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INDEPENDENT AUDITOR'S REPORT

Kitex USA LLC
160 Summit Avenue
Montvale, NJ 07645

Opinion

We have audited the accompanying financial statements of Kitex USA LLC (a New Jersey Limited Liability Company), which comprise the balance sheets as of March 31 and 2024, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kitex USA LLC as of March 31 and 2024, 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 Financial Statements section of our report. We are required to be independent of 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 's ability to continue as a going concern for a reasonable period of time.

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



Philadelphia, PA

May 17, 2024

KITEX USA LLC
BALANCE SHEET AS OF MARCH 31, 2024

	\$
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 162,120
Accounts receivable	2,953,253
Inventory	2,407,270
Prepaid expense	12,077
Total Current Assets	5,534,720
Property and equipment	
Leasehold improvements	763,651
Furniture and Equipment	11,541
Operating lease right asset	82,667
	857,859
Accumulated depreciation	(592,684)
Total property and equipment	265,175
Other Assets	
Deposits	50,000
Other Intangible Assets	262,921
Total Other Assets	312,921
Total Assets	\$ 6,112,816
LIABILITIES AND MEMBERS' EQUITY	
Liabilities	
Current Liabilities	
Current portion of operating lease liability	59,101
Accrued interest on lease liability	2,899
Accounts payable	12,488,571
Other Current Liabilities	179,127
Total Current Liabilities	12,729,698
Other Liabilities	
Operating lease liability	20,432
Accrued interest on lease liability	235
Total Other Liabilities	20,667
Total Liabilities	12,750,365
Stockholders' Equity	
Capital stock	8,500,420
Retained earnings	(15,137,969)
	(6,637,549)
Total Liabilities and Members' Equity	\$ 6,112,816
See accompanying notes	

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KITEX USA LLC
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED MARCH 31, 2024

	\$
Revenue	
Sales less allowances	\$ 4,022,482
Commission income	2,245,357
Total Revenue	6,267,839
Cost of goods sold	
Cost of goods sold	3,745,593
Total Cost of goods sold	3,745,593
GROSS PROFIT(LOSS)	2,522,246
Operating Expense	
Salaries and wages	1,394,994
Royalties	212,500
Marketing expense	495,257
Chargebacks and deductions	115,204
Warehouse expense	2,235,536
Legal and professional	35,337
Equipment lease	7,897
Office Expense	1,638
Taxes & licenses	116,149
Insurance	170,812
Rent	62,000
CAM Charges	14,021
Travel and entertainment	126,638
Computer and internet	65,840
Telephone	13,913
Other operating expense	28,476
Depreciation	75,937
Total Operating expense	5,172,149
Net income (Loss)	(2,649,903)
Beginning retained earnings	(12,488,066)
Ending retained earnings	(15,137,969)
See accompanying notes	

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KITEX USA LLC
STATEMENTS OF CASH FLOWS
YEAR ENDED MARCH 31, 2024

	\$
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	\$ (2,649,903)
Depreciation & Amortization	75,937
(Increase) decrease in:	
Accounts receivable	(281,473)
Inventory	1,749,293
Prepaid expense	4,367
Increase (decrease) in:	
Accounts payable	(8,212)
Other Current Liabilities	(38,103)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(1,148,094)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Recognition of operating lease asset	(82,667)
NET CASH USED BY INVESTING ACTIVITIES	(82,667)
 CASH FLOWS FROM FINANCING ACTIVITIES	
Recognition of operating lease liability	82,667
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	82,667
 NET INCREASE (DECREASE) IN CASH	(1,148,094)
CASH AT THE BEGINNING OF THE YEAR	1,310,214
CASH AT THE END OF THE YEAR	\$ 162,120
See accompanying notes	

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KITEX USA LLC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Kitex USA LLC was formed in 2014 under the laws of state of Delaware. The company is owned equally by two Indian entities, Kitex Garments LTD and Kitex Childrenswear LTD. The company purchases children’s apparel and accessories exclusively from Kitex Garments in India and operates in wholesale sales in USA. The company operates from Montvale, New Jersey and Spartanburg, South Carolina. The company’s 3PL contract is with Expeditors in Edison, New Jersey which stores the inventory and ships most of the company’s merchandise.

Date of Management’s subsequent Events Review

Management has evaluated subsequent events through May17, 2024, the date on which the financial statements were available to be issued.

Basis of Accounting

The financial statements of the organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentration of credit risk for cash

The company’s cash balances are maintained in a financial institution. Balances are insured by the Federal Deposit Insurance Corporation subject to certain limits. Balance in excess of those limits as of March 31, 2024 was \$0.

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Marketing

The company expenses marketing expenses as they are incurred. Marketing expenses for the year ended March 31, 2024 was \$495,257

Shipping and handling costs

The company expenses shipping and handling costs (FOB) as an element of cost of goods sold. Shipping and handling costs of merchandise in transit is inventoried. Amount expensed to cost of goods sold during the year 2024 was \$202,654. Amount of shipping and handling costs in inventory on March 31, 2024 could not be determined.

