



Financial Statements and Supplementary Information
(Together with Independent Auditors' Report)

Years Ended March 31, 2018 and 2017

MARKS PANETH

ACCOUNTANTS & ADVISORS

INDO COUNT GLOBAL INC.

March 31, 2018 and 2017

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Independent Auditors' Report

To Indo Count Global Inc.

We have audited the accompanying financial statements of Indo Count Global Inc. (a Delaware corporation), which comprise the balance sheets as of March 31, 2018 and 2017, and the related statements of operations and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indo Count Global Inc. as of March 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 12 and 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Marks Paneth LLP".

New York, New York
May 7, 2018

INDO COUNT GLOBAL INC.

Balance Sheets

March 31,

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 191,904	\$ 23,953
Due from factor - net	2,327,632	4,345,039
Inventories	3,517,926	12,457,119
Prepaid expenses	41,060	45,764
Prepaid income taxes	379,279	430,743
Deferred tax asset	127,000	105,000
	<u>6,584,801</u>	<u>17,407,618</u>
Total Current Assets		
PROPERTY AND EQUIPMENT, NET	670,408	868,247
RESTRICTED CASH	1,000,000	1,000,000
DEPOSITS	<u>79,733</u>	<u>79,733</u>
TOTAL ASSETS	<u>\$ 8,334,942</u>	<u>\$ 19,355,598</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 555,036	\$ 6,356,702
Due to factor	<u>2,050,482</u>	<u>6,770,626</u>
	<u>2,605,518</u>	<u>13,127,328</u>
Total Current Liabilities		
DEFERRED RENT PAYABLE	<u>60,321</u>	<u>78,882</u>
DEFERRED TAX LIABILITY	<u>85,000</u>	<u>202,000</u>
SUBORDINATED DEBT - RELATED PARTY	<u>3,000,000</u>	<u>3,000,000</u>
STOCKHOLDER'S EQUITY		
Common stock, no par value, authorized 10,000 shares, issued and outstanding 500 shares	500,000	500,000
Additional paid in capital	300,000	300,000
Retained earnings	<u>1,784,103</u>	<u>2,147,388</u>
	<u>2,584,103</u>	<u>2,947,388</u>
Total Stockholder's Equity		
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 8,334,942</u>	<u>\$ 19,355,598</u>

INDO COUNT GLOBAL INC.

Statements of Operations and Retained Earnings

For the Years Ended March 31,

	<u>2018</u>	<u>2017</u>
SALES	\$ 32,177,653	\$ 55,863,234
LESS: SALES RETURNS, DISCOUNTS AND ALLOWANCES	<u>3,693,072</u>	<u>8,721,065</u>
NET SALES	28,484,581	47,142,169
COST OF GOODS SOLD	<u>23,289,232</u>	<u>41,750,065</u>
GROSS PROFIT	<u>5,195,349</u>	<u>5,392,104</u>
OPERATING EXPENSES		
Selling and shipping	1,899,870	2,400,376
General and administrative	<u>3,504,955</u>	<u>1,915,488</u>
Total Operating Expenses	<u>5,404,825</u>	<u>4,315,864</u>
INCOME (LOSS) BEFORE OTHER EXPENSES AND INCOME TAXES	<u>(209,476)</u>	<u>1,076,240</u>
OTHER EXPENSES		
Interest expense	169,112	263,321
Factoring expenses	<u>72,150</u>	<u>101,952</u>
Total Other Expenses	<u>241,262</u>	<u>365,273</u>
INCOME (LOSS) BEFORE INCOME TAXES	(450,738)	710,967
INCOME TAXES		
Current	51,547	30,079
Deferred tax (benefit)	<u>(139,000)</u>	<u>202,000</u>
	<u>(87,453)</u>	<u>232,079</u>
NET INCOME (LOSS)	(363,285)	478,888
RETAINED EARNINGS - beginning of year	<u>2,147,388</u>	<u>1,668,500</u>
RETAINED EARNINGS - end of year	<u>\$ 1,784,103</u>	<u>\$ 2,147,388</u>

See Notes to Financial Statements.

