Sutlej Holdings Inc. and Subsidiary

Consolidated Financial Statements
March 31, 2024, and March 31, 2023

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Independent Auditor's Report

Board of Directors
Sutlej Holdings Inc. and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Sutlej Holdings Inc. and Subsidiary ("the Company"), which comprise the consolidated balance sheets as of March 31, 2024, and March 31, 2023, and the related consolidated statements of loss, stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and March 31, 2023, 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. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As discussed in Note B (2)(v) to the consolidated financial statements, the Company has incurred losses including operating cash losses during the year ended 31 March 2024. The Company has accumulated' deficit and a negative working capital as of March 31,2024. These conditions cast significant doubt on the Company's ability to continue as a going concern. The Company has received a financial support letter from its Ultimate Parent Company to enable it to continue as a going concern. Additionally, the Ultimate Parent Company is the sole guarantor for a working capital facility provided by a commercial bank.

Our opinion is not modified with respect to this matter.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's responsibilities for the audits of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

KNAV CPA LLP

Atlanta, Georgia
May 07, 2024

Consolidated Financial Statements

Consolidated balance sheets

(All amounts are in United States Dollars, unless otherwise stated)

	As at March 31, 2024	As at March 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	29,546	702,919
Accounts receivable, net	33,165	56,834
Inventories, net	2,455,062	2,779,940
Other current assets	520,943	305,418
Total current assets	**3,038,716**	**4,443,339**
Property, plant and equipment, net	18,268	13,061
Operating lease right-of-use assets	199,991	172,877
Goodwill and other intangible assets, net	116,976	157,712
Other assets	15,192	15,192
Total assets	**3,389,143**	**4,802,181**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	656,899	722,172
Line of credit	2,400,000	2,400,000
Current portion of operating lease obligations	121,341	104,946
Other current liabilities	106,379	119,548
Total current liabilities	**3,284,619**	**3,346,666**
Operating lease obligations, less current portion	78,650	67,929
Total liabilities	**3,363,269**	**3,414,595**
Stockholder's equity		
Common stock	7,500,000	7,500,000
Accumulated deficit	(7,474,126)	(6,112,414)
Total stockholder's equity	**25,874**	**1,387,586**
Total liabilities and stockholder's equity	**3,389,143**	**4,802,181**

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

Consolidated statements of loss

(All amounts are in United States Dollars, unless otherwise stated)

	For the year ended	
	March 31, 2024	**March 31, 2023**
Revenue from operations	4,084,803	4,818,493
Total revenue	**4,084,803**	**4,818,493**
Cost of goods sold	3,368,399	3,376,931
Gross profit	**716,404**	**1,441,562**
Costs and expenses		
Employee cost	885,256	1,112,522
Selling, general and administrative expenses	935,224	1,053,451
Depreciation and amortization	46,370	44,758
Total cost and expenses	**1,866,850**	**2,210,731**
Operating loss	**(1,150,446)**	**(769,169)**
Other income	217	214,357
Interest expense	(211,300)	(154,339)
Impairment loss on goodwill	-	(750,000)
Loss before taxes	**(1,361,529)**	**(1,459,151)**
Income tax expense		
Current tax expense	183	413
Deferred tax benefit	-	(63,767)
Net loss	**(1,361,712)**	**(1,395,797)**

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

Consolidated statements of stockholder's equity

(All amounts are in United States Dollars, except number of shares)

	Common stock					
	Authorized		Issued & outstanding		Accumulated	Total
Particulars	**Shares**	**Value**	**Shares**	**Value**	**deficit**	**stockholder's equity**
Balance as at March 31, 2022	**7,500**	**7,500,000**	**7,500**	**7,500,000**	**(4,716,617)**	**2,783,383**
Net loss for the year	-	-	-	-	(1,395,797)	(1,395,797)
Balance as at March 31, 2023	**7,500**	**7,500,000**	**7,500**	**7,500,000**	**(6,112,414)**	**1,387,586**
Net loss for the year	-	-	-	-	(1,361,712)	(1,361,712)
Balance as at March 31, 2024	**7,500**	**7,500,000**	**7,500**	**7,500,000**	**(7,474,126)**	**25,874**

