# FINANCIAL STATEMENTS

# HFCL Inc.
# Financial Statements

**For the Years Ended March 31, 2026 and March 31, 2025**
**(Along with Report of Independent Auditor)**


**Rakesh Jain, CPA PC**
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# HFCL Inc.
## Financial Statements
### For the Years Ended March 31, 2026 and March 31, 2025

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# INDEPENDENT AUDITOR'S REPORT

To,
The Board of Directors,
HFCL Inc.
1325 Main Street,
Suite #1404, Katy
Texas, USA

## OPINION

We have audited the accompanying financial statements of HFCL Inc. ("the Company"), which comprise the balance sheets as of March 31, 2026 and March 31, 2025, the related statement of income from operations, statement of changes in shareholders' equity, and statement of cash flows for the year 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 HFCL Inc. as of March 31, 2026 and March 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 HFCL Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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 HFCL Inc.'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, including omissions, 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.
- 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 controls 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 HFCL Inc.'s internal controls. 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 HFCL Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Rakesh Jain, CPA PC

Rakesh Jain, CPA PC
Certified Public Accountant

Place: Katy, TX
Date: April 30, 2026

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# FINANCIAL STATEMENTS

**HFCL Inc.**
**Balance Sheet**
**As of March 31, 2026 and March 31, 2025**

*(US$'000)*

| Particulars | As of March 31, 2026 | As of March 31, 2025 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and Cash Equivalents | 3,605 | 1,062 |
| Accounts Receivables (Net of Provision for doubtful accounts of $Nil and $Nil as of March 31, 2026 and March 31, 2025, repsectively) | 55,628 | 3,450 |
| Intercompany Receivable | 26 | 26 |
| Inventories | 10,314 | 3,401 |
| Other Current Assets | 16,147 | 11 |
| **Total Current Assets** | **85,720** | **7,950** |
| **Non-Current Assets** | | |
| Property, Plant & Equipment | 10 | - |
| Deferred Tax Asset | - | 27 |
| Other Non-Current Assets | 55 | 304 |
| **Total Non-Current Assets** | **65** | **331** |
| | | |
| **Total Assets** | **85,785** | **8,281** |
| **Liabilities and Shareholders' Equity** | | |
| **Current Liabilities** | | |
| Accounts Payable | 32,233 | 7,643 |
| Accrued Expenses | 43,634 | 32 |
| Loan Payable | - | 448 |
| Provision for Income Tax | 1,948 | 15 |
| Other Current Liabilities | 2,102 | 168 |
| **Total Current Liabilities** | **79,917** | **8,306** |
| | | |
| **Total Liabilities** | **79,917** | **8,306** |
| **Shareholders' Equity** | | |
| Equity | 0.001 | 0.001 |
| Retained Earnings | (25) | (176) |
| Net Income/(Loss) | 5,893 | 151 |
| **Total Shareholders' Equity** | **5,868** | **(25)** |
| | | |
| **Total Liabilities and Shareholders' Equity** | **85,785** | **8,281** |

*See accompanying notes to financial statements.*

**HFCL Inc.**
**Statement of Income from Operations**
**For the Years Ended March 31, 2026 and March 31, 2025**

*(US$'000)*

| Particulars | For the Year Ended March 31, 2026 | For the Year Ended March 31, 2025 |
|---|---|---|
| Revenue | 166,054 | 6,622 |
| Cost of Sales | 153,484 | 5,098 |
| **Gross Profit** | **12,570** | **1,524** |
| | | |
| **Operating Expenses** | | |
| Employee Benefit Expenses | 1,497 | 844 |
| Selling and Administrative Expenses | 2,998 | 370 |
| Interest Expenses | 25 | 36 |
| Travel Expenses | 173 | 78 |
| Finance Charges | 29 | 1 |
| Depreciation & Amortisation | 2 | - |
| Taxes and Duties | 1 | 4 |
| **Total Operating Expenses** | **4,725** | **1,333** |
| | | |
| **Other Expense/(Income)** | | |
| Other Expense | 0 | 2 |
| Other Income | (22) | (10) |
| **Total Other Expense/(Income)** | **(22)** | **(8)** |
| | | |
| **Income Before Income Taxes** | **7,867** | **199** |
| | | |
| **Income Taxes** | | |
| Provision for Federal Income Tax | 1,704 | 10 |
| Provision for State Income Tax | 243 | 5 |
| Deferred Tax (Benefit) / Expense | 27 | 33 |
| **Total Income Taxes** | **1,974** | **48** |
| | | |
| **Net Income** | **5,893** | **151** |

