

KOHINOOR FOODS USA INC

CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS ENDED MARCH 31, 2017 and 2016

KOHINOOR FOODS USA INC

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Fiscal Years Ended March 31, 2017 & 2016

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The President,
Kohinoor Foods USA Inc.
285 Durham Ave, Suite 1
South Plainfield NJ 07080

We have audited the accompanying financial statements of Kohinoor Foods USA Inc. (a New Jersey corporation), which comprise the balance sheet as of March 31, 2017, and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the 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 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 from material misstatement.

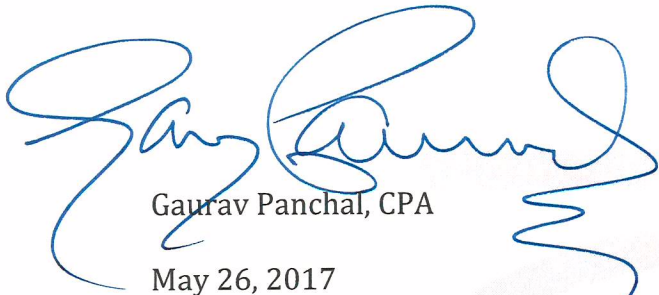
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 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 present fairly, in all material respects, the financial position of Kohinoor Foods USA Inc. as of March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Gaurav Panchal, CPA
May 26, 2017

KOHINOOR FOODS USA INC.
Consolidated Balance Sheets
As of March 31, 2017 and 2016

ASSETS

CURRENT ASSETS:	2017	2016
Cash and Bank	48,181	60,066
Accounts Receivables	317,656	2,940,690
	<hr/>	<hr/>
Total current assets	<u>365,837</u>	<u>3,000,756</u>
FIXED ASSETS:		
Land, at Cost	983,054	983,054
Less: Accumulated depreciation	<u>0</u>	<u>0</u>
Net Fixed assets	<u>983,054</u>	<u>983,054</u>
OTHER ASSETS:		
Deffered income taxes (net valuation allowance of \$317,262 as of 03-31-13)	1,735,932	1,735,932
Security Deposits	<u>4,750</u>	<u>4,750</u>
Total other assets	<u>1,740,682</u>	<u>1,740,682</u>
TOTAL ASSETS	<u><u>3,089,573</u></u>	<u><u>5,724,492</u></u>

See Accompanying Accountants' Report.

KOHINOOR FOODS USA INC.
Consolidated Balance Sheets
As of March 31, 2017 and 2016

LIABILITIES AND STOCKHOLDERS EQUITY

	2017	2016
CURRENT LIABILITIES:		
Bank loan - PNB Hong Kong	5,541,847	5,618,046
Accounts Payable	<u>67,981</u>	<u>5,476,243</u>
Total Current Liabilities	<u>5,609,828</u>	<u>11,094,289</u>
 LONG TERM LIABILITIES:		
	<u>0</u>	<u>0</u>
Total Long-Term Liabilities	<u>0</u>	<u>0</u>
 Total Liabilities	<u>5,609,828</u>	<u>11,094,289</u>
 STOCKHOLDERS' EQUITY:		
Capital Stock		
Common Stock, no par, 100,000 shares authorized, 56,000 shares issued	3,500,000	3,500,000
Preferred stock redeemable, stated value \$62.50 per share, 100,000 shares authorized, 80,000 shares issued	5,000,000	5,000,000
Retained earnings balance at beginning of year	(13,869,798)	(9,471,959)
Net Income (loss) for the year	<u>2,849,543</u>	<u>(4,397,839)</u>
Total Stockholders' Equity	<u>(2,520,255)</u>	<u>(5,369,798)</u>
 TOTAL LIABILITY AND STOCKHOLDERS' EQUITY	<u><u>3,089,573</u></u>	<u><u>5,724,491</u></u>

See Accompanying Accountants' Report.

KOHINOOR FOODS USA INC.