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

Consolidated statements of cash flows

(All amounts are in United States Dollars, unless otherwise stated)

	For the year ended March 31, 2024	For the year ended March 31, 2023
Cash flows from operating activities		
Net loss	(1,361,712)	(1,395,797)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	46,370	44,758
Impairment loss on goodwill	-	750,000
Deferred tax benefit	-	(63,767)
Allowance for doubtful debts	12,630	1,095
Provision for slow moving and obsolete inventory	60,283	55,000
Changes in assets and liabilities		
Accounts receivable	36,299	111,893
Inventories	264,595	(1,123,653)
Other current assets	357,441	(598,230)
Accounts payable	(65,268)	(40,177)
Other current liabilities	(13,169)	(35,672)
Current portion of operating lease obligations	16,395	104,946
Operating lease obligations, less current portion	10,722	67,928
Operating lease right-of-use assets	(27,117)	(172,874)
Net cash used in operating activities	**(662,531)**	**(2,294,550)**
Cash flows from investing activities		
Purchase of property, plant, and equipment	(10,842)	(2,217)
Net cash used in investing activities	**(10,842)**	**(2,217)**
Cash flow from financing activities		
Line of credit received	-	2,400,000
Line of credit repayment	-	(643,493)
Net cash provided by financing activities	**-**	**1,756,507**
Net decrease in cash and cash equivalents	**(673,373)**	**(540,260)**
Cash and cash equivalents at the beginning of the year	702,919	1,243,179
Cash and cash equivalents at end of the year	**29,546**	**702,919**
Supplemental cash flow information		
Income taxes paid	1,253	310
Interest paid	196,593	161,866

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

Notes to Consolidated Financial Statements

(All amounts in United State Dollars, unless otherwise stated)

NOTE A - NATURE OF OPERATIONS

1. *Organization and nature of operations*
Sutlej Holdings Inc. was incorporated on September 28, 2017, in the state of Delaware and is a wholly owned subsidiary of Sutlej Textiles and Industries Limited ("the Parent Company"), a Company incorporated in India. Sutlej USA, LLC, a wholly owned subsidiary of Sutlej Holdings Inc. (collectively referred to as "the Company" or "the Group") was also incorporated on September 28, 2017, in the state of Delaware. Pursuant to a business combination, the name of Sutlej USA, LLC was changed to American Silk Mills, LLC. The Company is primarily engaged in the design, manufacture, and worldwide distribution of textiles to wholesalers, manufacturers, and retailers for the home furnishing industry.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements are as follows:

2. *Basis of preparation*

    i. The accompanying consolidated financial statements are prepared under historical cost convention on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America to reflect the consolidated financial position, results of consolidated operations and consolidated cash flows.

    ii. The consolidated financial statements have been presented for the years ended March 31, 2024 and March 31, 2023.

    iii. *Principles of consolidation*

    The accompanying consolidated financial statements include the accounts of Sutlej Holdings, Inc. and American Silk Mills, LLC (erstwhile known as "Sutlej USA, LLC"), its wholly owned subsidiary. All material inter-company transactions and balances between Sutlej Holdings, Inc. and American Silk Mills, LLC have been eliminated.

    iv. *Going concern*

    The Company has prepared its consolidated financial statements on the basis that the Company will continue as a going concern.

    As of March 31, 2024, current liabilities are $ 3,284,619 and current assets are $3,038,716. As of March 31, 2024, the Company has an accumulated deficit of $ 7,474,126 and stockholder's surplus of $ 25,874 as of March 31, 2024. The past history of losses including operating cash losses, negative working capital and reliance on financial support from the Ultimate Parent Company cast a significant doubt on the Company's ability to continue as a going concern.

    The Company's ability to continue as going concern is dependent upon loans provided and working capital facilities guaranteed by its Ultimate Parent Company. In this regard, the Company has received a financial support letter dated 04 May 2024 from its Ultimate Parent Company. The Ultimate Parent Company has confirmed that it will provide necessary financial support for a minimum period of 12 months from the date the consolidated financial statements for the year ended March 31, 2024, are available to be issued. Further the Ultimate Parent Company has provided a standby letter of credit in favor of a commercial bank for working capital facility obtained by the Company.

