

**BKT USA INC.**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

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# **ANURAG PATEL & ASSOCIATES, LLC**

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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, 2022 and 2021, 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.

anulagpatel & associates, LLC  
Certified Public Accountants

Holmdel, New Jersey  
May 4, 2022

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

**2022**

**2021**

**ASSETS**

**Current Assets**

Cash	\$ 751,349	\$ 754,734
Accounts receivables, related party	435,770	426,527
Prepaid expenses	93,514	27,943
Due from affiliates	30,825	30,825
Prepaid taxes	11,199	6,619

**Total Current Assets** 1,322,657 1,246,648

**Property and Equipment, net** 237,924 169,036

**TOTAL ASSETS** \$ 1,560,581 \$ 1,415,684

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Current Liabilities**

Accounts payable	\$ 87,879	\$ 179,707
Deferred tax liability	48,177	9,606

**Total Current Liabilities** 136,056 189,313

**Total Liabilities** 136,056 189,313

**Commitment & Contingences (Notes 6)**

**Stockholder's Equity**

Common stock, \$1.00 par value, 1,500 shares authorized, 1,500 issued and outstanding	1,500	1,500
Retained earnings	1,423,025	1,224,871

**Total Stockholder's Equity** 1,424,525 1,226,371

**Total Liabilities and Stockholder's Equity** \$ 1,560,581 \$ 1,415,684

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

	<b>2022</b>	<b>2021</b>
Revenue	\$ 5,384,925	\$ 4,744,373
Operating Expenses	<u>5,098,284</u>	<u>4,488,925</u>
Net Earnings from operations	286,641	255,448
<b>Other Income/(expense)</b>		
Interest income	181	176
Depreciation & amortization	(34,846)	(21,351)
Loss on retirement of assets	<u>-</u>	<u>(7,003)</u>
<b>Total Other Expense, net</b>	(34,665)	(28,178)
Net Earnings before Income Taxes	251,976	227,270
Provision for Income taxes	<u>(53,822)</u>	<u>(56,735)</u>
Net Earnings	198,154	170,535
Retained Earnings - April 1,	<u>1,224,871</u>	<u>1,054,336</u>
Retained Earnings - March 31,	<u>\$ 1,423,025</u>	<u>\$ 1,224,871</u>

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

**2022**

**2021**

**Cash Flows from Operating Activities**

Net income	\$ 198,154	\$ 170,535
Adjustments to reconcile net income to net cash used in operating activities,		
Depreciation and amortization	34,846	21,351
Deferred taxes	38,571	9,606
Loss on Retirement of assets	-	7,003
Changes in current assets and liabilities:		
Accounts receivable	(9,243)	141,223
Prepaid expense	(65,571)	(9,667)
Prepaid taxes	(4,580)	(6,619)
Security deposits		3,537
Accounts payable and accrued expenses	(91,828)	70,330
Income taxes payable	-	(80,211)
<b>Net Cash Provided by Operating Activities</b>	<u>100,349</u>	<u>327,088</u>

**Cash Flows from Investing Activities**

Due from affiliates	-	96,026
Purchase of property and equipment	(103,734)	(41,718)
<b>Net Cash Provided by/(Used in) Investing Activities</b>	<u>(103,734)</u>	<u>54,308</u>

<b>Net Increase/(Decrease) in Cash</b>	(3,385)	381,396
<b>Cash - Beginning of the Year</b>	<u>754,734</u>	<u>373,338</u>
<b>Cash - End of the Year</b>	<u>\$ 751,349</u>	<u>\$ 754,734</u>

**Supplemental Disclosure of Cash Flow Information:**

Taxes paid	<u>\$ 19,831</u>	<u>\$ 136,946</u>
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*See independent accountant's review report and notes to financial statements*

**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

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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. 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.

*4. 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 rate is recognized as 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. For the year ended March 31, 2022 and 2021, 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 2017.

*See Independent Accountants’ Review Report*



**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

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

*5. Revenue Recognition*

The Company recognizes revenue in the period earned under the terms of the relevant agreements.

The Company adopted ASC 606- Revenue from Contracts with Customers (“ASC Topic 606”) from the year beginning April 1, 2020. The guidance requires that an entity recognize revenue to depict the transfer of promised goods or service to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when the entity satisfies a performance obligation.

