

**BKT USA INC.**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2020 AND 2019.**

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**MARCH 31, 2020 AND 2019**

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# **ANURAG PATEL & ASSOCIATES, LLC**

*CPAs & CONSULTANTS*

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## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors and Stockholders of  
**BKT USA INC.**

We have reviewed the accompanying financial statements of BKT USA Inc. (the "Company") which comprise of balance sheets as of March 31, 2020 and 2019, and the related statements of operations and retained earnings and statements of cash flows for the years then ended and related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility 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; this includes 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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

## Supplementary Information

The accompanying supplementary information included on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our reviews of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information, and do not express an opinion on such information.

Anurag Patel & Associates, LLC.  
Certified Public Accountants

Holmdel, New Jersey  
June 8, 2020

**BKT USA, INC.**  
**BALANCE SHEETS**  
**MARCH 31,**

**2020**

**2019**

<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 373,338	\$ 316,183
Accounts receivables, related party	567,750	505,521
Prepaid expenses	18,276	124,756
Due from affiliates	126,851	75,900
	<hr/>	<hr/>
<b>Total Current Assets</b>	1,086,215	1,022,360
<b>Property and Equipment, net</b>	155,672	21,809
<b>Other Assets, Security deposits</b>	3,537	3,537
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>\$ 1,245,424</u>	<u>\$ 1,047,706</u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 101,297	\$ 165,977
Accrued expenses	8,080	-
Income taxes payable	80,211	2,244
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	189,588	168,221
<b>Total Liabilities</b>	189,588	168,221
<b>Commitment &amp; contingences (Notes 6 &amp; 7)</b>		
<b>Stockholder's Equity</b>		
Common stock, \$1.00 par value, 1,500 shares authorized, 1,500 issued and outstanding	1,500	1,500
Retained earnings	1,054,336	877,985
	<hr/>	<hr/>
<b>Total Stockholder's Equity</b>	1,055,836	879,485
<b>Total Liabilities and Stockholder's Equity</b>	<u>\$ 1,245,424</u>	<u>\$ 1,047,706</u>

*See independent accountant's review report and notes to financial statements*

**BKT USA, INC.****STATEMENTS OF OPERATIONS & RETAINED EARNINGS****FOR THE YEAR ENDED MARCH 31,****2020****2019**

<b>Revenue</b>	\$ 5,637,768	\$ 4,911,240
<b>Operating Expenses</b>	<u>5,373,316</u>	<u>4,750,595</u>
<b>Net Earnings from operations</b>	264,452	160,645
<b>Other Income/(expense)</b>		
Depreciation & amortization	(5,871)	(6,639)
Interest Income	230	169
Miscellaneous Income	-	8,094
<b>Total Other Expense, net</b>	<u>(5,641)</u>	<u>1,624</u>
<b>Net Earnings before Income Taxes</b>	258,811	162,269
<b>Provision for Income taxes</b>	<u>(82,460)</u>	<u>(46,294)</u>
<b>Net Earnings</b>	176,351	115,975
<b>Retained Earnings - April 1,</b>	<u>877,985</u>	<u>762,010</u>
<b>Retained Earnings - March 31,</b>	<u>\$ 1,054,336</u>	<u>\$ 877,985</u>

*See independent accountant's review report and notes to financial statements*

**BKT USA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31,**

**2020**

**2019**

**Cash Flows from Operating Activities**

Net income	\$	176,351	\$	115,975
Adjustments to reconcile net income to net Cash used in operating activities,				
Depreciation and amortization		5,871		6,639
Changes in current assets and liabilities:				
Accounts receivable		(62,229)		(198,738)
Prepaid expense		106,480		(40,620)
Prepaid taxes		-		1,762
Accounts payable and accrued expenses		(56,600)		84,316
Income taxes payable		77,967		1,506

**Net Cash Provided By/(Used In)Operating Activities** 247,840 (29,160)

**Net Cash Used In Investing Activities**

Purchase of property and equipment (139,734) (9,299)

**Net Cash Used In Financing Activities**

Due from affiliates (50,951) (11,722)

**Net Increase/(Decrease) in Cash** 57,155 (50,181)

**Cash - Beginning of the Year** 316,183 366,364

**Cash - End of the Year** \$ 373,338 \$ 316,183

**Supplemental Disclosure of Cash Flow Information:**

Taxes paid \$ 4,493 \$ 44,788

**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2020 AND 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies of BKT USA Inc. (the “Company”) consistently applied is presented to assist in understanding the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America.

