ATUL USA, INC.

Financial Statements and
Supplementary Information

Years Ended March 31, 2019 and 2018

Rives & Associates, LLP
Certified Public Accountants and Consultants

ATUL USA, INC.
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Independent Auditor's Report

To the Board of Directors
Atul USA, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Atul USA, Inc. (a North Carolina corporation), which comprise the balance sheets as at March 31, 2019 and 2018, and the related statements of income, shareholder's equity, and cash flows for the years 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 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 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 Atul USA, Inc. as of March 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Report of Supplementary Information
Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The supplementary information on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rives & Associates LLP

Charlotte, North Carolina
April 11, 2019

ATUL USA, INC.
Balance Sheets
March 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash	$ 87,782	$ 535,311
Accounts receivable	4,858,617	6,548,358
Accounts receivable - related parties	654,675	75,980
Duty refund receivable	-	82,199
Inventories	718,159	723,841
Income tax refund	47,107	80,157
Prepaid expenses	58,593	33,902
Total current assets	6,424,933	8,079,748
Fixed assets:		
Property and equipment - at cost, less accumulated depreciation of $93,894	291,965	328,816
Other assets:		
Loan costs, less accumulated amortization of $274	1,222	1,294
Deposit	467	467
Other assets	182	182
Total other assets	1,871	1,943
Total assets	$ 6,718,769	$ 8,410,507
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 625,391	$ 496,030
Accounts payable - related parties	2,863,006	5,169,823
Current maturities of long-term debt	12,367	154,024
Deferred tax liability	12,715	19,688
Total current liabilities	3,513,479	5,839,565
Long-term debt:		
Note payable, less current portion	131,707	-
Total liabilities	3,645,186	5,839,565
Shareholder's equity		
Common stock	2,000,000	2,000,000
Retained earnings	1,073,583	570,942
Total shareholder's equity	3,073,583	2,570,942
Total liabilities and shareholder's equity	$ 6,718,769	$ 8,410,507

The accompanying notes to the financial statements are an integral part of these statements

ATUL USA, INC.
Statements of Income
For the Years Ended March 31, 2019 and 2018

	2019		2018	
	Amount	% To Net Sales	Amount	% To Net Sales
Net sales	$ 44,691,598	100.00%	$38,847,190	100.00%
Cost of goods sold	43,671,151	97.72%	38,191,665	98.31%
Gross profit	1,020,447	2.28%	655,525	1.69%
Operating expenses:				
Selling, general, and administrative	393,696	0.88%	448,727	1.16%
Operating income	626,751	1.40%	206,798	0.53%
Other (income) and expenses:				
Other income	23,069	0.05%	(3,397)	(0.00)
Financial expense, interest expense	(6,725)	-0.02%	7,384	0.02%
Merger and acquisition cost	-	-	-	-
Total other (income) and expenses	16,344	0.04%	3,987	0.01%
Income before taxes	643,095	1.44%	202,811	0.53%
Provision for income taxes:				
Current tax expense	(147,428)		34,300	
Deferred tax expense	6,974		12,643	
	(140,454)		46,943	
Net income	$ 502,641		$ 155,868	

The accompanying notes to the financial statements are an integral part of these statements

ATUL USA, INC.
Statements of Shareholder's Equity
For the Years Ended March 31, 2019 and 2018

	Common Stock	Retained Earnings	Total
Balance at April 1, 2017	$ 2,000,000	$ 603,309	$ 2,603,309
Dividends	-	(188,235)	(188,235)
Net income	-	155,868	155,868
Balance at March 31, 2018	2,000,000	570,942	2,570,942
Net income	-	502,641	502,641
Balance at March 31, 2019	$ 2,000,000	$ 1,073,583	$ 3,073,583

The accompanying notes to the financial statements are an integral part of these statements

ATUL USA, INC.
Statements of Cash Flows
For the Years Ended March 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Net income	$ 502,641	$ 155,868
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Amortization	322	52
Depreciation	36,851	20,376
Loss on disposal	1,246	
Deferred income taxes	(6,974)	12,643
Changes in noncash operating assets and liabilities:		
Decrease in accounts receivable	1,689,741	(1,352,242)
Increase in accounts receivable - affiliate	(578,695)	9,970
Decrease in duty refund receivable	82,199	(82,199)
Decrease in income tax refund	33,050	-
Decrease in inventory	5,682	242,225
Increase in prepaid expenses	(24,691)	(33,902)
Increase in accounts payable	129,361	288,641
Increase (decrease) in accounts payable affiliate	(2,306,817)	1,481,957
Increase (decrease) in income taxes payable	-	(9,694)
Total adjustments	(938,725)	577,827
Net cash provided (used) by operating activities	(436,084)	733,695
Cash flows from investing activities:		
Loan origination costs	(1,495)	(74,291)
Net cash used in investing activities	(1,495)	(74,291)
Cash flows from financing activities:		
Dividends paid	-	(160,000)
Payments on long-term debt	(9,950)	(11,653)
Net cash used in financing activities	(9,950)	(171,653)
Net increase in cash	(447,529)	487,751
Cash at beginning of year	535,311	47,560
Cash at end of year	$ 87,782	$ 535,311
Supplementary disclosure of cash flow information:		
Cash paid for interest	$ (6,725)	$ (7,384)
Cash paid for income taxes	$ 116,000	$ 68,202