*See accompanying notes to financial statements.*

**HFCL Inc.**

**Statement of Changes in Shareholders' Equity**

**For the Years Ended March 31, 2026 and March 31, 2025**

***(US$'000)***

| Particulars | Shareholders'Equity | Net Income | Retained Earnings | Total Accumulated Surplus / (Deficit) |
|---|---|---|---|---|
| | | | | |
| **Balance at the beginning of the Year** | **$ 0.001** | **$ (228)** | **$ 52** | **$ (176)** |
| Capital Stock | - | | | - |
| Transfer of Previous year Net Income to Retained Earnings | - | 228 | (228) | - |
| Net Income/(Loss) for the Year ended March 31, 2025 | - | 151 | - | 151 |
| **Balances as of March 31, 2025** | **0.001** | **151** | **(176)** | **(25)** |
| | | | | |
| Transfer of Previous Year Net Income to Retained Earnings | - | (151) | 151 | - |
| Net Income/(Loss) for the Year Ended March 31, 2026 | - | 5,893 | - | 5,893 |
| **Balances as of March 31, 2026** | **$ 0.001** | **$ 5,893** | **$ (25)** | **$ 5,868** |

*See accompanying notes to financial statements.*

**HFCL Inc.**
**Statement of Cash Flows**
**For the Years Ended March 31, 2026 and March 31, 2025**

***(US$'000)***

| Particulars | For the Year Ended March 31, 2026 | For the Year Ended March 31, 2025 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Net Income | 5,893 | 151 |
| **Adjustments to Reconcile Net Income to Net Cash used in Operating Activities** | | |
| Deferred Tax (Benefit)/Expense | 27 | 33 |
| Provision for income tax | - | 15 |
| **Changes in Operating Assets and Liabilities** | | |
| (Increase)/Decrease in Other Current Assets | (16,136) | 202 |
| (Increase)/Decrease in Accounts Receivable | (52,178) | (3,451) |
| (Increase)/Decrease in Inventories | (6,913) | (1,383) |
| (Increase)/Decrease in Other Non Current Assets | 248 | (318) |
| Increase/(Decrease) in Accounts Payable | 24,590 | 5,610 |
| Increase/(Decrease) in Accrued Expenses | 43,602 | (459) |
| Increase/(Decrease) in Other Current Liabilities | 1,934 | 143 |
| Increase/(Decrease) in Provision for Income Tax | 1,933 | - |
| **Net Cash Provided/(Used) By Operating Activities** | **3,001** | **544** |
| | | |
| **Cash Flows From Investing Activities** | | |
| Purchase of Property, Plant & Equipment | (10) | - |
| **Net Cash Provided/(Used) By Investing Activities** | **(10)** | **-** |
| | | |
| **Cash Flows From Financing Activities** | | |
| Loan repayment | (448) | 448 |
| **Net Cash Provided/(Used) By Financing Activities** | **(448)** | **448** |
| | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,543 | 992 |
| Cash and Cash Equivalents at Beginning of the year | 1,062 | 70 |
| **Cash and Cash Equivalents at the End of the Year** | **3,605** | **1,062** |

*See accompanying notes to financial statements.*

## Note 1 - Organization and Operations

HFCL Inc. (the “Company”) is a for-profit domestic corporation incorporated on October 08, 2021, under the state laws of Texas. HFCL Inc. is engaged in the business of providing technical expertise related to Optical Fiber, Telecom and Networking Products and other allied activities. The services include technical expertise w.r.t product introduction, capacity expansion, process development, technology platform development, etc.

The registered address of the company has been changed from “10301 Northwest Freeway, Suite #314, Houston, TX 77092, USA” to ‘1325 Main Street, Suite 1404, Katy, TX 77494, USA”.

HFCL Inc. is a wholly owned subsidiary of HFCL Limited, an Indian Registered Company.