*1. Nature of Business*

The Company was incorporated in the State of Ohio on April 1, 2009 for the purpose of being the North American Sales and Marketing Office for Balkrishna Industries Ltd., one of the world’s leading manufacturers of “off-highway tires” in India. Balkrishna Industries Ltd. produces tires for the niche tire segments of agriculture, construction, industrial, earthmover, all-terrain vehicles and turf care application markets.

The Company is a wholly owned subsidiary of Balkrishna Industries, Ltd. (the “Parent”). The Parent is organized under the laws of India. As described in Note 3, the company has significant transactions with the Parent.

*2. Concentration of Credit Risk*

The Company maintains its cash balances at a financial institution, which, at times may exceed federally insured limits. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf.

*3. Revenue Recognition*

Revenue from marketing services is recognized in the month services are rendered and expenses are incurred, net of any adjustments for prior periods.

*4. Property and Equipment*

Property and equipment are stated at cost. Depreciation and amortization are provided for, using straight-line and accelerated methods, in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Repairs and maintenance are charged to operations as incurred.

*5. Income Taxes*

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. 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.



**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2020 AND 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. For the year ended March 31, 2020 and 2019, no provision for unrecognized tax benefits has been recorded.

With few exceptions, the Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2015.

*6. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*7. Recently issued accounting pronouncements*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended (commonly referred to as "ASC 606") which requires an entity to recognize 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. ASC 606 replaces most existing revenue recognition guidance in GAAP, including industry specific guidance, when it becomes effective. For annual reporting periods, this standard is effective for the Company on April 1, 2020 and for interim periods within annual periods that begin one year later. The standard permits the use of either the retrospective or cumulative-effect transition method. The Company is currently completing its initial assessment of ASC 606 and anticipates that the standard will have no impact on the Company's consolidated financial statements and related disclosures.

Since the Company's revenues are primarily derived from fees for marketing and advertising services rendered without any contractual obligation. The Company does not anticipate that the adoption of ASC 606 will have a significant impact on its recognition of these revenues.

**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2020 AND 2019**

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**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at March 31:

	<u>Estimated Useful Lives (Years)</u>	<u>Amount</u>	
		<u>2020</u>	<u>2019</u>
Computer Equipment	5	\$ 37,463	\$ 37,463
Office Equipment	5	1,256	1,256
Furniture and Fixtures	7	15,954	15,954
Leasehold Improvements	39.5	148,545	8,811
		<u>203,218</u>	<u>63,484</u>
Less Accumulated Depreciation		(47,546)	(41,675)
		<u>\$ 155,672</u>	<u>\$ 21,809</u>

Depreciation expense on property and equipment for the year ended March 31, 2020 and 2019 was \$5,871 and \$6,639 respectively.

**NOTE 3 – RELATED PARTY TRANSACTIONS**

The Company receives all of its marketing services revenue from its Parent based upon reimbursement of expenditures plus a standard markup percentage. The Company recognized \$5,637,768 and \$4,911,240 in revenue from the parent for services performed for the year ended March 31, 2020 and 2019. The amount due from parent under this agreement was \$567,750 and \$506,625 at March 31, 2020 and 2019 respectively, and included in accounts receivable, related party.

The company also purchased marketing materials from its Parent in the amount of Nil and \$1,104 for the period ended March 31, 2020 and 2019. The amount due to Parent at March 31, 2020 and 2019 was Nil and \$1,104 respectively. All accounts payable to the parent have been netted against the accounts receivable, related party.

**NOTE 4 – INCOME TAXES**

The provision for income taxes (benefit) for the year ended March, 31 2020 and 2019 is summarized as follow:

	<u>2020</u>	<u>2019</u>
Current		
Federal	\$ 58,621	\$ 41,200
State	23,839	5,094
	<u>82,460</u>	<u>46,294</u>
Total provision for income taxes	\$ 82,460	\$ 46,294

**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 – INCOME TAXES (continued)**

The actual provision for income taxes reflected in the statements of income for the year ended March 31, 2020 and 2019 differs from the provision computed at the Federal statutory tax rates. The principal differences between the statutory income tax and the actual provision for income taxes is summarized as follows:

	2020	2019
Computed income taxes at statutory rate of 21%	\$ 54,350	\$ 34,066
State and local income taxes, net of federal taxes	15,800	3,787
Increase (decrease) in taxes resulting from:		
Meals and entertainment	12,310	8,441
	<u>\$ 82,460</u>	<u>\$ 46,294</u>

The company, for Federal income tax purposes, files a consolidated federal income tax return with other entities commonly owned by the company's parent. The actual tax payment may differ from the provision for taxes due to any tax benefit from the other subsidiaries.