**Consolidated Statements of Income
For The Years Ending March 31, 2017 and 2016**

REVENUE	2017	2016
Sales	79,155	1,945,761
Commissions Income	444,999	0
Total Revenue	524,154	1,945,761
 COST OF GOODS SOLD:		
Beginning Inventory	0	4,573,936
Purchases	34,707	59,969
Fright inward	3,689	108,359
Ending inventory	0	0
Total Cost of Goods Sold	38,396	4,742,264
Gross Profit	485,757	(2,796,503)
 OPERATING EXPENSES:		
Sales promotion	0	7,926
Commission	0	8,331
Freight Outward	278	0
General and Administrative Expenses	206,996	1,428,021
TOTAL OPERATING EXPENSES:	207,274	1,444,278
OPERATING INCOME (LOSS):	278,484	(4,240,781)
 OTHER EXPENSES (INCOME)		
Settlement Income		(206,756)
Miscellaneous Income	(16,751)	
Income from Adjustments of Receivable & Payable	(3,096,112)	
Discount for Previous Year Sale	233,699	0
Interest Expense	308,105	363,813
Total other Expenses (Income)	(2,571,059)	157,057
NET INCOME (LOSE) BEFORE TAXES	2,849,543	(4,397,838)
LESS: PROVISION FOR INCOME TAX BENEFIT	0	0
NET INCOME (LOSS) AFTER TAX	2,849,543	(4,397,838)

See Accompanying Accountants' Report.

KOHINOOR FOODS USA INC.
SCHEDULE FOR OPERATING STATEMENT EXPENSES
For The Years Ending March 31, 2017 and 2016

GENERAL AND ADMINISTRATIVE EXPENSES:	2017	2016
Salaries	60,000	108,356
Payroll taxes	6,053	17,361
Rent	9,775	51,182
Bad debts expense	0	860,558
Repairs and Maintenance	2,165	2,901
Telephone	3,155	13,997
Insurance	16,145	18,282
Automobile Expense	13,492	24,329
Meals & Entertainment	0	4,861
Office Expense	12,515	20,040
Bank Charges	6,911	9,973
Miscellaneous expense	4,402	4,132
Professional fees	24,992	13,400
Travel	14,809	32,698
Property Tax	28,464	0
Postage	119	9,221
Local Taxes	3,999	12,229
Utilities	0	28,331
Warehouse Exps	0	166,727
Waste Disposal Exps	0	28,747
Data Processing	0	696
	<hr/>	<hr/>
Total	206,996	1,428,021
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See Accompanying Accountants' Report.

KOHINOOR FOODS USA INC.

Consolidated Statements of Cash Flow

For The Years Ending March 31, 2017 and 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	2017	2016
Net Income (loss)	2,849,543	(4,397,838)
<u>Add noncash charged</u>		
Depreciation, amortization and disposition		
<u>Decrease (increase) in operating assets:</u>		
Accounts receivable	2,623,033	3,032,247
Inventory		4,573,936
Advances and Prepaid		835
Deposits		91,618
Increase (decrease) in operating liabilities:		
Accounts payable	(5,408,262)	(3,303,649)
Advances		(474,793)
Net cash provided by (used in) operating activities	<u>64,314</u>	<u>(477,644)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition/Disposition of fixed assets	<u>0</u>	<u>3,952</u>
Net cash provided by (used in) investing activities	<u>0</u>	<u>3,952</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease Notes payable banks	(76,199)	(33,920)
Net cash provided by (used in) financing activities	<u>(76,199)</u>	<u>(33,920)</u>
Net Increase (decrease) in cash and cash equivalents	(11,885)	(507,612)
Cash and cash equivalents at beginning of year	<u>60,066</u>	<u>567,678</u>
Cash and cash equivalents at end of year	<u><u>48,181</u></u>	<u><u>60,066</u></u>

See Accompanying Accountants' Report.

KOHINOOR FOODS USA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Accrual Basis) For years Ended March 31, 2017 and 2016

Note 1: Basis of Presentation

The accompanying consolidated financial statements include the accounts of the office of Kohinoor Foods USA Inc. (the "Company") with head office in New Jersey and previous branch office in Texas. All material interoffice transactions and balances have eliminated in consolidation.

