

BKT TIRES (CANADA) INC.
FINANCIAL STATEMENTS
MARCH 31, 2024

BKT TIRES (CANADA) INC.
MARCH 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of BKT Tires (Canada) Inc.

Opinion

We have audited the financial statements of BKT Tires (Canada) Inc. (the Company), which comprise the balance sheet as at March 31, 2024, and the statements of income, retained earnings, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are prepared, in all material respects, in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The comparative financial statements of the Company were not audited but were reviewed with the Independent Practitioner's Review Engagement Report which was dated on May 2, 2022.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KNAV Professional Corporation

KNAV Professional Corporation
Chartered Professional Accountants

Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario
Toronto, Ontario
May 10, 2024

BKT TIRES (CANADA) INC.**BALANCE SHEET****AS AT MARCH 31, 2024**

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT		
Cash and cash equivalents (note 2)	\$ 192,281	\$ 311,464
Accounts receivable (note 3)	281,929	187,789
Sales tax recoverable	67,900	83,465
Loan receivable (note 4)	<u>-</u>	<u>2,157</u>
	<u>542,110</u>	<u>584,875</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 250,076	\$ 85,934
Income tax payable (note 5)	1,775	3,250
Canada emergency business loan payable	<u>-</u>	<u>40,000</u>
	<u>251,851</u>	<u>129,184</u>
SHAREHOLDER'S EQUITY		
CAPITAL STOCK (NOTE 6)	5,000	5,000
RETAINED EARNINGS	<u>285,259</u>	<u>450,691</u>
	<u>290,259</u>	<u>455,691</u>
	<u>\$ 542,110</u>	<u>\$ 584,875</u>

See accompanying notes.

ON BEHALF OF THE BOARD:_____
Director

BKT TIRES (CANADA) INC.
STATEMENT OF RETAINED EARNINGS
FOR THE PERIOD ENDED MARCH 31, 2024

	<u>2024</u>	<u>2023</u>
RETAINED EARNINGS , beginning of year	\$ 450,691	\$ 377,728
NET INCOME FOR THE YEAR	84,568	72,963
DIVIDEND	<u>(250,000)</u>	<u>-</u>
RETAINED EARNINGS , end of year	<u>\$ 285,259</u>	<u>\$ 450,691</u>

See accompanying notes.

BKT TIRES (CANADA) INC.
STATEMENT OF INCOME
FOR THE PERIOD ENDED MARCH 31, 2024

	Jan 1 to Mar 31, 2024	Jan 1 to Mar 31, 2023	Apr 1 to Mar 31, 2024	Apr 1 to Mar 31, 2023
REVENUE				
Sales (note 3)	\$ 934,975	\$ 549,082	\$ 2,483,223	\$ 2,217,780
Interest income (note 4)	-	464	50	2,920
Other income	-	-	10,000	-
	<u>934,975</u>	<u>549,546</u>	<u>2,493,273</u>	<u>2,220,700</u>
EXPENSES				
Advertising and promotions	494,011	134,464	1,289,468	936,185
Auto	6,322	6,150	27,180	30,648
Bank charges	317	317	1,513	1,424
Salaries and wages	338,835	334,607	914,616	980,057
Office and general	4,077	1,499	12,205	6,125
Professional fees	17,489	7,175	41,614	31,100
Telephone	1,292	1,914	6,371	8,704
Travel	28,109	37,273	82,058	120,851
	<u>890,452</u>	<u>523,399</u>	<u>2,375,024</u>	<u>2,115,094</u>
INCOME BEFORE INCOME TAX	44,523	26,147	118,249	105,606
INCOME TAX (note 5)	12,700	7,775	33,681	32,643
NET INCOME	\$ 31,823	\$ 18,372	\$ 84,568	\$ 72,963

See accompanying notes.

BKT TIRES (CANADA) INC.
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2024

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES		
Net income for the period	\$ 84,563	\$ 72,963
Changes in non-cash working capital		
Accounts receivable	(94,140)	(5,558)
Sales tax recoverable	15,565	130,627
Loan receivable	2,157	16,343
Accounts payable and accrued liabilities	164,145	(25,830)
Income tax payable	<u>(1,475)</u>	<u>(3,750)</u>
Cash flows from operating activities	<u>170,815</u>	<u>184,795</u>
FINANCING ACTIVITIES		
Canada emergency business loan payable	<u>(40,000)</u>	<u>-</u>
Cash flows from financing activities	<u>(40,000)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	130,815	184,795
CASH AND CASH EQUIVALENTS, beginning of period	<u>311,464</u>	<u>126,666</u>
CASH AND CASH EQUIVALENTS, end of period (note 2)	<u>\$ 442,279</u>	<u>\$ 311,461</u>

See accompanying notes.

SUPPLEMENTARY INFORMATION

Income taxes paid	\$ 33,681	\$ 32,643
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BKT TIRES (CANADA) INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

The company was incorporated on April 5, 2013 under the laws of British Columbia. The company operates as a sales office for tires.

Basis of accounting

The company has prepared its financial statements in accordance with Canadian accounting standards for private enterprises ("ASPE"). Outlined below are those policies considered particularly significant by the company.

Financial instruments

The company has elected not to disclose fair value information about financial assets and liabilities for which fair value was not readily obtainable.