Management hence believes that it is appropriate to prepare these consolidated financial statements on a going concern basis.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

3. *Use of estimates*

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements. The management's estimates for, determination of useful lives for property, plant and equipment and impairment of goodwill and intangible assets, long-lived assets; revenue recognition, provision for doubtful accounts, the valuation of deferred tax assets, inventory reserves, income tax uncertainties and other contingencies at the balance sheet date represent certain of these particularly sensitive estimates. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

4. *Cash and cash equivalents*

The Company considers all investments with original maturities of ninety days or less to be cash and cash equivalents. Cash and cash equivalents comprise of balance with banks and petty cash balances.

5. *Expected Credit Loss*

Prior to the Company's adoption of ASC 326, the accounts receivable balance was reduced by an allowance for doubtful accounts that was determined based on the Company's assessment of the collectability of customer accounts. Under ASC 326, accounts receivables are recorded at the invoiced amount, net of provision for chargebacks, discounts, and others, and provision for credit loss. The Company regularly reviews the adequacy of the provision for credit loss based on a combination of factors. In establishing any required allowance, management considers historical losses adjusted for current market conditions, the current receivables aging, current payment terms, and expectations of forward-looking loss estimates. Provision for credit loss was $12,630, as of March 31, 2024, and allowance for doubtful accounts was $6,393 as of March 31, 2023, and is classified within "Accounts receivable, net" in the balance sheets. See the "Recent accounting pronouncements adopted" section below for information on the adoption of ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments..

6. *Inventories*

Inventories are stated at the lower of cost and market value using the first in first out method. Cost in the case of raw materials comprises the purchase price and attributable direct costs, less trade discounts. The Company periodically reviews its inventories to determine whether any inventories have declined in value and records a charge to operations for known and estimated inventory obsolescence. In evaluating whether inventory is stated at the lower of cost or market, management considers such factors as the amount of inventory on hand and in the distribution channel, the estimated time required to sell such inventory, and current and expected market conditions, including levels of competition. Adjustments to reduce inventories to their net realizable value are charged to cost of goods sold in the consolidated statement of loss.

7. *Property and equipment*

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is provided over the estimated useful life of the assets using the straight-line method. Expenditures for maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the cost of the asset and related depreciation are eliminated from the financial records. Any gain or loss on disposition is credited or charged to income. The estimated useful lives of assets are as follows:

Class of asset	Useful life
Computer equipment	6 years
Office equipment	3 to 6 years
Machinery and equipment	3 to 6 years
Furniture and fixtures	3 to 6 years
Leasehold improvements	Shorter of the lease term or the useful life

8. *Internally developed software costs*

The Company capitalizes costs related to development of internal use software. Costs incurred during the preliminary project work stage or conceptual stage are expensed as incurred.

9. *Business combinations, goodwill, and intangible assets*

The Company accounts for goodwill and intangible assets in accordance with Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 350, Intangibles – Goodwill and Other ("ASC 350"). ASC 350 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value. Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

The Company has adopted the provisions of Accounting Standards Update ("ASU") 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 eliminates the second step of the goodwill impairment test. For goodwill impairment tests, if the carrying value of a reporting unit exceeds its fair value, the Company will measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

The Company recorded a goodwill of $750,000 pursuant to the acquisition of the business and assets of American Silk Mills, LLC based on the purchase price allocation ('PPA') undertaken to assess the fair value of assets and liabilities acquired in the acquisition. The Company has determined American Silk Mills, LLC as a reporting unit for the purpose of allocation of the carrying amount of goodwill.

As at March 31, 2023, the Company performed qualitative assessment as per ASU 2017-04. As the reporting unit has incurred recurring operating losses over the years and has negative net worth as at the assessment date, the Company determined that it was necessary to perform a quantitative impairment test. Refer Note H, "Goodwill and other intangible assets" for further information on impairment testing.

The Company amortizes intangible assets over their estimated useful lives unless such lives are determined to be indefinite. Amortizable intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. Intangible assets with indefinite lives are tested at least annually for impairment and written down to fair value as required.