Note 2: Organization and Nature of Business

Kohinoor Foods USA Inc. (formerly, Satnam Overseas Limited Inc.) was incorporated in 2000 in the state of New Jersey, USA. The name of Satnam Overseas Ltd Inc. was changed to Kohinoor Foods USA Inc. in 2007. The company is a wholly owned subsidiary of Kohinoor Foods Limited (KFL) India. The company used to conduct their business as a wholesaler of fine rice, Indian spices, and other prepared food items imported mainly from India. The company serves the entire continental United State and Canada. During 2007, Kohinoor Foods USA Inc. (the company) was registered as a foreign corporation to do business in the state of Taxes, Illinois, California, and Maryland. The Maryland location was closed in July 2009 and all assets and liabilities were transferred to New Jersey. During fiscal year ended March 31, 2012, management has decided to close the warehouse locations in Illinois and California and consolidate the operations from warehouses in New Jersey and Texas. Inventory from these closed warehouses was transferred to New Jersey and Texas locations. These financial statements include results of the operation of Kohinoor Foods USA Inc. and its branches. During the fiscal year ending March 31, 2015, the company closed the warehouse location in Texas. In the fiscal year ending March 31, 2016, the management decided to close remaining warehouse locations in New Jersey.

Management has decided to change the business model of the Kohinoor Foods USA Inc., to significantly reduce cost of operation and expand market share. The company has appointed a main distributor for the USA. Under the proposed business model, the Company will function as marketing office on a commission basis and will not hold any physical inventory.

Note 3: Summary of Significant Accounting Policies

Accounting Policies

The accompanying financial statements are prepared on an accrual basis which is based on accounting principles generally accepted in the United State. Revenue from sales and commissions is recognized at the time of product shipment to ultimate customers. Expenses are recognized when incurred. Accordingly, certain costs and expenses incurred but unpaid at the end of the fiscal year are recorded as liabilities. The financial records of the company are maintained on a fiscal year basis. These financial statements have been prepared for the twelve month period ending March 31, 2017, to facilitate consolidation with the accounts of the parent company in India, whose fiscal year ends on March 31.

KOHINOOR FOODS USA INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Accrual Basis)
For years Ended March 31, 2017 and 2016**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Revenue Recognition

Sale is recognized when all the items ordered by the customer are shipped and invoice is raised. Similarly, the commission for the sales and marketing services provided to the parent company, Kohinoor Foods Limited is recognized when the sale to USA and Canada is recognized by the parent company.

Income Taxes

Provision has been made in the accompanying financial statements for state or local franchise taxes. The balance sheets reflect a deferred tax asset of \$1,759,178 (net valuation allowance of \$317,262) as of March 31, 2017 due to the deferred income tax benefit as estimated in prior years. Additional deferred income tax benefits for the current fiscal year have not been accrued as management believes the deferred amount reflected is adequate.

Inventory

During the fiscal year ending March 31, 2017, to remain consistent with the new business model curtailing the cost of operations, the company did not have any physical inventory.

Property and Equipment, and Sale of Assets

The company recorded property and equipment at cost. These assets were depreciated over their useful lives using straight-line depreciation method. For tax purposes, the Company adopted the Modified Accelerated Cost Recovery System, as required under the Tax Reform Act of 1986, for assets placed in service after December 31, 1986.

Depreciation of furniture and fixtures, and office equipment was computed using the straight-line method based principally on estimated useful lives on seven and five years respectively. Depreciation of computer equipment and software is computed using the straight-line method based on estimated useful life of five and three years respectively.

KOHINOOR FOODS USA INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Accrual Basis)
For years Ended March 31, 2017 and 2016**

During the fiscal year ending March 31, 2016, the company disposed off all assets mainly consisting furniture, fixtures, shelves & other equipment while closing the warehouse of New Jersey realizing net gain of \$56,049.

Accounts Receivable

Balance due is mainly for the commission receivable from the parent company Kohinoor Foods Limited what amounted to \$316,642 as of March 31, 2017. Out of the same, \$228,460 remained due over 90 days.

Cash and Cash Equivalents

The company considers as cash and cash equivalents, all funds deposited in financial institutions in checking accounts or money market fund accounts. These accounts are maintained in various financial institutions.

