

BKT TIRES (CANADA) INC.
FINANCIAL STATEMENTS
MARCH 31, 2022
(UNAUDITED)

BKT TIRES (CANADA) INC.
MARCH 31, 2022
(UNAUDITED)

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the shareholders of BKT Tires (Canada) Inc.

We have reviewed the accompanying financial statements of BKT Tires (Canada) Inc. that comprise the balance sheet as at March 31, 2022 and the statements of income, retained earnings, and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of BKT Tires (Canada) Inc. as at March 31, 2022 and the results of its operations and its cash flows for the period then ended in accordance with Canadian accounting standards for private enterprises.

KNAV Professional Corporation

KNAV Professional Corporation
Chartered Professional Accountants

Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Toronto, Ontario
May 2, 2022

BKT TIRES (CANADA) INC.
BALANCE SHEET
AS AT MARCH 31, 2022
(UNAUDITED)

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT		
Cash and cash equivalents (note 2)	\$ 126,666	\$ 55,480
Accounts receivable (note 3)	182,231	177,940
Sales tax recoverable	214,093	159,667
Loan receivable (note 4)	<u>18,500</u>	<u>6,000</u>
	541,490	399,087
LONG-TERM		
Loan receivable (note 4)	<u>-</u>	<u>18,500</u>
	<u>\$ 541,490</u>	<u>\$ 417,587</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 111,762	\$ 63,099
Income taxes payable (note 5)	<u>7,000</u>	<u>855</u>
	118,762	63,954
LONG-TERM		
Canada emergency business loan payable	<u>40,000</u>	<u>40,000</u>
	<u>158,762</u>	<u>103,954</u>
SHAREHOLDER'S EQUITY		
CAPITAL STOCK (NOTE 6)	5,000	5,000
RETAINED EARNINGS	<u>377,728</u>	<u>308,633</u>
	<u>382,728</u>	<u>313,633</u>
	<u>\$ 541,490</u>	<u>\$ 417,587</u>

See accompanying notes.

ON BEHALF OF THE BOARD:

_____ Director

BKT TIRES (CANADA) INC.
STATEMENT OF RETAINED EARNINGS
FOR THE PERIOD ENDED MARCH 31, 2022
(UNAUDITED)

	<u>2022</u>	<u>2021</u>
RETAINED EARNINGS , beginning of year	\$ 308,633	\$ 251,205
NET INCOME FOR THE YEAR	<u>69,095</u>	<u>57,428</u>
RETAINED EARNINGS , end of year	<u>\$ 377,728</u>	<u>\$ 308,633</u>

See accompanying notes.

BKT TIRES (CANADA) INC.
STATEMENT OF INCOME
FOR THE PERIOD ENDED MARCH 31, 2022
(UNAUDITED)

	Jan 1 to Mar 31, 2022	Jan 1 to Mar 31, 2021	Apr 1 to Mar 31, 2022	Apr 1 to Mar 31, 2021
Revenue				
Sales (note 3)	\$ 611,063	\$ 561,914	\$ 2,039,335	\$ 1,644,908
Interest income (note 4)	198	198	792	792
Other income	-	-	-	40
	<u>611,261</u>	<u>562,112</u>	<u>2,040,127</u>	<u>1,645,740</u>
Expenses				
Advertising and promotions	259,548	308,645	783,228	663,143
Auto	5,543	1,848	20,134	3,909
Bank charges	250	244	1,208	1,420
Salaries and wages	271,567	211,680	1,032,890	845,655
Office and general	2,743	2,083	6,171	6,114
Professional fees	22,895	8,648	46,817	33,933
Telephone	2,686	2,182	10,418	8,121
Travel	16,928	24	42,149	5,116
	<u>582,160</u>	<u>535,354</u>	<u>1,943,015</u>	<u>1,567,411</u>
Income before income taxes	29,101	26,758	97,112	78,329
Income taxes (note 5)	8,400	7,080	28,017	20,901
Net income	<u>\$ 20,701</u>	<u>\$ 19,678</u>	<u>\$ 69,095</u>	<u>\$ 57,428</u>

See accompanying notes.

BKT TIRES (CANADA) INC.
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2022
(UNAUDITED)

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Net income for the period	\$ 69,095	\$ 57,428
Changes in non-cash working capital		
Accounts receivable	(4,291)	26,366
Sales tax recoverable	(54,427)	(65,694)
Loan receivable	6,000	6,000
Accounts payable and accrued liabilities	48,663	(42,173)
Income taxes payable	<u>6,145</u>	<u>(5,282)</u>
Cash flows from (used in) operating activities	<u>71,185</u>	<u>(23,355)</u>
FINANCING ACTIVITIES		
Canada emergency business loan payable	<u>-</u>	<u>40,000</u>
Cash flows from financing activities	<u>-</u>	<u>40,000</u>
NET INCREASE IN CASH AND EQUIVALENTS	71,185	16,645
CASH AND CASH EQUIVALENTS, beginning of period	<u>55,481</u>	<u>38,835</u>
CASH AND CASH EQUIVALENTS, end of period (note 2)	<u>\$ 126,666</u>	<u>\$ 55,480</u>

See accompanying notes.

INCOME TAXES PAID

Income taxes paid	\$ 28,017	\$ 20,901
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BKT TIRES (CANADA) INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022
(UNAUDITED)

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.

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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>2022</u>	<u>2021</u>
Cash on hand and balances with banks	<u>\$ 126,666</u>	<u>\$ 55,480</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>2022</u>	<u>2021</u>
Accounts receivable	<u>\$ 182,231</u>	<u>\$ 177,940</u>
Revenue	<u>\$ 2,039,335</u>	<u>\$ 1,644,908</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

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Balkrishna Industries Ltd in February 2018. Therefore, the new amalgamated Balkrishna Industries Ltd is now the sole shareholder of the Company.

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>2022</u>	<u>2021</u>
Income before income taxes	97,112	78,329
Combined federal and provincial statutory tax rate	<u>26.5 %</u>	<u>26.5 %</u>
Expected income tax expense	25,735	20,757
Permanent differences	2,232	76
Other differences	<u>50</u>	<u>68</u>
Provision for income tax expense	<u><u>28,017</u></u>	<u><u>20,901</u></u>

6. CAPITAL STOCK

	<u>2022</u>	<u>2021</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

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cash equivalents, accounts receivable, sales tax recoverable, advances receivable, accounts payable and accrued liabilities, and income taxes payable. The fair values of 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.