

# **Rane Holdings America, Inc.**

Financial Statements

March 31, 2019 and March 31, 2018

**KNAV P.A.**

**Certified Public Accountants**

**One Lakeside Commons, Suite 850,  
990 Hammond Drive NE, Atlanta, GA 30328**



America Counts on CPAs

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# Independent Auditor's 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 the balance sheets as of March 31, 2019 and March 31, 2018 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, 2019 and March 31, 2018 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 20, 2019

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**KNAV P.A.**

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

## Balance sheets

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

### ASSETS

#### Current assets

Cash and cash equivalents	149,896	78,068
Accounts receivable, due from related parties	51,255	86,584
Other current assets	10,259	8,169
<b>Total current assets</b>	<b>211,410</b>	<b>172,821</b>

Equipment, net

5,531 3,776

Other assets

1,368 1,200

#### Total assets

**218,309** **177,797**

### LIABILITIES AND STOCKHOLDER'S EQUITY

#### Current liabilities

Accounts payable, due to related parties	3,288	-
Other current liabilities	37,507	26,684
<b>Total current liabilities</b>	<b>40,795</b>	<b>26,684</b>

Deferred tax liability

490 429

#### Total liabilities

**41,285** **27,113**

#### Stockholder's equity

Common stock (100,000 shares authorized, 20,000 shares issued and outstanding; par value \$1 per share)	20,000	20,000
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Accumulated surplus	157,024	130,684
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<b>Total stockholder's equity</b>	<b>177,024</b>	<b>150,684</b>
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<b>Total liabilities and stockholder's equity</b>	<b>218,309</b>	<b>177,797</b>
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*(The accompanying notes are an integral part of these financial statements)*

## Statements of income

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

	<b>For the year ended</b>	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
<b>Revenues</b>		
Marketing service revenues	545,458	431,865
Other income	243	764
<b>Total revenues</b>	<b>545,701</b>	<b>432,629</b>
<b>Costs and expenses</b>		
Personnel cost	318,295	224,730
Depreciation	2,501	1,439
Selling, general and administrative	188,980	177,442
<b>Total cost and expenses</b>	<b>509,776</b>	<b>403,611</b>
<b>Profit before income tax</b>	<b>35,925</b>	<b>29,018</b>
Current tax expense	9,524	6,530
Deferred tax expense	61	162
<b>Net income</b>	<b>26,340</b>	<b>22,326</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, except number of shares)*

Particulars	Common stock		Common stock		Accumulated surplus	Total stockholder's equity
	Authorized Shares	Value US\$	Issued and outstanding Shares	Value US\$		
<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>
Net income for the year	-	-	-	-	22,326	22,326
<b>Balance as at March 31, 2018</b>	<b>100,000</b>	<b>100,000</b>	<b>20,000</b>	<b>20,000</b>	<b>130,684</b>	<b>150,684</b>
Net income for the year	-	-	-	-	26,340	26,340
<b>Balance as at March 31, 2019</b>	<b>100,000</b>	<b>100,000</b>	<b>20,000</b>	<b>20,000</b>	<b>157,024</b>	<b>177,024</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)*

	For the year ended	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
<b>Cash flow from operating activities</b>		
Net income	26,340	22,326
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Depreciation	2,501	1,439
Deferred tax expense	61	162
<b>Changes in assets and liabilities</b>		
Accounts receivable, due from related parties	35,329	6,172
Other current assets	(2,090)	831
Accounts payable, due to related parties	3,288	(1,008)
Other current liabilities	10,823	8,471
Other assets	(167)	-
<b>Net cash provided by operating activities</b>	<u>76,084</u>	<u>38,393</u>
<b>Cash flow from investing activities</b>		
Purchase of equipment.	(4,256)	(2,977)
<b>Net cash used in investing activities</b>	<u>(4,256)</u>	<u>(2,977)</u>
<b>Cash flow from financing activities</b>	-	-
<b>Net cash used in financing activities</b>	<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	<b>71,828</b>	<b>35,416</b>
Cash and cash equivalents at the beginning of the year	78,068	42,652
<b>Cash and cash equivalents at the end of the year</b>	<u><b>149,896</b></u>	<u><b>78,068</b></u>
<b>Supplemental cash flow information</b>		
Income taxes paid	16,070	7,446

*(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 and affiliate companies: Rane (Madras) Limited (“RML”), Rane Engine Valve Limited (“REVL”), Rane Brake Lining Limited (“RBL”), Rane TRW Steering Systems Private Limited (“RTSS”) 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 01, 2018 to March 31, 2019. The previous year financial statements are for fiscal year April 01, 2017 to March 31, 2018. The amounts in the notes to the financial statements for the previous year ending March 31, 2018 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 amounts reported in the financial statements. Significant items subject to such estimates and assumptions include the useful lives of equipment, revenue recognition, accrued liabilities, deferred taxes and income taxes, and other contingencies. Management believes that the estimates used in the preparation of the financial statements are reasonable. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates. Any changes in estimates are adjusted prospectively in the financial statements.

