Indo Count Global Inc.

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

For the Years Ended March 31, 2023 and 2022

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INDO COUNT GLOBAL INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)

FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

CONTENTS

Independent Auditors' Report

To the Board of Directors
of Indo Count Global Inc.:

Opinion

We have audited the financial statements of Indo Count Global Inc. (a Delaware corporation) (the "Company"), which comprise the balance sheets as of March 31, 2023 and 2022, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective April 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 financial statements.

Mayer Hoffman McCann P.C.
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Parsippany, NJ 07054
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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about of 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the March 31, 2023 and 2022 financial statements as a whole. The supplementary information on pages 15 and 16 for the years ended March 31, 2023 and 2022, 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 2023 and 2022 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mayer Hoffman McCann P.C.

Parsippany, New Jersey
May 25, 2023

INDO COUNT GLOBAL INC.
BALANCE SHEETS
AS OF MARCH 31,

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	$ 2,005,050	$ 4,711,325
Due from factor	4,508,859	13,635,048
Inventories	15,457,504	22,918,824
Prepaid income taxes	64,238	-
Prepaid expenses	-	200,000
Total Current Assets	22,035,651	41,465,197
RIGHT-OF-USE ASSET - OPERATING LEASE	2,219,711	-
PROPERTY AND EQUIPMENT, NET	1,878,723	622,686
INTANGIBLE ASSETS, NET	1,333,333	-
DEFERRED TAX ASSET	558,000	-
RESTRICTED CASH	500,000	500,000
SECURITY DEPOSITS	180,000	180,000
TOTAL ASSETS	$ 28,705,418	$ 42,767,883

	2023	2022
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 13,479,162	$ 13,696,978
Lease liability - operating lease	382,056	-
Due to factor	-	13,760,876
Income taxes payable	-	1,193,222
Total Current Liabilities	13,861,218	28,651,076
LOAN PAYABLE - RELATED PARTY	4,500,000	4,500,000
SUBORDINATED DEBT - RELATED PARTY	2,000,000	2,000,000
LEASE LIABILITY - OPERATING LEASE	2,118,637	-
DEFERRED RENT PAYABLE	-	200,490
DEFERRED TAX LIABILITY	-	8,000
Total Liabilities	22,479,855	35,359,566
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	5,425,563	6,608,317
TOTAL STOCKHOLDER'S EQUITY	6,225,563	7,408,317
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 28,705,418	$ 42,767,883

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

INDO COUNT GLOBAL INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEARS ENDED MARCH 31,

	2023	2022
SALES	$ 77,855,652	$ 96,351,964
LESS: SALES RETURNS, DISCOUNTS AND ALLOWANCES	9,138,539	14,356,290
NET SALES	68,717,113	81,995,674
COST OF GOODS SOLD	57,343,352	67,072,879
GROSS PROFIT	11,373,761	14,922,795
OPERATING EXPENSES		
Selling and shipping	5,009,052	4,664,626
General and administrative	7,617,576	4,264,771
Total Operating Expenses	12,626,628	8,929,397
(LOSS) INCOME BEFORE OTHER (INCOME) EXPENSES AND INCOME TAXES	(1,252,867)	5,993,398
OTHER (INCOME) EXPENSES		
Bargain purchase gain	(524,646)	-
Interest expense	572,737	334,869
Factoring expenses	273,302	286,592
Total Other Expenses	321,393	621,461
(LOSS) INCOME BEFORE INCOME TAXES	(1,574,260)	5,371,937
INCOME TAXES		
Current	174,494	1,253,844
Deferred (benefit) tax	(566,000)	83,000
	(391,506)	1,336,844
NET (LOSS) INCOME	(1,182,754)	4,035,093
RETAINED EARNINGS - beginning of year	6,608,317	2,573,224
RETAINED EARNINGS - end of year	$ 5,425,563	$ 6,608,317

