STS Jewels Inc.
Balance Sheet
31 March 2018
(in USD, except share data)

Assets		**31 March 2018**
Current assets:		
Cash and cash equivalents (note 1(c))	$	57,815
Trade accounts receivable (note 1(d))		7,010,262
Due from officers and employees		2,611
Inventories (note 1(e)):		
Finished goods		6,035,571
Other current assets (note 1(f))		22,741
Total current assets		**13,129,000**
Property, plant, and equipment (note 1(g)):		
Machinery and equipment		2,459
Furniture & fixtures		55,689
Computers		14,939
		73,087
Less: accumulated depreciation and amortization		(44,808)
Net property, plant, and equipment		28,279
Intangible assets (note 1(h))		1,739
Other assets (note 1(f))		5,253
Deferred income taxes (notes 1(i) and 3)		95,772
Total assets	**$**	**13,260,043**
Liabilities and Stockholders' Equity		
Current liabilities:		
Loan from related party	$	730,000
Trade accounts payable		9,467,464
Accrued expenses		194,656
Other current liabilities		150,370
Total current liabilities		10,542,490
Stockholders' equity (note 4):		
Common stock, no par, authorized 5,000 shares; 500 issued and outstanding shares		500,000
Additional paid-in capital		2,490,357
Retained earnings		(272,804)
Total stockholders' equity		**2,717,553**
Total liabilities and stockholders' equity	**$**	**13,260,043**

See accompanying notes to financial statements.

STS Jewels Inc.
Statements of Income
Year ended 31 March 2018
(in USD)

		Year ended 31 March 2018
Net sales (note 1 (j))	$	21,320,094
Cost of goods sold		(17,724,314)
Gross profit		3,595,780
Selling, general, and administrative expenses		(3,095,780)
Operating income		**500,000**
Other income:		
Other income, net		189
Income before income taxes		**500,189**
Income taxes (Notes 1(i) and 3)		(239,000)
Net income		**261,189**

See accompanying notes to financial statements.

STS Jewels Inc.
Statements of change in stockholders' Equity
Year ended 31 March 2018
(in USD, except share data)

	Common stock		Additional paid-in capital	Retained earnings / (deficit)	Total stockholders' equity
	Shares	Amount			
Balance as at 01 April 2017	**500**	**500,000**	**2,490,357**	**(430,744)**	**2,559,613**
Prior period items	-	-	-	(103,249)	**(103,249)**
Net income	-	-	-	261,189	**261,189**
Balance as at 31 March 2018	**500**	**500,000**	**2,490,357**	**(272,804)**	**2,717,553**

STS Jewels Inc.
Statements of Cash Flows
Year ended 31 March 2018
(in USD)

	31 March 2018
Cash flow provided by operating activities:	
Net Income	500,189
Adjustment to reconcile net income to cash provided by operating activities:	
Depreciation and amortisation	11,363
Changes in operating assets and liabilties:	
Increase trade receivable	(2,583,369)
Increase in inventories	(1,237,095)
Increase in other assets	(4,178)
Increase in current liabilities	3,384,982
Net cash from operating activities	**71,892**
Cash flow from investing activities	
Purchase of fixed assets	(28,113)
Net cash used in investing activities	**(28,113)**
Net increase in cash and cash equivalents	**43,779**
Cash and cash equivalents at beginning of year	14,037
Cash and cash equivalents at end of year	**57,816**

1. Summary of Significant Accounting Policies

(a) Description of business

STS Jewel Inc. (the "Company"), a state of New York corporation, is in the wholesale business of Gem Stones and Jewelry. The Company is also registered in State of Texas as a "Foreign for Profit Corporation". The Company is a wholly owned subsidiary of a foreign corporation Vaibhav Global Limited located in India. The major products are Gems Stone, Diamond Studded Silver & Gold Jewelry, and Cut & Polished Gem Stone. The major locations of the market are USA and UK.

(b) 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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(c) Cash and cash equivalents

Bank accounts maintained with bank and cash in hand are included in Cash and Cash Equivalents.

(d) Trade Accounts Receivable

Trade account receivable are recorded at net realizable value which is the original invoice amount less an allowance management believes will be adequate to absorb estimated losses on existing accounts receivable. The management uses the best information available to make its evaluation future adjustments to the allowance may be necessary. As per management, the Company does not need allowance as the Company's clients are big corporations, risk of bad debts is very low. Risk will be high only when corporation declare bankruptcy, management don't foresee that risk in near future.

(e) Inventories

Inventories are stated on at the lower of cost or net realizable value. Import duties paid on acquisition added to the cost of inventory. Inventory Cost is determined on "weighted averages" basis. Determination of estimated net realizable value involve technical judgments of the management. The Company provides inventory write downs on obsolete inventory on a regular basis.

(f) Other current assets and other assets

Other current assets and other assets consist of prepaid expenses, advance to suppliers and security deposits.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. They are depreciated using straight line method over their estimated useful lives raging three to seven years. Expenditures for maintenance and repairs are changed to operations and expenditures for addition, major renewal and betterments are capitalized.

Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life of machinery and equipment, computers and furniture and fixture is 15, 3 and 10 years respectively. Total depreciation for the years ended 31 March 2018 is $8,060.

(h) Intangibles assets

Intangible assets includes software. Such intangible assets are subsequently measured at cost less accumulated amortisation. Amortisation of software is calculated on the straight-line method over the estimated useful lives of 4 years. Total amortisation for the years ended 31 March 2018 is $ 3,303.

(i) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

(j) Revenue recognition

The Company recognizes revenue when products are delivered and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable and is stated net of returns, trade discounts.

