicate the carrying amount of an asset may not be recoverable.

Paycheck protection program loan

The Company's policy is to account for the Paycheck Protection Program ("PPP") loan as debt. The Company will continue to record the loan as debt until either (1) the loan is partially or entirely forgiven and the Company has been legally released, at which point the amount forgiven will be recorded as income or (2) the Company pays off the loan.

Note 2 – Summary of significant accounting policies (continued)

Revenue recognition

Revenue is recognized when the contract is in place, obligations under the terms of the contract are satisfied and control is transferred to the customer. The Company considers control to have been transferred when the Company has transferred the physical possession of the product, the Company has a right to payment for the product, the customer has legal title to the product and the customer has significant risks and rewards of the product. Revenue is recognized for an amount that reflects the consideration to which the Company is entitled in exchange for the product. The Company records variable considerations as a reduction of revenue arising from implicit or explicit obligation in the period the related product revenue is recognized. Variable consideration includes trade discounts, markdowns, co-op advertising, sales returns, and other customer allowances. Variable consideration is estimated based on historical experience, customer agreements and expectations, statutory requirements, current economic conditions, and other factors that arise in the normal course of business. The allowances for variable consideration are recorded as a liability.

Cost of goods sold

Cost of goods sold consist of expenses incurred to acquire and prepare inventory for sale, including freight, import costs, packaging materials and other costs. The revenue recognition standard requires that the costs expected to be incurred when products are returned should be accrued for upon the sale of the product as a component of cost of goods sold.

Advertising and promotional expenses

Advertising and promotional expenses are expensed during the year in which they are incurred. The Company participates in the co-op advertising program with certain customers and accrues an allowance based on net sales, as defined. For the year ended March 31, 2021, advertising and promotional expenses amounted to \$905,205.

Shipping and handling costs

The Company includes shipping and handling costs associated with outbound freight in operating expenses. For the year ended March 31, 2021, shipping and handling costs amounted to \$69,160.

GOLDIAM USA, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021**

Note 2 – Summary of significant accounting policies (continued)

Income taxes

The Company uses the asset and liability method of accounting for income taxes, where deferred tax assets and liabilities are recognized for differences between the financial statement and tax bases of existing assets and liabilities. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The Company evaluates all significant tax positions. As of March 31, 2021, the Company does not believe it has any uncertain tax positions that would qualify for either recognition or disclosure in the financial statements.

Subsequent events

The Company has evaluated subsequent events through May 4, 2021 which is the date the financial statements were available to be issued.

New authoritative accounting pronouncements

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

Note 3 – Inventories

At March 31, 2021, inventories of \$10,959,859 consisted of loose gems, work-in-process, and finished jewelry.

Note 4 – Property and equipment

At March 31, 2021, property and equipment consisted of the following:

Furniture and equipment	\$ 93,386
Leasehold improvements	<u>15,040</u>
	108,426
Less: accumulated depreciation	<u>79,658</u>
	<u>\$ 28,768</u>

For the year ended March 31, 2021, depreciation expense was approximately \$7,036.

Note 5 – Loans payable

At March 31, 2021, the Company had outstanding loans payable of \$555 to an unrelated party. These loans are due on a demand basis, bearing no interest.

GOLDIAM USA, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021**

Note 6 – Notes payable

During the year ended March 31, 2021, the Company entered into PPP loans with a financial institution under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The PPP provides that (1) the use of PPP loan amount shall be limited to certain qualifying expenses, (2) 100 percent of the principal amount of the loan is guaranteed by the Small Business Administration and (3) the amount up to the full principal amount may qualify for loan forgiveness in accordance with the terms of the CARES Act.

The Company received the first draw of PPP loan funds in the amount of \$53,697 on April 20, 2020 that matures on April 20, 2022. Monthly amortized principal and interest payments are deferred for six months after the date of disbursement. The Company received the second draw of PPP loan funds in the amount of \$53,697 on February 2, 2021 that matures on February 2, 2026. Monthly amortized principal and interest payments are deferred for ten months after the date of disbursement. The PPP loans bear interest at a rate of 1% per annum. The Company is not yet able to determine the amount that might be forgiven. The Company will repay the unforgiven principal balance in accordance with the terms of the note.

