

BKT TIRES INC.
FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

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INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's and Accountant's Report	2 - 3
Balance Sheets as of March 31, 2024 and 2023	4
Statements of Operations and Retained Earnings for the years ended March 31, 2024 and 2023	5
Statements of Cash Flows for the years ended March 31, 2024 and 2023	6
Notes to Financial Statements	7 - 11
Supplemental Schedules of Cost of Sales and Operating Expenses for the years ended March 31, 2024 and 2023	12

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INDEPENDENT AUDITOR'S AND ACCOUNTANT'S REPORT

To the Board of Directors and Stockholders of
BKT TIRES INC.

We have audited the accompanying balance sheets of BKT Tires Inc. (the "Company") as of March 31, 2024 and 2023, 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.

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 consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of BKT Tires, Inc., as of March 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended 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 for the years ended March 31, 2024 and 2023 have been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

anurag patel & associates, LLC
Certified Public Accountants

Holmdel, New Jersey
May 13, 2024

BKT TIRES INC.
BALANCE SHEETS
MARCH 31,

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 672,689	\$ 415,508
Accounts receivable	3,005,856	3,001,860
Accounts receivable - related party	1,435,077	90,730
Inventory	6,745,027	12,319,144
Prepaid expenses	24,006	21,546
Prepaid taxes	8,640	23,970
Deferred taxes	129,000	-
Total Current Assets	<u>12,020,295</u>	<u>15,872,758</u>
Total Assets	<u>\$ 12,020,295</u>	<u>\$ 15,872,758</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities

Bank line of credit	\$ 4,300,000	\$ 4,900,000
Accounts payable & accrued expenses	153,220	187,139
Accounts payable, related party	6,153,762	9,554,934
Due to affiliate	585,869	61,405
Total Current Liabilities	<u>11,192,851</u>	<u>14,703,478</u>

Stockholder's Equity

Common stock, \$10 par value, 6,000 shares authorized, 6,000 shares issued and outstanding	60,000	60,000
Retained earnings	767,444	1,109,280
Total Stockholder's Equity	<u>827,444</u>	<u>1,169,280</u>
Total Liabilities and Stockholder's Equity	<u>\$ 12,020,295</u>	<u>\$ 15,872,758</u>

BKT TIRES INC.**STATEMENTS OF OPERATIONS & RETAINED EARNINGS
FOR THE YEARS ENDED MARCH 31,**

	<u>2024</u>	<u>2023</u>
Revenue		
Tire sales	\$ 17,637,367	\$ 22,677,629
Marketing services	<u>-</u>	<u>941,231</u>
Total Revenue	17,637,367	23,618,860
Cost of Tires Sold	<u>15,989,003</u>	<u>21,066,824</u>
Gross Profit	1,648,364	2,552,036
Operating Expenses	<u>1,771,517</u>	<u>2,172,739</u>
Net (Loss)/ Income from Operations	(123,153)	379,297
Other Income/(Expenses)		
Interest income	25	32
Interest expenses	<u>(347,708)</u>	<u>(233,010)</u>
Total Other Expenses, net	<u>(347,683)</u>	<u>(232,978)</u>
Net (loss)/Income before Income Taxes	(470,836)	146,319
Provision for Income Taxes	<u>129,000</u>	<u>(40,300)</u>
Net (Loss)/Income	(341,836)	106,019
Retained Earnings - Beginning of the Year	<u>1,109,280</u>	<u>1,003,261</u>
Retained Earnings - End of the Year	<u>\$ 767,444</u>	<u>\$ 1,109,280</u>

