



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

For the Years Ended March 31, 2022 and 2021



INDO COUNT GLOBAL INC.

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

FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

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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), which comprise the balance sheet as of March 31, 2022, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Indo Count Global Inc. as of March 31, 2022, and the results of its operations and its 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, ("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 Indo Count Global Inc. 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.

Report on 2021 Financial Statements

The financial statements of Indo Count Global Inc. as of and for the year ended March 31, 2021, were audited by another auditor whose report dated May 4, 2021, expressed an unmodified opinion on those statements.

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 Indo Count Global Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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.



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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 Indo Count Global Inc.'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 Indo Count Global Inc.'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the March 31, 2022 financial statements as a whole. The supplementary information on pages 13 and 14 for the year ended March 31, 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 2022 financial statements. The information has been subjected to the auditing procedures applied in the audit 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.

The supplementary information referred to above for the year ended March 31, 2021 is presented for purposes of additional analysis and is not a required part of the 2021 financial statements. As discussed in the Report on 2021 Financial Statements paragraph, those financial statements were subjected to the auditing procedures by another auditor whose audit report dated May 4, 2021, reported the information is fairly stated in all material respects in relation to the financial statements as of and for the year ended March 31, 2021 as a whole.

Mayer Hoffman McCann P.C.

Parsippany, New Jersey
May 24, 2022

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

ASSETS	2022	2021
CURRENT ASSETS		
Cash	\$ 4,711,325	\$ 151,291
Due from factor	13,635,048	5,434,247
Inventories	22,918,824	7,341,509
Prepaid expenses	200,000	65,207
Prepaid income taxes	-	21,111
	<hr/>	<hr/>
Total Current Assets	41,465,197	13,013,365
DEFERRED TAX ASSET	-	75,000
PROPERTY AND EQUIPMENT, NET	622,686	172,749
RESTRICTED CASH	500,000	500,000
SECURITY DEPOSITS	180,000	259,733
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 42,767,883</u>	<u>\$ 14,020,847</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 13,696,978	\$ 4,373,206
Due to factor	13,760,876	4,269,776
Income taxes payable	1,193,222	-
	<hr/>	<hr/>
Total Current Liabilities	28,651,076	8,642,982
DEFERRED TAX LIABILITY	8,000	-
	<hr/>	<hr/>
DEFERRED RENT PAYABLE	200,490	4,641
	<hr/>	<hr/>
LOAN PAYABLE - RELATED PARTY	4,500,000	-
	<hr/>	<hr/>
SUBORDINATED DEBT - RELATED PARTY	2,000,000	2,000,000
	<hr/>	<hr/>
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	6,608,317	2,573,224
	<hr/>	<hr/>
TOTAL STOCKHOLDER'S EQUITY	7,408,317	3,373,224
	<hr/>	<hr/>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 42,767,883</u>	<u>\$ 14,020,847</u>

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

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

	<u>2022</u>	<u>2021</u>
SALES	\$ 96,351,964	\$ 19,574,171
LESS: SALES RETURNS, DISCOUNTS AND ALLOWANCES	<u>14,356,290</u>	<u>1,662,275</u>
NET SALES	81,995,674	17,911,896
COST OF GOODS SOLD	<u>67,072,879</u>	<u>13,673,084</u>
GROSS PROFIT	<u>14,922,795</u>	<u>4,238,812</u>
OPERATING EXPENSES		
Selling and shipping	4,664,626	1,243,739
General and administrative	<u>4,264,771</u>	<u>2,818,822</u>
Total Operating Expenses	<u>8,929,397</u>	<u>4,062,561</u>
INCOME BEFORE OTHER EXPENSES AND INCOME TAXES	<u>5,993,398</u>	<u>176,251</u>
OTHER EXPENSES		
Interest expense	334,869	38,419
Factoring expenses	<u>286,592</u>	<u>99,159</u>
Total Other Expenses	<u>621,461</u>	<u>137,578</u>
INCOME BEFORE INCOME TAXES	<u>5,371,937</u>	<u>38,673</u>
INCOME TAXES		
Current	1,253,844	47,905
Deferred tax (benefit)	<u>83,000</u>	<u>(24,000)</u>
	<u>1,336,844</u>	<u>23,905</u>
NET INCOME	4,035,093	14,768
RETAINED EARNINGS - beginning of year	<u>2,573,224</u>	<u>2,558,456</u>
RETAINED EARNINGS - end of year	<u>\$ 6,608,317</u>	<u>\$ 2,573,224</u>

