

# KOHINOOR FOODS USA INC

## CONSOLIDATED FINANCIAL STATEMENTS

FISCAL YEARS ENDED MARCH 31, 2019 and 2018

**KOHINOOR FOODS USA INC**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**Fiscal Years Ended March 31, 2019 & 2018**

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# CP ACCOUNTAX SERVICES

a CPA firm

## 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, 2019, 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.



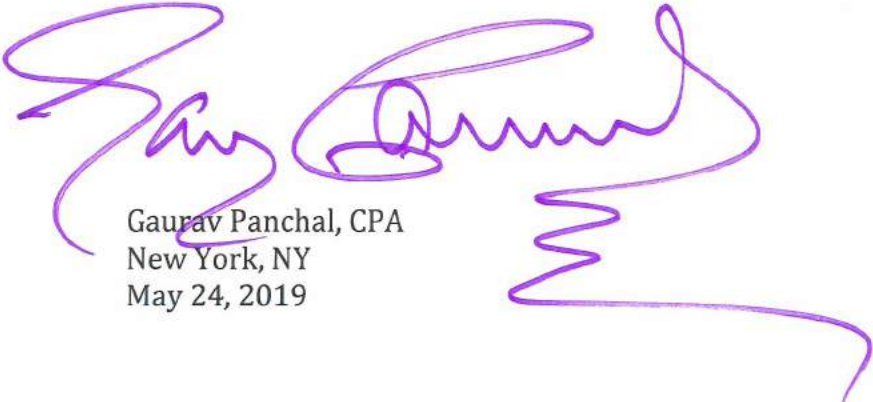
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2019, 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.

**The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. However, as discussed in Note 2 to the financial statements describing significant changes in business operations during the year what raise very substantial doubt about its ability to continue as a going concern. The financial statements include certain adjustments that result from the outcome of this uncertainty as discussed in Note 4 to the financial statements.**



Gaurav Panchal, CPA  
New York, NY  
May 24, 2019

KOHINOOR FOODS USA INC.  
Consolidated Balance Sheet  
As of March 31, 2019 and 2018

ASSETS

CURRENT ASSETS:	2019	2018
Cash and Bank	8,751	26,821
Accounts Receivables	-	317,923
Advances	5,323	-
Total current assets	14,073	344,744
FIXED ASSETS:		
Land, at Cost	-	983,054
Less: Accumulated depreciation	-	-
Net Fixed assets	-	983,054
OTHER ASSETS:		
Deffered income taxes (net valuation allowance of \$317,262 as of 03-31-13)	-	1,735,932
Security Deposits	-	-
Total other assets	-	1,735,932
TOTAL ASSETS	14,073	3,063,730

See Accompanying Accountants' Report.

KOHINOOR FOODS USA INC.  
Consolidated Balance Sheet  
As of March 31, 2019 and 2018

LIABILITIES AND STOCKHOLDERS EQUITY

	2019	2018
<b>CURRENT LIABILITIES:</b>		
Bank loan - PNB Hong Kong	4,783,816	5,625,222
Accounts Payable	-	65,966
Expenses & Taxes Payable	9,068	13,980
<b>Total Current Liabilities</b>	<b>4,792,884</b>	<b>5,705,168</b>
<b>LONG TERM LIABILITIES:</b>		
<b>Total Long-Term Liabilities</b>	-	-
<b>Total Liabilities</b>	<b>4,792,884</b>	<b>5,705,168</b>
<b>STOCKHOLDERS' EQUITY:</b>		
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	(11,141,438)	(11,020,255)
Net Income (loss) for the year	(2,137,373)	(121,182)
<b>Total Stockholders' Equity</b>	<b>(4,778,811)</b>	<b>(2,641,437)</b>
<b>TOTAL LIABILITY &amp; STOCKHOLDERS' EQUITY</b>	<b>14,073</b>	<b>3,063,731</b>

See Accompanying Accountants' Report.

KOHINOOR FOODS USA INC.

Consolidated Statements of Income  
For The Years Ending March 31, 2019 and 2018

REVENUE	2019	2018
Commissions Income	-	388,746
Total Revenue	<u>-</u>	<u>388,746</u>
 COST OF GOODS SOLD:		
Beginning Inventory	-	-
Ending inventory	-	-
Total Cost of Goods Sold	<u>-</u>	<u>-</u>
Gross Profit	<u>-</u>	<u>388,746</u>
 OPERATING EXPENSES:		
Sales promotion	-	2,500
Commission	-	-
Freight Outward	-	-
General and Administrative Expenses	<u>342,601</u>	<u>195,079</u>
TOTAL OPERATING EXPENSES:	<u>342,601</u>	<u>197,579</u>
OPERATING INCOME (LOSS):	<u>(342,601)</u>	<u>191,167</u>
 OTHER EXPENSES (INCOME)		
Interest Income	(918)	-
Loss on Sale of Assets	1,165	-
Deferred Tax Asset Written Off	1,735,932	-
Interest Expense	58,594	311,349
Total other Expenses (Income)	<u>1,794,773</u>	<u>311,349</u>
NET INCOME (LOSE) BEFORE TAXES	<u>(2,137,373)</u>	<u>(120,182)</u>
LESS: PROVISION FOR INCOME TAX	-	1,000
NET INCOME (LOSS) AFTER TAX	<u>(2,137,373)</u>	<u>(121,182)</u>

See Accompanying Accountants' Report.