BKT TIRES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31,

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Net (Loss)/Income	\$ (341,836)	\$ 106,019
Adjustments to reconcile net (loss)/ income to net Cash used in operating activities,		
Deprecation / Loss on Property		
Deferred income taxes	(129,000)	-
Changes in Current Assets and Liabilities:		
Accounts receivable	(1,348,343)	1,399,798
Inventory	5,574,117	(8,752,107)
Prepaid expense	(2,460)	(3,615)
Prepaid taxes	15,330	(23,970)
Accounts payable and Accrued expenses	(33,919)	89,503
Accounts payable, related party	(3,401,172)	6,351,858
Income tax payable	-	(75,369)
Net Cash Provided by/(Used in) Operating Activities	<u>332,717</u>	<u>(907,883)</u>
Cash Flows From Financing Activities		
Bank line of credit	(600,000)	1,000,000
Proceeds from affiliates	524,464	30,580
Net Cash (Used In)/ Provided by Financing Activities	<u>(75,536)</u>	<u>1,030,580</u>
Net Increase in Cash	257,181	122,697
Cash - Beginning of the Year	<u>415,508</u>	<u>292,811</u>
Cash - End of Year	<u>\$ 672,689</u>	<u>\$ 415,508</u>
Supplemental Disclosure of Cash Flow Information:		
Taxes paid	<u>\$ 4,160</u>	<u>\$ 12,480</u>
Interest Paid	<u>\$ 347,708</u>	<u>\$ 233,010</u>

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

BKT TIRES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies of BKT Tires, 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 and Principles of Consolidation

BKT Tires, Inc. (f/k/a BKT Exim US Inc.) was incorporated in the State of Delaware on July 8, 2014. Pursuant to a merger agreement dated June 21, 2023, BKT Tires Inc, a company incorporated in Tennessee and wholly owned subsidiary of BKT Exim US Inc., merged with and into BKT Exim US. Simultaneously, the parent changed its name to BKT Tires Inc (“BKT Tires”).

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, mining, 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 a wholly owned subsidiary of Balkrishna Industries, Ltd., a corporation organized under the laws of India. As described in Note 5, 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 fulfil contractual obligations on its behalf.

3. Accounts Receivable

Accounts receivables 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, 2024 and March 31, 2023.

4. Inventory

Inventory consists of tires, stated at the lower of cost or market, with cost determined by the weighted average cost method. The Company periodically assesses inventories for obsolescence and excess by reducing the inventories for the difference between the cost and the estimated net realizable value based on assumptions about future demand and historical sales patterns.

BKT TIRES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Revenue Recognition

Revenue from sale of tires is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment costs and are included in cost of sales.

The majority of the Company's revenue originates from contracts with customers with a single performance obligation to provide the customer with a product at the time of pick up or shipment for industrial sales. The Company's standard payment terms do not exceed 60 days.

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

The Company records a contract asset when it has a right to payment from a customer that is conditional on events other than the passage of time. The Company also records a contract liability when a customer prepays but the Company has not yet fulfilled its performance obligation. The Company did not have any material unsatisfied performance obligations, contract assets or liabilities as of March 31, 2024. The Company's revenue is reported as the determinable transaction price, net of rights to return the product, sales incentives and allowances, and any sales tax collected from a customer.

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.

BKT TIRES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Income Taxes (continued)

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 March 31, 2024 and 2023.

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 2020.

7. 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.

8. Subsequent events

The Company has evaluated subsequent events through May 13, 2024, the date on which 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. LINE OF CREDIT

The Company entered into a loan and security agreement (the "Agreement") with a financial institution which provides the Company with a \$6,000,000 revolving line of credit (the "Line"). Borrowings under the Line bear interest at the published LIBOR rate plus 1.0% 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. Balances outstanding on this Line of Credit at March 31, 2024 and 2023 were \$4,300,000 and \$4,900,000 and the interest rates were 6.49389% and 5.92368%, respectively.