During the year ended March 31, 2023, the Company revised its estimate of useful life of intangibles based on changes in the expected pattern of consumption of the asset's future economic benefits. The change has been accounted as change in accounting estimate in accordance with ASC 250, "Accounting Changes and Error Corrections".

The estimated useful lives of the amortizable intangible assets are as follows:

Class of asset	Useful life
Software	5 to 8 years
Internally developed software	5 to 8 years

During the year ended March 31, 2023, the incremental amortization of $19,175 due to the change in the useful life of intangibles has been included in the Depreciation and amortization in the consolidated statements of loss. The revision in the estimated useful life will result in increase in the amortization expense amounting to $19,175 for the next 4 years.

10. Impairment of long-lived assets

Long-lived assets, including certain identifiable intangible assets, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such assets are considered to be impaired if the carrying amount of the assets is higher than the future undiscounted net cash flows expected to be generated from the assets. The impairment amount to be recognized is measured by the amount by which the carrying value of the assets exceeds its fair value.

11. Revenue recognition

The Company has adopted Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). Revenue is recognized upon transfer of control of products or services promised to customers in an amount that reflects the consideration the Company expects to receive in exchange for these products or services. Please refer to Note N, "Revenue from Contracts with Customers" for further information on the Company's revenue.

The core principle of Accounting Standard Codification ("ASC") 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied; generally, this occurs with the transfer of control of the Company's products or services. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the contract. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The Company's performance obligations are satisfied at a point in time. This includes sales of the Company's broad range of unique textiles for the residential, contract, hospitality, and furniture markets in the United States of America. For a majority of these sales, the Company's performance obligation is satisfied upon delivery to the customer. Shipping and handling activities are considered to be fulfilment activities and are not considered to be a separate performance obligation.

12. Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. All deferred tax assets and liabilities, along with any related valuation allowance, is classified as non-current on the consolidated balance sheets.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions in the consolidated statement of loss.

13. Operating Leases

Accounting Standard Update ("ASU") 2016-02, Leases. On April 1, 2022, the Company adopted Accounting Standards Codification 842 and all the related amendments ("new lease standard") using the modified retrospective method. The comparative information has not been restated and continues to be reported under the lease accounting standard in effect of those periods. The new lease standard requires all leases to be reported on the balance sheet as operating lease right-of-use assets and lease obligations. The Company elected the practical expedients permitted under the transition guidance of the new standard that retained the lease classification and initial direct costs for any leases that existed prior to adoption of the standard.

The Company's leases are classified as operating leases, which are included in operating lease right-of-use assets and operating lease liabilities in the Company's balance sheet. Right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date for leases exceeding 12 months. Minimum lease payments include only the fixed lease component of the agreement, as well as any variable rate payments that depend on an index, initially measured using the index at the lease commencement date. Lease terms may include options to renew when it is reasonably certain that the Company will exercise that option.

The Company's estimation considers the market rates of the Company's outstanding collateralized borrowings and interpolations of rates outside of the terms of the outstanding borrowings, including comparisons to comparable borrowings of similarly rated companies with longer term borrowings. Operating lease expense is recognized on a straight-line basis over the lease term and is included in cost of revenue or general and administrative expense. Leases with a lease term of 12 months or less from the commencement date that do not contain a purchase option are recognized as an expense on a straight-line basis over the lease term.

14. Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Contingent liabilities are not recognized but disclosed in notes to the consolidated financial statements. Contingent assets are neither recognized nor disclosed.

15. Fair value measurements

Assets and liabilities recorded at fair value in the consolidated financial statements are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
Level 3 – unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available and to minimize the use of unobservable inputs when determining fair value. The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, line of credit and accrued liabilities.

16. Recently adopted accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires measurement and recognition of expected credit losses for financial assets measured at amortized cost as well as certain off-balance sheet commitments (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). The Company adopted ASU 2016-13 on April 1, 2023, using a modified retrospective approach. Results for reporting periods beginning April 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of this standard did not have a material impact on the Company's financial statements.

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at	
	March 31, 2024	**March 31, 2023**
Balance with bank	29,513	702,886
Cash in hand	33	33
Total	**29,546**	**702,919**

Cash balances on deposits with bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of $250,000.