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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 and affiliate companies; Rane (Madras) Limited (“RML”), Rane Engine Valve Limited (“REVL”), Rane Brake Lining Limited (“RBL”), Rane TRW Steering Systems Private Limited (“RTSS”) and Rane Precision Die Casting Inc. (“RPDC”) in North America. Marketing service fees are charged on the basis of costs plus a reasonable mark-up for RML, REVL, RBL, RTSS and RPDC. The Company receives fixed compensation 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, 2019 amounts to \$267 (March 31, 2018: \$1,118).

6. *Income taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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 income in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. All deferred tax assets and liabilities, along with any related valuation allowance, be classified as non-current on the balance sheet. ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon audit, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. ASC 740 also provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company recognizes liabilities for uncertain tax positions based on a two-step 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 are stated at cost less accumulated depreciation and impairment. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed in the period incurred.

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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:

	As at	
	March 31, 2019	March 31, 2018
Bank balance	149,896	78,068
<b>Total</b>	<b>149,896</b>	<b>78,068</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.

**NOTE C – ACCOUNTS RECEIVABLE, NET**

Accounts receivable as at March 31, 2019 amounting to \$51,255 (March 31, 2018: \$86,584) represent amount receivable from related parties for marketing, customer relationship management and related support service fees.

**NOTE D – EQUIPMENT, NET**

Equipment comprise the following:

	As at	
	March 31, 2019	March 31, 2018
Office equipment	10,723	6,467
<b>Less:</b> accumulated depreciation	(5,192)	(2,691)
<b>Equipment, net</b>	<b>5,531</b>	<b>3,776</b>

Depreciation expense for the year ended March 31, 2019 was \$2,501 (March 31, 2018: \$1,439).

**NOTE E – OTHER CURRENT LIABILITIES**

Other current liabilities comprise of:

	As at	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Audit fees	7,000	7,000
Other payable	30,507	18,397
Provision for taxes	-	1,287
<b>Total</b>	<b>37,507</b>	<b>26,684</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:

	For the year ended	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
<b>Current taxes</b>		
- Federal	6,551	4,140
- State	2,973	2,390
<b>Deferred taxes</b>		
- Federal	46	130
- State	15	32
<b>Total</b>	<b>9,585</b>	<b>6,692</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:

	For the year ended	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Income tax at federal rate	6,597	4,664
State tax, net of federal effect	2,988	2,028
<b>Total</b>	<b>9,585</b>	<b>6,692</b>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes are as follows:

	As at	
<b>Particulars</b>	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Equipment	490	429
<b>Total deferred tax liabilities</b>	<b>490</b>	<b>429</b>

During the year ended March 31, 2019 and 2018 the Company recognized no uncertain tax positions.

The tax years of 2016 through 2018 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 TRW Steering Systems Private Ltd.	Affiliate Company
Rane Precision Die Casting Inc.	Fellow Subsidiary

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

	<b>March 31, 2019</b>	<b>March 31, 2018</b>
<i>Transactions during the year</i>		
Marketing, customer relationship management and related support service fees charged to:		
• Rane (Madras) Limited	291,908	282,942
• Rane Engine Valve Limited	82,667	71,380
• Rane Brake Lining Limited	18,386	17,673
• Rane TRW Steering Systems Private Ltd.	107,260	19,672
• Rane Precision Die Casting Inc.	45,237	40,198
<i>Receivable at year end from:</i>		
• Rane (Madras) Limited	12,260	25,468
• Rane Engine Valve Limited	2,216	185
• Rane Brake Lining Limited	679	963
• Rane TRW Steering Systems Private Ltd.	-	19,671
• Rane Precision Die Casting Inc.	36,100	40,297
<i>Payable at year end to:</i>		
• Rane TRW Steering Systems Private Ltd.	3,288	-

**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, 2019 and March 31, 2018 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

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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. The Company is dependent on related parties for earning its revenue.

**NOTE J – SUBSEQUENT EVENTS**

The Company evaluated all events and transactions that occurred after March 31, 2019 through May 20, 2019, 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.

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