Indo Count Global Inc.

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

For the Years Ended March 31, 2019 and 2018

MARKS PANETH

ACCOUNTANTS & ADVISORS

INDO COUNT GLOBAL INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

CONTENTS

	Page
Independent Auditors' Report…………………………………………………………………..	1 – 2
Balance Sheets………………………………………………………………………………….	3
Statements of Operations and Retained Earnings………………………………………..	4
Statements of Cash Flows………..……………………………………………………………	5
Notes to Financial Statements………………………………………………………………..	6 – 10

Supplementary Information

Schedules of Cost of Goods Sold……………………………………..……………………	11
Schedules of Operating Expenses………..………………………………………………..	12

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MARKS PANETH
ACCOUNTANTS & ADVISORS

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, 2019 and 2018, 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 auditors' 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 auditors consider 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, 2019 and 2018, 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 11 and 12 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.

Marks Paneth LLP

New York, New York
May 3, 2019

INDO COUNT GLOBAL INC.
BALANCE SHEETS
MARCH 31,

ASSETS	**2019**	**2018**
CURRENT ASSETS		
Cash	$ 37,690	$ 191,904
Due from factor	2,780,721	2,327,632
Inventories	6,248,022	3,517,926
Prepaid expenses	36,896	41,060
Prepaid income taxes	212,498	379,279
Total Current Assets	9,315,827	6,457,801
DEFERRED TAX ASSET	33,000	127,000
PROPERTY AND EQUIPMENT, NET	477,996	670,408
RESTRICTED CASH	1,000,000	1,000,000
DEPOSITS	79,733	79,733
TOTAL ASSETS	$ 10,906,556	$ 8,334,942

LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 859,577	$ 555,036
Due to factor	4,111,329	2,050,482
Total Current Liabilities	4,970,906	2,605,518
DEFERRED TAX LIABILITY	41,000	85,000
DEFERRED RENT PAYABLE	41,761	60,321
SUBORDINATED DEBT - RELATED PARTY	3,000,000	3,000,000
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	2,052,889	1,784,103
TOTAL STOCKHOLDER'S EQUITY	2,852,889	2,584,103
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 10,906,556	$ 8,334,942

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

	2019	2018
SALES	$ 24,850,202	$ 32,177,653
LESS: SALES RETURNS, DISCOUNTS AND ALLOWANCES	3,362,853	3,693,072
NET SALES	21,487,349	28,484,581
COST OF GOODS SOLD	16,353,938	23,289,232
GROSS PROFIT	5,133,411	5,195,349
OPERATING EXPENSES		
Selling and shipping	1,991,710	1,899,870
General and administrative	2,544,121	3,504,955
Total Operating Expenses	4,535,831	5,404,825
INCOME (LOSS) BEFORE OTHER EXPENSES AND INCOME TAXES	597,580	(209,476)
OTHER EXPENSES		
Interest expense	150,518	169,112
Factoring expenses	59,373	72,150
Total Other Expenses	209,891	241,262
INCOME (LOSS) BEFORE INCOME TAXES	387,689	(450,738)
INCOME TAXES		
Current	68,903	51,547
Deferred tax (benefit)	50,000	(139,000)
	118,903	(87,453)
NET INCOME (LOSS)	268,786	(363,285)
RETAINED EARNINGS - beginning of year	1,784,103	2,147,388
RETAINED EARNINGS - end of year	$ 2,052,889	$ 1,784,103

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

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 268,786	$ (363,285)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	207,712	207,712
Deferred tax	50,000	(139,000)
Deferred rent payable	(18,560)	(18,561)
Bad debt expense	-	1,105,379
Changes in cash flows due to changes in operating assets and liabilities:		
Due from factor	(453,089)	912,028
Inventories	(2,730,096)	8,939,193
Prepaid expenses	4,164	4,704
Prepaid income taxes	166,781	51,464
Accounts payable and accrued expenses	304,541	(5,801,666)
Total adjustments	(2,468,547)	5,261,253
Net cash provided by (used in) in operating activities	(2,199,761)	4,897,968
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(15,300)	(9,873)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in due to factor	2,060,847	(4,720,144)
NET CHANGE IN CASH	(154,214)	167,951
CASH AT BEGINNING OF YEAR	191,904	23,953
CASH AT END OF YEAR	$ 37,690	$ 191,904
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the years for:		
Interest	$ 150,518	$ 169,112
Income taxes	$ 589	$ -

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

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. 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 and net realizable value. Inventories consist of finished goods totaling $6,248,022 and $3,517,926 at March 31, 2019 and 2018, 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. 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. No events or changes occurred for the years ended March 31, 2019 and 2018.

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.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the year ended March 31, 2019 was $3,000.

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 statements of operations and retained earnings. The shipping expenses are included in warehouse expenses which totaled approximately $1,014,000 and $833,000 for the years ended March 31, 2019 and 2018, 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, 2019, and 2018 are tax inventory capitalization costs, additional rent expenses due to straight-lining, net operating losses ("NOL") and depreciation.