## Note 2 – Basis of Preparation

### 2.1 Financial Statements Presentation

HFCL Inc.’s financial records have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

The following notes describe the significant accounting policies.

### 2.2 Comparative Financial Statements

The financial statements presented along with auditor's report are in the comparative form.

## Note 3 - Significant Accounting Policies

### 3.1 Use of Estimates

The preparation of financial statements is in conformity with US GAAP, which requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current period and future years.

### 3.2 Revenue Recognition

Revenue is recognized when the following conditions are satisfied: -

1. The Company has substantially fulfilled its obligation to render services as per the terms of the contract if any.
2. The amount of revenue can be measured reliably.
3. It is probable that the economic benefits associated with the transaction will flow to the company; and,
4. The costs incurred, or to be incurred in respect of the transaction, can be measured reliably.

### 3.3 Going Concern

The Company’s financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company engages in business activities that involve various risks, and future success is dependent upon several factors including, among others, generating sufficient revenues, the market demand, and price for the Company's services, and the availability of the required working capital. The company had incurred profit during the year ended March 31, 2026 which has led to a notable improvement in operational performance and financial results, indicating a positive recovery trend. The financial statements do not include any adjustments that might be necessary should the Company be able to continue as a going concern.

For the Years Ended March 31, 2026 and March 31, 2025 (In Thousands)

### 3.4 Cash and Cash Equivalents

The Company defines cash equivalents as short-term, highly liquid investments readily convertible to cash with original maturities of three months or less. The Company did not hold any cash equivalents as of March 31, 2026. The Company maintained cash balances in four financial banking institution, three in the United States of America as of March 31, 2026, and another in the India as of March 31, 2026. To date, the Company has not experienced any losses in such accounts. All the accounts are insured by the Federal Deposit Insurance Corporation on aggregate balances up to $250,000.

### 3.5 Accounts Receivable

Trade accounts receivable represents amounts owed to the Company which are expected to be collected within the next twelve months. Accounts receivables are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer periods. No provision for doubtful debts has been made as at the date of this representation, as the management is confident of recovering the outstanding receivables.

The total accounts receivable are as follows:

| Particulars | As of March 31, 2026 | As of March 31, 2025 |
|---|---|---|
| Accounts Receivable | $ 55,628 | $ 3,450 |
| Less: Provision For Doubtful Debts | - | - |
| **Total** | **$ 55,628** | **$ 3,450** |

### 3.6 Inventories

Inventories consist of Optical Cables, PP Tube and others used in the operations and are valued at the lower of cost or market value using the specific Identification method. Costs consist of price paid for the inventories plus costs incurred in bringing the products to present locations.

Goods-in-Transit included in inventories represent goods procured under CIF (Cost, Insurance and Freight) terms. In accordance with the contractual terms, ownership and the related risks and rewards of the goods transfer to the Company upon shipment.

As of the reporting date, certain goods remained at the port of destination due to delays arising from bond renewal and enhancement of credit limits. Notwithstanding such delays, ownership and risk of loss had transferred to HFCL Inc., and accordingly, such goods have been recognised as Goods-in-Transit within inventories. The delay was administrative in nature and did not affect the transfer of control of the goods from the seller to the Company.

For the Years Ended March 31, 2026 and March 31, 2025 (In Thousands)

Inventory Consisted of the following as of March 31, 2026 and March 31, 2025:

| Particulars | As of March 31, 2026 | As of March 31, 2025 |
|---|---|---|
| Stock – Finished Goods | $ 1,084 | $ 2,190 |
| Stock – Goods In Transit | 9,230 | 1,211 |
| **Total** | **$ 10,314** | **$ 3,401** |

### 3.7 Fair Value Considerations

The Company uses fair value to measure certain financial and non-financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs -Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs -Level 3).

The fair value option allows entities to choose at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value.

If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting years must be recognized in current earnings. HFCL Inc. did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Company’s financial instruments (primarily cash and cash equivalents) are carried in the accompanying statement of financial position at amounts, which reasonably approximate fair value.