The accompanying notes to the financial statements are an integral part of these statements

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Atul USA, Inc. (the "Company"), which is a wholly-owned U.S. subsidiary of Atul Ltd. (a corporation of the country of India), is engaged primarily in the distribution of chemical dyes used mainly in the textile industry. Sales are made primarily in the Southeastern United States of America.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized when the merchandise is shipped in accordance with the terms of shipment, which represents the point when the risks and rewards of ownership are transferred to the customer. Sales are shown net of estimated returns and discounts.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recognized at the sales price less any purchase discounts extended at the time of sale. Accounts receivable are past due or delinquent when payment is not received within the credit term extended to the customer, ranging from 30 days to 270 days. The Company does not charge customers late fees or interest on delinquent accounts receivable. The Company's domestic accounts receivable are insured through a provider at a rate of 100%, provided certain conditions are met.

The Company uses the allowance method to account for uncollectible trade receivable balances. Under the allowance method, if needed, an estimate of uncollectible balances is made upon specific account balances that are considered uncollectible. As of March 31, 2019 and 2018, the Company considered all accounts fully collectable and, therefore, did not provide an allowance for doubtful accounts.

Inventory

Inventories are stated at the lower of cost (average cost) or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on a straight-line method over the estimated useful lives of the assets. Repairs and maintenance are charged to expense as incurred and major improvements are capitalized. Upon disposal, the accounts are relieved of the related costs and accumulated depreciation and the resulting gains and losses, if any, are reflected in operations. The estimated useful lives used for computing depreciation are as follows:

Building	40 years
Furniture and fixtures	7 years
Automobile	5 years
Software	3-5 years

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-lived Assets

The Company reviews the appropriateness of the carrying value of its long-lived assets whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidences, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. In the event the Company were to determine that it would be able to realize its deferred income tax assets in the future in excess of its net recorded amount, the Company would make an adjustment to the valuation allowance which would reduce the provision for income taxes.

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the consolidated financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its stockholders will not be subject to additional tax, penalties, and interest as a result of such challenge. The income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

New Accounting Pronouncements

In February 2016, the FASB issued updated guidance on accounting for leases, which requires lessees to recognize almost all leases on the balance sheet as a right-of-use asset and a lease liability. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities rather to recognize lease expense on a straight-line basis over the term of the lease. The recognition, measurement, and presentation of expenses and cash flows arising from a lease have not significantly changed. Also, fundamental changes were not made to the lessor accounting. The new guidance is effective for interim and annual periods, beginning after December 15, 2018 using a modified retrospective approach. Early adoption is permitted. The Company is assessing the impact of this guidance on its financial statements.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2014, the FASB issued updated guidance on accounting for revenue recognition, which supersedes most existing revenue recognition guidance. The guidance requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to, in exchange for those goods or services. The guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments, changes in judgments and assets recognized from cost incurred to obtain or fulfill a contract. The new guidance is effective for interim and annual periods, beginning after December 15, 2018, and may be applied retrospectively or through a cumulative effect adjustment to retained earnings at the date of adoption. Early adoption is permitted. The Company plans to adopt the guidance on its required effective date of January 1, 2019. The Company is assessing the impact of this guidance on its financial statements.

NOTE 2 – PROVISION FOR INCOME TAXES

The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. No valuation allowance was established as of March 31, 2019 and 2018, as full realization of the future deductions is anticipated.

The components of the provision for income taxes expense (benefit) for the years ended March 31, 2019 and 2018 are as follows:

	2019	2018
Current tax	$ 132,044	$ 34,300
Deferred tax	15,384	12,643
	$ 147,428	$ 46,943

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities consist of the following:

	2019	2019
Depreciation	$ (12,714)	$ (19,688)

NOTE 3 – COMMITMENTS

Contracted Services

The Company has an agreement for warehouse and distribution services from a bonded warehouse for storage, receiving and shipment for the Company's inventory. These services are provided on a month to month basis and can be terminated at any time by providing thirty days' notice.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follow:

	March 31, 2019		
	Cost	Accumulated Depreciation	Book Value
Machinery and equipment	$ 97,121	$ 46,556	$ 50,565
Furniture and fixtures	4,852	3,152	1,700
Building	283,886	44,186	239,700
	$ 385,859	$ 93,894	$ 291,965

	March 31, 2018		
	Cost	Accumulated Depreciation	Book Value
Machinery and equipment	$ 97,803	$ 17,926	$ 79,877
Furniture and fixtures	4,852	2,710	2,142
Building	283,886	37,089	246,797
	$ 386,541	$ 57,725	$ 328,816

Depreciation amounted to $36,851 and $20,376 for the years ended March 31, 2019 and 2018, respectively.