INDO COUNT GLOBAL INC.
Statements of Cash Flows
For the Years Ended March 31,

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (363,285)	\$ 478,888
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	207,712	118,080
Deferred tax	(139,000)	202,000
Deferred rent payable	(18,561)	78,882
Bad debt expense	1,105,379	-
Decrease in market value of inventory, including disposal cost	-	2,355,274
Changes in cash flows due to changes in operating assets and liabilities:		
Due from factor	912,028	633,331
Inventories	8,939,193	6,651,953
Prepaid expenses	4,704	11,561
Security deposits	-	(44,733)
Prepaid income taxes	51,464	(430,743)
Accounts payable and accrued expenses	(5,801,666)	(5,613,970)
Income taxes payable	-	(157,300)
Total adjustments	<u>5,261,253</u>	<u>3,804,335</u>
Net cash provided by in operating activities	<u>4,897,968</u>	<u>4,283,223</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(9,873)</u>	<u>(977,958)</u>
Net cash used in investing activities	<u>(9,873)</u>	<u>(977,958)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in due to factor	<u>(4,720,144)</u>	<u>(3,601,750)</u>
Net cash used in financing activities	<u>(4,720,144)</u>	<u>(3,601,750)</u>
NET CHANGE IN CASH	167,951	(296,485)
CASH AT BEGINNING OF YEAR	<u>23,953</u>	<u>320,438</u>
CASH AT END OF YEAR	<u>\$ 191,904</u>	<u>\$ 23,953</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the years for:		
Income taxes	<u>\$ -</u>	<u>\$ 618,078</u>
Interest	<u>\$ 169,112</u>	<u>\$ 263,321</u>

See Notes to Financial Statements.

INDO COUNT GLOBAL INC.**Notes to Financial Statements****March 31, 2018 and 2017****NOTE 1: DESCRIPTION OF BUSINESS**

Indo Count Global Inc. (the "Company") was incorporated in the state of Delaware in January 2011. The Company's principal activity is the wholesaling of linens. The Company is a wholly owned subsidiary of an Indian corporation (the "Parent Company").

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESUse 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 those estimates.

Inventories

Prior to March 31, 2017, the Company reported inventories at the lower of cost or market. Cost is determined by the average cost method.

As of April 1, 2017, the Company began stating inventories prospectively at the lower of average cost and net realizable value. This change was made in response to a recent Financial Accounting Standards Board ("FASB") standard issue as part of the Board's simplification initiative.

Under the prior method, "market" was replacement cost or net realizable value. Net realizable value is based on the selling price. The change is intended to reduce complexity in financial statement preparation. This change had no significant effect on earnings for the year ended March 31, 2018.

Inventories consist of finished goods totaling \$3,517,926 and \$12,457,119 at March 31, 2018 and 2017, respectively.

Property and Equipment, Net

Property and equipment are stated at cost and include expenditures for major items. Maintenance, repairs and minor replacements are expensed. Depreciation and amortization are provided for under the straight-line method based on expected useful lives of the related assets. Leasehold improvements are amortized over the shorter of their estimated useful lives or the underlying lease term. Gains or losses on dispositions are reflected in income.

Revenue Recognition

The Company recognizes revenue when the title passes to its customers, which is upon delivery to a common carrier. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

INDO COUNT GLOBAL INC.**Notes to Financial Statements****March 31, 2018 and 2017****NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the year ended March 31, 2017 was approximately \$4,000.

Shipping and Handling

A third-party service provider is used by the Company to warehouse the inventory and provide shipping services. Shipping and handling costs are included in selling and shipping expense on the statement of operations and retained earnings. The shipping expenses are included in warehouse expenses and totaled approximately \$833,000 and \$1,244,000 for the years ended March 31, 2018 and 2017, respectively.

Income Taxes

The Company is a "C" Corporation and is subject to federal, state and local income taxes.

Deferred income taxes reflect the impact of "temporary differences" between the amounts of assets and liabilities for financial reporting purposes and such amounts measured by tax laws and regulations. The type of temporary differences that gave rise to deferred taxes at March 31, 2018, and 2017 are tax inventory capitalization costs, additional rent expenses due to straight-lining now codified as ASC 84- "Leases", net operating losses ("NOL") and depreciation.

The total deferred tax asset of \$127,000 and \$105,000 at March 31, 2018 and 2017, respectively, has been recorded due to certain qualified costs deducted for financial reporting purposes being capitalized into the inventories for tax purposes, the straight-lining of rent expense for financial reporting purposes as compared to actual rent paid for tax purposes, net operating losses for tax purposes will be carried over to future years to offset income, and charitable contributions carryforward based on deduction limitations. When necessary, valuation allowances are established to reduce deferred tax assets to the amounts expected to be realized.

The deferred tax liability of \$85,000 and \$202,000 at March 31, 2018 and 2017, respectively, has been recorded due to depreciation for property and equipment being accelerated for tax purposes while straight-lined for financial reporting purposes.

FASB ASC Topic 740, *Income Taxes*, provides standards for establishing and classifying any tax provisions for uncertain tax positions and recognizing any interest and penalties.