INDO COUNT GLOBAL INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (1,182,754)	$ 4,035,093
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Allowance for inventory reserve	2,415,986	-
Provision for doubtful accounts	850,524	-
Noncash lease expense	356,502	-
Depreciation and amortization	252,335	104,607
Bargain purchase gain	(524,646)	-
Deferred tax	(566,000)	83,000
Deferred rent payable	-	195,849
Changes in cash flows due to changes in operating assets and liabilities:		
Due from factor	8,275,665	(8,200,801)
Inventories	8,115,334	(15,577,315)
Prepaid expenses	200,000	(134,793)
Prepaid income taxes	(64,238)	21,111
Security deposits	-	79,733
Accounts payable and accrued expenses	(217,816)	9,323,772
Income taxes payable	(1,193,222)	1,193,222
Lease liability - operating lease	(276,010)	-
Total adjustments	17,624,414	(12,911,615)
Net cash provided by (used in) operating activities	16,441,660	(8,876,522)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisition	(4,045,354)	-
Purchases of property and equipment	(1,341,705)	(554,544)
Net cash used in investing activities	(5,387,059)	(554,544)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in due to factor	(13,760,876)	9,491,100
Proceeds from related-party loan	-	4,500,000
Net cash (used in) provided by financing activities	(13,760,876)	13,991,100
NET CHANGE IN CASH AND RESTRICTED CASH	(2,706,275)	4,560,034
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	5,211,325	651,291
CASH AND RESTRICTED CASH AT END OF YEAR	$ 2,505,050	$ 5,211,325
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the years for:		
Interest	$ 572,737	$ 332,465
Income taxes	$ 1,431,743	$ 57,976

NONCASH INVESTING ACTIVITIES

Fully depreciated leasehold improvements, furniture and fixtures and office equipment of $1,157,382 were written off as of March 31, 2022

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Indo Count Global Inc. (the "Company") was incorporated in the State of Delaware in January 2011. The Company is a wholesaler of linens to chain stores throughout the United States and Canada. The Company is a wholly owned subsidiary of an Indian corporation (the "Parent Company").

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 those estimates.

Inventories

The Company states inventory at the lower of average cost or net realizable value. A reserve for potentially obsolete or slow-moving inventory is provided based on management's analysis of inventory levels and future sales forecasts. Inventories consist mainly of finished goods totaling $15,457,504 and $22,918,824 at March 31, 2023 and 2022, respectively. Included in the inventory is $79,746, which represents the remaining inventory fair value adjustment for goods that have not been sold. The fair value adjustment upon purchase of the finished goods inventory was $524,646. The Company reduced the inventory fair value adjustment by approximately 85% of the original amount based on a first in first out method. A reserve was recorded for the year ended March 31, 2023, in the amount of $2,415,986. A reserve was not necessary for the year ended March 31, 2022.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization 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. The Company evaluates property and equipment for impairment using a discounted cash flows method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There was no impairment adjustment deemed necessary by management for the years ended March 31, 2023 and 2022.

Intangibles, Net

Intangible assets acquired in an acquisition transaction are originally recorded at their estimated fair values. Finite-lived intangibles are amortized over their estimated useful lives.

The Company evaluates the estimated useful lives of its finite-lived intangibles each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of useful lives is changed, the remaining carrying amount of the assets are amortized prospectively over the remaining useful lives. The finite-lived intangibles are also reviewed for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangibles, Net (continued)

The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. During the year ended March 31, 2023, the Company recorded no impairment loss related to its intangibles.

Intangibles include brand names, which are amortized over their estimated lives using the straight-line method.

Revenue Recognition

The Company recognizes revenue in accordance with the five-step model as prescribed by Financial Accounting Standards Board ("FASB"), Accounting Standards Update ("ASU") 2014-09, (Topic 606) *Revenue from Contracts with Customers,* in which the Company evaluates the transfer of promised goods or services and recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to be entitled to receive in exchange for those goods or services. This requires the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer. The contracts have one single performance obligation, which is the promise to transfer the individual goods, which occurs when the inventory is shipped to the customer.

The Company's customers are large retailers and are located in the USA and overseas. The Company's sales occur throughout the year and are not seasonal.

The Company provides various allowances and discounts to customers including discounts for prompt payment, sales returns, and rebates. Estimates are made of anticipated returns or other allowances based on historical experience and a provision is made. Similarly, accruals for customer discounts and rebates are recorded when the related revenue is recognized.

Net sales for the years ended March 31, 2023 and 2022 reported on the statements of operations and retained earnings represents gross sales less discounts, returns, and allowances. The invoices are generally due and paid within 30 to 120 days.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended March 31, 2023, and 2022 were approximately $379,000 and $75,000, respectively.

Deferred Rent Payable

Deferred rent represents the amount of excess rent expense on a straight-line basis based on the total rent commitment over the period of the leases and annual rent payable for the year ended March 31, 2022.

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 in the accompanying statements of operations and retained earnings, which totaled approximately $3,443,000 and $3,287,000 for the years ended March 31, 2023 and 2022, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023 and 2022 are tax inventory capitalization costs, inventory obsolescence reserves, straight-lining of rent expense, timing of expenses and differences between book depreciation and tax depreciation.

