

# Rane Holdings America, Inc.

Financial Statements

March 31, 2016 and March 31, 2015

**KNAV P.A.**

Certified Public Accountants  
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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 of the balance sheets as of March 31, 2016 and March 31, 2015 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, 2016 and March 31, 2015 and the results of its operations and cash flows for the years then ended, in conformity with the accounting principles generally accepted in the United States of America.

**KNAV P.A.**

Atlanta, Georgia  
May 16, 2016

**Rane Holdings America, Inc.**  
Financial Statements  
March 31, 2016 and March 31, 2015

# Financial statements

## Balance sheets

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

### ASSETS

#### Current assets

Cash and cash equivalents	110,462	53,947
Accounts receivable, due from related parties	36,184	83,357
<b>Total current assets</b>	<b>146,646</b>	<b>137,304</b>

Equipment, net

	949	-
<b>Total assets</b>	<b>147,595</b>	<b>137,304</b>

### LIABILITIES AND STOCKHOLDER'S EQUITY

#### Current liabilities

Other current liabilities	45,423	58,932
<b>Total current liabilities</b>	<b>45,423</b>	<b>58,932</b>

#### Total liabilities

	<b>45,423</b>	<b>58,932</b>
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#### Stockholder's equity

Common stock (20,000 shares authorized, 20,000 shares issued and outstanding; par value \$ 1 per share)	20,000	20,000
Accumulated surplus	82,172	58,372
<b>Total stockholder's equity</b>	<b>102,172</b>	<b>78,372</b>

#### Total liabilities and stockholder's equity

	<b>147,595</b>	<b>137,304</b>
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*(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 years ended</b>	
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<b>Revenues</b>		
Marketing service revenues	476,802	392,189
<b>Total revenues</b>	<b>476,802</b>	<b>392,189</b>
<b>Costs and expenses</b>		
Personnel cost	317,438	239,305
Depreciation	579	-
Selling, general and administrative	127,592	127,228
<b>Total cost and expenses</b>	<b>445,609</b>	<b>366,533</b>
<b>Operating profit</b>	<b>31,193</b>	<b>25,656</b>
Other income	-	2,460
<b>Profit before income tax</b>	<b>31,193</b>	<b>28,116</b>
Current tax expense	7,393	5,198
<b>Net income</b>	<b>23,800</b>	<b>22,918</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		Common stock		Accumulated surplus	Total stockholder's equity
	Authorized Shares	Value US\$	Issued and outstanding Shares	Value US\$		
<b>Balance as at April 01, 2014</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>35,454</b>	<b>55,454</b>
Net income for the year	-	-	-	-	22,918	22,918
<b>Balance as at March 31, 2015</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>58,372</b>	<b>78,372</b>
<b>Balance as at April 01, 2015</b>	<b>20,000</b>	<b>20,000</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>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>82,127</b>	<b>102,172</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

Net income  
 Adjustments to reconcile net income to net cash provided  
 by (used in) operating activities

Depreciation

### Changes in assets and liabilities

Accounts receivable, net

Other current liabilities

Net cash provided by (used in) operating activities

### Cash flow from investing activities

Purchase of fixed assets

Net cash used in investing activities

### Cash flow from financing activities

Net cash used in financing activities

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

### Supplemental cash flow information

Income taxes paid

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

For the year ended

March 31, 2016      March 31, 2015

	March 31, 2016	March 31, 2015
Net income	23,800	22,918
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	579	-
Changes in assets and liabilities		
Accounts receivable, net	47,173	(54,353)
Other current liabilities	(13,509)	23,960
Net cash provided by (used in) operating activities	<b>58,043</b>	<b>(7,475)</b>
Cash flow from investing activities		
Purchase of fixed assets	(1,528)	-
Net cash used in investing activities	<b>(1,528)</b>	-
Cash flow from financing activities	-	-
Net cash used in financing activities	-	-
Net increase (decrease) in cash and cash equivalents	<b>56,515</b>	<b>(7,475)</b>
Cash and cash equivalents at the beginning of the year	53,947	61,422
Cash and cash equivalents at the end of the year	<b>110,462</b>	<b>53,947</b>

10,954

2,600

## 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 “RHA”), 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”) and Rane Brake Lining Limited (“RBL”) 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.

ii. The current year financial statements are for the fiscal year April 1, 2015 to March 31, 2016. The previous year financial statements are for fiscal year April 1, 2014 to March 31, 2015. The amounts in the notes to the financial statements for the previous year ending March 31, 2015 are given in brackets. Certain reclassifications, regroupings and reworking have been made in the financial statements of prior periods 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 US dollars, except as 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*

The Company considers all highly liquid investments and deposits with an original maturity of ninety days or less to be cash equivalents. Cash comprises balance with banks.

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”) and Rane Brake Lining Limited (“RBL”) in North America. Marketing, customer relationship management and related support service fees service fees are charged on a basis of costs plus a reasonable mark-up and recorded as revenues as services are rendered.

5. *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.

6. *Equipment, net*

Equipment’s are stated at cost less accumulated depreciation. 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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7. *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, 2016	March 31, 2015
Bank balance	110,462	53,947
<b>Total</b>	<b>110,462</b>	<b>53,947</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, 2016 amounting to \$ 36,184 (previous year end: \$ 83,357) 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, 2016	March 31, 2015
Office equipment	1,528	-
<b>Gross total</b>	<b>1,528</b>	-
<b>Less:</b> accumulated depreciation	(579)	-
<b>Equipment, net</b>	<b>949</b>	-

Depreciation expense for the year ended March 31, 2016 was \$ 579 (previous year end: \$ NIL).

### NOTE E – CURRENT LIABILITIES

Other current liabilities comprise of:

	As at	
	March 31, 2016	March 31, 2015
Audit fees	7,000	10,000
Outstanding manpower recruitment fees	-	35,095
Other payable	15,341	3,876
Bonus payable	18,667	2,667
Insurance payable	1,881	1,200
Provision for taxes	2,534	6,094
<b>Total</b>	<b>45,423</b>	<b>58,932</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:

	As at	
	March 31, 2016	March 31, 2015
Current tax		
- Federal	4,679	3,290
- State	2,714	1,908
<b>Provision for income taxes</b>	<b>7,393</b>	<b>5,198</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, 2016 and 2015 the Company recognized no uncertain tax positions.

**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

The Board of Directors of Kar Mobiles Limited (“KML”) and Rane Engine Valve Limited (“REVL”), at its respective meeting held on May 20, 2014, approved a scheme of amalgamation of KML, the Transferor Company, with REVL, the Transferee Company, pursuant to sections 391 to 394 of the Indian Companies Act with the appointed date as April 01, 2014. This scheme was sanctioned by the Honorable High Court of Judicature at Madras, India, vide their Order dated February 26, 2015, which was filed with the Registrar of Companies, Tamilnadu, Chennai, India, on April 01, 2015.

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

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
<i>Transactions during the year</i>		
Marketing, customer relationship management and related support service fees charged to:		
• Rane (Madras) Limited	357,602	254,923
• Rane Engine Valve Limited	95,360	98,047
• Rane Brake Lining Limited	23,840	39,219
<i>Receivable at year end from:</i>		
• Rane (Madras) Limited	32,424	61,341
• Rane Engine Valve Limited	3,108	15,929
• Rane Brake Lining Limited	652	6,087

**NOTE H – SUBSEQUENT EVENTS**

The Company evaluated all events and transactions that occurred after March 31, 2016 through May 16, 2016, 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.