NOTE D - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, comprise of the following:

	As at	
	March 31, 2024	**March 31, 2023**
Receivable from customers	45,795	63,227
Less: allowance for expected credit losses	(12,630)	(6,393)
Total	**33,165**	**56,834**

The movement in the allowance for expected credit losses during the year is as under:

	For the year ended	
	March 31, 2024	**March 31, 2023**
Beginning balance	6,393	17,545
Add: provision during the year	12,630	1,095
Less: write off during the year	(6,393)	(12,247)
Total	**12,630**	**6,393**

The Company's accounts receivable serve as collateral to the line of credit entered into by the Company with the financing company.

NOTE E - INVENTORIES

Inventories, net, comprise of the following:

	As at	
	March 31, 2024	**March 31, 2023**
Raw materials	534,529	572,018
Finished goods	1,900,996	2,199,066
Finished goods-in-transit	34,151	128,682
Less: provision for slow moving and obsolete inventory	(14,614)	(119,826)
Total	**2,455,062**	**2,779,940**

The movement in the provision for slow moving and obsolete inventory during the year is as under:

	For the year ended	
	March 31, 2024	March 31, 2023
Beginning balance	119,826	149,733
Add: provision during the year	60,283	55,000
Less: write off during the year	(165,495)	(84,907)
Total	**14,614**	**119,826**

The Company's inventories serve as a collateral to the line of credit entered into by the Company with the financing company.

NOTE F - OTHER CURRENT ASSETS

Other current assets comprise of the following:

	As at	
	March 31, 2024	March 31, 2023
Prepaid expenses	41,121	167,245
Receivable from factoring company (Refer Note K)	463,970	724,084
Advances to suppliers	10,518	12,152
Others	5,334	165
Total	**520,943**	**903,646**

NOTE G - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, comprise of the following:

	As at	
	March 31, 2024	March 31, 2023
Machinery and equipment	32,208	31,625
Computer equipment	24,800	14,541
Office equipment	42,452	42,452
Furniture and fixtures	60,761	60,761
Leasehold improvements	39,254	39,254
Total	**199,475**	**188,633**
Less: accumulated depreciation	(181,207)	(175,572)
Total	**18,268**	**13,061**

Depreciation expense for the year ended March 31, 2024, and March 31, 2023, amounts to $5,635 and $5,330 respectively.

NOTE H - GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets comprise of the following:

	As at	
	March 31, 2024	March 31, 2023
Software	247,940	247,940
Less: Accumulated amortization	(130,964)	(90,228)
Total	**116,976**	**157,712**

Amortization expense for the year ended March 31, 2024, and March 31, 2023, amounts to $40,736 and $39,428 respectively.

Goodwill impairment

As at March 31, 2023, the Company performed quantitative assessment for goodwill impairment at the reporting unit level in accordance with ASU 2017-04. As a result of impairment test, the Company had recognized an impairment loss amounting to $750,000 in the consolidated statement of loss for the year ended March 31, 2023.

The fair value of the reporting unit has been determined using the discounted cashflow model.

NOTE I - OTHER ASSETS

Other assets comprise of the following:

	As at	
	March 31, 2024	**March 31, 2023**
Security deposit	15,192	15,192
Total	**15,192**	**15,192**

NOTE J - ACCOUNTS PAYABLE

Accounts payable comprise of the following:

	As at	
	March 31, 2024	**March 31, 2023**
Due to related party	132,302	270,763
Other trade payables	524,597	451,409
Total	**656,899**	**722,172**

NOTE K - LINE OF CREDIT

Line of credit comprise of the following:

	As at	
	March 31, 2024	**March 31, 2024**
ICICI Bank loan	2,400,000	2,400,000
Total	**2,400,000**	**2,400,000**

1) Rosenthal loan -

In April 2019, the Company entered into a factoring agreement (the "Facility") with a finance company. The Facility provides both factoring and revolving credit line of up to $2,700,000, subject to borrowing base availability and extends its maturity to October 31, 2024. The line of credit is pledged against the Company's accounts receivable and inventory. The Facility bears interest upon the daily net balance of any monies remitted, paid, or otherwise advanced to the Company which if:

(i) not in excess of the receivables availability, is charged at a rate per annum equal to receivable interest rate @ 8.50%.

