Sutlej Holdings Inc. and Subsidiary

Consolidated Financial Statements
March 31, 2023, and March 31, 2022

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PARTNERS BEYOND BOUNDARIES

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, 2023, and March 31, 2022, 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, 2023, and March 31, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 suffered recurring losses and has also generated negative cashflows from operations. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note-B (2)(v). 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 audit 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 P.A.

Atlanta, Georgia
May 03, 2023

Consolidated Financial Statements

Consolidated balance sheets

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

		As at March 31, 2023	As at March 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		702,919	1,243,179
Accounts receivable, net		56,834	169,822
Inventories, net		2,779,940	1,711,287
Other current assets		903,646	305,418
Total current assets	**$**	**4,443,339**	**3,429,706**
Property, plant and equipment, net		13,061	16,173
Operating lease right-of-use assets		172,877	-
Goodwill and other intangible assets, net		157,712	947,140
Other assets		15,192	15,192
Total assets	**$**	**4,802,181**	**4,408,211**
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities			
Accounts payable		722,172	762,349
Line of credit		2,400,000	643,493
Current portion of operating lease obligations		104,946	-
Other current liabilities		119,548	155,220
Total current liabilities	**$**	**3,346,666**	**1,561,062**
Deferred tax liabilities		-	63,766
Operating lease obligations, less current portion		67,929	-
Total liabilities	**$**	**3,414,595**	**1,624,828**
Stockholder's equity			
Common stock		7,500,000	7,500,000
Accumulated deficit		(6,112,414)	(4,716,617)
Total stockholder's equity	**$**	**1,387,586**	**2,783,383**
Total liabilities and stockholder's equity	**$**	**4,802,181**	**4,408,211**

(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, 2023	**March 31, 2022**
Revenue from operations		4,818,493	4,964,062
Total revenue	**$**	**4,818,493**	**4,964,062**
Cost of goods sold (excluding depreciation and amortization)		3,376,931	3,895,199
Gross profit	**$**	**1,441,562**	**1,068,863**
Costs and expenses			
Employee cost		1,112,522	1,309,195
Selling, general and administrative expenses		1,053,451	1,037,468
Depreciation and amortization		44,758	35,999
Total cost and expenses	**$**	**2,210,731**	**2,382,662**
Operating loss		**(769,169)**	**(1,313,799)**
Other income		214,357	732,761
Interest expense		(154,339)	(136,198)
Impairment loss on goodwill		(750,000)	-
Loss before taxes	**$**	**(1,459,151)**	**(717,236)**
Income tax expense			
Current tax expense		413	43
Deferred tax (benefit) expense		(63,767)	14,436
Net loss	**$**	**(1,395,797)**	**(731,715)**

(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, 2021	**5,700**	**5,700,000**	**5,700**	**5,700,000**	**(3,984,902)**	**1,715,098**
Increase in authorized shares and issuance of common stock	1,800	1,800,000	1,800	1,800,000	-	1,800,000
Net loss for the year	-	-	-	-	(731,715)	(731,715)
Balance as at March 31, 2022	**7,500**	**7,500,000**	**7,500**	**7,500,000**	**(4,716,617)**	**2,783,383**
Increase in authorized shares and issuance of common stock	-	-	-	-	-	-
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**

(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, 2023	For the year ended March 31, 2022
Cash flows from operating activities		
Net loss	(1,395,797)	(731,715)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	44,758	35,999
Impairment loss on goodwill	750,000	-
Deferred tax (benefit) expense	(63,767)	14,436
Allowance for doubtful debts	1,095	14,965
Provision for slow moving and obsolete inventory	55,000	110,000
Income from waiver of Paycheck Protection Program ("PPP") loan (refer Note O)	-	(519,362)
Changes in assets and liabilities		
Accounts receivable	111,893	(31,302)
Inventories	(1,123,653)	(110,273)
Other current assets	(598,230)	95,074
Other assets	-	15,003
Accounts payable	(40,177)	80,118
Other current liabilities	(35,672)	22,449
Current portion of operating lease obligations	104,946	-
Operating lease obligations, less current portion	67,928	-
Operating lease right-of-use assets	(172,874)	-
Net cash used in operating activities	**(2,294,550)**	**(1,004,608)**
Cash flows from investing activities		
Purchase of property, plant, and equipment	(2,217)	(1,167)
Net cash used in investing activities	**(2,217)**	**(1,167)**
Cash flow from financing activities		
PPP loan received (refer Note L)	-	230,500
Line of credit received	2,400,000	-
Line of credit repayment	(643,493)	(108,344)
Proceeds from issuance of common stock	-	1,800,000
Net cash provided by financing activities	**1,756,507**	**1,922,156**
Net increase (decrease) in cash and cash equivalents	**(540,260)**	**916,381**
Cash and cash equivalents at the beginning of the year	1,243,179	326,798
Cash and cash equivalents at end of the year	**702,919**	**1,243,179**
Supplemental cash flow information		
Income taxes paid	310	43
Interest paid	161,866	136,362

