

**BKT USA INC.**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2024 AND 2023**

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FINANCIAL  
STATEMENTS  
MARCH 31, 2024 AND 2023**

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# **ANURAG PATEL & ASSOCIATES, LLC**

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## **INDEPENDENT AUDITOR'S AND ACCOUNTANT'S REPORT**

To the Board of Directors and Stockholders of  
**BKT USA INC.**

We have audited the accompanying balance sheets of BKT USA Inc. (the "Company") as of March 31, 2024 and 2023, and the related statement of operations and retained earnings and statement 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 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 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 USA, 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 year ended March 31, 2024 and 2023 has 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 USA, INC.**  
**BALANCE SHEETS**  
**MARCH 31,**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 492,776	\$ 699,443
Accounts receivables, related party	497,529	710,183
Prepaid expenses	165,393	101,162
Due from affiliates	585,869	61,405
Prepaid taxes	69,120	-
<b>Total Current Assets</b>	<b>1,810,687</b>	<b>1,572,193</b>
<b>Property and Equipment, net</b>	<b>384,885</b>	<b>355,762</b>
<b>Operating Lease Right-to-Use Assets</b>	<b>478,471</b>	<b>571,090</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,674,043</b>	<b>\$ 2,499,045</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 139,276	188,108
Accrued expenses	10,659	10,043
Income taxes payable		3,240
<b>Total Current Liabilities</b>	<b>149,935</b>	<b>201,391</b>
<b>Long-Term Liabilities, Deferred Taxes</b>	<b>155,342</b>	<b>69,313</b>
<b>Operating Lease Liabilities</b>	<b>488,125</b>	<b>576,113</b>
<b>Total Liabilities</b>	<b>793,402</b>	<b>846,817</b>
<b>Commitment &amp; Contingences (Notes 6)</b>		
<b>Stockholder's Equity</b>		
Common stock, \$1.00 par value, 1,500 shares authorized, 1,500 issued and outstanding	1,500	1,500
Retained earnings	1,879,141	1,650,728
<b>Total Stockholder's Equity</b>	<b>1,880,641</b>	<b>1,652,228</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$ 2,674,043</b>	<b>\$ 2,499,045</b>

*The accompanying notes are an integral part of these financial statements*

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

	<u>2024</u>	<u>2023</u>
Revenue	\$ 6,504,691	\$ 6,666,528
Operating Expenses	<u>6,143,276</u>	<u>6,307,677</u>
Net Earnings from operations	361,415	358,851
<b>Other Income/(expense)</b>		
Interest income	25	44
Depreciation and amortization	<u>(56,119)</u>	<u>(46,419)</u>
<b>Total Other Expense, net</b>	<u>(56,094)</u>	<u>(46,375)</u>
Net Earnings before Income Taxes	305,321	312,476
Provision for Income taxes	<u>(76,908)</u>	<u>(84,773)</u>
Net Earnings	228,413	227,703
Retained Earnings - Beginning of the Year	<u>1,650,728</u>	<u>1,423,025</u>
Retained Earnings - End of the Year	<u>\$ 1,879,141</u>	<u>\$ 1,650,728</u>

*The accompanying notes are an integral part of these financial statements*

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

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 228,413	\$ 227,703
Adjustments to reconcile net income to net Cash used in operating activities,		
Depreciation and amortization	56,119	46,419
Deferred taxes	86,029	21,136
Operating lease right-to-use assets	4,631	5,023
Changes in current assets and liabilities:		
Accounts receivable	212,654	(274,413)
Prepaid expense	(64,231)	(7,648)
Prepaid taxes	(69,120)	11,199
Accounts payable and accrued expenses	(48,216)	110,272
Income taxes payable	(3,240)	3,240
<b>Net Cash Provided by Operating Activities</b>	<u>403,039</u>	<u>142,931</u>
<b>Cash Flows from Investing Activities</b>		
Due from affiliates	(524,464)	(30,580)
Purchase of property and equipment	(85,242)	(164,257)
<b>Net Cash (Used in) Investing Activities</b>	<u>(609,706)</u>	<u>(194,837)</u>
<b>Net (Decrease) in Cash</b>	(206,667)	(51,906)
<b>Cash - Beginning of the Year</b>	<u>699,443</u>	<u>751,349</u>
<b>Cash - End of the Year</b>	<u>\$ 492,776</u>	<u>\$ 699,443</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Taxes paid	<u>\$ 71,676</u>	<u>\$ 81,533</u>

*The accompanying notes are an integral part of these financial statements*

**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2024 AND 2023**

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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.

