

**Financial Statements and  
Independent Auditors' Report**

**JBF Americas, Inc.**

**As of and for the Years Ended  
March 31, 2017 and 2016**

**Financial Statements and  
Independent Auditors' Report**

**JBF Americas, Inc.**

As of and for the Years Ended  
March 31, 2017 and 2016

Table of Contents

	<u>Pages</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Balance Sheets	3
Statements of Income and Retained Earnings (Deficit)	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 10

## **Independent Auditors' Report**

To the Stockholders of JBF Americas, Inc.

We have audited the accompanying financial statements of JBF Americas, Inc., which comprise the balance sheets as of March 31, 2017 and 2016, and the related statements of income and retained earnings (deficit), 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.



MOORE BEAUSTON WOODHAM  
3520 WEST MONTAGUE AVE. / SUITE 201 / N. CHARLESTON, SC 29418  
tel: (843) 766.5010 fax: (843) 766.5768  
FULLSERVICECPA.COM

## Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of JBF Americas, 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.

*Mark Beaufort ; Woodham LLP*

Charleston, South Carolina

June 8, 2017

JBF Americas, Inc.  
Balance Sheets  
As of March 31,

	2017	2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 937,451	\$ 682,929
Accounts receivable	9,954,758	9,547,100
Inventory	1,157,937	3,052,060
Deferred income taxes	29,521	29,521
Prepaid expenses	78,752	91,827
Total current assets	12,158,419	13,403,437
Property, plant and equipment, net	1,009	1,277
Total assets	\$ 12,159,428	\$ 13,404,714
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 139,832	\$ 22,039
Accrued expenses	1,058,497	103,821
Income taxes payable	93,103	-
Due to related parties	10,132,210	13,075,028
Total current liabilities	11,423,642	13,200,888
Total liabilities	11,423,642	13,200,888
<b>Stockholders' equity</b>		
Common stock, \$10 par value; 25,000 shares authorized; 25,000 shares issued and outstanding	250,000	250,000
Retained earnings (deficit)	485,786	(46,174)
Total stockholders' equity	735,786	203,826
Total liabilities and stockholders' equity	\$ 12,159,428	\$ 13,404,714

*See accompanying notes and independent auditors' report.*

JBF Americas, Inc.  
 Statements of Income and Retained Earnings (Deficit)  
 For the Year Ended March 31,

	2017	2016
Revenue, net	\$ 60,319,067	\$ 14,650,400
Cost of goods sold	58,726,375	14,293,758
Gross profit	1,592,692	356,642
Selling, general and administrative expenses		
Administrative expenses	518,199	346,580
Distribution expenses	298,605	81,869
Total selling, general, and administrative expenses	816,804	428,449
Other income (expense)		
Other income	36,159	-
Bank charges	(23,452)	(3,888)
Total other income (expenses)	12,706	(3,888)
Operating income (loss)	788,594	(75,695)
Income tax (expense) benefit		
Income tax expense	(256,635)	-
Deferred income tax benefit (expense)	-	29,521
Income tax (expense) benefit	(256,634)	29,521
Net income (loss)	531,960	(46,174)
Retained deficit at beginning of year	(46,174)	-
Retained earnings (deficit) at end of year	\$ 485,786	\$ (46,174)

*See accompanying notes and independent auditors' report.*

JBF Americas, Inc.  
Statements of Cash Flows  
For the Year Ended March 31,

	2017	2016
<b>Cash flows from operating activities:</b>		
Net loss	\$ 531,960	\$ (46,174)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	269	68
Changes in operating assets – (increase) decrease		
Accounts receivable	(407,658)	(9,547,100)
Inventory	1,894,123	(3,052,060)
Deferred income taxes	-	(29,521)
Prepaid assets	13,075	(91,827)
Changes in operating liabilities – increase (decrease)		
Accounts payable	117,792	49,039
Accrued expenses	954,676	76,821
Due to related parties	(2,942,818)	13,075,028
Income taxes payable	93,103	-
Net cash provided by operating activities	254,522	434,274
<b>Cash flows from investing activities:</b>		
Purchases of property, plant & equipment	-	(1,345)
Net cash used by investing activities	-	(1,345)
<b>Cash flows from financing activities:</b>		
Proceeds from sale of common stock	-	250,000
Net cash provided by financing activities	-	250,000
Net increase in cash	254,522	682,929
Cash at the beginning of year	682,929	-
Cash at end of year	\$ 937,451	\$ 682,929
<b>Supplemental information:</b>		
Cash paid for income taxes	\$ 163,351	\$ -

*See accompanying notes and independent auditors' report.*

JBF Americas, Inc.  
Notes to the Financial Statements  
For the Years Ended March 31, 2017 and 2016

**Note 1 - Nature of Operations and Summary of Significant Accounting Policies**

*Description of Business*

JBF Americas, Inc. (“the Company”) is a wholly owned subsidiary of JBF RAK, LLC (“the Parent Company”). The Company’s administrative offices are located in Charleston, SC. The Company was incorporated as a South Carolina corporation on March 31, 2015. JBF RAK, LLC, the Parent Company, is located in Ras Al Khaimah, United Arab Emirates.

The Company is an importer and wholesaler of film packaging materials. The Company began operations on October 1, 2015 and has elected a March 31<sup>st</sup> fiscal year end. The Company’s import and wholesale operations are located in Charleston, SC.

*Accounting Method*

The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Sales are recognized when revenue is realized or becomes realizable and has been earned. In general, revenue is recognized when the earnings process is complete, which is upon shipment of products. Expenses related to the revenues are recorded upon completion of the event to which they are applicable regardless of the timing of related cash flows.

