

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**PERIOD ENDED MARCH 31, 2018 AND 2017**

# **ANURAG PATEL & ASSOCIATES, LLC**

*CPAs & CONSULTANTS*

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## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To the Board of Directors and Stockholders of  
**BKT EXIM US, INC. AND SUBSIDIARY**

We have reviewed the accompanying consolidated financial statements of BKT Exim US, Inc. and Subsidiary (collectively the "Company") which comprise of consolidated balance sheets as of March 31, 2018 and 2017, and the related consolidated statements of operations and retained earnings and consolidated statements of cash flows for the year then ended. 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 to 15 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.

*Seaberg Patel & Associates, LLC*

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Certified Public Accountants

Holmdel, New Jersey  
May 11, 2018.

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31,**

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash	\$ 319,300	\$ 445,337
Accounts receivable	1,134,962	939,453
Accounts receivable - related party	351,870	167,735
Inventory	3,876,987	2,977,830
Prepaid expenses	1,622	-
Prepaid taxes	54,819	35,680
Due from affiliates	-	35,657
<b>Total Current Assets</b>	<u>5,739,560</u>	<u>4,601,692</u>
<b>Other Assets</b>		
Security deposits	-	4,622
Deferred tax asset	-	1,949
<b>Total Other Assets</b>	<u>-</u>	<u>6,571</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,739,560</u>	<u>\$ 4,608,263</u>
<b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>		
<b>Current Liabilities</b>		
Bank line of credit	2,505,977	2,500,000
Accounts payable	90,427	85,998
Accounts payable, related party	2,885,145	1,926,136
Due to affiliate	64,178	-
Income taxes payable	7,783	8,971
<b>Total Current Liabilities</b>	<u>5,553,510</u>	<u>4,521,105</u>
<b>Stockholder's Equity</b>		
Common stock, \$10 par value, 6,000 shares authorized, 6,000 shares issued and outstanding	60,000	60,000
Retained earnings	126,050	27,158
<b>Total Stockholder's Equity</b>	<u>186,050</u>	<u>87,158</u>
<b>Total Liabilities and Stockholder's Equity</b>	<u>\$ 5,739,560</u>	<u>\$ 4,608,263</u>

*See independent accountants' review report and notes to financial statements*

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS & RETAINED EARNINGS**  
**FOR THE YEAR ENDED MARCH 31,**

	<u>2018</u>	<u>2017</u>
<b>Revenue</b>		
Tire sales	\$ 6,089,612	\$ 4,174,803
Marketing services	1,183,565	1,546,685
<b>Total Revenue</b>	7,273,177	5,721,488
<b>Cost of Sales</b>	5,983,604	4,202,289
<b>Excess of Revenues over Costs</b>	1,289,573	1,519,199
<b>Operating Expenses</b>	1,046,146	1,399,473
<b>Net Income from Operations</b>	243,427	119,726
<b>Other Income/(Expenses)</b>		
Interest income	79	
Interest expenses	(93,665)	(78,281)
Loss on disposition of fixed assets	-	(36,580)
Depreciation	-	(13,112)
<b>Total Other Expenses</b>	(93,586)	(127,973)
<b>Net Income/(Loss) before Income Taxes</b>	149,841	(8,247)
<b>Provision for Income Taxes</b>	(50,949)	2,410
<b>Net Income/(Loss)</b>	98,892	(5,837)
<b>Retained Earnings - April 01,</b>	27,158	32,995
<b>Retained Earnings - March 31,</b>	<u>\$ 126,050</u>	<u>\$ 27,158</u>

*See independent accountants' review report and notes to financial statements*

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31,**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Net Income/(Loss)	\$ 98,892	\$ (5,837)
Adjustments to reconcile net income to net Cash used in operating activities,		
Depreciation and amortization	-	13,112
Loss on disposition of property and equipment	-	36,580
Deferred income taxes	1,949	(11,607)
Changes In Current Assets And Liabilities:		
Accounts receivable	(379,644)	(476,930)
Inventory	(899,157)	(837,500)
Prepaid expense	(1,622)	-
Prepaid taxes	(19,139)	(20,954)
Security deposits	4,622	1,163
Accounts payable and accrued expenses	963,438	745,694
Income tax payable	(1,188)	8,971
<b>Net Cash Used in Operating Activities</b>	<u>(231,849)</u>	<u>(547,308)</u>
<b>Net Cash Provided by Investing Activities</b>		
Proceeds from Disposition of Property and equipment	-	11,000
<b>Cash Flows From Financing Activities</b>		
Bank line of credit	5,977	2,500,000
Due to affiliate	99,835	3,223
Repayment of advances from parent	-	(2,133,768)
<b>Net Cash Provided by Financing Activities</b>	<u>105,812</u>	<u>369,455</u>
<b>Net decrease in Cash and Cash Equivalents</b>	(126,037)	(166,853)
<b>Cash - Beginning of Period</b>	<u>445,337</u>	<u>612,190</u>
<b>Cash - End of Period</b>	<u>\$ 319,300</u>	<u>\$ 445,337</u>

*See independent accountants' review report and notes to financial statements*

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

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

A summary of significant accounting policies of BKT Exim US, Inc. and Subsidiary (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 and Principles of Consolidation*

BKT Exim US, Inc. was incorporated in the State of Delaware and BKT Tires, Inc. was incorporated in the State of Tennessee, both on July 8, 2014. BKT Tires is the North American Sales Office for Balkrishna Industries Ltd. (the “Parent”), one of the world’s leading manufacturers of “Off-The-Road tires” in India. It produces tires for the niche tire segments of agriculture, construction, industrial, earthmover, all-terrain vehicles and turf care application markets. The Company also imports tires from its Parent and warehouses and sells to its customers and distributors.

