

**Audited Financial Statements of  
Ducon Combustion Equipment Inc.  
Farmingdale, NY**

**For Years Ended  
March 31, 2022 & 2021**



# Salboro & Associates

Certified Public Accountants  
545 8<sup>th</sup> Ave., New York, NY 10018  
www.salborocpa.com

## REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders of  
Ducon Combustion Equipment Inc.  
Farmingdale, N.Y.

We have audited the accompanying balance sheet of Ducon Combustion Equipment Inc. (the “Company”) as of March 31, 2022 and 2021 and the related statements of income and cash flows for each of the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standard in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion. In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of their operations and cash flows for the periods then ended, in accordance with accounting principles generally accepted in the United States of America.

Farmingdale, N.Y.  
May 27<sup>th</sup>, 2022

Salboro & Associates

*Salboro & Associates*

Certified Public Accountants

**Ducon Combution Equipment Inc.**  
**Balance Sheet as at March 31, 2022 and 2021**  
 (All figures in US Dollars)

	31st March 2022	31st March 2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash equivalents	4,721	1,000
Accounts receivable	1,696,690	
<b>Total current assets</b>	<b>1,701,411</b>	<b>1,000</b>
Plant & equipments	797,487	
<b>Total non current Assets</b>	<b>797,487</b>	<b>-</b>
<b>Total Assets</b>	<b>2,498,898</b>	<b>1,000</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	2,030,597	
Other liabilities	-	8,000
<b>Total current liabilities</b>	<b>2,030,597</b>	<b>8,000</b>
<b>Total Long-term liabilities</b>		
<b>Total liabilities</b>	<b>2,030,597</b>	<b>8,000</b>
<b>Stockholder's equity</b>		
Authorized & issued:		
1,000 shares of Common Stock, par value \$1.00 per share	1,000	1,000
Additional paid-in capital	-	-
	<b>1,000</b>	<b>1,000</b>
Retained Earnings	467,300	-8,000
<b>Total Stockholder's equity</b>	<b>468,300</b>	<b>-7,000</b>
<b>Total liabilities and stockholder's equity</b>	<b>2,498,898</b>	<b>1,000</b>

*The accompanying notes are an integral part of these financial statements*

**Ducon Combution Equipment Inc.**  
**Statement of Income For Years Ended March 31, 2022 and 2021**  
 (All figures in US Dollars)

	31st March 2022	31st March 2021
Net Sales	34,272,256	-
Cost of sales	33,098,437	-
Gross Profit	<u>1,173,819</u>	<u>-</u>
Selling, General and Operating Expenses	368,512	2,000
Depreciation	<u>137,316</u>	<u>-</u>
Operating Income	667,991	(2,000)
Interest Expense	-	-
Net Operating Income	667,991	(2,000)
Other Income /(Expense)	-	-
Income /(Loss) before provision of Income Taxes	<u>667,991</u>	<u>(2,000)</u>
Income Tax Expense	192,690	-
Net Income	<u>475,301</u>	<u>(2,000)</u>

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**Ducon Combution Equipment Inc.**  
**Statement of Cash Flows for Year Ended March 31, 2022 and 2021**  
 (All figures in US Dollars)

	March 31, <u>2022</u>	March 31, <u>2021</u>
Cash Flows from Operating Activities		
Net income	475,301	2,000
Cash used in operating activities		
Changes in operating assets and liabilities:		
Trade receivables	(1,696,690)	-
Accounts payable	2,030,597	-
Other assets	-	-
Other Liabilities	(8,000)	(2,000)
Net cash provided by (used by) operating activities	<u>801,208</u>	<u>0</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(797,487)</u>	-
Net cash provided by investing activities	<u>(797,487)</u>	0
Cash Flows from Financing Activities		
Net cash provided by (used by) financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	3,721	0
Cash beginning of period	<u>1,000</u>	<u>1,000</u>
Cash end of period	<u><u>4,721</u></u>	<u><u>1,000</u></u>

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**Ducon Combustion Equipment Inc.**  
Notes to Financial Statements  
For Fiscal Year Ended March 31, 2022, and 2021  
(All figures are in US Dollars)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Operations & Ownership**

Ducon Combustion Equipment Inc. (“Company”) was incorporated on December 04, 2017 in New York, USA, as a wholly owned subsidiary of Ducon Infratechnologies Ltd. of Thane, India. The Company is involved in selling new & refurbished industrial equipment, including, heat exchangers, condensers, cogeneration plants and modular packaged diesel & NG power plants, to customers world-wide.