The total deferred tax asset of $558,000 and deferred tax liability of $8,000 at March 31, 2023 and 2022, respectively, have been recorded due to certain qualified costs deducted for financial reporting purposes being capitalized into the inventories for tax purposes, additionally rent expenses now codified as Accounting Standards Codification (“ASC”) 842, “Leases” the straight-lining of rent expense for financial reporting purposes as compared to actual rent paid for tax purposes, inventory reserves, timing of deduction of expenses for tax purposes and depreciation. When necessary, valuation allowances are established to reduce deferred tax assets to the amounts expected to be realized. No valuation allowance was required as of March 31, 2023 and 2022. The net deferred income tax asset or liability is classified as noncurrent on the balance sheets.

U.S. GAAP requires that the financial statement effects of an uncertain tax position be recognized based on the outcome that is more likely than not to occur. Under this criterion the most likely resolution of an uncertain tax position should be analyzed based on technical merits and on the outcome that will likely be sustained under examination and recognize any interest and penalties.

The Company’s policy is to recognize accrued interest and penalties related to unrecognized tax benefits as income tax expense. As of March 31, 2023 and 2022, the Company has determined that it has no uncertain tax positions that require either recognition or disclosure to the financial statements.

Recently Issued Accounting Pronouncements

Leases

FASB issued ASU 2016-02, (Topic 842) *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the standard effective April 1, 2022 and recognized and measured leases existing at or entered into after, April 1, 2022 (the beginning of the period of adoption) using a modified retrospective approach, with certain practical expedients available.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Company determines if an agreement is a lease at inception. Operating leases are included in operating lease ROU assets, and operating lease liabilities (current and non-current portion) on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represents the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities represent the obligation to make lease payments arising from the lease term. The operating lease ROU assets also include any lease payment made and exclude lease incentives. Lease expense for the lease payment is recognized on a straight – line bases over the lease term.

As a result of the adoption of the new lease accounting guidance, the Company recognized on April 1, 2022, a lease liability of $2,776,703 , which represents the present value of the remaining operating lease payments of $3,908,295, discounted using an incremental borrowing rate of 3.25%, and a ROU asset of $2,576,214, which represents the operating lease liability of $2,776,703 adjusted for unamortized initial direct costs of $ 200,489.

The standard had a material impact on the balance sheets, but did not have an impact on statements of operations and retained earnings, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

NOTE 3 - BUSINESS ACQUISITION

In April 2023, the Company completed the acquisition of certain assets from another entity for a purchase price of $4,045,354. This transaction resulted in a bargain purchase gain of $524,646.

The assets acquired are as follows:

Inventories	$ 3,070,000
Intangible	1,500,000
Fair market value of assets acquired	$ 4,570,000

Under the acquisition method of accounting, the aggregate purchase price was allocated to the net tangible assets acquired based upon their fair values on the acquisition date. The Company engaged a third-party valuation specialist to assist in the valuation of the assets.

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at March 31:

	2023	2022
Leasehold improvements	$ 946,608	$ 588,850
Construction in progress	1,066,535	82,588
	2,013,143	671,438
Less: Accumulated depreciation and amortization	134,420	48,752
Property and equipment, net	$ 1,878,723	$ 622,686

NOTE 4 - PROPERTY AND EQUIPMENT, NET (continued)

Depreciation and amortization amounted to approximately $86,000 and $105,000 for the years ended March 31, 2023 and 2022, respectively.

NOTE 5 - INTANGIBLES

Intangible assets consist of the following at March 31, 2023:

Brands (useful life 9 years)	$ 1,500,000
Less: Accumulated amortization	(166,667)
Intangibles, net	$ 1,333,333

Amortization amounted to approximately $167,000 for the year ended March 31, 2023.

NOTE 6 - RESTRICTED CASH

The restricted cash balance was $500,000 as of both March 31, 2023 and 2022, and is used as collateral for the Company's borrowing facility.

For purposes of the statements of cash flows, the following table provides a reconciliation of cash and restricted cash reported within the balance sheets at March 31 that sum to the total of the same such amounts shown in the statements of cash flows.

	2023	2022
Cash	$ 2,005,050	$ 4,711,325
Restricted cash	500,000	500,000
Total cash and restricted cash shown in the statements of cash flows	$ 2,505,050	$ 5,211,325

NOTE 7 - 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. On January 7, 2019, the factoring agreement was amended to reduce the line of credit from $19,000,000 to $8,000,000. On July 31, 2020, the agreement was amended to reduce the restricted cash collateral deposit from $1,000,000 to $500,000. The interest is accrued on the loan at rates based on the 90-day London Interbank Offered Rate ("LIBOR") (0.75% minimum) plus 2%. On May 18, 2021, the factoring agreement was amended to increase the line of credit from $8,000,000 to $14,000,000 and to restate the fee schedule for the interest accrual. The interest is accrued on the loan at rates based on the daily Prime Rate in effect on the last day of each month (3.25% minimum), less 0.50%. The financial institution has been given a security interest in substantially all 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 6.

