

World Transload and Logistics, LLC

Financial Statements

For the Years Ending
March 31, 2017 and 2016

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Certified Public Accountants

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World Transload and logistics, LLC

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REPORT OF INDEPENDENT AUDITOR

To the Board of Members
World Transload and Logistics, LLC and Subsidiaries
New Hope, Minnesota

We have audited the accompanying financial statements of World Transload and Logistics, LLC and its Subsidiaries (a Minnesota Limited Liability Company) which comprise the balance sheets as of March 31, 2017 and 2016, and related statements of operations, changes in member's capital 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 consolidated 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 the 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial positions of World Transload and Logistics, LLC and Subsidiaries as of March 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Braj Aggarwal, CPA, P.C.

Hicksville, New York
May 26, 2017

FINANCIAL STATEMENTS

World Transload and Logistics, LLC

Balance Sheets

As of March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current		
Cash and cash equivalents	2,219,624	2,283,218
Accounts receivables:		
Trade receivables net	1,452,290	3,501,683
Others	24,653	21,687
Interest receivables	-	295,797
Inventories	3,754,444	3,154,521
Prepaid expenses	110,538	113,029
Prepaid taxes	387,168	804,842
Current portion of note receivable	3,033,333	2,255,555
Total current assets	10,982,050	12,430,332
Property, Plant & Equipment		
Land	802,468	802,468
Building	5,486,944	6,721,820
Leasehold improvements	531,193	531,193
Office furniture and equipment	1,308,923	74,957
Warehouse and manufacturing equipment	5,786,064	5,798,869
Vehicles	274,390	274,390
Less: accumulated depreciation	(8,284,248)	(7,813,887)
Property, Plant & Equipment, Net	5,905,734	6,389,811
Other Assets		
Security deposits	2,578	2,578
Note receivable	6,066,667	6,844,445
Deferred income tax assets	271,054	602,620
Total Other Assets	6,340,299	7,449,643
Total Assets	23,228,083	26,269,786

See Notes to Financial Statements

World Transload and Logistics, LLC

Balance Sheet

As of March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Liabilities and Member's Equity		
Current Liabilities		
Current portion of long term debt - Related Party	9,249,994	4,200,225
Accounts payable- trade	878,394	1,124,696
Accured expense	304,337	264,342
Accured interest	595,135	1,458,666
Customers deposits	94,860	69,259
Income tax payable current	432,153	247,692
Total Current Liabilities	11,554,873	7,364,880
Long-term debt, net of current portions :		
Long- term debt - related party	1,416,903	7,963,775
Total long-term debt	1,416,903	7,963,775
Total Liabilities	12,971,776	15,328,655
Membership Interest		
Membership interest	10,256,307	10,941,131
Total member's equity	10,256,307	10,941,131
Total Liabilities and Member's Equity	23,228,083	26,269,786

See Notes to Financial Statements

World Transload and Logistics, LLC

Statement of Income

for the years ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Net Sales	11,967,275	13,920,920
Cost of sales - materials, labor and other costs	9,441,099	9,827,575
Gross Profit	<u>2,526,176</u>	<u>4,093,345</u>
Selling, General and Administrative Expenses		
Selling, general and administrative expenses	1,592,773	2,387,334
Total Selling, General and Administrative Expenses	<u>1,592,773</u>	<u>2,387,334</u>
Operating Income (Expenses):	<u>933,403</u>	<u>1,706,011</u>
Other Income (Expenses):		
Interest income	213,876	176,781
Interest expense	(941,409)	(694,868)
Rental income	-	15,105
Scrap income	81,972	70,112
Miscellaneous income	64,695	33,083
Total Other Income (Expenses), net	<u>(580,866)</u>	<u>(399,787)</u>
Income before income taxes	<u>352,537</u>	<u>1,306,224</u>
Income Taxes		
Income tax benefit/(expense)	(432,153)	(247,692)
Income tax benefit/(expense) - Prior year adjustment	(273,642)	-
Deferred tax benefit/(expense)	(331,566)	40,020
Total Income Taxes	<u>(1,037,361)</u>	<u>(207,672)</u>
Net Income (loss)	<u>(684,824)</u>	<u>1,098,552</u>

See Notes to Financial Statements

World Transload and Logistics, LLC

Statement of Changes of Member's Equity
for the years ended March 31, 2017 and 2016

	Member's Stated Capital Account	Additional Capital Contributed	Retained Earnings	Total Member's Equity
Balance at March 31, 2015	9,842,579	-	-	9,842,579
Profit and loss	-		1,098,552	1,098,552
Balance at March 31, 2016	9,842,579	-	1,098,552	10,941,131
Profit and loss			(684,824)	(684,824)
Balance at March 31, 2017	9,842,579	-	413,728	10,256,307