(ii) in excess of receivables availability but not in excess of the receivables availability plus the inventory availability is charged at a rate per annum equal to the inventory interest rate @8.50%.

As at March 31, 2024, the Company has a receivable from factoring company amounting to $ 451,340 against the accounts receivable balances transferred on a non-recourse basis.

During the year ended March 31, 2024, factoring commission expenses of $34,620 (March 31, 2023: $37,822) and factoring interest expenses of $3,535 (March 31, 2023: $36,297) have been charged to consolidated statements of loss.

In accordance with FASB issued ASC 860-10, Transfers and Servicing, the factoring arrangement with recourse obligation has not met all the three conditions for sale of a receivable. As at March 31, 2024, the recourse obligation amounts to $45,795 (March 31, 2023: $2,590).

2) ICICI Bank loan –

During the year ended March 31, 2024, the Company has extended the working capital facility from ICICI Bank amounting to $2,400,000 for the term of one year, ending on September 9, 2024. The line of credit has a variable interest rate calculated as a "floating rate" which is an adjusted SOFR plus margin of 2% per annum. The average interest rate for the year ended March 31, 2024, was approximately 7.29%. The facility together with interest, additional interest, cost, charges, expenses and all other monies has been secured by the standby letter of credit (SBLC) issued in favor of ICICI Bank which is guaranteed by the ultimate parent company. Interest expense for the year ended March 31, 2024, on the said loan amounts to $175,966 (March 31, 2023: $80,219)

NOTE L - OTHER CURRENT LIABILITIES

Other current liabilities comprise of the following:

	As at	
	March 31, 2024	March 31, 2023
Employee liabilities	5,377	8,863
Accrued expenses	65,605	61,374
Advance from customers	34,191	48,941
Provision for income taxes	1,206	370
Total	**106,379**	**119,548**

NOTE M - REVENUE FROM CUSTOMER CONTRACTS

The following table presents revenue disaggregated by product line:

	For the year ended	
	March 31, 2024	March 31, 2023
Revenue from sale of goods	4,084,803	4,818,493
Total	**4,084,803**	**4,818,493**

The following table presents revenue disaggregated by timing of recognition:

	For the year ended	
	March 31, 2024	March 31, 2023
At a point in time	4,084,803	4,818,493
Total	**4,084,803**	**4,818,493**

Revenue disaggregated by geography based on Company's locations:

	For the year ended	
	March 31, 2024	March 31, 2023
United States	3,578,229	4,095,719
Canada	85,371	100,706
China	62,102	61,195
Hongkong	279,580	10,275
Others	79,521	550,598
Total revenue from operations	**4,084,803**	**4,818,493**

Contract balances
The Company contracts with customers with dealer agreements and purchase orders. These contracts with customers typically consist of sale of products which represent performance obligations that are satisfied upon transfer of control of the product to the customer at a point in time.

	As at	
	March 31, 2024	March 31, 2023
Accounts receivable	33,165	56,834
Total	**33,165**	**56,834**

NOTE O - OTHER INCOME

Other income comprises of the following:

	For the year ended	
	March 31, 2024	March 31, 2023
Employee retention credit ("ERC") *	-	214,357
Royalty Income	215	-
Total	**215**	**214,357**

* The Company availed benefits under the ERC scheme, established under the CARES Act. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides for a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. It is a per employee tax credit based on a percentage of qualified wages and health insurance benefits paid to employees. Accordingly, the Company has recorded total ERC credit refund received under other income in the consolidated statements of loss. During the year ended March 31, 2023, the Company has received ERC credit refund of $214,357.

NOTE P – OPERATING LEASES RIGHT OF USE ASSETS

The Company, pursuant to acquisition of business from Legacy Weavers LLC, acquired lease agreements for the showrooms at High Point, North Carolina ("NC") and Plains, Pennsylvania ("Plains"). The lease term expiry dates for North Carolina is July 31, 2026, and for Plains is December 31, 2024. These leases have been accounted as operating leases under ASC 842. The Company adopted this standard with effect from April 01, 2022.

General description of the lease
The Company facilities and office space under operating leases which have non-cancellable terms.