## Note 4 – Property, Plant and Equipment

The Property, Plant and Equipment have been recorded at cost. The Property, Plant and Equipment as of March 31, 2026 and April 01, 2025 are as follows:

| Particulars | Balance as of April 01, 2025 | Additions during the year | Retirements during the year | Balance as of March 31, 2026 | Useful Life (in Years) |
|---|---|---|---|---|---|
| **Computer & Laptops** | **$ -** | **$ 12** | **$ -** | **$ 12** | **3** |
| Less: Accumulated Depreciation | - | (2) | - | (2) | |
| **Property, plant and equipment, Net** | **$ -** | | | **$ 10** | |

**For the Years Ended March 31, 2026 and March 31, 2025 (In Thousands)**

Depreciation expense is as follows:

| **Particulars** | **For the Year Ended March 31, 2026** | **For the Year Ended March 31, 2025** |
|---|---|---|
| Depreciation Expense | $ 2 | $ - |
| **Total** | **$ 2** | **$ -** |

**Note 5 – Revenue**

Revenue from operations includes sale of goods, service income, and tariff surcharge recovery. The Company recognizes revenue from contracts with customers in accordance with ASC 606 – Revenue from Contracts with Customers.

- Sale of goods primarily comprise of optical fibers, telecom and networking products.
- Service income represents income from services rendered to customers.
- Tariff surcharge recovery forms an integral part of the transaction price charged to customers.

| **Particulars** | **For the Year ended March 31, 2026** | **For the Year Ended March 31, 2025** |
|---|---|---|
| **Sale of Goods** | **$** 155,307 | **$** 5,507 |
| **Service Income** | 3,10 | 1,115 |
| **Tariff surcharge Recovery** | 10,315 | - |
| **Freight Recovery** | 122 | **-** |
| **Total** | **$ 166,054** | **$ 6,622** |

**Note 6 - Concentration of Credit Risk**

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of cash and accounts receivable.

The Company had sales to Three customers individually contributed in excess of 10% of total company sales for the year ended March 31, 2026: -

| **Particulars** | **For the Year Ended March 31, 2026** | **For the Year ended March 31, 2025** |
|---|---|---|
| Number of Customers | 3 | 4 |
| Sales | 116,672 | 6,357 |
| Total Sales | $ 166,054 | $ 6,622 |
| Percentage of total revenue Contributed | 70% | 96% |

**Note 7 – Loan**

The company obtained a loan amounting to USD 1 million from Media Matrix that carries an interest @ 8.5% per annum on April,01, 2024. As per the terms of the loan agreement, the borrower undertakes to repay the amount on or before March 31, 2025 or such other date as may be mutually agreed by the parties. In case of default in payment of principal and interest on their due date , the Borrower shall pay on the defaulted amounts, further interest @1% p.a for the period of default, compounded monthly. Both the parties are mutually agree to extend the date to repay the entire principal amount and interest thereon on or before April 30, 2026. The Company has fully repaid the outstanding loan during the year.

For the Years Ended March 31, 2026 and March 31, 2025 (In Thousands)

| Particular | As of March 31, 2026 | As of 31 March, 2025 |
|---|---|---|
| Loan Balance | $ - | $ 448 |
| Paid Balance | $ - | - |
| **Closing Balance** | **$ -** | **$ 448** |

**Note 8 – Impact of Change in U.S. Import Duty Regulations**

During the year ended March 31, 2026, the Company paid certain ad valorem and reciprocal duty surcharges on imports into the United States. These duties were levied by U.S. Customs and Border Protection pursuant to tariff measures imposed under the International Emergency Economic Powers Act ("IEEPA").

On February 20, 2026, the Supreme Court of the United States, in Learning Resources, Inc. v. Trump, held that IEEPA does not grant authority to impose tariffs and that such duty surcharges were unconstitutional and invalid. As a consequence of this ruling, duties collected under this authority during the affected period have been rendered legally unenforceable and are subject to refund in accordance with the procedures prescribed by U.S. Customs and Border Protection ("CBP").

Pursuant to this ruling and based on management's evaluation of the legal opinion obtained and the prescribed CBP refund mechanism, the Company has concluded that recovery of the duties paid is probable. Accordingly, as of March 31, 2026, the Company has recognized a customs duty refund receivable amounting to US $19,016.

Since the financial statements for the year ended March 31, 2026 were not finalized at the time of the Supreme Court ruling, the Company has accounted for the expected recovery as a reduction of cost of goods sold.