See Notes to Financial Statements

World Transload and Logistics, LLC

Statement of Cash Flows

For the years ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Net income	(684,824)	1,098,552
Provision for doubtful debt provided by operating activities:		
Depreciation and amortization	471,902	426,270
Changes in operating assets and liabilities:		
(Increase)/decrease trade receivables	2,049,392	(957,801)
(Increase)/decrease current portion of note receivable	(777,778)	(1,477,777)
(Increase)/decrease other receivables	(2,965)	37,149
(Increase)/decrease Security Deposit	-	18,334
(Increase)/decrease in interest receivables- affiliates	295,797	(173,304)
(Increase)/decrease inventories	(599,923)	1,101,943
(Increase)/decrease prepaid expenses and deposits	2,491	(20,360)
(Increase)/decrease in note receivable	777,778	(622,223)
(Increase)/decrease in deferred taxes	331,566	(17,620)
(Increase)/decrease prepaid taxes	417,675	(802,000)
Increase/(decrease) account payable - trade	(246,302)	(222,329)
Increase/(decrease) current portion of note payable	5,049,769	4,071,407
Increase/(Decrease) accrued expenses	39,995	(157,308)
Increase/(Decrease) accrued interest	(863,531)	93,256
Increase/(Decrease) other liabilities & deposits	25,601	3,640
Increase/(Decrease) deferred tax liability	-	(22,400)
Increase/(Decrease) Income tax payable	184,461	247,692
Net cash provided (used) by operating activities	<u>6,471,104</u>	<u>2,625,121</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment		(7,576)
Net Proceeds from sale of subsidiary		-
Proceeds from sale of property	12,174	561,416
Net cash used in investing activities:	<u>12,174</u>	<u>553,840</u>
Cash Flows from Financing Activities:		
Decrease in notes payable	-	(4,671,407)
(Increase)/Decrease Long Term Debt	(6,546,872)	-
Net cash used in financing activities:	<u>(6,546,872)</u>	<u>(4,671,407)</u>
Net Increase/(decrease) in cash and cash equivalents:	(63,593)	(1,492,446)
Cash and cash equivalents at the beginning of year	<u>2,283,218</u>	<u>3,775,664</u>
Cash and cash equivalents at the end of year	<u>2,219,624</u>	<u>2,283,218</u>
Interest paid	1,803,524	694,868

See Notes to Financial Statements

World Transload And Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

World Transload and Logistics, LLC and its wholly owned subsidiaries Tube Technologies, Inc., and Helical Anchors, (collectively referred to herein as the “Company”) manufacture down hole tools for the water well, construction, mining, environmental, gas, oil, and utility construction industries, to customers located throughout the world. The Company also manufactures helical construction anchors for the utility and construction industries to customers located throughout the world.

Comparative Financial Statement

The financial statements presented along with the audit reports are in the comparative form.

Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations.

Principles of Consolidation

GAAP requires certain Variable Interest Entities (VIEs) to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The consolidated financial statements include the accounts of World Transload and Logistics, LLC, its wholly owned subsidiaries Tube Technologies, Inc., and Helical Anchors, Inc., and two VIEs; 5101 Boone, LLP (“5101 BOONE”) and Boone Real Property Holding, LLC, from which the Company leases a building. All significant intercompany balances, transactions, and profits have been eliminated in consolidation.

Use of Estimates in Consolidated Financial Statements

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

World Transload And Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2017 and 2016

Cash

The Company considers deposits that can be redeemed on demand and investments that have original maturities of less than three months when purchased to be cash equivalents. The Company maintains its cash in bank accounts with quality financial institutions that may at times exceed federally insured limits. To date, the Company has not experienced any losses in such accounts.

Accounts Receivable

Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic trends, and changes in customer payment terms. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes that out of the total accounts receivables of \$ 1,452,290 as on 03.31.2017 the few debtors with the balance totaling \$ 17,712 written off during the year and for rest receivables management consider them as fully good and collectibles and no allowance for doubtful accounts was needed to be provided for them as of March 31, 2017.

Inventories

Inventories are valued at average cost, which approximates the first-in, first-out (FIFO) method, including provisions for obsolescence commensurate with known or estimated exposures.

Property and Equipment

Property and equipment are carried at cost. Expenditures for major renewals and betterments, which substantially increase the useful lives of existing assets, are capitalized. Maintenance and repairs are charged to expense as incurred.

World Transload And Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2017 and 2016

The Company provides for depreciation of property and equipment utilizing the straight-line and accelerated methods for financial reporting purposes at rates based on the following useful lives:

Buildings and leasehold improvements	7 to 39 Years
Office furniture and equipment	3 to 10 Years
Warehouse and manufacturing equipment	3 to 20 Years
Vehicles	5 Years

Advertising Costs

Advertising costs are expensed as incurred. The advertising costs charged to expense for the year ended March 31, 2017 was \$ 3,610.