Loan and Credit Facilities

The Company entered into a loan agreement with Punjab National Bank (PNB), Hong Kong, on March 16, 2009, which provides for a cash credit facility of US \$7,000,000 and letter of credit facility of US \$2,000,000. Amount borrowed under the letter of credit facility will be for a maximum duration of 120 days and service charges would be payable as per bank's schedule of service charges. Per the revised agreement signed with PNB on May 13, 2015, the Cash Credit facility is changed to \$6,000,000 with interest rate based on the prime rate applicable in Hong Kong what was 5.50%. As of March 31, 2017 approximately \$5,541,847 was borrowed and remained outstanding under the credit facility.

The credit agreement with Punjab National Bank, Hong Kong required the company to convert the loan of \$5,000,000 from the parent company (Kohinoor Foods Limited) to capital. The loan of \$5,000,000 was converted into preferred redeemable stock on November 3, 2009.

Related Party Transactions

The Company purchased majority of the products from its parent company Kohinoor Foods Limited, a company incorporated in India. Since change of the business model, the company now provides sales and marketing services to the parent company and in response earns commission towards the sales done. All commission that was earned during the year was fully earned from such services provided to the parent company.

KOHINOOR FOODS USA INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Accrual Basis)
For years Ended March 31, 2017 and 2016**

Lease Commitment

The company rents warehouses and office space under various lease agreements. The company has taken an office/warehouse space at 40 Northfield Ave, Edison, NJ 08837. The lease for this location expired on August 31, 2015. Management decided not to renew this lease. In October 2015, the company had ended another warehouse lease having 10,000 sq. ft facility in Piscataway, NJ. Company currently leases office space at the Suite 1 located at 285 Durham Ave, South Plainfield NJ 07080. The current lease expires on 9th September 2017.

Future total minimum base rent lease payments until the period leases are as follows:

<u>Year ending March 31, 2017:</u>	<u>Amount</u>
Until 9 th September 2017	4,372.50 Approximate
Total minimum Lease payments	<u>4,372.50</u>

Employee Benefits

The company does not have any specific employee benefit or retirement plan. However, the company reimburses for the health benefits to the employee on fixed amount basis.

Concentration of Credit Risk

The company is subject to a concentration of credit risk, which consists of cash & cash equivalents, and accounts receivable. Cash balances are held at several financial institutions what are guaranteed by FDIC insurance up to \$250,000 per depositor. The company has not experienced any loss on its cash and cash equivalents.

Note 4: Extra Ordinary or Unusual Items

Writing Off of the Accounts Receivable & Payable

Subsequent to the change in business model of curtailing the operational expenses & resources, the management with the consultation and in co-ordination with the parent company, decided to write off several of the overdue accounts receivable for variety of reasons. After the change in the business circumstances, many of the balances were either not been able to be recovered or difficult to recover. Further collection activities would have required significant additional costs, staffing, efforts and resolution of unverified customer concerns with possibly leaving impact on the market credibility for company's food products and relationship. So, management decided to stop further collection activities and wrote off receivables of \$2,688,874, what is recorded net off the amounts written back under other income.

KOHINOOR FOODS USA INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Accrual Basis)
For years Ended March 31, 2017 and 2016**

Similarly, to reciprocate such business decision, the parent company Kohinoor Foods Limited, per its approval and agreement, had let go their receivables of \$5,335,506 from this company. Such adjustments in the accounts receivable & payable after the adjustment for the amounts recovered what were previously written off, had resulted in net gain of \$3,096,068, what is recorded under other income.

Note 5: Subsequent Events

Subsequent events were evaluated through May 25, 2017, the date the financial statements were available to be issued.

There were no events to be recognized or disclosed.

Note 6: Changes in Shareholders' Equity

The changes in shareholder's equity are as follows:

	2017	2016
Capital Stock	\$ 8,500,000	\$ 8,500,000
Retained Earnings at the beginning of period	(13,869,798)	(9,471,959)
Income (Loss) for Current Year	<u>2,849,543</u>	<u>(4,397,839)</u>
Total Equity	<u>\$ (2,520,255)</u>	<u>\$ (5,369,798)</u>