NOTE 5 – LONG-TERM DEBT

Effective April 19, 2018, the Company refinanced the note payable, a term loan, payable in monthly installments of $1,644, commencing on June 3, 2018. Interest accrues on the outstanding principal balance at a fixed rate of 5.25%. The note matures on May 3, 2023 at which time all unpaid principal and accrued interest is due.

Long-term debt consists of the following obligation:

	2019	2018
Note Payable - Wells Fargo Bank, N.A., payable in monthly installments of $1,644 plus interest through April 3, 2023, final balloon payment due May 03, 2023 interest at 5.25%, secured by a deed of trust on building.	$ 144,074	$ -
Note Payable - Wells Fargo Bank, N.A., payable in monthly installments of $1,586 plus interest through February 3, 2018, final balloon payment due May 03, 2018 interest at 4.25%, secured by a deed of trust on building.	-	154,024
	144,074	154,024
Less: Current portion	12,367	154,024
Long-term portion	$ 131,707	$ -

NOTE 5 – LONG-TERM DEBT (Continued)

Maturities of long-term debt obligations are as follows:

Year Ended March 31,		
2020	$	12,367
2021		13,061
2022		13,774
2023		104,872
	$	144,074

NOTE 6 – RELATED PARTIES

The Company purchases a significant portion of its inventory from its Parent Company (Atul Ltd.) and from its affiliates Atul China Ltd. and Atul Europe, Ltd. Purchases from its Parent and affiliates for the years ended March 31, 2019 and 2018 was as follows:

	2019	2018
Atul Ltd.	$ 34,634,569	$ 38,833,603
Atul China Ltd.	534,535	1,378,871
	$ 35,169,104	$ 40,212,474

The Company sells inventory to its Parent company, for items purchased from vendors in the United States. Sales to the Parent and affiliates for the years ended March 31, 2019 and 2018 was as follows:

	2019	2018
Atul Ltd.	$ 1,041,833	$ 34,917
Atul Europe Ltd	97,234	-
Total	$ 1,139,067	$ 34,917

Accounts receivable from related parties consists of the following:

	2019	2018
Atul Ltd.	$ 650,624	$ 71,929
Atul China Ltd.	960	960
Atul Europe Ltd	3,091	3,091
Total	$ 654,675	$ 75,980

Accounts payable to related parties consist of the following:

	2019	2018
Atul Ltd.	$ 2,863,006	$ 4,887,241
Atul China Ltd.	-	144,526
Atul Europe Ltd	-	138,056
Total	$ 2,863,006	$ 5,169,823

NOTE 7 – CREDIT AND CONCENTRATIONS RISKS

Cash Balances

The Company's policy is to maintain its cash balances in reputable financial institutions insured by the Federal Deposit Insurance Corporation (FDIC), which provides $250,000 of insurance coverage per depositor, per insured bank, for each account ownership category. At March 31, 2019 and 2018, the Company had uninsured deposits of $0 and $404,488, respectively. The Company has not experienced any losses in and believes it is not exposed to significant credit risk to cash.

Revenue

During the year ended March 31, 2019, sales to two customers (each over 10% of total sales) amounted to approximately $14,480,000 (31%). Sales to the same two customers for the year ended March 31, 2018 amounted to approximately $12,218,000 (31%). The loss of either of these customers could have a significant impact on the Company's financial position.

NOTE 8 – DATE OF MANAGEMENT'S REVIEW

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through, April 11, 2019, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ATUL USA, INC
Selling, General, and Administrative Expenses
For the Years Ended March 31, 2019 and 2018

	2019	2018
Salaries and wages	$ 137,256	$ 134,558
Payroll taxes and employee benefits	73,895	60,004
Travel and entertainment	12,806	18,326
Professional fees	25,025	148,743
Auditor's fees	20,000	16,000
Repairs and maintenance	795	3,428
Office supplies and postage	11,039	11,559
Insurance	10,162	7,428
Telephone	5,453	5,363
Amortization	322	52
Depreciation	36,851	20,376
Auto	687	1,123
Licenses and fees	8,210	4,642
Dues and subscriptions	1,250	1,649
Condo association fees	2,216	2,162
Utilities	2,453	2,610
Bank charges	12,446	10,164
Software costs	31,549	436
Miscellaneous	1,281	104
	$ 393,696	$ 448,727