**Revenue Recognition**

Revenue and related costs are recognized when goods are shipped to customers provided that ownership and risk of loss have passed to the customer. Revenue for major equipment projects is recognized under the percentage of completion method by comparing actual costs incurred to total estimated costs to complete the respective projects. Anticipated losses are provided for as soon as they become evident.

**Inventories**

Inventory of raw materials are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis, and replacement cost. Finished goods are valued at the lower of cost, on a first-in, first-out basis, and net realized value. Net realized value is defined as selling price less estimated selling costs.

**Plant and Equipment**

Plant and equipment are recorded at cost. Repair and maintenance costs are expensed as incurred. Depreciation for financial statement purposes is computed on the straight-line method over the estimated service lives of the assets, which are from 15 years for machinery and equipment, 10 years for transportation equipment and 5 years for computer hardware and software.

**Cash & cash equivalents**

The Company considers all highly liquid temporary cash investments with original maturities of three months or less when purchased, to be cash equivalents.

**Credit Risk**

The Company is subject to credit risk through accounts receivable and short-term deposits. Receivables are with customers in various industries located globally and are subject to normal industry credit risk. An allowance for doubtful accounts, if any, is established on a case-by-case basis after careful review of the outstanding receivable amounts and the probability of collection within a reasonable period of time. Company has not experienced any loss on accounts receivable.

**Ducon Combustion Equipment Inc.**  
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**Fair Value of Financial Assets and Liabilities**

The fair values of cash, term deposit, accounts receivable and accounts payable are equivalent to their respective carrying values because of short-term maturity of those instruments. It is not practical to determine the fair value of the Company's long-term investment. The Company is not party to any derivative instruments.

**Income Taxes**

The asset and liability method of accounting for income taxes is followed. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences). Changes in the net future tax assets or liability are included in earnings. Future tax assets and liabilities are measured using substantially enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that includes the substantial enactment dates. Future income tax assets are evaluated and if their realization is not considered "more likely than not", a valuation allowance is provided.

Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, the Company considers all available evidence including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. In the event that the Company changes its determination as to the amount of deferred tax assets that can be realized, the Company will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

**Use of 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 based on currently available information, 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.

**Research and Development**

The Company expenses research costs as incurred. Development costs are also expenses unless they are significant and meet all criteria for deferral. Investment tax credits relating to research and development are recorded as a reduction to overhead expenses.

**2. Selling general & Operating Expenses**

The following is the breakdown of the Selling General and Operating expenses of the Company for fiscal year ended March 31, 2022, and 2021.

**Ducon Combustion Equipment Inc.**  
Notes to Financial Statements  
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Expense Item	FY 2022	FY 2021
Salary and allowances	156,800	
Sales promotion expenses (net)	56,800	
Travelling expenses	24,570	
Telephone expenses	3,200	
Rates and taxes	-	2,000
Freight outward	25,430	
Electricity charges	1,000	
Rent	30,000	
Repairs & Maintenance	33,241	
R&D Expenses	27,471	
Audit fees	10,000	
<b>TOTAL</b>	<b>368,512</b>	<b>2,000</b>

**3. Plant and Equipment**

The plant and Equipment are comprised of:

<b>Plant and Equipment, Gross</b>	
Equipments	876,713
Furniture & Fixtures	58,090
	<u>934,803</u>
Depreciation	<u>137,316</u>
<b>Plant and Equipment, Net</b>	<b>797,487</b>

**4. LITIGATION AND CONTINGENCIES**

The Company is not involved in any material legal proceedings, lawsuits, and claims. From time-to-time Company gets involved in various legal disputes related to business matters including product warranty and environmental matters of a nature considered normal to its business. It is the Company's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. Management believes, after consulting with counsel, that the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the results of operations, cash flows or financial position of the Company.