(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, 2023, and March 31, 2022.

   iii. Certain reclassifications, regroupings and reworking have been made in the consolidated financial statements of prior periods to conform to the classifications used in the current year. These changes had no impact on previously reported net loss or stockholder's equity.

   iv. *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.

   v. *Going concern*

   The Company has prepared its consolidated financial statements assuming that the Company will continue as a going concern. As of March 31, 2023, and March 31, 2022, the Company has accumulated deficit of $6,112,414 and $4,716,617. The Company has also generated negative operating cashflows amounting to $2,294,550 and $1,004,608 for the years ending March 31, 2023, and March 31, 2022, respectively. Although, these events and condition cast significant doubt on the Company's ability to continue as a going concern, in view of the continued support from the ultimate parent company, the management considers that it is appropriate to prepare these financial statements on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

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. *Allowance for doubtful accounts*

The Company follows specific identification method for recognizing bad debts. Management analyses accounts receivable and the composition of the accounts receivable aging, historical bad debts, current economic trends, and customer credit worthiness when evaluating the adequacy of the provision for doubtful accounts.

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, plant, 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. As per Accounting Standards Codification ("ASC") 350-40, costs incurred in the application development phase are capitalized as intangible assets and are amortized from the point at which the asset is available for use. Directly attributable costs that are capitalized as part of the software include software consultant's cost and an appropriate portion of relevant overheads. Costs incurred during the post-implementation/operation stage, including training costs and maintenance costs, 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 revised 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

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. The Company notes that adopting the new standard resulted in recording a lease liability and right-of-use asset associated with the Company's facility lease agreement totaling $312,187, as of April 01, 2022.

Operating leases as per old standard – ASC 840
The Company leases certain facilities. Lease rent expenses on operating leases are charged to statement of income over the lease term. Certain of the Company's leases contain renewal options, rent escalation clauses, and/or landlord incentives. Renewal terms generally reflect market rates at the time of renewal. Rent expense for non-cancelable operating leases with scheduled rent increases and/or landlord incentives is recognized on a straight-line basis over the lease term, including any applicable rent holidays, beginning with the lease commencement date, or the date the Company takes control of the leased space, whichever is sooner. The company followed the accounting policy to account for leases for the year ended March 31, 2022.

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.

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at	
	March 31, 2023	**March 31, 2022**
Balance with bank	702,886	1,243,146
Cash in hand	33	33
Total	**702,919**	**1,243,179**

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, 2023	**March 31, 2022**
Receivable from customers	63,227	187,367
Less: Allowance for doubtful debts	(6,393)	(17,545)
Total	**56,834**	**169,822**

The movement in the allowance for doubtful debts during the year is as under:

	For the year ended	
	March 31, 2023	**March 31, 2022**
Beginning balance	17,545	2,810
Add: During the year provision	1,095	14,965
Less: During the year write off	(12,247)	(230)
Total	**6,393**	**17,545**

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, 2023	**March 31, 2022**
Raw materials	572,018	287,749
Finished goods	2,199,066	1,325,320
Finished goods-in-transit	128,682	247,951
Less: Provision for slow moving and obsolete inventory	(119,826)	(149,733)
Total	**2,779,940**	**1,711,287**

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

	For the year ended	
	March 31, 2023	March 31, 2022
Beginning balance	149,733	147,526
Add: During the year provision	55,000	110,000
Less: During the year write off	(84,907)	(107,793)
Total	**119,826**	**149,733**

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, 2023	March 31, 2022
Prepaid expenses	167,245	291,206
Receivable from factoring company (Refer Note K)	724,084	-
Advances to suppliers	12,152	12,716
Others	165	1,496
Total	**903,646**	**305,418**

NOTE G - PROPERTY, PLANT AND EQUIPMENT, NET

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

	As at	
	March 31, 2023	March 31, 2022
Machinery and equipment	31,625	31,625
Computer equipment	14,541	12,323
Office equipment	42,452	42,452
Furniture and fixtures	60,761	60,761
Leasehold improvements	39,254	39,254
Total	**188,633**	**186,415**
Less: accumulated depreciation	(175,572)	(170,242)
Total	**13,061**	**16,173**

Depreciation expense for the year ended March 31, 2023, and March 31, 2022, amounts to $5,330 and $15,690 respectively.

