



**Renaissance Jewelry New York, Inc.
and Subsidiaries
Consolidated Financial Statements
March 31, 2024**

Renaissance Jewelry New York, Inc. and Subsidiaries

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Independent Auditor's Report

To the Board of Directors & Stockholders of
Renaissance Jewelry New York, Inc. and Subsidiaries

Prager Metis CPAs, LLC

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Opinion

We have audited the accompanying consolidated financial statements of Renaissance Jewelry New York, Inc. and Subsidiaries (the "Company") which comprise the consolidated balance sheet as of March 31, 2024, and the related consolidated statements of income, stockholders' equity, and cash flows 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 Renaissance Jewelry New York, Inc. and Subsidiaries as of March 31, 2024, and the results of their operations and their 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.

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 the 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 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 the 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.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
New York, New York
May 24, 2024

Renaissance Jewelry New York, Inc. and Subsidiaries
Consolidated Balance Sheet
March 31, 2024

Assets

Current assets

Cash and cash equivalents	\$ 2,803,690
Accounts receivable, net	17,189,652
Accounts receivable, related parties	10,028,355
Inventory	49,875,572
Loans receivable	47,364
Prepaid expenses and other current assets	1,343,207
Total current assets	<u>81,287,840</u>

Property and equipment, net	4,001,427
Goodwill	369,036
Intangible assets, net	45,194
Deferred tax assets, net	1,374,000
Other assets	911,670
Operating lease right-of-use asset, net	<u>14,969,600</u>

Total assets	<u><u>\$ 102,958,767</u></u>
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Liabilities and stockholders' equity

Liabilities

Current liabilities

Short-term borrowings	\$ 17,000,000
Accounts payable, trade	1,685,234
Accounts payable, related parties	4,614,014
Accrued expenses and other payables	859,874
Customer refund liabilities	1,427,003
Loan payable, related party	3,750,000
Operating lease liability, current portion	744,123
Total current liabilities	<u>30,080,248</u>

Operating lease liability, net of current portion	<u>15,025,917</u>
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Total liabilities	<u>45,106,165</u>
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Stockholders' equity

Common stock – no par value, 1,000 shares authorized, 225 shares issued and outstanding	37,755,823
Additional paid-in-capital	471,945
Retained earnings	<u>19,624,834</u>

Total stockholders' equity	<u>57,852,602</u>
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Total liabilities and stockholders' equity	<u><u>\$ 102,958,767</u></u>
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The accompanying notes are an integral part of these consolidated financial statements.

Renaissance Jewelry New York, Inc. and Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2024

Net sales	\$ 123,781,818
Cost of sales	<u>100,992,820</u>
Gross profit	<u>22,788,998</u>
Operating expenses	
General and administrative expenses	18,917,191
Depreciation and amortization expense	<u>645,097</u>
Total operating expenses	<u>19,562,288</u>
Income from operations	3,226,710
Interest expense, net	<u>(2,076,302)</u>
Net income before provision for income taxes	1,150,408
Provision for income taxes	<u>(261,783)</u>
Net income	<u><u>\$ 888,625</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Renaissance Jewelry New York, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
Year Ended March 31, 2024

	Common Stock Shares	Common Stock Amount	Additional Paid-in-Capital	Retained Earnings	Total Stockholders' Equity
Balance at April 1, 2023	225	\$ 37,755,823	\$ 285,824	\$ 18,736,209	\$ 56,777,856
Stock-based compensation	-	-	186,121	-	186,121
Net income	-	-	-	888,625	888,625
Balance at March 31, 2024	<u>225</u>	<u>\$ 37,755,823</u>	<u>\$ 471,945</u>	<u>\$ 19,624,834</u>	<u>\$ 57,852,602</u>

The accompanying notes are an integral part of these consolidated financial statements.

