

BKT USA INC.
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018 AND 2017.

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FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

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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, 2018 and 2017, 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.

Seaberg fatal & Associates, LLC

Certified Public Accountants

Holmdel, New Jersey
May 11, 2018.

BKT USA, INC.
BALANCE SHEETS AS OF
MARCH 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 366,364	\$ 362,004
Accounts receivables, related party	313,225	407,750
Prepaid expenses	84,136	51,691
Due from affiliates	64,178	-
Prepaid taxes	1,762	-
Total Current Assets	829,665	821,445
Property and Equipment, net	19,149	20,662
Other Assets, Security deposits	3,537	19,007
TOTAL ASSETS	\$ 852,351	\$ 861,114
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 81,661	\$ 34,197
Accounts payable, related party	6,442	-
Income taxes payable	738	95,168
Total Current Liabilities	88,841	129,365
Long-Term Liabilities, Due to Affiliate	-	35,657
Total Liabilities	88,841	165,022
Stockholder's Equity		
Common stock, \$1.00 par value, 1,500 shares authorized, 1,500 issued and outstanding	1,500	1,500
Retained earnings	762,010	694,592
Total Stockholder's Equity	763,510	696,092
Total Liabilities and Stockholder's Equity	\$ 852,351	\$ 861,114

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

	<u>2018</u>	<u>2017</u>
Revenue	\$ 3,590,015	\$ 3,703,940
Operating Expenses	<u>3,485,199</u>	<u>3,465,532</u>
Net Earnings before Income Taxes	104,816	238,408
Provision for income taxes	<u>37,398</u>	<u>93,285</u>
Net Earnings	67,418	145,123
Retained Earnings - April 1,	<u>694,592</u>	<u>549,469</u>
Retained Earnings - March 31,	<u><u>\$ 762,010</u></u>	<u><u>\$ 694,592</u></u>

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

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Net income	\$ 67,418	\$ 145,123
Adjustments to reconcile net income to net cash used in operating activities,		
Depreciation and amortization	5,741	10,245
Changes in current assets and liabilities:		
Accounts receivable	94,525	63,530
Prepaid expense	(32,445)	(38,443)
Prepaid taxes	(1,762)	-
Other assets, security deposits	15,470	(15,460)
Accounts payable and accrued expenses	53,906	(34,182)
Income taxes payable	(94,430)	52,466
Net Cash Provided By Operating Activities	<u>108,423</u>	<u>183,279</u>
Net Cash Used In Investing Activities		
Purchase of property and equipment	<u>(4,228)</u>	<u>(1,493)</u>
Net Cash Provided by/(Used In) Financing Activities		
Due from affiliates	<u>(99,835)</u>	<u>35,657</u>
Net Increase in Cash and Cash Equivalents	4,360	217,443
Cash - Beginning of the Year	<u>362,004</u>	<u>144,561</u>
Cash - End of the Year	<u>\$ 366,364</u>	<u>\$ 362,004</u>
Supplemental Disclosure Of Cash Flow Information:		
Taxes paid	<u>\$ 131,828</u>	<u>\$ 40,819</u>

BKT USA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

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, 2018 AND 2017

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, 2018 and 2017, 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. 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

Property and equipment consist of the following at March 31:

	<u>Estimated Useful Lives (Years)</u>	Amount	
		2018	2017
Computer Equipment	5	\$ 28,164	\$ 23,936
Office Equipment	5	1,256	1,256
Furniture and Fixtures	7	15,954	15,954
Leasehold Improvements	39.5	8,811	8,811
		54,185	49,957
Less Accumulated Depreciation		(35,036)	(29,295)
		<u>\$ 9,149</u>	<u>\$ 20,662</u>

Depreciation expense on property and equipment for the year ended March 31, 2018 and 2017 was \$5,741 and \$10,245 respectively.

BKT USA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

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 \$3,590,015 and \$3,703,940 in revenue from the parent for services performed for the year ended March 31, 2018 and 2017. The amount due from parent under this agreement was \$313,225 and \$407,750 at March 31, 2018 and 2017 respectively, and included in accounts receivable, related party.

The company also purchased marketing materials from its Parent in the amount of \$6,442 and \$0 for the period ended March 31, 2018 and 2017. The amount due to Parent at March 31, 2018 and 2017 was \$6,442 and \$0 respectively and included in accounts payable, related party.

NOTE 4 – INCOME TAXES

The provision for income taxes (benefit) for the year ended March, 31 2018 and 2017 is summarized as follow:

Current	2018	2017
Federal	<u>\$ 33,943</u>	<u>\$ 87,652</u>
State	<u>3,500</u>	<u>5,633</u>
 Total provision for income taxes	 <u><u>\$ 37,443</u></u>	 <u><u>\$ 93,285</u></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%	<u>\$ 35,637</u>	<u>\$ 81,059</u>
State and local income taxes, net of federal taxes	2,310	3,718
Increase (decrease) in taxes resulting from:		
Rate differential	(11,311)	(4,072)
Meals and entertainment	<u>10,807</u>	<u>12,580</u>
	<u><u>\$ 37,443</u></u>	<u><u>\$ 93,285</u></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.

BKT USA INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 – PENSION PLAN

During the year ended March 31, 2018 and 2017, 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, 2018 and 2017 was \$41,824 and \$45,122 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, 2018 and 2017 was \$55,424 and 53,275 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 \$6,705 and \$6749 for the year ended March 31, 2018 and 2017 respectively.

Aggregate future minimum annual rental payments under these leases as of March 31, 2018 are as follows:

<u>Year Ended</u> <u>March 31,</u>	<u>Amount</u>
2019	\$ 63,777
2020	34,990
2021	1,034
	<u>99,801</u>

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

	<u>2018</u>	<u>2017</u>
Gross payroll - office	\$ 1,828,791	\$ 1,822,801
Advertising	94,383	109,531
Auto allowance	50,317	56,746
Bank service charges	52	-
Charitable contributions	2,550	500
Computer and internet expenses	14,289	13,281
Depreciation & amortization	5,741	10,245
Dues and subscriptions	19,018	8,054
Equipment lease expenses	6,705	6,749
Health insurance	132,936	144,846
Insurance expense	51,787	56,822
Legal & professional fees	88,803	54,508
Marketing expenses	21,621	30,778
Meals and entertainment	63,568	73,802
Office supplies and expenses	15,624	12,407
Payroll processing fees	3,958	3,606
Payroll taxes	142,875	144,532
Pension plan expenses	41,824	45,122
Postage and delivery expenses	24,862	15,698
Rent expense	55,424	53,275
Repairs and maintenance	2,907	2,071
Security expenses	1,032	1,071
Seminars & conferences	2,665	14,892
Taxes, other	8,752	9,223
Telephone expense	28,820	23,460
Tradeshaw expenses	232,535	246,578
Travel expenses	538,944	500,329
Utilities	4,416	4,605
	<u>\$ 3,485,199</u>	<u>\$ 3,465,532</u>