(k) Stock Option Plan

Employees of the Group participates in the Stock Option Plan-2006 established by the ultimate parent company (Vaibhav Global Limited), whereby employees render services as consideration for equity instruments (equity-settled transactions). The Compensation Committee of the ultimate parent decides upon the employees who qualify under the Plan and the no. of options to be issued to such employees. The exercise price of the share options shall be the market price which would be the latest available closing price of the shares o n the stock exchange, which records the highest trading volume of the ultimate parent Company's shares on the date prior to date of meeting of the Compensation committee at which the options are granted. Out of stock option granted, 20% stock option will vest at the end of one year from the date of Grant, 30% at the end of the second year and balance 50% at the end of third year.

The fair value of the share options is estimated at the grant date using a Black-Scholes pricing model, taking into account the terms and conditions upon which the share options were granted. However, the above performance condition is only considered in determining the number of instruments that will ultimately vest. The exercise period for all the options under various tranches is 7 years from the date of vesting.

The cost pertaining to share option charged to Statement of Income over the vesting period with corresponding credit to ultimate holding company.

During the financials year ended 31 March 2018, no excess tax benefit or income tax benefit is recognised in the statement of income for stock based compensation.

(l) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fine and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

(m) Recently Adopted Accounting Standards

In May 2017, the FASB issued Accounting Standards Update No. 2017-09 (ASU 2017-09) “Compensation—Stock Compensation (Topic 718)”. The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718.This Update to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments are effective for the year ended 31 March 2019, including interim periods. Early adoption is permitted. Amendments in this Update should be applied prospectively to an award modified on or after the adoption date. The Company is currently in the process of evaluating the impact that the adoption of this standard will have on its financial statements.

2. Concentration of Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents, deposits with banks, accounts receivables etc. By their nature, all such financial instruments involve risks, including the credit risk of non-performance by counterparties. In the management’s opinion, as of 31 March 2018, there was no significant risk of loss in the event of non-performance of the counterparties to these financial instruments. The customers of the Group are primarily corporations based in the United States of America and Europe and accordingly, trade receivables concentrated in the respective countries. The Group periodically assesses the financial reliability of customers, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable.

3. Income Taxes

The Company books current income tax expense on its taxable income but the Company is not actually paying federal taxes as it is offsetting its taxable income against the net loss carry forward.

The Company has a net operating loss of $4,357,954 and $236,987 from the financial reporting in 2008 and 2009, which will expire in year 2028 and 2029 respectively. The Company has used its net operating loss to offset its taxable income for the years of 2011 thru 2018. No valuation allowance was considered necessary at the end of period for the deferred tax related to the NOL carryforward.

The Company’s current fiscal year started on 1 April 2017 and ends on 31 March 2018. The Company's tax years that remain subject to examination by jurisdictions are fiscal years ended on 31 March 2017, 2016, 2015 and 2014.

Income-tax charge / (credit) to the Statement of Income consists of:

Year ended 31 March 2018	**Current**	**Deferred**	**Total**
U.S. federal	-	(239,000)	(239,000)
Total	**-**	**(239,000)**	**(239,000)**

Significant components of deferred taxes

The significant components of deferred income tax expenses attributable to income from operation for the year ended 31 March 2018 are as follows:

	31 March 2018
Net operating losses carried over	95,772
Total	**95,772**

4. Stockholder's equity

The Company has 5,000 authorized shares and 500 issued and outstanding common stock with no par value. A foreign corporation (Vaibhav Global Limited) located in India owns one hundred percent of Company's shares, making the Company a wholly owned subsidiary of the foreign corporation.

5. Stock compensation plan

At 31 March 2018, there were 69,241 additional shares available for the employees of the Company to grant under the Plan. The grant-date fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. The weighted average assumptions for the current year grant is provided in the below table:

Valuation assumptions	
Expected dividend yield	0%
Expected volatility	44.39% to 49.8%
Expected terms (years)	5.80 years
Risk-free	6.46% to 6.50%

Stock option activity during the year is as follows:

	Number of shares	Weighted average exercise price
Balance at 01 April 2017	56,216	428.94
Granted	13,025	544.15
Balance at 31 March 2018	69,241	450.61

The weighted average grant date fair value of options granted during the years was $ 304.80.

A summary of the status of the Company's non-vested shares as of 31 March 2018 and changes during the year is presented below:

Non-vested shares	Shares	Weighted average grant date fair value
Balance at 01 April 2017	23,680	175.69
Granted	13,025	304.80
Vested	(4,736)	175.69
Balance at 31 March 2018	31,969	228.29

6. Contribution to 401K plan

The Company's employees are covered by a 401K retirement plan. The plan allows employees, a voluntary contribution of a portion of their wages to the plan on a tax deferred basis. Employees are vested 100% after three years of service. The plan also provides employer's contribution at the discretion of the Board of Directors, up to the maximum amount allowable, as a deduction for income tax purposes. The Company's contribution to the plan as of 31 March 2018 were $ 15,257.

7. Subsequent Events

Management has evaluated subsequent events as of 23 May 2018. The Company doesn't have any subsequent events which need to be disclosed.

Schedule I

STS Jewels Inc

Notes to financial statement

31 March 2018

(in USD)

	Year ended 31 March 2018
Selling expenses:	
Advertising	816,291
Commission	286,001
Travel	174,063
Packing and distribution	108,160
	1,384,515
General and administrative expenses:	
Salaries	1,184,238
Contribution to 401K fund	15,257
Payroll taxes	92,581
Stock based compensation	37,876
Insurance	163,354
Depreciation and amortisation	11,363
Rent	45,644
Property taxes	11,462
Professional services	40,487
Office expenses	109,003
	1,711,265
	3,095,780