KOHINOOR FOODS USA INC.  
SCHEDULE FOR OPERATING STATEMENT EXPENSES  
For The Years Ending March 31, 2019 and 2018

GENERAL AND ADMINISTRATIVE EXPENSES:	2019	2018
Salaries	21,265	60,000
Payroll taxes	2,353	8,836
Rent	7,056	11,255
Bad debts expense	273,565	5,624
Repairs and Maintenance	988	3,847
Telephone	1,320	3,773
Insurance	5,399	16,366
Automobile Expense	3,209	12,414
Office Expense	4,048	17,999
Bank Charges	698	7,209
Miscellaneous expense	326	2,121
Professional fees	19,000	24,314
Travel	1,758	8,237
Property Tax	-	13,005
Postage	116	80
Local Taxes	1,500	-
	<hr/>	<hr/>
Total	<u>342,601</u>	<u>195,079</u>

See Accompanying Accountants' Report.





KOHINOOR FOODS USA INC.

Consolidated Statements of Cash Flow

For The Years Ending March 31, 2019 and 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	2019	2018
Net Income (loss)	(2,137,373)	(121,183)
<u>Add noncash charges:</u>		
Depreciation, amortization and disposition	1,735,932	-
<u>Decrease (increase) in operating assets:</u>		
Accounts receivable	317,924	(267)
Advances	(5,323)	-
Security Deposits	-	4,750
<u>Increase (decrease) in operating liabilities:</u>		
Accounts payable	(65,966)	11,965
Expenses & taxes payable	(4,912)	-
Net cash provided by (used in) operating activities	<u>(159,718)</u>	<u>(104,735)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposition (Acquisition) of fixed assets	<u>983,054</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>983,054</u>	<u>-</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes payable banks	(841,406)	83,375
Net cash provided by (used in) financing activities	<u>(841,406)</u>	<u>83,375</u>
Net Increase (decrease) in cash and cash equivalents	(18,070)	(21,360)
Cash and cash equivalents at beginning of year	<u>26,821</u>	<u>48,181</u>
Cash and cash equivalents at end of year	<u><u>8,751</u></u>	<u><u>26,821</u></u>

See Accompanying Accountants' Report.

# KOHINOOR FOODS USA INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years Ended March 31, 2019 and 2018

### 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 former office in Texas. All material interoffice transactions and balances have eliminated in consolidation, if any.

### 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 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.

After closing all warehouse locations, management 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 new current business model, the Company function as marketing office on commission basis and does not hold any physical inventory.

During 2018-19, company has discharged all employees and closed the office in New Jersey. Currently, company does not have any physical office location. With total termination of commission-based sales & support service to parent company and without any operations forward, it appears that company is ceasing to be a going concern.

Company also owns 100% membership interest in a Limited Liability Company (LLC) organized under the state laws of Texas named "Kohinoor Properties LLC". The LLC does not have any business operation. All transactions concerning such LLC are incurred, paid and recorded by the company on its own books. Per the tax laws and rules of United States Internal Revenue Service and state of Texas, such single member LLCs are considered as a disregarded entity and no separate tax filings are done for such entity.

# KOHINOOR FOODS USA INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years Ended March 31, 2019 and 2018

### 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 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, 2019, to facilitate consolidation with the accounts of the parent company in India, whose fiscal year ends on March 31.

#### 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 \$1,735,932 as of March 31, 2018 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.

As the company is ceasing its operations and there is no future benefit of the deferred tax asset anticipated, management concluded to write off such asset from the balance sheet.

KOHINOOR FOODS USA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years Ended March 31, 2019 and 2018

Inventory

During the fiscal year ending March 31, 2019, 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.

Company had sold a piece of land located in state of Texas with net loss of \$1,165 after all sale related expenses.

Accounts Receivable

Balance due is mainly for the commission receivable from the parent company Kohinoor Foods Limited what amounted to \$316,909 as of March 31, 2018. Management has written off all the accounts receivable from parent company evaluating its ability to pay such outstanding amounts.

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, 2018 approximately \$5,625,222 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. The credit facility from the bank was granted with the guarantee of the parent company.

# KOHINOOR FOODS USA INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years Ended March 31, 2019 and 2018

Company had repaid about \$900,000 of loan during the year. Outstanding Bank Loan is \$ 4,783,816 as of March 31, 2019. Company has received recall notice from PNB Hong Kong. Company has provided for the Interest till date of recall, amounting to \$58,594 to bring the balance equal to the amount due as per recall notice. Company has not provided for the interest after recall notice and have not received the statement and/or confirmations after several attempts.

### 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 provided sales and marketing services to the parent company and in response earned commission towards the sales done.

### 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

During the year ending March 31, 2019, management decided to write off all receivables evaluating ability of the parent company to pay the outstanding amounts.

As the company is ceasing its operations and there is no future benefit of the deferred tax asset of \$1,735,932 anticipated, management concluded to write off such asset from the balance sheet.

KOHINOOR FOODS USA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For years Ended March 31, 2019 and 2018

Note 5: Subsequent Events

Subsequent events were evaluated through May 23, 2019, 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:

	2019	2018
Capital Stock	\$ 8,500,000	\$ 8,500,000
Retained Earnings at the beginning of period	(11,141,438)	(11,020,255)
Income (Loss) for Current Year	<u>(2,137,373)</u>	<u>(121,183)</u>
Total Equity	<u>\$ (4,778,811)</u>	<u>\$ (2,641,438)</u>