*Management Estimates*

The preparation of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

For the purposes of balance sheet classification and statement of cash flows presentation, investments with a maturity of three months or less are considered cash equivalents.

*Revenue Recognition*

Sales are recognized when revenue is realized or becomes realizable and has been earned. In general, the company ships custom orders to customers in advance and inventory is held on consignment. Revenue is recognized as inventory is consumed by the customer.

JBF Americas, Inc.  
Notes to the Financial Statements  
For the Years Ended March 31, 2017 and 2016

**Note 1 - Nature of Operations and Summary of Significant Accounting Policies (continued)**

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for trade accounts receivable. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Customer accounts typically are collected within a short period of time, and, based on its assessment of current conditions, management believes realization losses on amounts outstanding at the end of 2017 will be immaterial.

Inventory for Resale

Inventory consists of materials stated at the lower of cost or market value. Cost is determined by the first in, first out method.

Property and Equipment

Property and equipment is shown at cost net of accumulated depreciation. Property and equipment is depreciated using straight-line over their estimated useful lives. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the statement of income.

Income Taxes

The Company conducts its sales operations within the United States and is subject to Federal and State income taxes on its income.

Shipping and Handling Costs

The company classifies freight billed to customers as sales revenue and the related freight costs as cost of sales.

Advertising

The Company expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. There was no advertising expense for the year ended March 31, 2017.

JBF Americas, Inc.  
Notes to the Financial Statements  
For the Years Ended March 31, 2017 and 2016

**Note 2 – Cash**

The Company maintains a cash balance at a commercial bank. Accounts at this bank are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At March 31, 2017, the Company had uninsured cash in the amount of \$687,108 with a financial institution.

**Note 3 – Accounts Receivable**

The Company extends credit to many of its customers in the ordinary course of business. Generally, these sales are unsecured. The Company performs periodic credit evaluations of its customers and generally does not require collateral. The Company does not believe significant credit risks exist at March 31, 2017, with respect to its accounts receivable.

Balances due from the Company's two largest accounts in 2016 comprise 65% of total accounts receivable and the three largest accounts in 2017 comprised 76% of the total carrying amount of accounts receivable at year end. Sales to the two largest customers in 2016 represent 65% of total sales for the year and sales to the three largest customers in 2017 represent 60% of total sales for the year ended March 31, 2017.

**Note 4 – Property, Plant and Equipment**

Property and equipment consisted of the following at March 31,:

	Estimated useful lives	2017	2016
Computer equipment	3-5	\$ 1,036	\$ 1,036
Furniture & fixtures	5-15	309	309
		<u>1,345</u>	<u>1,345</u>
Less: accumulated depreciation		<u>(336)</u>	<u>(68)</u>
Property and equipment, net		<u>\$ 1,009</u>	<u>\$ 1,277</u>

The book depreciation for the years ended March 31, 2017 and 2016, was \$269 and \$68, respectively.

**Note 5 – Related Party Transactions**

The Company purchases and imports all of its inventories from the Parent Company and from JBF Bahrain, LLC, which is an affiliate of the Parent Company. The Company reimburses the Parent Company and its affiliate, JBF Bahrain, LLC approximately 97.5% of the selling price of the inventory.

JBF Americas, Inc.  
Notes to the Financial Statements  
For the Years Ended March 31, 2017 and 2016

**Note 5 – Related Party Transactions (continued)**

For the year ended March 31, 2017, the Company had made the following purchases from related parties, and owed payables related to those purchases at March 31, 2017 as follows:

	Purchases	Accounts Payable
JBF RAK LLC	\$ 14,424,223	\$ 2,172,155
JBF Bahrain	46,621,300	7,960,055
	<u>\$ 61,045,523</u>	<u>\$ 10,132,210</u>

For the year ended March 31, 2016, the Company had made the following purchases from related parties, and owed payables related to those purchases at March 31, 2016 as follows:

	Purchases	Accounts Payable
JBF RAK LLC	\$ 3,995,149	\$ 2,721,333
JBF Bahrain	13,350,627	10,353,695
	<u>\$ 17,345,776</u>	<u>\$ 13,075,028</u>

**Note 6 – Income Taxes**

The Company follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, which provides guidance on accounting for uncertainty in income taxes recognized in the Company's financial statements. The guidance prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of March 31, 2017, the Company had no uncertain tax positions that require either recognition or disclosure in the Company's financial statements.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to differences between the bases of certain assets and liabilities for financial and tax reporting. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Temporary differences between the Company's net income and taxable income relate to the method depreciation of property and equipment, which was de-minimus for the years ended March 31, 2017 and 2016. The Company had a net-operating loss carryforward of \$75,401 as of March 31, 2016. No adjustment was made to the deferred tax asset arising from this net-operating loss carryforward in 2017 although the net-operating loss carryforward has been fully utilized.

JBF Americas, Inc.  
Notes to the Financial Statements  
For the Years Ended March 31, 2017 and 2016

The Federal and State income tax benefit, for the year ended March 31, 2016, is summarized as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Tax benefit of federal net operating loss	\$ 25,736	\$ -	\$ 25,736
Tax benefit of state net operating loss	-	3,785	\$ 3,785
	<u>\$ 25,736</u>	<u>\$ 3,785</u>	<u>\$ 29,521</u>

**Note 7 - Subsequent Events**

Management has evaluated subsequent events through June 8, 2017 the date the financial statements were available to be issued.

On March 31, 2017, JBF Americas, Inc. entered into a 26 month lease agreement beginning May 1, 2017 requiring monthly payments of \$1,095 for an office suite at in Mt. Pleasant, South Carolina.