The following table summarizes the Company’s revenues from contracts with customers:

Revenue type	Services
Customer	Parent, an affiliated entity
Performance obligation	Marketing services
Performance obligation satisfied over time/point in time	Over time
Variable or fixed consideration	Variable consideration
Payment terms	Monthly in arrears or prepaid
Subject to return once recognized	No
Classification of uncollected amounts	Marketing fees receivable

*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*

The Company has evaluated subsequent events through May 4, 2022, 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.

**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2022 AND 2021**

**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>2022</u>	<u>2021</u>
Computer Equipment	5	\$ 13,528	\$ 13,528
Office Equipment	5	21,620	21,620
Tradeshaw Equipment	5	103,734	-
Furniture and Fixtures	7	37,937	37,937
Leasehold Improvements	15	121,895	121,895
		<u>298,714</u>	<u>194,980</u>
Less: Accumulated Depreciation		<u>(60,790)</u>	<u>(25,944)</u>
		<u>\$ 237,924</u>	<u>\$ 169,036</u>

Depreciation expense on property and equipment for the year ended March 31, 2022 and 2021 was \$34,846 and \$21,351 respectively.

**NOTE 3 – INCOME TAXES**

The provision for income taxes for the year ended March, 31 2022 and 2021 is summarized as follow:

	<u>2022</u>	<u>2021</u>
Current		
Federal	\$ 37,435	\$ 40,381
State	1,831	6,748
Total current income taxes	<u>\$ 39,266</u>	<u>\$ 47,129</u>
Deferred		
Federal	14,556	9,606
Total provision for income taxes	<u>\$ 53,822</u>	<u>\$ 56,735</u>

The actual provision for income taxes reflected in the statements of income for the year ended March 31, 2022 and 2021 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>2022</u>	<u>2021</u>
Computed income taxes at statutory rate of 21%	\$ 52,915	\$ 47,727
State and local income taxes, net of federal taxes	907	6,250
Increase (decrease) in taxes resulting from:		
Meals and entertainment	-	2,758
	<u>\$ 53,822</u>	<u>\$ 56,735</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**  
**MARCH 31, 2022 AND 2021**

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**NOTE 4 – 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 \$5,384,925 and \$4,744,373 in revenue from the parent for services performed for the year ended March 31, 2022 and 2021. The amount due from parent under this agreement was \$435,770 and \$426,527 at March 31, 2022 and 2021 respectively, and included in accounts receivable, related party.

**NOTE 5 – PENSION PLAN**

During the year ended March 31, 2022 and 2021, 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 starting the month following completion of 30 days 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, 2022 and 2021 was \$69,068 and \$66,882 respectively.

**NOTE 6 – COMMITMENTS**

***Lease commitments***

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. . Total rent paid under this operating lease for the years ended March 31, 2022 and 2021 was \$89,516 and \$92,374 respectively.

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 plus applicable taxes for the balance of thirty three (33) months. Equipment lease expense was \$4,924 and \$5,695 for the year ended March 31, 2022 and 2021 respectively.

Aggregate future minimum annual rental payments under these leases as of March 31, 2022 are as follows:

<u>Year Ended</u> <u>March 31,</u>	<u>Amount</u>
2023	\$ 83,704
2024	81,538
2025	89,748
2026	91,543
2027	93,374
2028 and after	299,748
	<u>\$ 739,655</u>

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

	<b>2,022</b>	<b>2021</b>
Gross payroll - office	\$ 2,545,961	\$ 2,465,067
Advertising	492,804	453,421
Auto allowance	69,706	71,883
Bank service charges	(18)	203
Charitable contributions	-	6,451
Computer and internet expenses	32,896	21,454
Consulting expenses	2,900	59,000
Dues and subscriptions	37,228	35,511
Equipment lease expenses	4,922	5,695
Health insurance	226,955	202,849
Insurance expense	40,124	33,586
Legal & professional fees	80,793	91,519
Marketing expenses	161,416	80,107
Meals and entertainment	111,309	29,601
Office supplies and expenses	11,011	18,274
Payroll processing fees	4,257	4,549
Payroll taxes	191,645	185,816
Pension plan expenses	69,068	66,882
Postage and delivery expenses	21,967	17,414
Rent expense	100,220	92,374
Security expenses	1,616	3,884
Seminars & conferences	20,530	2,899
Taxes, other	12,940	12,248
Telephone expense	29,542	26,169
Testing expenses	9,731	930
Tradeshaw expenses	380,197	167,023
Travel expenses	433,026	329,939
Utilities	5,538	4,177
	<u>\$ 5,098,284</u>	<u>\$ 4,488,925</u>