Note 7 – Income taxes

The Company files federal, state, and local income tax returns on a fiscal year basis ending on March 31, as prescribed by the tax laws of the jurisdiction in which it operates. In the ordinary course of business, the Company is subject to examination by federal, state, and local jurisdictions, where applicable. For federal, state, and local income tax purposes, the Company remains open for examination by the tax authorities for the tax years from March 31, 2018 onwards under the general statute of limitations.

For the year ended March 31, 2021, the net provision for income taxes of \$325,375 consisted of the following:

	<u>Federal</u>	<u>State and local</u>	<u>Total</u>
Current	\$327,946	\$(2,571)	\$325,375
Deferred	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$327,946</u>	<u>\$(2,571)</u>	<u>\$325,375</u>

At March 31, 2021, the significant components of the net deferred tax assets were the allowances for doubtful accounts and credits, inventories capitalization and differences between the book and tax bases of property and equipment.

GOLDIAM USA, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021**

Note 8 – Related party transactions and balances

In the ordinary course of business, the Company had the following related party transactions and balances:

Accounts receivable

At March 31, 2021, the Company had outstanding accounts receivable of \$1,788 from an affiliate.

Accounts payable

At March 31, 2021, the Company had outstanding accounts payable of \$16,293,029 to various affiliates.

Net sales

For the year ended March 31, 2021, the Company made net sales of \$1,895,523 to various affiliates.

Net purchases

For the year ended March 31, 2021, the Company made net purchases of \$35,152,647 from various affiliates.

Note 9 – Commitments and contingencies

Lease

The Company is obligated under a long-term operating lease for the rental of office premises, which expires on April 30, 2024. For the year ended March 31, 2021, rent expense amounted to \$70,714.

At March 31, 2021, the future minimum rental payments were as follows:

March 31, 2022	\$110,000
March 31, 2023	123,500
March 31, 2024	137,750
April 30, 2024	<u>11,500</u>
	<u>\$382,750</u>

Other contingencies

The Company may be involved in claims and legal proceedings arising in the ordinary course of business. In the opinion of management, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, liquidity or results of operations.

GOLDIAM USA, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021**

Note 9 – Commitments and contingencies

COVID-19

As a result of the recent and ongoing COVID-19 outbreak, the Company's operations may be affected. Since the extent and duration of the outbreak is uncertain, this may result in a material adverse impact on the Company's financial position, operations and cash flows. Possible areas that may be affected include, but are not limited to, disruption on the Company's customers and revenue, labor workforce, unavailability of products and supplies used in the operations, and the decline in value of assets held by the Company.

Note 10 – Concentrations

Major customers

For the year ended March 31, 2021, sales to three customers represented approximately 80% of net sales. At March 31, 2021, accounts receivable from these customers were approximately \$8,449,963.

Major vendors

For the year ended March 31, 2021, purchases from two vendors represented approximately 99% of net purchases. At March 31, 2021, accounts payable to these vendors were approximately \$16,293,029.

Note 11 – Subsequent events

On April 8, 2021, the Company applied for PPP loan forgiveness in the amount of \$53,697 received under the first draw based on the utilization of loan proceeds for qualifying expenses. No determination has been made as to whether the Company will be eligible for forgiveness, in whole or in part.

SUPPLEMENTARY INFORMATION

GOLDIAM USA, INC.

**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2021**

Operating expenses

Salaries	\$ 486,024
Payroll taxes	19,842
Rent and utilities	78,743
Telephone	8,400
Shipping expenses	69,160
Insurance	14,972
Travel and entertainment	20,932
Advertising and promotional expenses	905,205
Office and miscellaneous expenses	16,078
Computer supplies and maintenance	15,423
Dues and subscriptions	1,237
Sampling charges	5,206
Security system expenses	2,592
Professional fees	110,013
Other taxes	57,721
Bad debts	441,984
Depreciation	<u>7,036</u>
	<u>\$ 2,260,568</u>