Renaissance Jewelry New York, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2024

Cash flows from operating activities

Net income	\$ 888,625
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	645,097
Deferred taxes	(205,000)
Operating lease right-of-use asset amortization	1,069,796
Stock-based compensation expense	186,121
Amortization on debt issuance costs shown as interest expense	3,831
Changes in operating assets and liabilities	
Accounts receivable	2,987,584
Accounts receivable, related parties	(3,272,873)
Inventory	9,288,959
Loans receivable	9,100
Prepaid expenses and other current assets	(63,437)
Other assets	110,528
Accounts payable, trade	(1,339,811)
Accounts payable, related parties	(7,017,338)
Accrued expenses and other payables	672,358
Customer refund liabilities	(2,520,503)
Operating lease liability	(885,106)
Net cash provided by operating activities	<u>557,931</u>

Cash flows from investing activities

Purchase of property and equipment	<u>(100,074)</u>
Net cash used in investing activities	<u>(100,074)</u>

Cash flows from financing activities

Proceeds from short-term borrowings	5,000,000
Repayments of short-term borrowings	(9,102,946)
Repayments of notes payable	<u>(122,702)</u>
Net cash used in financing activities	<u>(4,225,648)</u>

Net decrease in cash and cash equivalents (3,767,791)

Cash and cash equivalents, beginning of year 6,571,481

Cash and cash equivalents, end of year \$ 2,803,690

Supplemental disclosures of cash flow activities

Interest	<u>\$ 1,822,282</u>
Income taxes	<u><u>\$ 359,658</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 Nature of Operations

Renaissance Jewelry New York, Inc. (“Renaissance”) is a minority owned subsidiary of Renaissance Global Limited, 44.44% of a company based in India, and a 55.56% majority owned subsidiary of Verigold Jewellery DMCC a company based in Dubai. Renaissance was incorporated on April 23, 2007 under the laws of the State of New York. Jay Gems Inc. (“Jay Gems”) is a wholly owned subsidiary of Renaissance that was incorporated on November 22, 2000 in New York. Essar Capital LLC (“Essar”) is a wholly owned subsidiary of Jay Gems that was formed on March 13, 2014 in New York.

Renaissance Jewelry New York, Inc. and Subsidiaries (the “Company”) is an importer and wholesaler of diamonds and jewelry whose customers are located primarily throughout the United States of America. Large retail chains comprise a significant portion of the Company’s customer base. Management believes that credit risk resulting from concentrations is limited due to the large number of entities comprising this base and their dispersion across many different geographic regions.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Consolidation

The accompanying consolidated financial statements represent the operations of Renaissance, Jay Gems, and Essar. All material intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at original amount less an allowance for credit losses. An allowance for credit losses is determined based on the assessment of the Company’s customers’ historical collection experience, current credit worthiness, and future economic conditions.

Note 2 Summary of Significant Accounting Policies (continued)

Estimated costs associated with trade discounts, advertising allowances, markdowns, and allowance 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, historic deduction trends, the evaluation of current market conditions and future economic conditions.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, that provides more decision useful information about the expected credit losses on financial instruments and changes the loss impairment methodology. The guidance is effective for annual reporting periods beginning after December 15, 2022. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented as the net amount expected to be collected by using an allowance for credit losses. The Company adopted this guidance effective April 1, 2023, using the modified retrospective transition method.

Prior periods were not adjusted, and based on the Company's implementation assessment, no cumulative effect adjustment was made to the opening balance of retained earnings. The adoption of this standard did not have a material impact to the consolidated financial statements other than new/enhanced disclosures.

At March 31, 2024, management has determined that an allowance of approximately \$226,000 for credit losses was required.

Inventory

Inventories, which consist primarily of finished goods, are stated at the lower of cost and net realizable value. Cost is determined in accordance with the FIFO (First-In, First-Out) method.

Property and Equipment, Net

Property and equipment are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, typically three to seven years for machinery and equipment, five to seven years for furniture and fixtures, five to seven years for model and display, and the shorter of the lease term or useful life for leasehold improvements. Expenditures for renewals and betterments that extend the useful lives of the property and equipment are capitalized. Repairs and maintenance expenditures, which do not extend the useful lives of the related assets, are expensed as incurred.