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,**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,035,093	\$ 14,768
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	104,607	207,712
Deferred rent payable	195,849	(18,560)
Deferred tax	83,000	(24,000)
Provision for doubtful accounts	-	39,787
Allowance for inventory obsolescence	-	(116,316)
Changes in cash flows due to changes in operating assets and liabilities:		
Due from factor	(8,200,801)	(3,549,670)
Due to customer	-	(712,129)
Income taxes payable	1,193,222	-
Inventories	(15,577,315)	(4,591,539)
Prepaid expenses	(134,793)	(13,419)
Security deposits	79,733	(180,000)
Prepaid income taxes	21,111	1,946
Accounts payable and accrued expenses	9,323,772	3,802,030
Total adjustments	(12,911,615)	(5,154,158)
Net cash used in operating activities	(8,876,522)	(5,139,390)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(554,544)	(110,177)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from related party loan	4,500,000	-
Net change in due to factor	9,491,100	4,152,347
Net cash provided by financing activities	13,991,100	4,152,347
NET CHANGE IN CASH AND RESTRICTED CASH	4,560,034	(1,097,220)
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	651,291	1,748,511
CASH AND RESTRICTED CASH AT END OF YEAR	\$ 5,211,325	\$ 651,291
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the years for:		
Interest	\$ 332,465	\$ 38,419
Income taxes	\$ 57,976	\$ 44,964

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.

**INDO COUNT GLOBAL INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

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 \$22,918,824 and \$7,341,509 at March 31, 2022 and 2021, respectively. A reserve was not necessary for the years ended March 31, 2022 and 2021.

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, 2022 and 2021.

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 Customer, 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.

INDO COUNT GLOBAL INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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, 2022 and 2021 reported on the statements of income 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, 2022 and 2021 were approximately \$75,000 and \$9,000, 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.

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 income and retained earnings, which totaled approximately \$3,287,000 and \$850,000 for the years ended March 31, 2022 and 2021, 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, 2022 and 2021 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 liability of \$8,000 and deferred tax asset of \$75,000 at March 31, 2022 and 2021, respectively, have 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, inventory obsolescence 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, 2022 and 2021. 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.

**INDO COUNT GLOBAL INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (Continued)

The Company's policy is to recognize accrued interest and penalties related to unrecognized tax benefits as income tax expense. As of March 31, 2022 and 2021, 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

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. 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. This new standard is effective for annual periods beginning after December 15, 2021.

NOTE 3 - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at March 31:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 588,850	\$ 1,054,578
Construction in progress	82,588	110,177
Furniture and fixtures	-	79,929
Office equipment	-	22,875
	<u>671,438</u>	<u>1,267,559</u>
Less: Accumulated depreciation and amortization	<u>48,752</u>	<u>1,094,810</u>
Property and equipment, net	<u>\$ 622,686</u>	<u>\$ 172,749</u>

Depreciation and amortization amounted to approximately \$105,000 and \$208,000 for the years ended March 31, 2022 and 2021, respectively. As a result of moving it's showroom location the company wrote of \$1,157,382 of fixed assets and the related accumulated depreciation.

NOTE 4 - RESTRICTED CASH

The restricted cash balance was \$500,000 as of both March 31, 2022 and 2021, and is used as collateral for the Company's borrowing facility.

**INDO COUNT GLOBAL INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

NOTE 4 - RESTRICTED CASH (continued)

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.

	2022	2021
Cash	\$ 4,711,325	\$ 151,291
Restricted cash	500,000	500,000
Total cash and restricted cash shown in the statements of cash flows	\$ 5,211,325	\$ 651,291

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 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 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 4. 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 March 31, 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, 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 to the factor in the amount of 125,828. As of March 31, 2021, the Company had outstanding borrowings against the credit facility in the amount of \$4,269,776, and outstanding factored balances due from the facility in the amount of \$5,434,247 for a net balance due from the factor in the amount of \$1,164,471.

NOTE 6 - SUBORDINATED DEBT – RELATED-PARTY

As required by the factoring agreement noted in Note 5, 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.

INDO COUNT GLOBAL INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 6 - SUBORDINATED DEBT – RELATED-PARTY (continued)

This loan is long-term and non-interest bearing. The Parent Company charges a fee related to the limited guarantee noted in Note 5. The fee is based on 1.05% of the corporate guaranteed balance for the years ended March 31, 2022 and 2021. At March 31, 2022 and 2021, these amounts were approximately \$73,000 and \$80,000, respectively, and are included in bank charges and other fees on the schedules of operating expenses.

NOTE 7 - 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, 2022 and 2021, cash balances were in excess of FDIC insurance limits by approximately \$4,961,000 and \$401,000, respectively. All the Company’s cash was on deposit at one major bank as of March 31, 2022 and 2021.

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, 2022 and 2021, the Company had balances due from one major customers, which is considered a concentration.