Shipping and Handling Costs

Shipping and handling costs charged to customers have been included in net sales. Shipping and handling costs incurred by the Company have been included in cost of goods sold.

Sales Tax

The Company collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the taxing authority for amounts collected but not yet remitted.

Income Taxes

Prior to the sale of the membership units of WTL and 5101 BOONE, WTL was taxed under the provisions of Subchapter S of the Internal Revenue Code and 5101 BOONE was taxed as a partnership. Due to the sale of the membership of WTL and 5101 BOONE, each will be taxed as a C-corporation effective May 23, 2014. The Company accounts for its income taxes using generally accepted accounting principles, which requires the establishment of deferred taxes for differences between financial statement and tax reporting purposes. As such, the Company's provision for income taxes is based on the asset and liability method of accounting whereby deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

World Transload And Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2017 and 2016

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. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Boone Real Property Holding, LLC is a disregarded entity for tax purposes as a single member LLC fully owned by WTL.

Management of the Company considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying consolidated financial statements. With few exceptions, the Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before. The Company classifies income tax related interest and penalties in income tax expense, when incurred. There were no income tax related interest or penalties to be accrued at March 31, 2017.

NOTE 2 – INVENTORY

As of March 31, 2017 and March 31, 2016, inventory consisted of the following:

	As of March 31, 2017	As of March 31, 2016
Raw materials	2,350,894	1,732,283
Work in process	66,426	147,458
Material in transit	147,588	57,660
Finished goods	1,189,536	1,217,120
	<u>3,754,444</u>	<u>3,154,521</u>

The Company evaluates the inventory purchased in the normal course of business for obsolescence and slow-moving items. Inventory is carried on the accompanying financial statements net of reserves.

World Transload And Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2017 and 2016

NOTE 3 – LONG-TERM DEBTS

Long-term debts consisted of the following:

	As of March 31, 2017	As of March 31, 2016
Mortgage payable to a finance company due in semi-annual interest payments at 6% over one year LIBOR rate (7.8 % at March 31, 2017) from 2013 through 2015, and semi-annual principal and interest payments of \$951,296 starting in 2016; due December 2017. This note is secured by the mortgage of the real estate of 5101 Boone, LLP, a pledge of the members' membership units, and an interest in the Company's accounts receivable and inventory	3,500,000	3,500,000
Note payable to a finance company due in semi-annual interest payments at 6% over one year LIBOR rate (7.8 % at March 31, 2017) from 2013 through 2015, semi-annual principal and interest payments of \$814,815 starting in 2016; due December 2017. This note is secured by equipment, a pledge of the members' membership units, and an interest in the Company's accounts receivable and inventory.	3,000,000	3,000,000
Note payable to a finance company due in semi-annual interest payments at 6% over one year LIBOR rate from 2014 through 2015 (7.8 % at March 31, 2017), semi-annual principal and interest payments of \$111,955 starting in 2016; due December 2019. This note is secured by equipment, a pledge of the members' membership units, and an interest in the Company's accounts receivable and inventory.	1,167,524	2,664,000
Note payable to a finance company due in semi-annual Installments of 2% interest only through 2015; \$163,118 semi-annual interest and principal payments in 2016 including interest at 6% over one year LIBOR rate (7.8 % at March 31, 2017) ; due January 2019. This note is secured by equipment, a pledge of the members' membership units, and an interest in the Company's accounts receivable and inventory.	1,000,000	1,000,000
Note payable to a finance company due in semi-annual installments of 2% interest only through 2015; \$326,235 semi-annual interest and principal payments in 2016 including interest at 6% over one year LIBOR rate (7.8 % at March 31, 2017); due April 2019. This note is secured by equipment, a pledge of the members' membership units, and an interest in the Company accounts receivable and inventory.	2,000,000	2,000,000
Total Long Term Debts	10,667,524	12,164,000
Less: Current Portion	(9,249,994)	(4,200,225)
Net Long Term Debts	1,417,530	7,963,775

World Transload And Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2017 and 2016

NOTE 3 – LONG-TERM DEBT (Continued....)