Non-lease components: Leases that contain non-lease components are accounted for as a single component and recorded on the balance sheet for certain asset classes including equipment. Non-lease components include, but are not limited to, common area maintenance and service arrangements.

Package of practical expedients: The Company will not reassess whether any expired or existing contracts are leases or contain leases, the lease classification for any expired or existing leases or any initial direct costs for any expired or existing leases as of the transition date.

Additional transition method: The Company adopted the standard using a modified retrospective approach, applying the standard's transition provisions at the beginning of the period of adoption and maintain previous disclosure requirements for comparative periods.

The Company used the following policies and/or assumptions in evaluating the lease population:

Lease determination: The Company considers a contract to be or to contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.

Discount rate: When the lease contracts do not provide a readily determinable implicit rate, the Company uses the estimated incremental borrowing rate based on information available at the inception of the lease. The discount rate is determined by asset class.

Renewal options: Most leases include one or more options to renew, with renewal terms that can extend the lease term from one or more years. The exercise of lease renewal options is at the Company's sole discretion.

Residual value guarantees, restrictions, or covenants: The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Short-term leases: Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term and expense the associated operating lease costs to administrative expenses on the consolidated statements of income.

Right-of-use-assets comprise of the following:

	Year ended March 31, 2024	Year ended March 31, 2023
Operating lease right-of-use assets	199,991	172,877
Total	**199,991**	**172,877**

Lease liabilities comprise of the following:

	Year ended March 31, 2024	Year ended March 31, 2023
Current portion of lease liabilities	121,341	104,948
Non-current portion of lease liabilities	78,650	67,929
Total	**199,991**	**172,877**

The components of lease cost for operating lease for the year ended March 31, 2024, are as follows:

	Year ended March 31, 2024
Operating lease expenses	
Interest expense	15,368
Lease amortization	138,116
Total operating lease expense	**153,484**

Cash paid for amounts included in the measurement of lease liabilities was as follows:

	Year ended March 31, 2024
Operating cash flows from operating lease	153,484
Total	**153,484**

Future minimum lease payments relating to operating lease are as follows:

Year ending March 31,	Amount ($)
2025	131,570
2026	62,169
2027	20,723
Total minimum lease payments	**214,462**
Less: Imputed interest	(14,471)
Present value of minimum lease payments	**199,991**
Less: Current portion	(121,341)
Non-current, operating lease obligations	**78,650**

Other information:

	Year ended March 31, 2023
Weighted -average remaining lease term- operating lease	20.5 months
Weighted-average discount rate-operating lease	7.82%

NOTE Q - INCOME TAXES

The Company files federal and state tax returns as per the regulations applicable to Chapter C corporations in the United States of America. The components of the provision for income taxes are as follows:

	For the year ended March 31, 2024	March 31, 2023
Current tax expense	183	413
Deferred tax benefit	-	(63,767)
Total	**183**	**(63,354)**

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

	For the year ended March 31, 2024	March 31, 2023
Income tax at federal rate	(285,647)	(306,422)
State tax, net of federal effect	(137)	53
Return to provision	1,066	20,186
Permanent differences	458	(24,638)
Changes in net operating losses	(277)	850
Changes in valuation allowance	284,720	246,617
	183	**(63,354)**

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the items that create such differences is as follows:

	As at March 31, 2024	March 31, 2023
Deferred tax assets:		
Property, plant, and equipment	766	2,030
Net operating losses (NOL's)	1,938,011	1,657,574
Accrued vacation	236	1,361
Inventory reserve	3,193	32,147
Provision for doubtful debts	7,801	1,715
Identifiable intangible	93,767	128,551
Rent adjustment	43,696	-
Total deferred tax assets	**2,087,470**	**1,823,378**
Deferred tax liabilities:		
Identifiable intangibles	-	
Inventory management system	(20,499)	(22,796)
Rent adjustments	(43,696)	-
Total deferred tax liabilities	**(64,195)**	**(22,796)**
Net deferred taxes	2,023,275	1,800,582
Less: valuation allowance	(2,023,275)	(1,800,582)
Net deferred taxes	**-**	**-**

In assessing the realization of deferred tax assets, the likelihood of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized must be considered. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary difference become deductible. Management considers earnings expectations, the existence of taxable temporary differences, tax planning strategies and the periods in which estimated losses can be utilized. Based on the history of previous year losses, the management has concluded that it is more likely than not the Company will not realize the deferred tax assets.

