

BKT USA INC.
FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018.

**BKT USA INC.
FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018**

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Independent Accountants' Review Report	2 - 3
Balance Sheets as of March 31, 2019 and 2018	4
Statements of Operations and Retained Earnings for the years ended March 31, 2019 and 2018	5
Statements of Cash Flows for the years ended March 31, 2019 and 2018	6
Notes to Financial Statements	7 - 10
Supplemental Schedules of Operating Expenses for the years ended March 31 , 2019 and 2018	11

ANURAG PATEL & ASSOCIATES, LLC

CPAs & CONSULTANTS

960 Holmdel Road, Bldg. 2

Holmdel, NJ 07733

Tel: (732) 817-1400 Fax: (732) 817-1401

E-mail: anurag@amcocpa.com

INDEPENDENT ACCOUNTANTS' 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, 2019 and 2018, and the related statements of operations and retained earnings and statements of cash flows for the years 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 11 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
May 11, 2019.

BKT USA, INC.
BALANCE SHEET
MARCH 31,

2019

2018

ASSETS

Current Assets

Cash	\$	316,183	\$	366,364
Accounts receivables, related party		505,521		306,783
Prepaid expenses		124,756		84,136
Due from affiliates		75,900		64,178
Prepaid taxes		-		1,762
Total Current Assets		1,022,360		823,223
Property and Equipment, net		21,809		19,149
Other Assets, Security deposits		3,537		3,537
TOTAL ASSETS	\$	1,047,706	\$	845,909

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities

Accounts payable	\$	165,977	\$	81,661
Income taxes payable		2,244		738
Total Current Liabilities		168,221		82,399
Total Liabilities		168,221		82,399

Stockholder's Equity

Common stock, \$1.00 par value, 1,500 shares authorized, 1,500 issued and outstanding		1,500		1,500
Retained earnings		877,985		762,010
Total Stockholder's Equity		879,485		763,510
Total Liabilities and Stockholder's Equity	\$	1,047,706	\$	845,909

See independent accountants' review report and notes to financial statements

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

	2019	2018
Revenue	\$ 4,911,240	\$ 3,590,015
Operating Expenses	<u>4,757,234</u>	<u>3,485,199</u>
Net Earnings before Income Taxes	154,006	104,816
Other Income		
Interest Income	169	
Miscellaneous Income	<u>8,094</u>	
Total Other Income	8,263	-
Net Earnings before Income Taxes	162,269	104,816
Provision for Income taxes	<u>(46,294)</u>	<u>(37,398)</u>
Net Earnings	115,975	67,418
Retained Earnings - April 1,	<u>762,010</u>	<u>694,592</u>
Retained Earnings - March 31,	<u>\$ 877,985</u>	<u>\$ 762,010</u>

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

2019

2018

Cash Flows from Operating Activities

Net income	\$ 115,975	\$ 67,418
Adjustments to reconcile net income to net Cash used in operating activities,		
Depreciation and amortization	6,639	5,741
Changes in current assets and liabilities:		
Accounts receivable	(198,738)	100,967
Prepaid expense	(40,620)	(32,445)
Prepaid taxes	1,762	(1,762)
Other assets, security deposits	-	15,470
Accounts payable and accrued expenses	84,316	47,464
Income taxes payable	1,506	(94,430)

Net Cash (Used In)/Provided By Operating Activities (29,160) 108,423

Net Cash Used In Investing Activities

Purchase of property and equipment (9,299) (4,228)

Net Cash Used In Financing Activities

Due from affiliates (11,722) (99,835)

Net (Decrease)/Increase in Cash (50,181) 4,360

Cash - Beginning of the Year 366,364 362,004

Cash - End of the Year \$ 316,183 \$ 366,364

Supplemental Disclosure of Cash Flow Information:

Taxes paid \$ 44,788 \$ 131,828

See independent accountants' review report and notes to financial statements

BKT USA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

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.

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, 2019 and 2018, 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 2014.

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, 2019 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.

8. Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated all material subsequent events through May 11, 2019, 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.