Out of the total customs duty refund receivable recognized:

- $11,050.35 has been recorded as a reduction of cost of goods sold, reflecting the portion attributable to the Company; and
- $7,966.47 represents amounts contractually recoverable by certain customers under Delivered Duty Paid (DDP) arrangements. This portion has been recognized as "Refundable to Customer" and presented as a current liability.

The Company will initiate the formal refund claim process with CBP. The timing of receipt of the refund is subject to administrative processing by the authorities. Any interest received on the refunded amounts will be recognized as interest income when realized.

Customs duties applicable to imports subsequent to the date of the Supreme Court ruling are not impacted by this matter and continue to be accounted for as part of inventory cost in accordance with the Company's accounting policy.

For the Years Ended March 31, 2026 and March 31, 2025 (In Thousands)

Management will continue to monitor developments relating to the CBP refund process and will reassess the recoverability of the receivable, if required, based on further regulatory guidance or administrative action.

**Note 9 – Transfer Pricing True-up recorded as Additional Cost of Goods Sold**

During the year ended March 31, 2026, the Company assessing its annual transfer pricing review for cross-border purchases from its U.S. associated enterprise to ensure compliance with the arm's-length standard under applicable transfer pricing regulations.

Based on its initial review, the Company recorded a transfer pricing true-up adjustment of US $32,455.92, which resulted in an increase in the purchase price of goods imported during the year. As per the management estimate, customs duties in the United States are assessed on the transaction value of imported goods, the above transfer pricing true-up also resulted in a net additional customs duty of US $718.74. Accordingly, this adjustment has been recognized as an increase to Cost of Goods Sold (COGS) for the year ended March 31, 2026, as it pertains to goods transacted during the current reporting period.

This adjustment represents a current-year alignment of intercompany pricing for goods purchased and does not constitute a prior period error. After giving effect to the above true-up, management believes that the intercompany transactions for the year ended March 31, 2026 are consistent with the arm's-length principle.

**Note 10 – Contingent Liability**

The Company has obtained a Standby Letter of Credit (SBLC) / bank guarantee amounting to $1,500 as security for business obligations. The said facility is valid up to February 4, 2027. Since the instrument represents a contingent obligation, no liability has been recognized in the financial statements except for related bank charges incurred during the year, which have been charged to the Statement of Profit and Loss amounting to $18.81.

**Note 11 - Income Taxes:**

**State Income Tax**

The corporation is incorporated in Texas and registered as foreign entity in Alabama, New York, Georgia, Lowa, South Carolina and Wisconsin. The provision for state taxes has been calculated on an estimated basis and is subject to finalization of final federal and state income tax returns. The company will account for the relevant adjustments in the financial year in which such federal and state income tax returns are filed before the statutory authorities.

| Particular | As of March 31, 2026 | As of March 31, 2025 |
|---|---|---|
| Alabama Income Tax | $ 0.96 | $ 0.35 |
| Colorado Income Tax | 1,07 | - |
| California income Tax | 0.85 | - |
| Florida Income Tax | 20.87 | - |
| Georgia Income Tax | 8.74 | 0.03 |

**For the Years Ended March 31, 2026 and March 31, 2025 (In Thousands)**

| | | |
|---|---|---|
| Indiana Income Tax | 37.56 | - |
| Illinois Income Tax | - | 0.10 |
| Iowa Income Tax | 18,66 | 0.58 |
| Idaho Income Tax | 9,37 | - |
| Maine Income Tax | 7.00 | - |
| New Hampshire Income Tax | 23,54 | - |
| New Mexico Income Tax | 1.85 | - |
| New York Income Tax | 1.92 | - |
| Oklahoma Income Tax | - | 0.00 |
| Oregon Income Tax | 4.42 | - |
| South Carolina Income Tax | 52.33 | 2.19 |
| Utah Income Tax | 6.78 | - |
| North Carolina Income Tax | 0.10 | - |
| Virginia Income Tax | 33.74 | - |
| Wisconsin Income Tax | 12.97 | 1.69 |
| **Total Provision for State Income Tax** | **$ 242.71** | **$ 4.94** |