Annual Maturities of long-term debt

	2017-18	2018-19	2019-20
Anbecco Loan 1	3,500,000	-	-
Anbecco Loan 2	3,000,000		
Anbecco Loan 3	-	484,857	682,667
Anbecco Loan 4	916,663	83,337	
Anbecco Loan 5	1,833,331	166,669	

NOTE 4 – INCOME TAXES

The provision for income taxes consists of the following components for the years ended March 31, 2017 and 2016:

Current Tax Expense:	As of March 31, 2017	As of March 31, 2016
Federal	337,243	193,294
Minnesota	94,910	54,398
	<hr/> 432,153	<hr/> 247,692
Deferred:		
Federal	257,884	31,127
Minnesota	73,682	8,893
Total Provision for Income taxes	<hr/> 331,566 <hr/>	<hr/> 40,020 <hr/>

The deferred tax asset and liability balances are primarily a result of the differences in net book value of depreciable and amortizable assets . Realization of the future tax benefits related to the net deferred tax assets is dependent on many factors including the Company’s ability to generate taxable income. Management believes that, at a minimum, it is more likely than not that future taxable income will be sufficient to realize the recorded assets.

World Transload And Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2017 and 2016

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Company is subject to occasional lawsuits and claims with respect to matters such as product performance arising out of the normal course of business. While the impact on future financial results is not subject to reasonable estimation because considerable uncertainty exists, management believes, after consulting with counsel, that the ultimate liabilities resulting from such lawsuits and claims will not materially affect the results, liquidity or financial position of the Company.

NOTE 6 – 401(K) SALARY SAVINGS AND PROFIT SHARING PLAN

The Company has a 401(k) salary savings and profit sharing plan that covers all employees, subject to various eligibility requirements such as months of service and age limitations. At the discretion of the board of directors, the Company may make additional contributions based on profits. The company made matching contributions of \$ 16,082 and \$ 5,096 for the year ended March 31, 2017 and March 31, 2016.

NOTE 7 – MAJOR CUSTOMERS

The Company had sales to customers that individually contributed in excess of 10% of revenues are as follows for the years ended March 31, 2017 and March 31, 2016:

	As of March 31, 2017	As of March 31, 2016
Number of Customer	1	1
Revenue Contributed	4,162,678	3,828,727
Total Revenue	11,967,275	13,920,919
Percent of total revenue contributed	35%	27%
Accounts receivable from these customers	64,640	115,129

World Transload And Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2017 and 2016

NOTE 8 – CONSOLIDATION OF VARIABLE INTEREST ENTITY

The owners of the Company established a separate legal entity, 5101 Boone Ave, LLP (Formerly TM Holdings), to own the Company’s office and manufacturing facility. The Company leases the buildings and manufacturing facilities from 5101 Boone Ave, LLP under a 20-year lease with total expected lease payments of \$ 11,952,000 during that period.

Following generally accepted accounting principles for variable interest entities, the Company is the primary beneficiary of 5101 Boone Ave, LLP because the Company has the power to direct the activities of 5101 Boone Ave, LLP that most significantly impact 5101 Boone Ave, LLP’s economic performance. Those activities include management oversight, hiring, and decision making.

Should additional financial support be needed for 5101 Boone, LLP in the future, it is expected that the Company will provide that additional financial support due to the ownership and leasing relationships between the Company and 5101 Boone Ave, LLP. The current sole sources of 5101 Boone, LLP’s revenue is the lease payments made by the Company.

Selected information from 5101 Boone, LLP’s balance sheet as of March 31, 2017 and 2016 the results of operations for the period ended March 31, 2017 and 2016 are as follows:

	As of March 31, 2017	As of March 31, 2016
Long -Term Assets	4,402,709	4,588,965
Total Assets	4,583,331	4,710,688
Long-term Liabilities	1,445,686	1,733,215
Total Liabilities	1,541,403	1,820,857
Shareholders' Equity	3,041,928	2,889,831
Net Revenue	750,178	742,594
Operating Expenses	598,082	391,862
Net Income	152,096	111,825

WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Year ended March 31, 2017 and 2016

The assets above are collateral for the related long-term debts on the balance sheet of the Company. Upon initial consolidation of 5101 Boone, LLP into the Company, no gain or loss was recognized.

NOTE 9 – RELATED PARTY TRANSACTIONS

The company's member has ownership in various affiliated companies. The Company had transactions with three related party during for the period ended March 31, 2017 which included following sales/purchases:

Related Party	Transaction Type	Amount	Outstanding Balance
Jindal Saw Limited	Raw Material Purchase	1,126,579	601,938
Drill Pipe International	Raw Material Purchase	81,006	-
Jindal Saw USA, LLC	Raw Material Purchase	26,400	-
Jindal Saw Limited	Sale	34,123	-
Jindal Tubular USA, LLC	Interests Income on Loan	10,184	-
Jindal Saw USA, LLC	Interests Income on Loan	69,996	-
Jindal Tubular USA, LLC	Loan	-	7,000,000
Jindal Saw USA, LLC	Loan	2,100,000	2,100,000

NOTE 10- SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the consolidated balance sheet in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through May 26, 2017, which is the date the consolidated financial statements were available to be issued.