Uniparts Olsen Inc.

Financial Statements
March 31, 2020 and March 31, 2019

KNAV P.A.

Certified Public Accountants
One Lakeside Commons, Suite 850
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America Counts on CPAs

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Independent Auditor's Report

Board of Directors
Uniparts Olsen Inc.

We have audited the accompanying financial statements of Uniparts Olsen Inc. ('the Company') which comprise the balance sheet as of March 31, 2020 and the related statements of income, stockholder's equity 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; 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 audit in accordance with auditing standards generally accepted in the United States. 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 organization'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 organization'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 Uniparts Olsen Inc. as of March 31, 2020 and the results of its operations and its cash flow for the year then ended, in accordance with the accounting principles generally accepted in the United States.

Other matter

The financial statements of the Company as of March 31, 2019 were audited by another auditor whose report, dated May 09, 2019, expressed an unmodified opinion on those financial statements.

KNAV P.A.
Certified Public Accountants
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Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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 and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KNAV P.A.

Atlanta, Georgia
July 30, 2020

Financial Statements

Balance sheets

(All amounts in United States Dollars, except otherwise stated)	Notes	As at March 31, 2020	As at March 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	C	760,595	404
Accounts receivable, net	D	5,521,824	5,867,030
Inventories, net	E	16,610,436	18,144,291
Prepaid expenses and other current assets		153,800	97,362
Other receivables	K	800,246	72,000
Due from parent	Q	417,240	512,078
Total current assets		**24,264,141**	**24,693,165**
Property and equipment, net	F	2,358,649	2,321,047
Capitalized software costs	G	515,295	180,315
Other receivables, net of current portion		-	35,894
Goodwill		6,909,650	6,909,650
Total assets		**34,047,735**	**34,140,071**
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities			
Line of credit	I	4,800,944	6,930,532
Accounts payable		1,697,911	2,301,030
Due to related parties	Q	2,880,159	2,427,000
Current portion of long-term debt	I	324,514	428,017
Accrued expenses		1,851,767	936,068
Insurance claim recoveries in advance	K	653,558	-
Total current liabilities		**12,208,853**	**13,022,647**
Non-current liabilities			
Long-term debt, net of current portion	I	547,867	851,120
Deferred rent		73,488	-
Deferred gain-leaseback	J	-	28,170
Deferred income taxes	N	2,042,899	1,864,965
Total non-current liabilities		**2,664,254**	**2,744,255**
Stockholder's equity			
Common stock - $ 1 par value, 1,224,301 shares authorized, issued and outstanding	R	1,224,301	1,224,301
Additional paid-in capital		2,689,151	2,680,156
Retained earnings		15,261,176	14,468,712
Total stockholder's equity		**19,174,628**	**18,373,169**
Total liabilities and stockholder's equity		**34,047,735**	**34,140,071**

(The accompanying notes are an integral part of these financial statements)

Statements of income

(All amounts in United States Dollars, unless otherwise stated)

	Notes	For the years ended March 31, 2020	For the years ended March 31, 2019
Revenues, net	M	46,893,667	57,710,420
Cost of goods sold		(42,863,752)	(51,607,195)
Gross profit		**4,029,915**	**6,103,225**
Selling, general and administration expense		2,678,126	2,899,303
Income from operations		**1,351,789**	**3,203,922**
Other (expense) income			
Fire related expenses	K	(3,079,604)	-
Insurance claim recoveries	K	3,269,314	-
Interest expense	I	(325,434)	(348,079)
Amortization of gain on sale and leaseback	J	28,170	67,593
Total other expense		**(107,554)**	**(280,486)**
Income before income tax expense		**1,244,235**	**2,923,436**
Current income tax expense	N	273,837	653,709
Deferred tax expense	N	177,934	174,753
Total income tax expense		**451,771**	**828,462**
Net income for the year		**792,464**	**2,094,974**

(The accompanying notes are an integral part of these financial statements)

Statements of stockholder's equity
For the years ended March 31, 2020 and March 31, 2019

(All amounts in United States Dollars, except number of shares)

	Common stock						
	Authorized		Issued and outstanding		Additional paid-in capital	Retained earnings	Total stockholder's equity
Particulars	Shares	Value ($)	Shares	Value ($)			
Balance as at March 31, 2018	1,224,301	**1,224,301**	1,224,301	**1,224,301**	**2,680,156**	**12,373,738**	**16,278,195**
Net income for the year	-	-	-	-	-	2,094,974	**2,094,974**
Balance as at March 31, 2019	1,224,301	**1,224,301**	1,224,301	**1,224,301**	**2,680,156**	**14,468,712**	**18,373,169**
Employee stock options	-	-	-	-	8,995	-	**8,995**
Net income for the year	-	-	-	-	-	792,464	**792,464**
Balance as at March 31, 2020	1,224,301	**1,224,301**	1,224,301	**1,224,301**	**2,689,151**	**15,261,176**	**19,174,628**

(The accompanying notes are an integral part of these financial statements)

Statements of cash flows

(All amounts in United States Dollars, unless otherwise stated)