Note 2 Summary of Significant Accounting Policies (continued)

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net assets acquired using the acquisition method of accounting as prescribed under the FASB Accounting Standards Codification (“ASC”) 805, *Business Combinations*. In accordance with ASC 350, *Intangibles – Goodwill and Other*, the Company evaluates goodwill for possible impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

The Company follows FASB ASU No. 2021-03, *Accounting Alternative for Evaluating Triggering Events*. The amendments allow an entity to elect not to monitor for goodwill impairment triggering events during the reporting period and, instead, to evaluate the facts and circumstances as of the end of the reporting period to determine whether it is more likely than not that goodwill is impaired.

During the year ended March 31, 2024, due to current results and economic conditions, the Company did not perform an impairment test as there was no triggering event.

Intangible Assets

Intangible assets consist of various assets which have finite useful lives and are carried at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the intangible assets ranging from 5 to 15 years.

Long-Lived Assets

The Company reviews the carrying values of its long-lived assets including finite-lived intangible assets, when events or changes in circumstances would indicate that it is more likely than not their carrying values may exceed their realizable values, and records impairment charges when considered necessary.

When circumstances indicate that impairment may have occurred, the Company tests such assets for recoverability by comparing the estimated undiscounted future cash flows expected to result from the use of such assets and their eventual disposition to their carrying amounts. In estimating these future cash flows, assets and liabilities are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows generated by other such groups. If the undiscounted future cash flows are less than the carrying amount of the asset, an impairment loss, measured as the excess of the carrying value of the asset over its estimated fair value, is recognized. Fair values are determined based on discounted cash flows, quoted market values or external appraiser as applicable. There was no impairment of the Company’s long-lived assets for the year ended March 31, 2024.

Note 2 Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company follows the FASB ASC 606, *Revenue from Contracts with Customers*. Revenue is recognized in accordance with a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the Company satisfies a performance obligation. 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 considerations are 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 Company has elected to treat all shipping and handling activities as fulfillment costs and recognize the costs as shipping expenses at the time revenue is recognized. Shipping and handling costs billed to customers are included as a component of general and administrative expenses on the consolidated statement of income.

Stock-Based Compensation

The Company follows the FASB ASC Subtopic 718-10, *Compensation—Stock Compensation*. Stock-based compensation expense requires measurement of compensation cost for stock-based awards at fair value on the grant date and recognition of compensation cost on a straight-line basis over the requisite service and vesting period, net of estimated forfeitures, if any.

The grant date fair value of stock options is estimated using option-pricing models adjusted for the unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available).

Stock-based compensation represents vested and non-vested stock options granted to employees and are included as a component of general and administrative expenses in the consolidated statement of income. Forfeitures are recognized as they occur.

Advertising and Promotion Expenses

Advertising and promotion costs, which are included as a component of general and administrative expenses on the consolidated statement of income, are expensed as incurred. Advertising and promotion expense was \$3,007,938 for the year ended March 31, 2024. The Company also participates in the co-op advertising program with certain customers. For the year ended March 31, 2024, co-op advertising expense amounted to \$4,519,277.

Note 2 Summary of Significant Accounting Policies (continued)

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year 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. A valuation allowance is required if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are based on the current period taxable income for Federal, state and local income tax reporting purposes.

The Company follows guidance issued by the FASB ASC 740, *Accounting for Income Taxes*, regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the consolidated financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the consolidated financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement.

The Company records income tax related interest and penalties as a component of the provision for income tax expense. As of March 31, 2024, the Company determined there were no uncertain tax positions.

The Company believes that there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within 12 months of the reporting date.

Leases

The Company follows FASB ASU No. 2016-02, *Leases (Topic 842)*, and subsequent amendments thereto, which requires the Company to recognize most leases on the consolidated balance sheet.

The Company elected the available practical expedients to account for existing operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Note 2 Summary of Significant Accounting Policies (continued)

The Company made an accounting policy election to exclude leases with an initial term of 12 months or less from the balance sheet date. The Company will recognize the lease payments on a straight-line basis over the lease term.

