

STS Jewels Inc.
Balance sheet
31 March 2020
(in USD, except share data)

Assets	<u>31 March 2020</u>	<u>31 March 2019</u>
Current assets:		
Cash and cash equivalents (note 1(c))	\$ 139,486	93,448
Trade accounts receivable (note 1(d))	435,836	3,877,322
Due from officers and employees	-	200
Inventories (note 1(e)):		
Finished goods	4,762,680	7,107,364
Other current assets (note 1(f))	939	87,446
Total current assets	<u>5,338,941</u>	<u>11,165,780</u>
Property, plant, and equipment (note 1(g)):		
Machinery and equipment	8,054	8,054
Furniture and fixtures	55,689	55,689
Computers	16,420	17,866
	<u>80,163</u>	<u>81,609</u>
Less: accumulated depreciation and amortization	(65,331)	(57,314)
Net property, plant, and equipment	14,832	24,295
Intangible assets (note 1(h))	5,042	5,042
Other assets (note 1(f))	6,758	9,094
Deferred income taxes	167,575	-
Total assets	<u>\$ 5,533,148</u>	<u>11,204,211</u>
Liabilities and stockholders' equity		
Current liabilities:		
Loan from related party	\$ 730,000	730,000
Trade accounts payable	2,012,577	6,513,757
Income taxes payable	21,932	76,263
Accrued expenses	22,993	326,859
Other current liabilities	31,265	213,004
Total current liabilities	<u>2,818,767</u>	<u>7,859,883</u>
Stockholders' equity (note 4):		
Common stock, no par, authorized 5,000 shares; 500 issued and outstanding shares	500,000	500,000
Additional paid-in capital	2,490,357	2,490,357
Retained earnings	(275,976)	353,971
Total stockholders' equity	<u>2,714,381</u>	<u>3,344,328</u>
Total liabilities and stockholders' equity	<u>\$ 5,533,148</u>	<u>11,204,211</u>

See accompanying notes to financial statements.

STS Jewels Inc.
 Statements of Income
 Year ended 31 March 2020
 (in USD)

	Year ended 31 March 2020	Year ended 31 March 2019
Net sales (note 1 (j))	\$ 10,964,271	21,473,461
Cost of goods sold	(10,677,220)	(17,540,536)
Gross profit	287,051	3,932,925
Selling, general and administrative expenses	(1,085,497)	(3,312,157)
Operating income	(798,446)	620,768
Other income:		
Other income, net	467	36,610
Income before income taxes	(797,979)	657,378
Income taxes (Note 1(i) and 3)	168,032	(171,728)
Net income	(629,947)	485,650

See accompanying notes to financial statements.

STS Jewels Inc.
Statements of change in stockholders' Equity
Year ended 31 March 2020
(in USD, except share data)

	Common stock		Additional paid-in capital	Retained earnings / (deficit)	Total stockholders' equity
	Shares	Amount			
Balance as at 01 April 2019	500	500,000	2,490,357	353,971	3,344,328
Net income	-	-	-	(629,947)	(629,947)
Balance as at 31 March 2020	500	500,000	2,490,357	(275,976)	2,714,381
Balance as at 01 April 2018	500	500,000	2,490,357	(131,679)	2,858,678
Net income	-	-	-	485,650	485,650
Balance as at 31 March 2019	500	500,000	2,490,357	353,971	3,344,328

STS Jewels Inc.
Statements of Cash Flows
Year ended 31 March 2020
(in USD)

	31 March 2020	31 March 2019
Cash flow provided by operating activities:		
Net Income	(797,979)	657,378
Adjustment to reconcile net income to cash provided by operating activities:		
Depreciation and amortisation	9,125	9,203
Changes in operating assets and liabilities:		
Increase trade receivable	3,441,486	3,132,940
Increase in inventories	2,344,684	(1,071,793)
Increase in other assets	89,043	(66,135)
Increase in other liabilities	(5,040,659)	(2,617,438)
Net cash from operating activities	45,700	44,155
Cash flow from investing activities		
Purchase of fixed assets	338	(8,522)
Net cash used in investing activities	338	(8,522)
Net increase in cash and cash equivalents	46,038	35,633
Cash and cash equivalents at beginning of year	93,448	57,815
Cash and cash equivalents at end of year	139,486	93,448

STS Jewels Inc
Notes to financial statement
31 March 2020
(in USD)

	Year ended 31 March 2020	Year ended 31 March 2019
Selling expenses:		
Advertising	87,082	923,720
Commission	89,788	422,658
Travel	60,747	221,643
Packing and distribution	24,396	83,169
	262,013	1,651,190
General and administrative expenses:		
Salaries	553,086	1,217,921
Contribution to 401K fund	14,766	17,702
Payroll taxes	41,310	94,090
Stock based compensation	12,676	31,181
Insurance	70,849	157,189
Depreciation and amortisation	9,125	9,203
Rent	17,250	47,225
Property taxes	7,750	7,200
Professional services	45,923	25,166
Other	50,748	54,090
	823,484	1,660,967
Total selling, general and administrative expenses	1,085,497	3,312,157

STS Jewels Inc.
Financial statement and schedules
31 March 2020

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. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, sales returns, deferred tax assets, inventory, share-based compensation, income tax uncertainties and other contingencies.

(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.

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31 March 2020

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged 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 is taken as 15 years, computers as 3 years and furniture and fixture as 10 years. Total depreciation for the years ended 31 March 2020 is \$ 5,822 (31 March 2019 \$5,900).

(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 2020 is \$ 3,303 (31 March 2019 \$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. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the statements of income.

(k) Stock Option Plan

Employees of the Group participates in the Stock Option Plan-2006 established by 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 for 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 on 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

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31 March 2020

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 measured at the grant date fair value of the award, using 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 2020, no excess tax benefit or income tax benefit is recognised in the statement of income for stock based compensation. Stock-based compensation cost that has been included in Statement of Income was \$ 12,676 (31 March 2019 \$31,181).

(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.

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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 2020, 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

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

Year ended 31 March 2020	Current	Deferred	Total
U.S. federal	-	168,032	168,032

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. 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 2020 were \$14,766 (31 March 2019 \$17,702)

6. Subsequent Events

Management has evaluated subsequent events as of 26 May 2020. The Company doesn't have any subsequent events which need to be disclosed.