NOTE 3. INVENTORIES

Inventories consisted of the following at March 31,

	<u>2024</u>	<u>2023</u>
Inventory at warehouse	\$ 6,745,027	\$ 10,445,972
Inventory-in-transit	<u>-</u>	<u>1,873,172</u>
Total	<u>\$ 6,745,027</u>	<u>\$ 12,319,144</u>

BKT TIRES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 3. INCOME TAXES

The provision for income taxes for the year ended March 31, 2024 and 2023 are summarized as follow:

	<u>2024</u>	<u>2023</u>
Current		
Federal	\$ -	\$ 30,000
State	-	10,000
Deferred		
Federal	\$ 91,000	-
State	38,000	-
Total benefit income taxes	<u>\$ 129,000</u>	<u>\$ 40,000</u>

The actual provision for income taxes reflected in the statements of income for the year ended March 31, 2024 and 2023 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:

	<u>2024</u>	<u>2023</u>
Computed income taxes at the statutory rate of 21%	\$ 91,000	\$ 30,727
State and local income taxes, net of federal taxes	38,000	9,273
Increase (decrease) in taxes resulting from:		
Meals and entertainment	-	-
	<u>\$ 129,000</u>	<u>\$ 40,000</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 4. 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 \$0 and \$941,231 in revenue from its parent for services performed for the period ended March 31, 2024 and 2023, respectively. The amount due from the parent under this agreement is included in account receivable related party and was \$0 and \$90,730 at March 31, 2024 and 2023, respectively.

The company purchases tires worth \$10,414,886 and \$29,818,931 for the period ended March 31, 2024 and 2023, respectively, from its Parent for resale to and customers.

During the year ended March 31, 2024 and 2023, the Company paid \$1,437 and \$48,852 to its Parent for reimbursement of marketing material and advertising expenses respectively.

Amounts payable to the Parent as of March 31, 2024 and 2023 were \$6,153,762 and \$9,554,934, respectively and included in account payable, related party. This includes \$6,152,325 and \$9,512,454 for tires and \$1,437 and \$42,480 as reimbursement of guaranty charges paid by them to guarantee the company's line of credit and are included in interest expense for the years ended March 31, 2024 and 2023, respectively.

BKT TIRES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

NOTE 4. RELATED PARTY TRANSACTIONS (continued)

An affiliate by common ownership incurs certain expenses on behalf of the Company in regular course of business. These amounts reflect as loan payable affiliate on the balance sheet. This loan is non-interest bearing and due on demand and the balance outstanding was \$585,869 and \$61,405, as of March 31, 2024 and 2023, respectively.

NOTE 5. PENSION PLAN

During the years ended March 31, 2024 and 2023, 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 years. Total pension plan expense for the years ended March 31, 2024 and 2023 was \$1,441 and \$1,987 respectively.

BKT TIRES INC.
SCHEDULE OF COST OF SALES AND OPERATING EXPENSES
FOR THE YEARS ENDED MARCH 31,

	<u>2024</u>	<u>2023</u>
Cost of Sales		
Beginning inventory	\$ 12,319,144	\$ 3,567,037
Purchases, tires	10,414,886	29,818,931
	<u>22,734,030</u>	<u>33,385,968</u>
Less: Ending Inventory	<u>(6,745,027)</u>	<u>(12,319,144)</u>
Total Cost of Sales	<u>\$ 15,989,003</u>	<u>\$ 21,066,824</u>
Operating Expenses		
Gross payroll - office	\$ 113,782	\$ 135,180
Advertising	-	5,000
Bank service charges	638	1,758
Computer and internet expenses	476	601
Consulting Expenses	-	71,350
Dues and subscriptions	1,829	2,383
Health insurance	6,527	11,707
Insurance expense	37,530	15,990
Marketing expenses	1,437	49,852
Meals and entertainment	449	1,055
Office supplies and expenses	99	3,206
Payroll processing fees	1,341	1,177
Payroll taxes	9,037	10,769
Pension plan expenses	1,441	1,987
Professional fees	91,110	74,250
Shipping and delivery expense	1,117,187	1,465,451
Travel expense	2,720	9,347
Warehouse expenses	385,914	311,676
	<u>\$ 1,771,517</u>	<u>\$ 2,172,739</u>