The Company elected to use the risk-free rate to discount the future lease payments for all equipment and small office space leases. The Company's primary office and showroom lease was discounted using the incremental borrowing rate which is defined as the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

Note 3 Accounts Receivable, Net

Accounts receivable consist of the following at March 31, 2024 and April 1, 2023:

	<u>March 31, 2024</u>	<u>April 1, 2023</u>
Accounts receivable	\$ 17,416,106	\$ 20,407,193
Accounts receivable, related parties	10,028,355	6,755,482
Allowance for credit losses	<u>(226,454)</u>	<u>(229,957)</u>
Accounts receivable, net	<u>\$ 27,218,007</u>	<u>\$ 26,932,718</u>

Note 4 Property and Equipment, Net

Property and equipment consist of the following at March 31, 2024:

Leasehold improvements	\$ 2,806,858
Computers and equipment	1,030,898
Furniture and fixtures	990,440
Other depreciable property	64,458
Total property and equipment	4,892,654
Less: accumulated depreciation and amortization	<u>891,227</u>
	<u>\$ 4,001,427</u>

Depreciation and amortization expense related to property and equipment, net was \$612,970 for the year ended March 31, 2024.

Renaissance Jewelry New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2024

Note 5 Intangible Assets

Intangible assets consist of the following at March 31, 2024

License agreement	\$ 4,000,000
Customer list	2,000,000
Non-compete covenants	365,000
Trademarks	88,500
	<u>6,453,500</u>
Less: accumulated amortization	<u>(6,408,306)</u>
	<u>\$ 45,194</u>

Estimated amortization expense for the next five fiscal years and thereafter is as follows:

Years Ending March 31,	
2025	\$ 6,694
2026	6,000
2027	6,000
2028	6,000
2029	6,000
Thereafter	14,500
	<u>\$ 45,194</u>

Amortization expense related to intangible assets for the year ended March 31, 2024 was \$32,127.

Note 6 Credit Facility

The Company has a credit facility with a bank allowing for maximum borrowing of \$25,000,000 to be utilized for working capital purposes. Borrowings under this facility are subject to a borrowing base limitation consisting of specified percentages of eligible accounts receivable and inventories. Interest on these borrowings is calculated as a function of the bank's prime rate (8.75% at March 31, 2024). At March 31, 2024, the outstanding borrowings were \$17,000,000 which are secured by substantially all assets of the Company, as well as various guarantees and subordinations. This credit facility agreement expires on December 31, 2024. The bank is also the loss payee on the jewelers' block policy held by the Company. The Company is required to maintain certain financial and restrictive covenants. As of March 31, 2024, the Company was in compliance with those covenants.

Note 7 Notes Payable

In 2014, Essar acquired the net assets of M.A. Reich & Co., Inc. for a purchase price of \$2,103,033. In connection with this acquisition, Essar issued a \$1,300,000 non-interest bearing note at a total discount of \$164,307. The note was recorded at the present value of the future cash flows, utilizing an imputed interest rate of 3.75%. As of March 31, 2024, Essar has fully paid off the non-interest bearing note payable.

For the year ended March 31, 2024, the amortization of discounts on this note amounted to \$1,797.

On August 2, 2018, Renaissance acquired 100% of the shares in Jay Gems for the total purchase price of \$12,405,547 at a total discount of \$1,645,520. In connection with this acquisition, Renaissance issued non-interest-bearing notes to the former stockholders of Jay Gems which were recorded at the present value of the future cash flows, utilizing an imputed interest rate of 3.57%. As of March 31, 2024, Renaissance has fully paid off the non-interest bearing notes payable.

For the year ended March 31, 2024, the amortization of discounts on these notes amounted to \$2,034.

Note 8 Stock Option Plan

Renaissance Global Limited ("RGL"), a minority owner of the Company, formulated an Employee Stock Option Scheme known as RGL Employee Stock Option Plan 2021 ("RGL ESOP 2021"), in accordance with the provisions of the Securities and Exchange Board of India (Share Based Employee Benefits Sweat Equity) Regulations, 2021.

The RGL ESOP 2021 was approved by the Board of Directors of RGL and its shareholders to formulate, administer and implement the stock option plan as of December 14, 2021.

