

# Rane Holdings America, Inc.

Financial Statements

March 31, 2017 and March 31, 2016

**KNAV P.A.**

Certified Public Accountants

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America Counts on CPAs

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# Independent Auditors' Report

Board of Directors  
Rane Holdings America, Inc.

We have audited the accompanying financial statements of Rane Holdings America, Inc. ('the Company'), a Delaware corporation, which comprise of the balance sheets as of March 31, 2017 and March 31, 2016 and the related statements of income, stockholder's equity and cash flows for the years then ended and the related notes to financial statements.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these 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 audits. We conducted our audits 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 from 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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 organization'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 present fairly in all material respects, the financial position of Rane Holdings America, Inc. as at March 31, 2017 and March 31, 2016 and the results of its operations and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

**KNAV P.A.**

Atlanta, Georgia  
May 11, 2017

**Rane Holdings America, Inc.**  
Financial Statements  
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# Financial statements

## Balance sheets

*(All amounts are stated in United States Dollars unless otherwise stated)*

### ASSETS

#### Current assets

Cash and cash equivalents	42,652	110,462
Accounts receivable, due from related parties	92,756	36,184
Other current asset	10,200	-
<b>Total current assets</b>	<b>145,608</b>	<b>146,646</b>

Equipment, net

	2,238	949
<b>Total assets</b>	<b>147,846</b>	<b>147,595</b>

### LIABILITIES AND STOCKHOLDER'S EQUITY

#### Current liabilities

Accounts payable, due to related parties	1,008	-
Other current liabilities	18,213	45,423
<b>Total current liabilities</b>	<b>19,221</b>	<b>45,423</b>

Non-current deferred tax liability

	267	-
<b>Total liabilities</b>	<b>19,488</b>	<b>45,423</b>

#### Stockholder's equity

Common stock (100,000 shares authorized, 20,000 shares issued and outstanding; par value \$ 1 per share)	20,000	20,000
Accumulated surplus	108,358	82,172
<b>Total stockholder's equity</b>	<b>128,358</b>	<b>102,172</b>
<b>Total liabilities and stockholder's equity</b>	<b>147,846</b>	<b>147,595</b>

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

## Statements of income

*(All amounts are stated in United States Dollars unless otherwise stated)*

	<b>For the year ended</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
<b>Revenues</b>		
Marketing service revenues	479,887	476,802
Other income	801	-
<b>Total revenues</b>	<b>480,688</b>	<b>476,802</b>
<b>Costs and expenses</b>		
Personnel cost	314,019	317,438
Depreciation	673	579
Selling, general and administrative	132,281	127,592
<b>Total cost and expenses</b>	<b>446,973</b>	<b>445,609</b>
<b>Profit before income tax</b>	<b>33,715</b>	<b>31,193</b>
Current tax expense	7,262	7,393
Deferred tax expense	267	-
<b>Net income</b>	<b>26,186</b>	<b>23,800</b>

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

## Statement of changes in stockholder's equity

*(All amounts in United States Dollars unless otherwise stated, except number of shares)*

Particulars	Common stock		Issued and outstanding		Accumulated surplus	Total stockholder's equity
	Authorized Shares	Value US\$	Shares	Value US\$		
<b>Balance as at April 01, 2015</b>	<b>100,000</b>	<b>100,000</b>	<b>20,000</b>	<b>20,000</b>	<b>58,372</b>	<b>78,372</b>
Net income for the year	-	-	-	-	23,800	23,800
<b>Balance as at March 31, 2016</b>	<b>100,000</b>	<b>100,000</b>	<b>20,000</b>	<b>20,000</b>	<b>82,172</b>	<b>102,172</b>
Net income for the year	-	-	-	-	26,186	26,186
<b>Balance as at March 31, 2017</b>	<b>100,000</b>	<b>100,000</b>	<b>20,000</b>	<b>20,000</b>	<b>108,358</b>	<b>128,358</b>

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

## Statements of cash flows

*(All amounts in United States Dollars, unless otherwise stated)*

### Cash flow from operating activities

	For the year ended	
	March 31, 2017	March 31, 2016
<b>Net income</b>	26,186	23,800
<b>Adjustments to reconcile net income to net cash (used in) provided by operating activities</b>		
Depreciation	673	579
Deferred tax expense	267	-
<b>Changes in assets and liabilities</b>		
Accounts receivable, due from related parties	(56,572)	47,173
Other current asset	(10,200)	-
Accounts payable, due to related parties	1,008	-
Other current liabilities	(27,210)	(13,509)
<b>Net cash (used in) provided by operating activities</b>	<b>(65,848)</b>	<b>58,043</b>