BKT USA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

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>2019</u>	<u>2018</u>
Computer Equipment	5	\$ 37,463	\$ 28,164
Office Equipment	5	1,256	1,256
Furniture and Fixtures	7	15,954	15,954
Leasehold Improvements	39.5	8,811	8,811
		<u>63,484</u>	<u>54,185</u>
Less Accumulated Depreciation		<u>(41,675)</u>	<u>(35,036)</u>
		<u>\$ 21,809</u>	<u>\$ 19,149</u>

Depreciation expense on property and equipment for the year ended March 31, 2019 and 2018 was \$6,639 and \$5,741 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 \$4,911,240 and \$3,590,015 in revenue from the parent for services performed for the year ended March 31, 2019 and 2018. The amount due from parent under this agreement was \$506,625 and \$313,225 at March 31, 2019 and 2018 respectively, and included in accounts receivable, related party.

The company also purchased marketing materials from its Parent in the amount of \$1,104 and \$6,442 for the period ended March 31, 2019 and 2018. The amount due to Parent at March 31, 2019 and 2018 was \$1,104 and \$6,442 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 2019 and 2018 is summarized as follow:

	<u>2019</u>	<u>2018</u>
Current		
Federal	\$ 41,200	\$ 33,943
State	5,094	3,500
	<u> </u>	<u> </u>
Total provision for income taxes	<u>\$ 46,294</u>	<u>\$ 37,443</u>

The actual provision for income taxes reflected in the statements of income for the year ended March 31, 2019 and 2018 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:

BKT USA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

NOTE 4 – INCOME TAXES (continued)

	<u>2019</u>	<u>2018</u>
Computed income taxes at statutory rate of 21%/34%	\$ 34,066	\$ 35,637
State and local income taxes, net of federal taxes	3,787	2,310
Increase (decrease) in taxes resulting from:		
Rate differential	-	(11,311)
Meals and entertainment	8,441	10,807
	<u>\$ 46,294</u>	<u>\$ 37,443</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, 2019 and 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 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, 2019 and 2018 was \$49,071 and \$41,824 respectively.

NOTE 6 - COMMITMENTS

Lease commitments

The Company leases 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, 2019 and 2018 was \$57,573 and \$55,424 respectively

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 \$7,482 and \$6,705 for the year ended March 31, 2019 and 2018 respectively.

Aggregate future minimum annual rental payments under these leases as of March 31, 2019 are as follows:

<u>Year Ended</u> <u>March 31,</u>	<u>Amount</u>
2020	\$ 34,990
2021	1,034
	<u>36,024</u>

See Independent Accountants' Review Report

BKT USA, INC.**SUPPLEMENTAL SCHEDULES OF OPERATING EXPENSES****FOR THE YEAR ENDED MARCH 31,****2019****2018**

Gross payroll - office	\$ 1,894,133	\$ 1,828,791
Advertising	452,505	94,383
Auto allowance	61,083	50,317
Bank service charges	163	52
Charitable contributions	10,150	2,550
Computer and internet expenses	21,043	14,289
Depreciation & amortization	6,639	5,741
Dues and subscriptions	24,277	19,018
Equipment lease expenses	7,482	6,705
Health insurance	139,169	132,936
Insurance expense	46,552	51,787
Legal & professional fees	74,315	88,803
Marketing expenses	250,692	21,621
Meals and entertainment	85,274	63,568
Office supplies and expenses	27,563	15,624
Payroll processing fees	4,334	3,958
Payroll taxes	151,929	142,875
Pension plan expenses	49,071	41,824
Postage and delivery expenses	20,786	24,862
Rent expense	57,573	55,424
Repairs and maintenance	6,357	2,907
Security expenses	1,291	1,032
Seminars & conferences	9,809	2,665
Taxes, other	11,123	8,752
Telephone expense	27,463	28,820
Tradeshaw expenses	677,687	232,535
Travel expenses	634,393	538,944
Utilities	4,378	4,416
	<u>\$ 4,757,234</u>	<u>\$ 3,485,199</u>