The Company is wholly owned subsidiary of Balkrishna Industries, Ltd., a company organized under the laws of India. As described in Note 5, the company has significant transactions with the Parent.

The combined financial statements include the accounts of BKT Exim US, Inc. (“BKT Exim”) and its wholly owned subsidiary BKT Tires, Inc. (“BKT Tires”). All significant intercompany transactions and balances have been eliminated in combination.

Balance for the year ended March 31, 2017 has been reclassified in the accompanying financial statement for presentation purposes.

*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 fulfil contractual obligations on its behalf.

*3. Revenue Recognition*

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

Revenue from sale of tires is recognized when the title to the tires, ownership and risk of loss is transferred to the customer. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period that the revenue is recognized. Revenue includes shipping, handling and import duty paid on import of tires.

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

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

*4. Accounts Receivable*

Accounts receivable are generally due within 30-45 days and are stated at amounts due from customers net of allowance for doubtful accounts. Receivables outstanding for longer than the contractual payment terms are considered as past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Accordingly, no allowance for doubtful accounts was recorded as at March 31, 2018 and March 31, 2017.

*5. Inventory*

Inventory consists of tires valued at the lower of cost using the first-in-first-out (FIFO) method, or market.

*6. 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.

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. Management has evaluated the Company's tax positions and has concluded that the Company has taken no uncertain tax positions that require any adjustment to the financial statements for the year ended December 31, 2017.

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 2014.



**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

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

*8. 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.

*9. 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* ("ASU 2014-09"), 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. This ASU will replace most existing revenue recognition guidance in GAAP, including industry specific guidance, when it becomes effective. This new guidance is effective for years beginning after December 15, 2018. The Company is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures.

*10. Subsequent Events*

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated all material subsequent events through May 11, 2018, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 2 – PROPERTY AND EQUIPMENT**

In February 2017, the company closed its office in Brentwood, TN and disposed of all property and equipment held at that location.

Depreciation expense on equipment for the period ended March 31, 2018 and 2017 was \$0 and \$13,112 respectively.

**NOTE 3 - LINE OF CREDIT**

The Company entered into a loan and security agreement (the "Agreement") with a financial institution which provides the Company with a \$3,000,000 revolving line of credit (the "Line"). Borrowings under the Line bear interest at the published LIBOR rate plus 1.4% per annum. The payment of all amounts outstanding under the Line is guaranteed by the Company's parent and borrowings are collateralized by substantially all of the assets of the Company. Balance outstanding on this Line of Credit at March 31, 2018 and 2017 was \$2,505,977 and \$2,500,000 and the interest rate was 3.28688 and 2.38222% respectively.

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

**NOTE 4 – INCOME TAXES**

The provision for income taxes for the year ended March, 31 2018 is summarized as follow:

Current	2018	2017
Federal	\$ 39,268	\$ 6,799
State	9,732	2,398
Deferred		
Federal	1,624	(9,672)
State	325	(1,935)
Total benefit income taxes	<u>\$ 50,949</u>	<u>\$ (2,410)</u>

The actual provision for income taxes reflected in the statements of income for the year ended March 31, 2018 and 2017 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:

	2018	2017
Computed income taxes at statutory Rate of 34%	\$ 50,946	\$ (2,804)
State and local income taxes, net of federal taxes	6,423	(381)
Increase (decrease) in taxes resulting from:		
Rate differential	(6,435)	178
Meals and entertainment	15	597
	<u>\$ 50,949</u>	<u>\$ (2,410)</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 – RELATED PARTY TRANSACTIONS**

The Company receives all of its marketing services revenue from its Parent based on reimbursement of expenditures plus a standard markup percentage. The Company recognized \$1,183,565 and \$1,546,685 in revenue from its parent for services performed for the period ended March 31, 2018 and 2017. The amount due from the parent under this agreement is included in account receivable related party and was \$351,870 and \$167,735 at March 31, 2018 and 2017 respectively.

The company imported the tires \$6,882,761 and \$5,039,789 for the period ended March 31, 2018 and 2017 from its Parent for resale to its distributors and customers. Amount payable to the Parent at March 31, 2018 and 2017 was \$2,885,145 and \$1,926,136 respectively and included in account payable, related party.

**BKT EXIM US, INC. AND SUBSIDIARY**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018 AND 2017**

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**NOTE 6 – PENSION PLAN**

During the period ended March 31, 2018, 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 on July 8, 2014, (date of inception of business) and who have attained the age of 21 are eligible to participate after completing one full month 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 period ended March 31, 2018 and 2017 was \$3,900 and 8,377.