The Company's policy is to recognize accrued interest and penalties related to unrecognized tax benefits as income tax expense. The Company is no longer subject to federal or state and local income tax examinations by tax authorities for years before the year ended March 31, 2015.

Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 financial statements presentation.

INDO COUNT GLOBAL INC.

Notes to Financial Statements

March 31, 2018 and 2017

NOTE 3: PROPERTY AND EQUIPMENT, NET

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

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 1,042,438	\$ 1,042,438
Furniture and fixtures	79,929	79,929
Office equipment	19,715	9,842
	<u>1,142,082</u>	<u>1,132,209</u>
Less: Accumulated depreciation and amortization	<u>471,674</u>	<u>263,962</u>
Property and equipment, net	<u>\$ 670,408</u>	<u>\$ 868,247</u>

Depreciation amounted to approximately \$208,000 and \$118,000 for the years ended March 31, 2018 and 2017, respectively.

NOTE 4: RESTRICTED CASH

The restricted cash balance at March 31, 2018 and 2017 totaled \$1,000,000 and is used as collateral for the Company's borrowing facility.

NOTE 5: DUE TO / FROM FACTOR

On July 2, 2015, the Company entered into a factoring agreement with a financial institution where the Company sells approved accounts with or without recourse. The agreement also provides for a line of credit for advances based on a formula as defined in the agreement not to exceed \$19,000,000. The interest is accrued on the loan at rates based on 90-day LIBOR plus 2%. The financial institution has been given a security interest in substantially all of the Company's assets. The loan also requires a deposit to be maintained as collateral during the term of the credit facility, which is discussed in Note 4. There is a limited guarantee by the parent company, up to \$7,000,000. The agreement contains certain restrictive covenants. For the year ended March 31, 2018, the Company had outstanding borrowings against the credit facility in the amount of \$2,050,482, and outstanding factored balances due from the facility in the amount of \$2,327,632 for a net balance due to the Company in the amount of \$277,150. For the year ended March 31, 2017, the Company had outstanding borrowings against the credit facility in the amount of \$6,770,626, and outstanding factored balances due from the facility in the amount of \$4,345,039 for a net balance due to the factor in the amount of \$2,425,587.

NOTE 6: SUBORDINATED DEBT – RELATED-PARTY

As required by the factoring agreement noted in Note 4, the Company has subordinated \$3,000,000 of trade payable due to its parent to the financial institution for the years ended March 31, 2018 and 2017. This loan is long-term and non-interest bearing.

INDO COUNT GLOBAL INC.

Notes to Financial Statements

March 31, 2018 and 2017

NOTE 7: COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

The Company maintains its cash and cash equivalents at financial institutions, which are insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits up to the combined amount of \$250,000.

At March 31, 2018, and 2017, cash balances were in excess of FDIC insurance limits by approximately \$942,000 and \$774,000, respectively. Substantially all of the Company's cash was on deposit at one major bank for the years ended March 31, 2018 and 2017.

Financial instruments, other than cash balances, that potentially subject the Company to concentration of credit risk, relate primarily to accounts receivable. At March 31, 2018 and 2017, the Company had a balance due from two and one major customers which is considered a concentration.

Operating Leases

In June 2016, the Company signed an operating lease for showroom space that will expire in June 2021. The minimum annual lease payments (exclusive of real estate taxes, insurance, etc.) are approximately as follows:

<u>Years Ending March 31,</u>	<u>Amount</u>
2019	\$ 412,000
2020	412,000
2021	412,000
2022	<u>103,000</u>
	<u>\$ 1,339,000</u>

Rent expense charged to operations was approximately \$433,000 and \$356,000 for the years ended March 31, 2018 and 2017, respectively.

Major Customers

The Company sold 82% of its product to three customers for the year ended March 31, 2018. The total amount due from these customers was approximately \$2,035,000 at March 31, 2018.

The Company sold 87% of its product to two customers for the year ended March 31, 2017. The total amount due from these customers was approximately \$2,729,000 at March 31, 2017.

Related Party and Major Supplier

The Company purchased 100% of its products from the overseas Parent Company for the years ended March 31, 2018 and 2017. The balance owed to the Parent Company for such trade payables was approximately \$3,251,661 and \$9,089,210 (of which \$3,000,000 is subordinated to the financial institution for both years) at March 31, 2018 and 2017, respectively.