NOTE 7 - DUE TO / FROM FACTOR (continued)

There is a guarantee by the Parent Company, which was reduced from $7,000,000 to $5,000,000 per the amended agreement on July 31, 2020. The guaranteed amount as of both March 31, 2023 and 2022 is $5,000,000 plus expenses of collection in an amount equal to 30% of the guaranteed amounts (the "Maximum Guarantee Amount") plus interest and reasonable attorneys' fees. The agreement contains certain restrictive covenants.

As of March 31, 2023, the Company had outstanding factored balance due from the credit facility in the amount of $4,508,859. As of March 31, 2022, the Company had outstanding borrowings against the credit facility in the amount of $13,760,876, and outstanding factored balances due from the facility in the amount of $13,635,048 for a net balance due from the factor in the amount of $125,828.

The Company's largest customer filed for bankruptcy protection on April 23, 2023. The Company received approximately $3,730,000 of payments during the 90-day period immediately preceding the bankruptcy filing date. The Company believes that they have good defenses to any potential preference payment actions taken by the bankruptcy estate. Therefore, the Company has not recorded any adjustments relating to this matter.

NOTE 8 - SUBORDINATED DEBT – RELATED-PARTY

As required by the factoring agreement noted in Note 7, the Company has subordinated trade payables due to its parent to the financial institution. On September 6, 2019, the subordination agreement was amended to reduce the amount from $3,000,000 to $2,000,000. On July 31, 2020, the subordination agreement was amended to reduce the subordinated indebtedness to $1,500,000 for the period beginning on July 13, 2020 and ending on September 30, 2020. Subsequent to September 30, 2020, the subordinated indebtedness was restored to the original $2,000,000 based on the September 6, 2019 amendment.

This loan is long-term and non-interest bearing. The Parent Company charges a fee related to the limited guarantee noted in Note 7. The fee is based on 1.05% of the corporate guaranteed balance for the years ended March 31, 2023 and 2022. At March 31, 2023 and 2022, these amounts were approximately $67,000 and $73,000, respectively, and are included in bank charges and other fees on the schedules of operating expenses.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

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

At March 31, 2023 and 2022, cash balances were in excess of FDIC insurance limits by approximately $2,255,000 and $4,961,000, respectively. All the Company's cash was on deposit at one major bank as of March 31, 2023 and 2022.

Financial instruments, other than cash balances, that potentially subject the Company to a concentration of credit risk, relate primarily to accounts receivable. At March 31, 2023 and 2022, the Company had balances due from four and one major customers, respectively, which is considered a concentration.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases

In August 2020, the Company signed a new lease agreement for a new showroom space that will expire in November 2028. The rent commenced on July 1, 2021. The lease term does not contain any material residual value guarantees or material restrictive covenants. As of March 31, 2023, the remaining lease term is 5.67 years and the Companies' operating lease liabilities were measured using the incremental borrowing rate of 3.25%. The following table reconciles the undiscounted cash flows expected to be paid in each of the next five years and thereafter to the lease liability recorded on the balance sheet for the operating lease as of March 31, 2023:

Years Ending March 31,		
2024	$	456,839
2025		468,260
2026		479,966
2027		491,966
2028		504,265
Thereafter		342,820
Total undiscounted cash flows	$	2,744,116
Less: Imputed Interest		(243,423)
Lease liabilities		2,500,693
Less: current portion of lease liabilities		(382,056)
Long-term portion of lease liabilities	$	2,118,637

Lease expense charged to operations was approximately $511,000 and $394,000 for the years ended March 31, 2023 and 2022, respectively.

Major Customers

The Company sold 71% of its product to two customers for the year ended March 31, 2023. The total amount due from these customers was approximately $474,000 at March 31, 2023.

The Company sold 79% of its product to one customer for the year ended March 31, 2022. The total amount due from this customer was approximately $11,465,000 at March 31, 2022.

Related Party and Major Supplier

The Company purchased 100% of its products from the overseas Parent Company for the years ended March 31, 2023 and 2022. The balance owed to the Parent Company for such trade payables was $13,466,385 and $14,112,459, as of March 31, 2023 and 2022, respectively, of which $2,000,000 was subordinated to the financial institution in each year.