Inventory

The company's inventory is valued at the lower of cost or net realizable value.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. No such allowance was required during the year

Commission Income

The company entered into an agreement with its major suppliers Kitex Garments Limited and Kitex Childrenswear Ltd in the fiscal year 2019-20 to be compensated with commission for its services of obtaining orders from buyers and coordinating sale formalities as well as a commission on sales of their products and for monitoring and collection of sales proceeds. The agreement may be terminated by either party at any time by giving two months advance notice. The parties agreed to review the agreement in detail once every three years. Accordingly, the company's commission income and accounts receivable balances as of March 31, 2024 included \$1,174,831 due from Kitex Garments Ltd and \$1,070,526 from Kitex Childrenswear Ltd,

Property and Equipment

Property and equipment are carried at cost. Maintenance, repairs and minor renewals are charged to operations as incurred. Expenses which substantially increase useful lives of the related assets are capitalized.

Depreciation is computed using the straight-line method. Leasehold improvements are depreciated over 10 years and fixtures and equipment are depreciated over seven years. Amounts charged to depreciation expense during the year ended March 31, 2024 was \$75,937.

Sales Tax

The company is not subject to sales tax on its sales because all of the company's sales are wholesale sales.

Income Taxes

Kitex USA LLC is a Limited Liability Company which has elected to be treated as a corporation for tax purposes. No income taxes are provided for tax effects of transactions reported in the financial statements because the company has incurred losses. The operating losses available for offset against future taxable income as of December 31, 2022 was \$12,391,274. No deferred tax asset has been recognized because projection of future profits is unrealistic and it will take a number of profitable years to offset the carry forward losses.

The company files state corporate tax returns in the state of New Jersey and Delaware. No income taxes are payable to the state because the company has incurred losses. An insignificant amount of franchise tax is payable and the amount is currently deducted. No provision has been made.

The company files its tax returns on calendar year basis and are exposed for examination by federal, state and local taxing authorities for the past three years.

NOTE 2 -SUMMARY OF CURRENT PROCESS OF REVENUE RECOGNITION

Revenue is recognized when products have been shipped to customer.

Revenue type: Apparel wholesale

Process:

Step 1: Identify the contract: The company has a contract at the point the contract is signed by all the parties. The following items were considered when determining if they had a contract:

1. The parties approved the contract and are committed to performing their obligations
2. Payment terms are identifiable
3. Each party's rights under the contract are identified
4. Collectability is probable – assumption is based on historical experience and credit reference checks of new customers before contract is signed

Step 2: Transaction price is identified with written agreement of price via email as well as a written request for goods to be manufactured for a certain time period.

Step 3: Receive a request from customer via purchase order with shipping instructions and prices. Purchase order price is checked for accuracy against quoted price and units are checked against bulk request for units

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Step 4: Complete obligation when goods are shipped with proof of shipping

Step 5: Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those products. The company does not have any agreements or contracts that have special provisions which would affect revenue recognition.

NOTE 3 – COMPENSATED ABSENCES

The company does not allow for vacation time to be carried forward. Vacation must be used in the year it is earned

NOTE 4 - OPERATING LEASE COMMITMENTS

The company has an operating lease for its office facility. The lease is for a term of five years and three months. Current term expires on July 31, 2025. The lease can be renewed upon negotiation of terms on new lease. The company recognized operating lease asset and liability for the remaining period as of March 31, 2024. The lease liability includes accrued interest of \$3,134 based on the present value of future lease payments over the remaining term of the lease, discounted at risk-free discount rate.

The company does not have any finance leases.

NOTE 5 - CONCENTRATIONS

The company buys its products only from Kitex Garments LTD in India. Sales of the products offered by the company are limited to a few large retail customers. The company lost a significant amount, of twenty million dollars of sales due to loss of one major customer.

The company has cash deposits in bank in excess of federally insured limits described in Note 1 above.

NOTE 6 – GOING CONCERN

Even though the company suffered significant drop in sales as referred to in Note 5, management is fully confident regarding continuing operations and increase in sales revenue. The company has plans underway to adding new large retail customers. In addition, the company has commission contracts with related companies for supporting sales related activities for the related companies

NOTE 6 – RELATED PARTY TRANSACTIONS

The company buys all of its merchandise from Kitex garments LTD in India, which is a 50% owner of the company. Total amount of purchases from Kitex garments LTD during the year

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were \$1,670,838. Amounts payable to Kitex Garments LTD included in accounts payable on March 31, 2024 was \$12,264,169. Amounts included in commission income during the year and accounts receivable on March 31, 2024 from Kitex Garments LTD and Kitex Childrenswear LTD were \$996,127 and \$729,008 respectively. .

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