NOTE H - GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets comprise of the following:

	As at	
	March 31, 2023	March 31, 2022
Goodwill	-	750,000
Software	247,940	247,940
Less: Accumulated amortization	(90,228)	(50,800)
Total	**157,712**	**947,140**
Internally developed software in progress	-	-
Total	**157,712**	**947,140**

Amortization expense for the year ended March 31, 2023, and March 31, 2022, amounts to $39,428 and $20,309 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 has 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, 2023	**March 31, 2022**
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, 2023	**March 31, 2022**
Due to related party	270,763	135,767
Other trade payables	451,409	626,582
Total	**722,172**	**762,349**

NOTE K - LINE OF CREDIT

Line of credit comprise of the following:

	As at	
	March 31, 2023	**March 31, 2022**
Rosenthal loan	-	643,493
ICICI Bank loan	2,400,000	-
Total	**2,400,000**	**643,493**

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, 2023. 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 @ 8.5%.
(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 @8.5%.

As at March 31, 2023, the Company has a receivable from factoring company amounting to $724,084 against the accounts receivable balances transferred on a non-recourse basis. As at March 31, 2022, the Company had drawn balance of $643,493 on its line of credit.

During the year ended March 31, 2023, factoring commission expenses of $37,822 (March 31, 2022: $46,475) and factoring interest expenses of $36,297 (March 31, 2022: $85,951) 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, 2023, the recourse obligation amounts to $2,590 (March 31, 2022: $46,014).

2) ICICI Bank loan –

During the year ended March 31, 2023, the Company has availed a working capital facility from ICICI Bank amounting to $2,400,000 having term of one year ending on July 12, 2023. 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, 2023, was approximately 5.9%. 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 Parent Company. Interest expense for the year ended March 31, 2023, on the said loan amounts to $80,219 (March 31, 2022: $Nil)

NOTE L - OTHER CURRENT LIABILITIES

Other current liabilities comprise of the following:

	As at	
	March 31, 2023	**March 31, 2022**
Employee liabilities	8,863	45,364
Accrued expenses	61,374	66,690
Advance from customers	48,941	42,909
Provision for income taxes	370	257
Total	**119,548**	**155,220**

NOTE M - REVENUE FROM CUSTOMER CONTRACTS

The following table presents revenue disaggregated by product line:

	For the year ended	
	March 31, 2023	**March 31, 2022**
Revenue from sale of goods	4,818,493	4,964,062
Total	**4,818,493**	**4,964,062**

The following table presents revenue disaggregated by timing of recognition:

	For the year ended	
	March 31, 2023	**March 31, 2022**
At a point in time	4,818,493	4,964,062
Total	**4,818,493**	**4,964,062**

Revenue disaggregated by geography based on Company's locations:

	For the year ended	
	March 31, 2023	**March 31, 2022**
United States	4,095,719	4,473,277
Canada	100,706	147,103
China	61,195	89,186
Others	560,873	254,496
Total revenue from operations	**4,818,493**	**4,964,062**

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, 2023	**March 31, 2022**
Accounts receivable	56,834	169,822
Total	**56,834**	**169,822**

NOTE O - OTHER INCOME

Other income comprises of the following:

	For the year ended	
	March 31, 2023	**March 31, 2022**
Waiver of PPP loan	-	519,362
Employee retention credit ("ERC") *	214,357	207,582
Miscellaneous income	-	5,817
Total	**214,357**	**732,761**

*During the year ended March 31, 2022, 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 years ended March 31, 2023, and March 31, 2022, the Company has received ERC credit refund of $214,357 and $207,582, respectively.

In April 2020, the Company applied for and received a Paycheck Protection Program ("PPP") loan from the Small Business Administration ("SBA") through M&T Bank ("lender"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan amount was $288,862 and carried an interest rate of 1%. The term of the loan was 5 years. The principal payments for the first sixteen months are deferred. The loan is forgivable if certain conditions are met under SBA guidelines. During the year ended March 31, 2022, the Company received a complete waiver and recorded gain on the PPP loan extinguishment of $288,862 outstanding as of March 31, 2021.

During the year ended March 31, 2022, the Company additionally received a PPP loan for $230,500 which has also been forgiven during the year ending March 31, 2022.

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, 2023, 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 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 statements of income.