In February 2022, the Company entered into a loan agreement with the Parent Company for borrowings up to $5,000,000. The loan bears interest at a rate of 6.5% to be paid annually. As of both March 31, 2023 and 2022, the balance outstanding was $4,500,000. The loan is to be repaid on or before March 31, 2025. Interest expense for the years ended March 31, 2023 and 2022 was approximately $293,000 and $2,000, respectively.

NOTE 10 - 401(K) PLAN

On June 1, 2015, the Company adopted a defined contribution 401(K) Plan (the "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 the Employee Retirement Income Security Act of 1974 ("ERISA"). The Company's discretionary contribution to the Plan for the years ended March 31, 2023 and 2022 was approximately $120,000 and $61,000, respectively, and is included in general and administrative expenses on the statements of operations and retained earnings.

NOTE 11 - INCOME TAXES

The components of income tax expense (benefit) are as follows:

March 31, 2023	Federal	State & Local	Total
Current	$ 164,873	$ 9,621	$ 174,494
Deferred tax	(504,000)	(62,000)	(566,000)
	$ (339,127)	$ (52,379)	$ (391,506)

March 31, 2022	Federal	State & Local	Total
Current	$ 1,076,144	$ 177,700	$ 1,253,844
Deferred tax	72,000	11,000	83,000
	$ 1,148,144	$ 188,700	$ 1,336,844

NOTE 12 - ROYALTIES

During 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 March 1, 2019, the Company entered into a licensing agreement with another company. The licensing agreement allows the Company to use designs and brands with the Company products in accordance 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. In addition to the royalty percentages, there is an annual payment due for marketing support. The agreement expired on March 1, 2021 and was not renewed.

The Company sold the product to one of the major customers in Note 9 as well as to the licensor. As of March 31, 2021, the balance due to the licensor was approximately $14,000 and fully repaid as of March 31, 2022.

NOTE 12 – ROYALTIES (continued)

In 2021, the Company entered into a licensing agreement with another company. The licensing agreement allows the Company to utilize intellectual property in connection with the manufacture and sale of certain products in accordance with the terms of the agreement. The agreement calls for quarterly royalty payments to be made based upon specific percentages of the gross net sales of the covered products. In addition to the royalty percentages, there is an annual payment due for marketing support. The agreement will expire on January 1, 2024. The Company sold the product to the major customer in Note 9. As of March 31, 2023 and 2022, the balance due to the licensor was approximately $21,000 and $91,000, respectively.

In August 2022, the Company entered into a licensing agreement with another company. The licensing agreement allows the Company to utilize intellectual property in connection with the distribution and sale of certain products in accordance with the terms of the agreement. The agreement calls for minimum guaranteed royalties which are applied to the earned royalties based on specified percentages. In addition to the royalty percentages, there is an annual payment due for marketing support. The agreement expires on December 31, 2026, however there is an option to renew for an additional four years through December 2030.

Royalties charged to operations for the years ended March 31, 2023, and 2022 were approximately $244,000 and $388,000, respectively. Advertising and promotion expense related to the licensing agreement for the years ended March 31, 2023 and 2022, was approximately $379,000 and $75,000, respectively.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the balance sheet through May 25, 2023, 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,

	2023	2022
Inventories – beginning	$ 22,918,824	$ 7,341,509
Purchases	49,882,032	82,650,194
	72,800,856	89,991,703
Inventories – ending	(15,457,504)	(22,918,824)
Total Cost of Goods Sold	$ 57,343,352	$ 67,072,879

INDO COUNT GLOBAL INC.
SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED MARCH 31,

	2023	2022
Selling and Shipping		
Shipping and handling	$ 3,443,329	$ 3,287,314
Commissions	421,071	546,508
Showroom expenses	414,564	342,254
Advertising and promotion	379,179	74,733
Royalty expense	244,206	388,126
Travel and entertainment	106,703	25,691
Total Selling and Shipping Expenses	$ 5,009,052	$ 4,664,626
General and Administrative		
Salaries and benefits	$ 3,144,377	$ 2,002,572
Credit insurance	1,177,500	-
Provision for doubtful accounts	850,524	-
Computer expenses	736,978	515,345
Professional fees	599,476	1,000,942
Rent and utilities	554,421	417,955
Depreciation and amortization	252,335	104,607
Office, stationery and printing	117,616	87,659
General insurance	103,779	53,218
Bank charges and other fees	66,541	80,736
Commercial rent tax	9,029	-
Charitable contributions	5,000	-
Repairs and maintenance	-	1,737
Total General and Administrative Expenses	$ 7,617,576	$ 4,264,771