*2. 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. Leases*

The Company’s operating leases are included within operating lease right-to-use (“ROU”) assets, accrued expenses, and operating lease liabilities on the combined balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made in advance and is reduced by lease incentives received. As most leases do not provide an implicit rate, the Company uses its risk-free return rate at commencement date in determining the present value of lease payments. Lease terms include options to extend the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term unless the related ROU asset has been adjusted for an impairment charge.



**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2024 AND 2023**

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

*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 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, 2024 and 2023, 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 March 31, 2020.

*6. 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

**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2024 AND 2023**

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

*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 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at March 31:

	<u>Estimated Useful Lives (Years )</u>	<u>Amount</u>	
		<u>2024</u>	<u>2023</u>
Computer Equipment	5	\$ 13,528	\$ 13,528
Office Equipment	5	21,620	21,620
Tradeshow Equipment	5	103,734	103,734
Furniture and Fixtures	7	54,404	54,404
Leasehold Improvements	15	354,927	269,685
		<u>548,213</u>	<u>462,971</u>
Less: Accumulated Depreciation		<u>(163,328)</u>	<u>(107,209)</u>
		<u>\$ 384,885</u>	<u>\$ 355,762</u>

Depreciation expense on property and equipment for the year ended March 31, 2024 and 2023 was \$56,119 and \$46,419 respectively.

**NOTE 3 – INCOME TAXES**

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

	<u>2024</u>	<u>2023</u>
Current		
Federal	\$ 62,650	\$ 42,000
State	8,836	5,950
Total current income taxes	<u>71,486</u>	<u>47,950</u>
Deferred		
Federal	4,845	32,560
State	577	4,263
Total deferred income taxes	<u>5,422</u>	<u>36,823</u>
Total provision for income taxes	<u>\$ 76,908</u>	<u>\$ 84,773</u>

**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 – INCOME TAXES (continued)**

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:

	2024	2023
Computed income taxes at statutory rate of 21%	\$ 67,511	\$ 66,675
State and local income taxes, net of federal taxes	9,397	9,525
	<u>\$ 76,908</u>	<u>\$ 84,773</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 upon reimbursement of expenditures plus a standard markup percentage. The Company recognized \$6,504,691 and \$6,666,528 in revenue from the parent for services performed for the year ended March 31, 2024 and 2023 respectively. The amount due from parent under this agreement was \$497,529 and \$710,183 at March 31, 2024 and 2023 respectively, and included in accounts receivable, related party.

**NOTE 5 – PENSION PLAN**

During the year 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 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 years ended March 31, 2024 and 2023. Total pension plan expense for the year ended March 31, 2024 and 2023 was \$74,417 and \$75,760, respectively.

**NOTE 6. LEASE, COMMITMENTS AND CONTINGENCIES**

The Company is obligated under a non-cancelable operating lease for its office space. The Company does not consider this lease material to the Company's operations. The lease expires April 2030. During the year ended March 31, 2024 and 2023, the Company paid rent of \$91,000 and \$101,260, respectively.

**BKT USA INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6. LEASE, COMMITMENTS AND CONTINGENCIES (continued)**

Aggregate future minimum annual rental payments under this lease as of March 31, 2024 is as follows:

<u>Year Ended</u> <u>March 31,</u>	<u>Amount</u>
2025	\$ 89,748
2026	91,543
2027	93,374
2028	95,241
2029 and after	<u>204,506</u>
Total lease payments	\$ 574,412
Less: amount representing interest	<u>(86,287)</u>
Total discounted lease liabilities	<u>\$ 488,125</u>

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

	<u>2024</u>	<u>2023</u>
Gross payroll - office	\$ 3,036,631	\$ 2,845,790
Advertising	591,271	614,870
Auto allowance	91,022	94,459
Bank service charges	133	166
Computer and internet expenses	49,772	47,939
Consulting expenses	2,900	2,900
Dues and subscriptions	32,471	45,206
Equipment lease expenses	5,409	5,440
Health insurance	180,909	204,390
Insurance expense	30,199	35,162
Legal and professional fees	99,873	92,814
Marketing expenses	307,258	444,332
Meals and entertainment	139,024	146,935
Office supplies and expenses	11,837	36,166
Payroll processing fees	5,741	5,114
Payroll taxes	217,691	216,273
Pension plan expenses	74,417	75,760
Postage and delivery expenses	17,389	12,213
Rent expense	112,514	101,260
Security expenses	1,361	1,464
Seminars & conferences	23,270	20,076
Taxes, other	17,943	15,901
Telephone expense	29,386	31,416
Tradeshaw expenses	357,102	449,715
Travel expenses	701,423	755,715
Utilities	6,330	6,201
	<u>\$ 6,143,276</u>	<u>\$ 6,307,677</u>

*The accompanying notes are an integral part of these financial statements*