### Cash flow from investing activities

Purchase of fixed assets	(1,962)	(1,528)
<b>Net cash used in investing activities</b>	<b>(1,962)</b>	<b>(1,528)</b>

### Cash flow from financing activities

<b>Net cash used in financing activities</b>	-	-
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### Net (decrease) increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the year	110,462	53,947
<b>Cash and cash equivalents at the end of the year</b>	<b>42,652</b>	<b>110,462</b>

### Supplemental cash flow information

Income taxes paid	6,792	10,954
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*(The accompanying notes are an integral part of these financial statements)*

## Notes to Financial Statements

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

1. *Organization and nature of operations*

Rane Holdings America Inc. (“the Company” or “RHAI”), was incorporated in the State of Delaware on August 25, 2011. The Company is a wholly owned subsidiary of Rane Holdings Limited (“RHL”). The Company provides marketing, customer relationship management and related support services to its fellow subsidiaries: Rane (Madras) Limited (“RML”), Rane Engine Valve Limited (“REVL”), Rane Brake Lining Limited (“RBL”) and Rane Precision Die Casting Inc. (“RPDC”) in North America.

2. *Financial statements*

a) *Basis of preparation*

- i. The accompanying financial statements are prepared under the historical cost convention on accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States (“US GAAP”) to reflect the financial position, results of operations and cash flows of the Company.
- ii. The current year financial statements are for the fiscal year April 1, 2016 to March 31, 2017. The previous year financial statements are for fiscal year April 1, 2015 to March 31, 2016. The amounts in the notes to the financial statements for the previous year ending March 31, 2016 are given in brackets. Certain reclassifications, regroupings and reworking have been made in the financial statements of prior year to conform to the classifications used in the current year. These changes had no impact on previously reported net income or stockholder’s equity.
- iii. All amounts are stated in United States Dollars, except otherwise specified.

b) *Estimates and assumptions*

In preparing the Company’s financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure 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 important estimates made by the Company in preparing these financial statements include those on income taxes and expense accruals. Actual results could differ from those estimates.

3. *Cash and cash equivalents*

Cash and cash equivalents includes current balances on bank accounts and highly liquid, short-term deposits with an original maturity of three months or less. The Company believes it is not exposed to any significant risk on cash and cash equivalents.

4. *Revenue recognition*

Revenue of the Company comprises of marketing, customer relationship management and related support service fees for services rendered to its fellow subsidiaries; Rane (Madras) Limited (“RML”), Rane Engine Valve Limited (“REVL”), Rane Brake Lining Limited (“RBL”) and Rane Precision Die Casting Inc. (“RPDC”) in North America. Marketing service fees are charged on a basis of costs plus a reasonable mark-up for Rane (Madras) Limited (“RML”), Rane Engine Valve Limited (“REVL”) and Rane Brake Lining Limited (“RBL”). For Rane Precision Die Casting Inc. (“RPDC”) the Company receives fixed consideration which is recorded every financial quarter as revenues as services are rendered.

5. *Advertising costs*

Advertising costs are presented as part of selling, general, and administrative expenses in the statement of income. Non response advertising costs are expensed as incurred. The amount of advertising and marketing costs incurred by the Company for the year ended March 31, 2017 amounts to \$1,619 (March 31, 2016: \$16,775).

6. *Income taxes*

The Company accounts for deferred taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of change. Based on management’s judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

The Company recognizes liabilities for uncertain tax positions based on a twostep process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions within the provision for income taxes.

7. *Equipment, net*

Equipment’s are stated at cost less accumulated depreciation and impairment. Depreciation is provided over the estimated useful life of the assets using the straight-line method. When assets are retired or otherwise disposed of, the cost of the asset and related depreciation are eliminated from the financial records. Any gain or loss on disposition is credited or charged to income.

The estimated useful lives of assets are as follows:

Office equipment	3 years
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8. *Commitments and contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigations, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

**NOTE B – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of the following:

	<b>As at</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Bank balance	42,652	110,462
<b>Total</b>	<b>42,652</b>	<b>110,462</b>

Cash balances in checking account with the bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$250,000 per depositor at each financial institution, and the Company's non-interest bearing cash balances may exceed federal insured limits. Cash at risk at March 31, 2017: \$NIL (March 31, 2016: \$NIL).