INDO COUNT GLOBAL INC.**Notes to Financial Statements****March 31, 2018 and 2017****NOTE 8: 401(K) PLAN**

On June 1, 2015, the Company adopted a defined contributions 401(K) Plan covering all eligible employees of the Company. Employees are eligible to become contributing participants of the Plan on the first day of employment. The Plan is subject to the provisions of Employees Retirement Income Security Act of 1974 ("ERISA"). The Company's contribution to the Plan for the years ended March 31, 2018 and 2017 was approximately \$21,000 and \$14,000, respectively and is included in general and administrative expenses on the statements of operations and retained earnings.

NOTE 9: INCOME TAXES

The components of income tax expense (benefit) are:

<u>March 31, 2018</u>	<u>Federal</u>	<u>State & Local</u>	<u>Total</u>
Current	\$ 47,794	\$ 3,753	\$ 51,547
Deferred benefit	<u>(111,000)</u>	<u>(28,000)</u>	<u>(139,000)</u>
	<u>\$ (63,206)</u>	<u>\$ (24,247)</u>	<u>\$ (87,453)</u>
<u>March 31, 2017</u>	<u>Federal</u>	<u>State & Local</u>	<u>Total</u>
Current	\$ 18,654	\$ 11,425	\$ 30,079
Deferred	<u>199,000</u>	<u>3,000</u>	<u>202,000</u>
	<u>\$ 217,654</u>	<u>\$ 14,425</u>	<u>\$ 232,079</u>

NOTE 10: ROYALTY

In the year ended March 31, 2016, The Company and its Parent Company entered into an agreement with a non-related entity. The agreement grants both entities the right to distribute merchandise under a patent. The Parent Company will make all the required payments under the agreement.

On May 10, 2016, the Company entered into a design licensing agreement with another company, the licensing agreement allows the Company to use certain designs and brands with the Company products in according with the terms of the agreement. The agreement calls for quarterly royalty payments to be made based upon specific percentages of the sales of the covered products. The agreement expires on September 30, 2020 with an option to renew.

Royalties charged to operations for the years ended March 31, 2018 and 2017 were approximately \$16,000 and 5,000, respectively.

INDO COUNT GLOBAL INC.**Notes to Financial Statements****March 31, 2018 and 2017****NOTE 11: ISSUED BUT NOT YET EFFECTIVE**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2014-09, (Topic 606) "Revenue from Contracts with Customers," which provides guidance for revenue recognition. The pronouncement requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The two permitted transition methods under the guidance are the full retrospective approach or a cumulative effect adjustment to the opening retained earnings in the year of adoption. The Company is currently assessing the impact Topic 606 will have on its consolidated financial statements. The new standard is effective for annual periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02, (Topic 842) Leases, which establishes a right of use model ("ROU") that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For lessors, the new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all the risks and rewards, as well as control of the underlying asset, to the lessee.

If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor does not convey risks and rewards or control, then the lease would be classified as an operating lease. The new standard requires a modified retrospective approach to adoption. The Company is currently evaluating the impact Topic 842 will have on its consolidated financial statements. The new standard is effective for annual periods beginning after December 15, 2019.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the balance sheet through May 7, 2018 the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

INDO COUNT GLOBAL INC.
Supplementary Information
Schedules of Cost of Goods Sold
For the Years Ended March 31,

	<u>2018</u>	<u>2017</u>
Inventories – beginning	\$ 12,457,119	\$ 21,464,346
Purchases	14,350,039	30,387,564
Decline in market value of inventory, including disposal costs	<u>-</u>	<u>2,355,274</u>
	26,807,158	54,207,184
Inventories – ending	<u>(3,517,926)</u>	<u>(12,457,119)</u>
Total Cost of Goods Sold	<u>\$ 23,289,232</u>	<u>\$ 41,750,065</u>

See Independent Auditors' Report.

INDO COUNT GLOBAL INC.

Supplementary Information

Schedules of Operating Expenses

For the Years Ended March 31,

	2018	2017
Selling and Shipping		
Warehouse expenses	\$ 832,874	\$ 1,243,632
Commissions	579,073	869,414
Showroom expenses	436,328	240,973
Travel and entertainment	35,737	37,357
Royalty expense	15,858	4,900
Advertising and promotion	-	4,100
	<u>\$ 1,899,870</u>	<u>\$ 2,400,376</u>
 General and Administrative		
Salaries and benefits	\$ 757,199	\$ 499,441
Bad debt	1,105,379	-
Professional fees	651,442	620,375
Rent and utilities	448,053	366,072
Depreciation and amortization	207,712	118,080
Computer expenses	164,238	205,179
Office, stationery and printing	94,484	71,675
Bank charges and other fees	36,252	9,201
Charitable contributions	22,500	1,400
Insurance	17,696	24,065
	<u>\$ 3,504,955</u>	<u>\$ 1,915,488</u>