In accordance with RGL ESOP 2021, 138,000 options were granted to employees of the Company on April 11, 2022. Per ASC 718, *Compensation-Stock Compensation*, the options granted to the Company's employees are recorded as stock-based compensation charge with an offsetting credit to additional paid-in capital on the Company's books.

Effective July 19, 2022, RGL declared a 5 to 1 stock split which impacted the RGL ESOP 2021 by increasing the number of options by a factor of 5 to 690,000 granted options and decreasing the weighted average exercise price on the grant date by a factor of 5. Post stock split, each option when exercised will be converted into 1 (one) equity share at a cost of 2 Rupees Rs. each, fully paid up, of RGL.

In September 2023, one of the employees of the Company retroactively provided his acceptance to the RGL ESOP 2021 for 40,000 options.

Note 8 Stock Option Plan (continued)

Options are exercisable only to the extent that they are vested. The exercise period cannot be more than 5 (five) years from the date of respective vesting of option. In addition, options shall vest only so long as the participant remains employed by or continues to provide services to RGL.

For the purposes of determining the non-cash compensation cost for the RGL stock option plan using the fair value method of ASC 718, the fair value of the options was estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions used are included in the table below:

	Options	Weighted Average Exercise Price	Expiration	Risk Free Interest Rate	Volatility	Dividend %	Fair Value Options on Grant Date	Aggregate Fair Value
Balance outstanding								
April 1, 2023 - unvested	690,000	\$ 1.33	6 years	4.85%	37.86%	0%	\$ 0.85	\$ 589,376
Retroactively issued grants	40,000	1.33	6 years	4.85%	37.86%	0%	0.85	34,167
Grants vested during the period	<u>(182,500)</u>	-					0.70	<u>(127,269)</u>
Balance outstanding as of								
March 31, 2024 – unvested	<u>547,500</u>	1.33	5 years				0.91	<u>\$ 496,274</u>
Vested at March 31, 2024	<u>182,500</u>							
Exercisable at March 31, 2024	<u>182,500</u>							

The fair value of options on grant date is based on the weighted average for vesting periods of one through four years. Amortization of this compensation charge, which is included as a component of general and administrative expenses on the consolidated statement of income for the year ended March 31, 2024 was \$186,121. The future compensation to be recognized for the aforementioned options over the remaining weighted average vesting period of 1.02 years is \$151,598.

Note 9 401(k) Plan

The Company has established a 401(k) savings plan (“the Plan”) which covers substantially all employees that meet certain requirements. At the discretion of the Company, the Plan provides for an employer contribution election which is discretionary and is based on eligible amounts contributed to the Plan by its participants. There were no discretionary contributions for the year ended March 31, 2024.

Note 10 Operating Leases

The Company is obligated under a non-cancellable operating lease for office space and facilities. The Company follows ASC 842.

For the year ended March 31, 2024, lease expense amounted to \$1,637,012, which is included as a component of general and administrative expenses on the consolidated statement of income and is comprised of \$1,069,796 for amortization of the operating right-of-use asset, and \$567,216 of interest accretion on the lease liability.

Future minimum rental payments as of March 31, 2024 are as follows:

Years Ending March 31,	
2025	\$ 1,284,324
2026	1,315,378
2027	1,348,262
2028	1,381,969
2029	1,416,518
Thereafter	<u>13,264,007</u>
	<u><u>\$ 20,010,458</u></u>

The components of future minimum rental payments are as follows:

Operating lease liability	\$ 15,770,040
Operating lease liability imputed interest	<u>4,240,418</u>
Total	<u><u>\$ 20,010,458</u></u>

The Company had another operating lease for an office space with a sublease agreement. Both the lease and the sublease agreement expired on September 30, 2023.

As of March 31, 2024, the Company's weighted average discount rate was 3.5% and the weighted average remaining lease term was 13 years.

Note 11 Concentrations of Credit Risk

The Company has various accounts at one bank. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) which, at times, may exceed federally insured limits. The Company has not experienced any such losses on such accounts and does not believe there is any significant credit risk to its cash and cash equivalents.