The fair value of the other assets and liabilities has been established as follows:

The fair value of cash and cash equivalents, accounts receivable, sales tax recoverable, advances receivable, accounts payable and accrued liabilities, and income taxes payable approximate their carrying amount given their short-term maturities or determinable cash flow streams.

The company's financial instruments consist of instruments with various maturities. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair value of these financial instruments is not estimated by management to be materially different from carrying value.

Revenue Recognition

Revenue is recognized when the services are rendered and collection is reasonably assured.

Income taxes

The company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the difference between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income taxes are adjusted for current changes in income tax rates. Income taxes are provided for, at current rates, for all items included in the statement of earnings, regardless of the period in which such items are reported for income tax purposes. There is no significant timing difference between the tax value of assets and liabilities and the carrying amount of assets and liabilities per financial reporting. Accordingly, there is no future tax asset or liability.

BKT TIRES (CANADA) INC.
NOTES TO THE FINANCIAL STATEMENTS
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Foreign exchange

Monetary assets and liabilities denominated in currencies other than the Canadian dollar are translated into Canadian dollars at the rate of exchange prevailing at the year end. Revenue and expense items are translated at the rate of exchange in effect on the transaction dates. Realized and unrealized foreign exchange transaction gain and losses are included in income in the year in which they occur.

Estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires that management make estimates and assumptions that affect the amounts reported of assets and liabilities and the disclosure in the notes of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The actual results may differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, and balances with banks. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	<u>2024</u>	<u>2023</u>
Cash on hand and balances with banks	<u>\$ 192,281</u>	<u>\$ 311,464</u>

3. RELATED PARTY TRANSACTIONS

The company, by virtue of relationships among shareholders, may be considered to be related to Balkrishna Industries Ltd. A summary of transactions with respect to this related party is as follows:

	<u>2024</u>	<u>2023</u>
Accounts receivable	<u>\$ 281,929</u>	<u>\$ 187,789</u>
Revenue	<u>\$ 2,483,223</u>	<u>\$ 2,217,780</u>

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties). Related party balances are non-interest bearing and are due on demand.

During the year ended March 31, 2018 there was a change in ownership of the Company. BKT Exim Ltd was the sole shareholder of the Company. BKT Exim Ltd amalgamated with Balkrishna Industries Ltd in February 2018. Therefore, the new amalgamated Balkrishna Industries Ltd is now the sole shareholder of the Company.

BKT TIRES (CANADA) INC.
NOTES TO THE FINANCIAL STATEMENTS
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4. LOAN RECEIVABLE

The loan receivable bears interest at the rate of 5% per annum, and the principal is repayable in monthly installments of \$500, however interest is at the discretion of management. Interest payments commenced during the previous yearend and payments have been made in the current year as well.

5. INCOME TAXES

The company pays income taxes at a statutory rate of 26.5%. The difference between the company's reported income tax expense on the operating income before tax and the expense that would otherwise result with the application of the applicable tax rate is as follows:

	<u>2024</u>	<u>2023</u>
Income before income taxes	\$ 118,248	\$ 105,606
Combined federal and provincial statutory tax rate	<u>26.5 %</u>	<u>26.5 %</u>
Expected income tax expense	31,336	27,986
Permanent differences	3,435	2,789
Other differences	<u>(1,090)</u>	<u>1,868</u>
Provision for income tax expense	<u>\$ 33,681</u>	<u>\$ 32,643</u>
Income tax payable	<u>\$ 1,775</u>	<u>\$ 3,250</u>

6. CAPITAL STOCK

	<u>2024</u>	<u>2023</u>
AUTHORIZED		
Unlimited Common Shares		
Unlimited Class A Preferred Shares		
Unlimited Class B Preferred Shares		
ISSUED		
5,000 Common shares	<u>\$ 5,000</u>	<u>\$ 5,000</u>

7. FINANCIAL INSTRUMENTS

Financial instruments are initially recorded at cost. Financial instruments that are short-term investments are written down when their carrying amounts exceed their quoted market values. All other financial instrument assets are written down when their carrying amounts exceed their estimated market values and this condition is expected to be other than temporary. Unless otherwise indicated, the fair values of financial instruments approximate their recorded amounts.

The company's financial instruments recognized in the balance sheet consist of cash and cash equivalents, accounts receivable, sales tax recoverable, advances receivable, accounts payable and accrued liabilities, and income taxes payable. The fair values of

BKT TIRES (CANADA) INC.
NOTES TO THE FINANCIAL STATEMENTS

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these financial instruments approximate their carrying amounts due to their short-term maturities or determinable cash flow streams.

Credit Risk

Credit risk arises from the possibility that the company's customers may experience financial difficulty and be unable to fulfill their financial obligations. The risk is due to the fact that the company has few customers, which increases the concentration of credit risk.

Interest risk

The company has bank balances which bear interest at rates tied to the Canadian bankers' acceptance rates. Consequently, the company is exposed to the risk of changes in the bankers' acceptance rates.

Foreign exchange risk

The company carries out some transactions in US dollars and as such is exposed to fluctuations in exchange rates. The company has not entered into derivative instruments to mitigate these risks.

Liquidity

Liquidity risk is the risk that the company will encounter difficulties in meeting obligations associated with financial liabilities.

8. COMPARATIVE FIGURES

Certain prior year figures have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.