The total deferred tax asset of $33,000 and $127,000 at March 31, 2019 and 2018, 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 outstanding at March 31, 2018 but which were fully utilized at March 31, 2019, 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 $41,000 and $85,000 at March 31, 2019 and 2018, 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, 2016.

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. This new pronouncement is effective for annual periods beginning after December 15, 2018. The Company has assessed the impact of Topic 606 and doesn't believe it will cause a material change to its current reporting of revenue in its statements of operations.

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 financial statements. The new standard is effective for annual periods beginning after December 15, 2019.

NOTE 3 - PROPERTY AND EQUIPMENT, NET

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

	2019	2018
Leasehold improvements	$ 1,054,578	$ 1,042,438
Furniture and fixtures	79,929	79,929
Office equipment	22,875	19,715
	1,157,382	1,142,082
Less: Accumulated depreciation and amortization	679,386	471,674
Property and equipment, net	$ 477,996	$ 670,408

Depreciation and amortization amounted to approximately $208,000 for each of the years ended March 31, 2019 and 2018.

NOTE 4 - RESTRICTED CASH

The restricted cash balance at both March 31, 2019 and 2018 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. On January 7, 2019 the factoring agreement has been amended to reduce the line of credit from $19,000,000 to $8,000,000. 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, 2019, the Company had outstanding borrowings against the credit facility in the amount of $4,111,329, and outstanding factored balances due from the facility in the amount of $2,780,721 for a net balance due to the factor in the amount of $1,330,608. 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.

NOTE 6 - SUBORDINATED DEBT – RELATED-PARTY

As required by the factoring agreement noted in Note 5, the Company has subordinated $3,000,000 of trade payable due to its parent to the financial institution for the years ended March 31, 2019 and 2018. This loan is long-term and non-interest bearing.

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 non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits up to the combined amount of $250,000.

At March 31, 2019, and 2018, cash balances were in excess of FDIC insurance limits by approximately $788,000 and $942,000, respectively. Substantially all of the Company's cash was on deposit at one major bank for the years ended March 31, 2019 and 2018.

Financial instruments, other than cash balances, that potentially subject the Company to concentration of credit risk, relate primarily to accounts receivable. At March 31, 2019 and 2018, the Company had a balance due from three and two major customers, respectively, 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:

Years Ending March 31,	Amount
2020	$ 412,000
2021	412,000
2022	103,000
	$ 927,000

Rent expense charged to operations was approximately $458,000 and $433,000 for the years ended March 31, 2019 and 2018, respectively.

Major Customers

The Company sold 94% of its product to three customers for the year ended March 31, 2019. The total amount due from these customers was approximately $2,488,000 at March 31, 2019.

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

Related Party and Major Supplier

The Company purchased 100% of its products from the overseas Parent Company for the years ended March 31, 2019 and 2018. The balance owed to the Parent Company for such trade payables was $3,540,396 and $3,251,661 (of which $3,000,000 is subordinated to the financial institution for both years) at March 31, 2019 and 2018, respectively.

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, 2019 and 2018 was approximately $30,000 and $21,000, 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:

March 31, 2019	Federal	State & Local	Total
Current	$ 55,000	$ 13,903	$ 68,903
Deferred	43,000	7,000	50,000
	$ 98,000	$ 20,903	$ 118,903

March 31, 2018	Federal	State & Local	Total
Current	$ 47,794	$ 3,753	$ 51,547
Deferred benefit	(111,000)	(28,000)	(139,000)
	$ (63,206)	$ (24,247)	$ (87,453)

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, 2019 and 2018 were approximately $13,000 and 16,000, respectively.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the balance sheet through May 3, 2019 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,

	2019	2018
Inventories – beginning	$ 3,517,926	$ 12,457,119
Purchases	19,084,034	14,350,039
	22,601,960	26,807,158
Inventories – ending	(6,248,022)	(3,517,926)
Total Cost of Goods Sold	$ 16,353,938	$ 23,289,232

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

	2019	2018
Selling and Shipping		
Warehouse expenses	$ 1,013,572	$ 832,874
Showroom expenses	448,925	436,328
Commissions	432,950	579,073
Travel and entertainment	80,216	35,737
Royalty expense	13,047	15,858
Advertising and promotion	3,000	-
	$ 1,991,710	$ 1,899,870
General and Administrative		
Salaries and benefits	$ 966,119	$ 757,199
Professional fees	593,397	651,442
Rent and utilities	471,854	448,053
Depreciation and amortization	207,712	207,712
Computer expenses	163,430	164,238
Office, stationery and printing	55,180	94,484
Bank charges and other fees	30,283	36,252
Insurance	23,590	17,696
Commercial rent tax	17,556	-
Charitable contributions	15,000	22,500
Bad debt	-	1,105,379
	$ 2,544,121	$ 3,504,955