Credit sales are made to customers in the normal course of business. Collection of these accounts receivable is dependent on the ability of these customers to generate cash flow to meet their obligations. The Company mitigates the associated credit risk by performing credit checks, monitoring and actively pursuing past due accounts.

Note 12 Related Party Transactions

As of March 31, 2024, the Company had outstanding accounts receivable of \$10,028,355 from various affiliates which are disclosed as accounts receivable, related parties.

As of March 31, 2024, Jay Gems had an outstanding loan receivable of \$47,364 from an officer of Jay Gems. This loan is due on a demand basis and does not bear interest.

On November 18, 2022, Renaissance entered into an inter-corporate loan agreement with Verigold Jewellery DMCC, the Company's majority stockholder, for \$2,000,000. The loan bore 6% interest with maturity date 12 months of the receipt of the loan, or November 18, 2023. An addendum was signed to extend the maturity date to February 17, 2025. On January 4, 2023, an amendment to the loan agreement raised the interest rate to 7% effective January 1, 2023. On February 14, 2023, Renaissance entered into a second inter-corporate loan agreement with Verigold Jewellery DMCC, the Company's majority stockholder, for \$1,750,000. The loan bears 7% interest and matures 12 months from the date of the receipt of the loan, or February 14, 2024. An addendum was signed to extend the maturity date to February 13, 2025.

For the year ended March 31, 2024, the interest expense on these inter-corporate loans amounted to \$263,219. As of March 31, 2024, interest payable on these inter-corporate loans amounted to \$324,336, which is included as a component of accrued expenses and other payables on the consolidated balance sheet.

As of March 31, 2024, the Company had accounts payable of \$4,614,014 to various affiliates which are disclosed as accounts payable, related parties.

For the year ended March 31, 2024, the Company had sales to various affiliates of \$15,629,967, which make up approximately 13% of the total Company sales.

For the year ended March 31, 2024, the Company had net purchases from various affiliates of \$79,389,732, which make up approximately 93% of the total Company purchases.

For the year ended March 31, 2024, the Company had reimbursement of expenses of \$7,060,107 from various affiliates of the Company.

For the year ended March 31, 2024, the Company incurred consulting expenses of \$142,913 from an affiliate of the Company.

Renaissance Jewelry New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2024

Note 13 Income Taxes

The components of provision for income taxes for the year ended March 31, 2024 are as follows:

Current income tax expense	
Federal	\$ 452,550
State and Local	14,233
	<u>466,783</u>
Deferred income tax benefit	
Federal	(185,000)
State and Local	(20,000)
	<u>(205,000)</u>
Provision for income taxes	<u>\$ 261,783</u>

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The tax effects of temporary differences that give rise to significant portions of the net deferred tax assets are presented below:

Deferred tax assets	
Allowance for credit losses	\$ 51,450
Allowance for returns	22,720
Operating lease amortization	181,860
Amortization	983,737
Unpaid interest	267,714
Inventory costs	187,508
Total deferred tax assets	<u>1,694,989</u>
Deferred tax liabilities	
Depreciation	(320,989)
Total deferred tax liabilities	<u>(320,989)</u>
Net deferred tax assets	<u>\$ 1,374,000</u>

The expected income tax rate for the year ended March 31, 2024 was 22.8%. The Company does not currently anticipate any significant increase or decrease of the total amount of unrecognized tax benefits within the next twelve months. None of the Company's Federal or state income tax returns are currently under examination by the Internal Revenue Service or state authorities.

Note 14 Major Customers and Vendors

For the year ended March 31, 2024, sales to one customer represented approximately 27%. The same customer represented 15% of accounts receivable at March 31, 2024.

For the year ended March 31, 2024, the Company made purchases from two vendors, which are also related parties, which represented approximately 91% of net purchases. These vendors also represented 73% of accounts payable at March 31, 2024.

Note 15 Subsequent Events

Subsequent events have been evaluated through May 24, 2024, which is the date the consolidated financial statements were available to be issued.