The components of lease cost for operating lease for the year ended March 31, 2023, are as follows:

	Year ended March 31, 2023
Operating lease expense	146,176
Total operating lease expense	**146,176**

Supplemental cash flow information related to leases was as follows:

	Year ended March 31, 2023
Operating cash flows from operating lease	146,176
Total	**146,176**

	Year ended March 31, 2023
Right of use assets obtained in exchange for lease obligations	
Operating lease	312,187
Total	**312,187**

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

Year ending March 31,	Amount ($)
2024	112,038
2025	69,402
Total minimum lease payments	**181,440**
Less: Imputed interest	(8,565)
Present value of minimum lease payments	**172,875**

Less: Current portion	(104,946)
Non-current, operating lease obligations	**67,929**

Other information:

	Year ended March 31, 2023
Weighted -average remaining lease term- operating lease	23.1 months
Weighted-average discount rate-operating lease	6.50%

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, 2023	March 31, 2022
Current tax expense	413	43
Deferred tax benefit	(63,767)	14,436
Total	**(63,354)**	**14,479**

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, 2023	March 31, 2022
Income tax at federal rate	(306,422)	(152,934)
State tax, net of federal effect	53	(215)
Return to provision	20,186	(93,271)
Permanent differences	(24,638)	(105,688)
Changes in net operating losses	850	(5,022)
Changes in valuation allowance	246,617	371,609
	(63,354)	**14,479**

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, 2023	March 31, 2022
Deferred tax assets:		
Property, plant, and equipment	2,030	368
Net operating losses (NOL's)	1,657,574	1,524,998
Accrued vacation	1,361	1,899
Inventory reserve	32,147	43,236
Provision for doubtful debts	1,715	5,067
Total deferred tax assets	**1,694,827**	**1,575,568**
Deferred tax liabilities:		
Property, plant and equipment	-	-
Identifiable intangibles	128,551	(63,767)
Inventory management system	(22,796)	(21,602)
Total deferred tax liabilities	**105,755**	**(85,369)**
Net deferred taxes	1,800,582	1,490,199
Less: valuation allowance	(1,800,582)	(1,553,965)
Net deferred taxes	**-**	**(63,766)**

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 Company had a deferred tax liabilities of $63,767 as at March 31, 2022 on the goodwill which had indefinite life. During the year ended March 31, 2023, the Company has impaired the goodwill and hence the entire liabilities in the books have been reversed.

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 $1,800,582 and $1,553,965 as of March 2023 and March 2022 respectively.

The Company has NOL's carry forwards of $6,221,791 as at March 31, 2023 available to reduce future federal income taxes. If not used, the carry forwards of $66,932 will expire in the year 2038. Carry forwards of $6,154,859 will be allowed to carryforward indefinitely.

The Company has a State NOL's carryforward of $5,565,618 and $4,870,349 as at March 31, 2023, and March 31,2022 respectively, which will be allowed to carryforward as per the state limitations.

Accounting for uncertain tax position
The Company recognizes the 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 2019 through 2021 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, 2022: $7,500,000, comprising of 7,500 shares of par value $1,000 each).

During the year ended March 31, 2022, the Company increased its authorized share capital to $7,500,000, comprising of 7,500 shares of par value $1,000 each. The Company also issued 1,800 common shares with a par value of $1,000 each at $1,800,000. As of March 31, 2023, and March 31, 2022, 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. The extent of the impact of the COVID-19 outbreak on operations of the Company will depend on future developments, including the duration and spread of the outbreak, related advisories and restrictions, government actions, the impact on financial markets and the overall economy, all of which are highly uncertain and cannot be predicted.

NOTE T – RELATED PARTY TRANSACTIONS

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

i) Sutlej Textiles and Industries Limited – parent company

Summary of transactions with related parties are as follows:

	March 31, 2023	March 31, 2022
Sutlej Textiles and Industries Limited		
Balances		
Payable	270,764	135,767
Transactions during the year		
Purchases	456,352	334,599
Consulting services	21,600	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, 2023, and March 31, 2022, 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, 2023, and March 31, 2022, the top five customers of the Company accounted for 46% and 41% of total revenue from operations respectively, whereas the top five product categories accounted for 74% and 98% of the total sales respectively. As at March 31, 2023, and March 31, 2022, the top five receivables of the Company accounted for 50% and 64% respectively, of the total accounts receivable of the Company.

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. The goods they supply are widely available from many sources. As at March 31, 2022, the top five payables of the Company accounted for 79% of the total accounts payable of the Company. These suppliers accounted for approximately 43% of finished goods purchased by the Company during the year ended March 31, 2022.

As at March 31, 2023, the Company had a bank balance of $452,919 in excess of the Federal Deposit Insurance limit of $250,000 (March 31, 2022: $993,179).

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 has evaluated subsequent events and transactions that occurred after March 31, 2023, through 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.