**NOTE C – ACCOUNTS RECEIVABLE, NET**

Accounts receivable as at March 31, 2017 amounting to \$92,756 (March 31, 2016: \$36,184) represent amount receivable from related parties for marketing, customer relationship management and related support service fees.

**NOTE D – EQUIPMENT, NET**

Equipment comprise the following:

	<b>As at</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Office equipment	3,490	1,528
<b>Less:</b> accumulated depreciation	(1,252)	(579)
<b>Equipment, net</b>	<b>2,238</b>	<b>949</b>

Depreciation expense for the year ended March 31, 2017 was \$673 (March 31, 2016: \$579).

**NOTE E – OTHER CURRENT LIABILITIES**

Other current liabilities comprise of:

	<b>As at</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Audit fees	7,000	7,000
Other payable	8,416	15,341
Bonus payable	-	18,667
Insurance payable	594	1,881
Provision for taxes	2,203	2,534
<b>Total</b>	<b>18,213</b>	<b>45,423</b>

## NOTE F – INCOME TAXES

The Company files federal and state tax returns as a Chapter C corporation. The provision for income tax expense is as follows:

	<b>For the year ended</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
<b>Current taxes</b>		
- Federal	4,441	4,679
- State	2,821	2,714
<b>Deferred taxes</b>		
- Federal	193	-
- State	74	-
<b>Total</b>	<b>7,529</b>	<b>7,393</b>

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

	<b>For the year ended</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Income tax at federal rate	5,057	4,679
State tax, net of federal effect	2,472	2,714
<b>Total</b>	<b>7,529</b>	<b>7,393</b>

The Company applies the provisions of FASB Accounting Standard Codification (“ASC”) 740. The standard provides detailed guidance for the financial statement recognition measurement and disclosure of uncertain tax positions recognized in the financial statements. Tax positions must meet a “more-likely-than-not” recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent years. During the year ended March 31, 2017 and 2016 the Company recognized no uncertain tax positions.

The tax years of 2014 through 2016 remain subject to examination by the taxing authorities.

## NOTE G – RELATED PARTY TRANSACTIONS

- A. The following are the related parties with whom transactions have taken place during the year with the Company having closing balances:

<b>Name of the related party</b>	<b>Relationship</b>
Rane Engine Valve Limited	Fellow Subsidiary
Rane Brake Lining Limited	Fellow Subsidiary
Rane (Madras) Limited	Fellow Subsidiary
Rane Precision Die Casting Inc.	Fellow Subsidiary

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B. Summary of transactions with related parties are as follows:

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
<i>Transactions during the year</i>		
Marketing, customer relationship management and related support service fees charged to:		
• Rane (Madras) Limited	257,766	357,602
• Rane Engine Valve Limited	69,365	95,360
• Rane Brake Lining Limited	16,938	23,840
• Rane Precision Die Casting Inc.	90,000	-
Reimbursement of expenses:		
• Rane Precision Die Casting Inc.	45,818	-
<i>Receivable at year end from:</i>		
• Rane (Madras) Limited	2,272	32,424
• Rane Engine Valve Limited	10,532	3,108
• Rane Brake Lining Limited	-	652
• Rane Precision Die Casting Inc.	79,952	-
<i>Payable at year end to:</i>		
• Rane Brake Lining Limited	1,008	-

**NOTE H – STOCKHOLDER’S EQUITY**

The Company’s authorized share capital comprises of 100,000 common shares with a par value of \$1 each. As on March 31, 2017 and March 31, 2016 the Company’s issued and subscribed share capital is 20,000 common shares of \$1 each, aggregating to \$20,000.

All shares are owned by Rane Holdings Limited (“RHL”).

**NOTE I – RISKS AND UNCERTAINTIES**

The Company’s future results of operations involve several risks and uncertainties.

Factors that could affect the Company’s future operating results and cause actual results to vary materially from expectations include, competitive factors, including but not limited to pricing pressures; deterioration in general economic conditions; the Company’s ability to effectively manage operating costs and increase operating efficiencies; declines in revenues; technological and market changes; the ability to attract and retain qualified employees and the Company’s ability to execute on its business plan.

**NOTE J – SUBSEQUENT EVENTS**

The Company evaluated all events and transactions that occurred after March 31, 2017 through May 11, 2017, the date the financial statements are issued. Based on the evaluation, the Company is not aware of any events or transactions that would require recognition or disclosure in the financial statements.