The management has concluded that it is more likely than not the Company will not realize the deferred tax assets and hence valuation allowance has been established on the timing differences of $2,023,275 and $1,800,582 as of March 2024 and March 2023 respectively.

The Company has net operating loss carry forwards of $7,719,542 as of March 31, 2024 available to reduce future federal income taxes. If not used, the carry forwards of $66,932 will expire in 2038. Carry forwards of $7,652,610 will be allowed to carryforward indefinitely.

The Company has state NOL's carryforward of $4,642,970 and $4,222,616 as at March 31, 2024 and March 31,2023 respectively, which will be allowed to carryforward as per the state limitations.

Accounting for uncertain tax position
The Company recognizes the consolidated financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Company's financial position, results of operation or cash flows.

The tax years of 2020 through 2022 remain subject to examination by the taxing authorities.

NOTE R - STOCKHOLDER'S EQUITY

Common stock
The authorized share capital of the Company is $7,500,000, comprising of 7,500 shares of par value $1,000 each (March 31, 2023: $7,500,000, comprising of 7,500 shares of par value $1,000 each).

During the year ended March 31, 2024, the Company maintained its authorized share capital at $7,500,000, comprising of 7,500 shares of par value $1,000 each. As of March 31, 2024, and March 31, 2023, the Company has 7,500 shares of common stock as issued and outstanding.

Voting
Each holder of common stock is entitled to one vote in respect of each share held in the records of the Company for all matters submitted to a vote.

Liquidation
In the event of liquidation of the Company, the holders of common stock shall be entitled to receive all of the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

NOTE S - RISK AND UNCERTAINTIES

The Company's future results of operations involve several risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, competitive factors, including but not limited to pricing pressures; deterioration in general economic conditions; the Company's ability to effectively manage operating costs and increase operating efficiencies; declines in revenues; technological and market changes; the ability to attract and retain qualified employees and the Company's ability to execute on its business plan.

NOTE T - RELATED PARTY TRANSACTIONS

Related parties with whom transactions have taken place during the year -

i) Sutlej Textiles and Industries Limited – Ultimate parent company

Summary of transactions with related parties are as follows:

	March 31, 2024	March 31, 2023
Sutlej Textiles and Industries Limited		
Balances		
Payable	132,302	270,764
Transactions during the year		
Purchases	282,553	456,352
Consulting services	25,625	21,600
Expenses paid on behalf of the Company	-	24,000

NOTE U - FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and trade receivables. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such cash equivalents and trade receivables involve risk including the credit risk of non-performance by counter parties. In management's opinion, as of March 31, 2024 and March 31, 2023, there was no significant risk of loss in the event of non-performance of the counter parties to these cash and cash equivalents and accounts receivable.

The Company's principal market is in North America. For the year ended March 31, 2024, and March 31, 2023, the top five customers of the Company accounted for 45% and 46% of total revenue from operations respectively, whereas the top five product categories accounted for 94% and 74% of the total sales respectively. As at March 31, 2024 and March 31, 2023.

As at March 31, 2024, the top five payables of the Company accounted for 62% of the total accounts payable of the Company. These suppliers accounted for approximately 92% of finished goods purchased by the Company during the year ended March 31, 2024. The goods they supply are widely available from many sources. As at March 31, 2023, the top five payables of the Company accounted for 71% of the total accounts payable of the Company. These suppliers accounted for approximately 79% of finished goods purchased by the Company during the year ended March 31, 2023.

NOTE V – FAIR VALUE MEASUREMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, line of credit, accounts payable and accrued liabilities. The estimated fair value of cash, accounts receivable, accounts payable, line of credit and accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments. None of these instruments are held for trading purposes.

NOTE W - SUBSEQUENT EVENTS

The Company evaluated all subsequent events that occurred after March 31, 2024, up through May 07, 2024, which is the date the consolidated financial statements were available to be issued. Based upon this evaluation the Company is not aware of any events or transactions that would require recognition or disclosure in the consolidated financial statements.