Operating Leases

In June 2016, the Company signed an operating lease for showroom space that was scheduled to expire in June 2021. During the prior fiscal year, the Company amended the lease so that it expired on November 30, 2020. The Company was paying month-to-month rent until they vacated the property. 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 minimum annual lease payments (exclusive of real estate taxes, insurance, etc.) are approximately as follows:

<u>Years Ending March 31,</u>	<u>Amount</u>
2023	\$ 393,000
2024	459,000
2025	470,000
2026	482,000
2027	494,000
Thereafter	<u>851,000</u>
	<u>\$ 3,149,000</u>

Rent expense charged to operations was approximately \$394,000 and \$514,000 for the years ended March 31, 2022 and 2021, respectively.

**INDO COUNT GLOBAL INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021**

NOTE 7 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Major Customers

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.

The Company sold 81% of its product to three customers for the year ended March 31, 2021. The total amount due from these customers was approximately \$4,919,000 at March 31, 2021.

Related Party and Major Supplier

The Company purchased 100% of its products from the overseas Parent Company for the years ended March 31, 2022 and 2021. The balance owed to the Parent Company for such trade payables was \$14,112,459 and \$5,901,566, of which \$2,000,000 was subordinated to the financial institution at both March 31, 2022 and 2021, respectively.

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 March 31, 2022, the balance outstanding was \$4,500,000. The loan is to be repaid on or before March 31, 2025. Interest expense for the year ended March 31, 2022 was approximately \$2,000.

NOTE 8 - 401(K) PLAN

On June 1, 2015, the Company adopted a defined contributions 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 Employee Retirement Income Security Act of 1974 ("ERISA"). The Company's discretionary contribution to the Plan for the years ended March 31, 2022 and 2021 was approximately \$61,000 and \$32,000, respectively, and is included in general and administrative expenses on the statements of income and retained earnings.

NOTE 9 - INCOME TAXES

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

March 31, 2022	Federal	State & Local	Total
Current	\$ 1,076,144	\$ 177,700	\$ 1,253,844
Deferred tax	<u>72,000</u>	<u>11,000</u>	<u>83,000</u>
	<u>\$ 1,148,144</u>	<u>\$ 188,700</u>	<u>\$ 1,336,844</u>
March 31, 2021	Federal	State & Local	Total
Current	\$ 39,121	\$ 8,784	\$ 47,905
Deferred benefit	<u>(22,000)</u>	<u>(2,000)</u>	<u>(24,000)</u>
	<u>\$ 17,121</u>	<u>\$ 6,784</u>	<u>\$ 23,905</u>

INDO COUNT GLOBAL INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

NOTE 10 - 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 7 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.

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 7. As of March 31, 2022, the balance due to the licensor was approximately \$91,000.

Royalties charged to operations for the years ended March 31, 2022 and 2021 were approximately \$388,000 and \$33,000, respectively. Advertising expense related to the licensing agreement for the years ended March 31, 2022 and 2021, was approximately \$75,000 and \$9,000, respectively.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the balance sheet through May 24, 2022, the date the financial statements were available to be issued.

In April 2022, the Company acquired certain assets of an entity in its industry. The purchases price was approximately \$4,400,000.

SUPPLEMENTARY INFORMATION

**INDO COUNT GLOBAL INC.
SUPPLEMENTARY INFORMATION
SCHEDULES OF COST OF GOODS SOLD
FOR THE YEARS ENDED MARCH 31,**

	2022	2021
Inventories – beginning	\$ 7,341,509	\$ 2,633,654
Purchases	82,650,194	18,380,939
	89,991,703	21,014,593
Inventories – ending	(22,918,824)	(7,341,509)
Total Cost of Goods Sold	\$ 67,072,879	\$ 13,673,084

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

	<u>2022</u>	<u>2021</u>
Selling and Shipping		
Shipping and handling	\$ 3,287,314	\$ 850,165
Commissions	546,508	73,079
Royalty expense	388,126	33,491
Showroom expenses	342,254	272,310
Advertising and promotion	74,733	9,306
Travel and entertainment	25,691	5,388
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Total Selling and Shipping Expenses	<u>\$ 4,664,626</u>	<u>\$ 1,243,739</u>
 General and Administrative		
Salaries and benefits	\$ 2,002,572	\$ 1,317,090
Professional fees	1,000,942	282,769
Computer expenses	515,345	255,157
Rent and utilities	417,955	525,381
Depreciation and amortization	104,607	207,712
Office, stationery and printing	87,659	33,480
Bank charges and other fees	80,736	85,922
Insurance	53,218	32,954
Repairs and maintenance	1,737	-
Provision for doubtful accounts	-	39,787
Commercial rent tax	-	38,310
Charitable contributions	-	260
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Total General and Administrative Expenses	<u>\$ 4,264,771</u>	<u>\$ 2,818,822</u>