**NOTE 5 – PENSION PLAN**

During the year ended March 31, 2020 and 2019, the Company maintained a contributory profit sharing plan as defined under Section 401(k) of the U.S. Internal Revenue Code covering substantially all U.S. employees. Employees employed after January 1, 2011 who have attained the age of 21 are eligible to participate after completing 1,000 hours of service with the Company. The Company contributed at a rate of 100% of the employee's elective deferral contribution up to a maximum of 3% of the employee's eligible compensation. The plan also provides for discretionary profit sharing contributions to be made at the election of the Company. The Company made no discretionary profit sharing contribution during the year. Total pension plan expense for the year ended March 31, 2020 and 2019 was \$62,249 and \$49,071 respectively.

**NOTE 6 - COMMITMENTS**

***Lease commitments***

The Company leased its office space from an unrelated party commencing October 2017. The term of the lease is two years with monthly rent of \$4,797. Total rent paid under this operating lease for the year ended March 31, 2020 and 2019 was \$67,749 and \$57,573 respectively.

Effective May 1, 2020, the company entered in to a new ten year non-cancelable lease agreement for its main office facilities in Copley, OH expiring on April 30, 2030.

The Company entered into a lease agreement for a copier machine in June 2015. The term of the lease is five years with monthly payment of \$517 plus overage. Equipment lease expense was \$7,072 and \$7,482 for the year ended March 31, 2020 and 2019 respectively.

**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 - COMMITMENTS (continued)**

*Lease commitments*

On March 4, 2020, the company entered into a new lease agreement for a copier machine with a term of thirty nine (39) months. Minimum monthly payments are \$0 for the first three (3) months, \$50 for next three (3) months and \$375 for the balance of thirty three (33) months.

Aggregate future minimum annual rental payments under these leases as of March 31, 2020 are as follows:

<u>Year Ended</u> <u>March 31,</u>	<u>Amount</u>
2021	\$ 78,903
2022	82,151
2023	83,704
2024	81,538
2025	89,748
2026 and after	484,664
	<u>\$ 900,708</u>

**NOTE 7. SUBSEQUENT EVENTS**

In March 2020, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Disruptions to business operations could occur as a result from quarantines of employees, customers and suppliers in areas affected by the outbreak, and closures of third-party vendor’s manufacturing facilities and logistics supply chains. Given the uncertainty of the situation, the duration of the business disruption and related financial impact cannot be reasonably estimated at this time.

**BKT USA, INC.****SUPPLEMENTAL SCHEDULES OF OPERATING EXPENSES****FOR THE YEAR ENDED MARCH 31,****2020****2019**

Gross payroll - office	\$ 2,342,487	\$ 1,894,133
Advertising	454,125	452,505
Auto allowance	75,209	61,083
Bank service charges	-	163
Charitable contributions	5,000	10,150
Computer and internet expenses	31,960	21,043
Dues and subscriptions	38,841	24,277
Equipment lease expenses	7,072	7,482
Health insurance	188,843	139,169
Insurance expense	49,929	46,552
Legal & professional fees	77,781	74,315
Marketing expenses	221,891	250,692
Meals and entertainment	117,244	85,274
Office supplies and expenses	14,166	27,563
Payroll processing fees	4,546	4,334
Payroll taxes	179,037	151,929
Pension plan expenses	62,249	49,071
Postage and delivery expenses	9,457	20,786
Rent expense	67,749	57,573
Repairs and maintenance	3,427	6,357
Security expenses	1,333	1,291
Seminars & conferences	29,458	9,809
Taxes, other	14,426	11,123
Telephone expense	27,834	27,463
Tradeshaw expenses	653,604	677,687
Travel expenses	690,979	634,393
Utilities	4,669	4,378
	<u>\$ 5,373,316</u>	<u>\$ 4,750,595</u>