**Federal Income Tax**

The company is a C corporation for tax purposes, filing Form 1120 annually. Profits are not being passed through to owners; hence, tax is paid at the company's level.
The company gained profit and on which the provision was created as follows-

| **Particulars** | **As of March 31, 2026** | **As of March 31, 2025** |
|---|---|---|
| Provision for Federal Income Tax | $ 1,706 | $ 10 |
| Provision for State Income Tax | 242 | 5 |
| **Total** | **$ 1,948** | **$ 15** |

For the Years Ended March 31, 2026 and March 31, 2025 (In Thousands)

**Income Tax Expense**

| Particulars | For the Year Ended March 31, 2026 | | For the Year ended March 31, 2025 | |
|---|---|---|---|---|
| Federal Income Tax | $ | 1,704 | $ | 10 |
| State Income Tax | | 243 | | 5 |
| **Total** | **$** | **1,947** | **$** | **15** |

The deferred tax asset and liability balances are primarily a result of the differences in net book value of depreciable and amortizable assets. Realization of the future tax benefits related to the net deferred tax assets is dependent on many factors including the Company's ability to generate taxable income. Management believes that at a minimum, it is more likely than not that future taxable income will be sufficient to realize the recorded assets.

During the year, deferred tax has been calculated as follows:

| Particulars | For the Year Ended March 31, 2026 | | For the Year Ended March 31, 2025 | |
|---|---|---|---|---|
| Deferred Tax (Benefit)/Expense | $ | 27 | $ | 33 |
| **Total Deferred Tax (Benefit)/Expense** | **$** | **27** | **$** | **33** |

| Particulars | As of March 31, 2026 | | As of March 31, 2025 | |
|---|---|---|---|---|
| Deferred Tax Asset | $ | - | $ | 27 |
| **Total Deferred Tax Asset** | **$** | **-** | **$** | **27** |

**Franchise Tax Provision**

| Particulars | As of March 31, 2026 | | As of March 31, 2025 | |
|---|---|---|---|---|
| Texas Franchise Tax Provision | $ | 3 | $ | 3 |
| **Total Texas Franchise Tax Provision** | **$** | **3** | **$** | **3** |

**Note 12 - Reclassification of Prior Year Amounts**

Certain prior year amounts have been reclassified to confirm to the current year presentation. These reclassifications had no effect on previously reported results of operations.

**Note 13 – Inter Company, Related Party and Affiliates Disclosure Information**

A related party transaction is a transaction which takes place between two parties and between the company and its affiliates / related party through relative of the member who owns the Company and by having the common or significant control/interest.

For the Years Ended March 31, 2026 and March 31, 2025 (In Thousands)

During the Year Ended March 31, 2026, the company identified the following as its related party balances and transactions :

Intercompany Balances as of March 31, 2026:-

| Related Party | Transaction Type | Amount |
|---|---|---|
| HFCL BV | Inter-Company Receivables | $ 9 |
| HFCL Canada Inc. | Inter-Company Receivables | 17 |
| HFCL Canada Inc. | Accounts Payable | 473 |
| HFCL Limited | Accounts Payable | 27,510 |
| HTL Limited | Accounts Payable | $ 3,877 |

Intercompany Transactions for the Year ended March 31, 2026, are as follows –

| Related party | Transaction Type | Amount |
|---|---|---|
| HFCL Limited | Professional Income | $ 310 |
| HFCL Limited | Purchases | 103,439 |
| HTL Limited | Purchases | $ 7091 |

**Note 14 - Retirement Plan - 401 (K) Plan**

The Company sponsors a 401(k) plan for all employees. Eligible employees may contribute part of their wages, before taxes in the said plan, corresponding contribution towards the same is also made by the employer. The company contributed $22, and $19 for the years ended March 31, 2026, and March 31, 2025, respectively towards the said plan.

**Note 15 - Subsequent Events**

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Company recognizes the effects of subsequent events that provide additional information about conditions that existed at the date of the statement of financial positions. Management has evaluated events occurring between the year ended March 31, 2026, and April 30, 2026, the date the financial statements were available to be issued for matters that would require disclosure or adjustments to the financial statements. No events have occurred subsequent to April 30, 2026 that requires recording or disclosure in the financial statements.