		For the years ended	
		March 31, 2020	**March 31, 2019**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**792,464**	**2,094,974**
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization		421,990	401,235
Provision for slow moving inventory		300,000	-
Deferred income tax expense		177,934	174,753
Provision for employee stock options		8,995	-
Amortization of gain on sale and leaseback		(28,170)	(67,593)
Insurance claim recovery for property and equipment		(43,966)	-
Changes in operating assets and liabilities, net			
Accounts receivable		345,205	(1,953,712)
Inventories		1,233,855	(2,918,666)
Prepaid expenses		(26,891)	(10,039)
Other receivables		(692,351)	86,003
Due from parent		94,837	207,127
Accounts payable		(568,063)	(406,098)
Due to related parties		453,159	1,502,000
Accrued expenses		880,646	83,627
Insurance claim recoveries in advance		203,558	-
Deferred rent and deferred gain on sale and leaseback		73,487	(187,637)
Net cash provided by (used in) operating activities	$	**3,626,689**	**(994,026)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(672,779)	(301,869)
Acquisition of capitalized software		(151,341)	(48,910)
Insurance claim recovery for property and equipment (including advance)		493,966	-
Net cash used in investing activities	$	**(330,154)**	**(350,779)**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment) of/ proceeds from line of credit, net		(2,129,588)	1,182,720
Repayments of debt		(406,756)	(297,759)
Net cash (used in) provided by financing activities	$	**(2,536,344)**	**884,961**
Net changes in cash and cash equivalents		**760,191**	**(459,844)**
Cash and cash equivalents at beginning of the year		404	460,248
Cash and cash equivalents at the end of the year	$	**760,595**	**404**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest		342,365	315,786
Cash paid for income taxes		214,000	460,067

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Equipment acquired through capital expenditures debt facility	-	498,955
Conversion of capital expenditures debt facility to note payable	-	758,163
Capitalized software cost paid by related party (Note Q)	230,484	131,405

(The accompanying notes are an integral part of these financial statements)

Notes to financial statements

(All amounts in United State Dollars, unless otherwise stated)

NOTE A – ORGANIZATION AND NATURE OF OPERATIONS

The operations of Uniparts Olsen Inc. (the "Company") consist of machining of metal parts and components as well as purchasing of machine parts from related party and third-party vendors for resale. The Company sells its products primarily to agricultural and construction equipment manufacturers in North America on credit terms the Company establishes with each customer. The Company is a wholly owned subsidiary of Uniparts USA Ltd. (the "Parent").

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

(a) *Basis of preparation*

i. The accompanying financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States ('US GAAP') to reflect the financial position, results of operations and cash flows of the Company.

ii. The financial statements are for the years April 01, 2019 to March 31, 2020 and April 01, 2018 to March 31, 2019.

iii. Unless otherwise specifically noted, all amounts in these financial statements are in United States Dollars, except number of shares.

iv. Certain reclassifications have been made in the financial statements of prior periods to conform to the classifications used in the current year which includes reclassification of 'Due to related parties' from 'Accounts payable' on the balance sheets. These changes had no impact on previously reported net income or retained earnings.

(b) *Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount 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. Significant estimates are used in determining, among other items, accounts receivable allowance, inventory valuation (which includes allowance for obsolescence and standard labor and overhead rates capitalized in inventory), goodwill impairment, medical insurance accruals, useful lives of tangible and intangible assets, provision for warranty costs and deferred income taxes. Actual results could differ from those estimates.

(c) *Cash and cash equivalents*

The Company considers all highly liquid investments purchased with maturities of three months or less at the time of acquisition to be cash equivalents for financial statement purposes. Cash and cash equivalents comprise of cash in hand, checks in transit and balance with banks.

(d) Accounts receivable

Accounts receivable are non-interest-bearing customer obligations due under normal trade terms, usually within 30 days of services provided. Customer account balances with invoices dated over 90 days are considered delinquent. The Company applies collections of accounts receivable to specific invoices in accordance with customer specifications, or if unspecified, to the oldest outstanding invoices.

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts based on a history of past write-offs and collections, and current credit conditions. The Company will turn an account over for collection or write balances off as uncollectible based on the facts and circumstances of each situation. As of March 31, 2020, and March 31, 2019, the allowance for doubtful accounts totaled $55,000 and $75,000, respectively.

(e) Inventories

Inventories, which consist primarily of construction, agricultural and forestry equipment parts and supplies are stated at the lower of cost or net realizable value and are net of an estimated allowance for obsolescence. Cost is determined using the average cost method and items are relieved from inventory on a first-in first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(f) Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Leasehold improvements are amortized over the shorter of the term of the lease or the life of the assets. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets as follows:

Class of asset	Estimated useful life (years)
Shop equipment	3-25
Office equipment	3-7
Vehicle	5
Computer equipment	3
Building	5-39
Software	3

Expenditures for maintenance and repairs are charged to expense as incurred.

(g) Capitalized software costs

The Company has developed an integrated software system and associated costs have been capitalized in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350 "Intangibles - Goodwill and Other." Upon implementation of the system, the costs are amortized over a period of three years.

(h) Goodwill

The Company evaluates goodwill when internal and external factors exist which indicate that the book value of goodwill could be impaired. Prior to adoption of the accounting pronouncement relating to goodwill, the Company recorded accumulated amortization of goodwill of $ 1,567,464. Management has determined that no impairment analysis was required and believes goodwill is not impaired as of March 31, 2020 and March 31, 2019.

(i) Valuation of long-lived assets

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no impairment assessment was required for the periods presented in the financial statements.

(j) Fair value of financial statements

The carrying value of financial instruments including cash, accounts receivable and accounts payable approximates fair value due to the short maturity of these instruments. The carrying amounts of long-term debt approximate fair value as the interest rates used approximate current interest rates available.

(k) Warranties

Provisions for warranty costs are recognized at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Company's obligation, net of warranties provided by suppliers.

(l) Revenue recognition

Effective April 01, 2019, the Company has adopted FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). Revenue is recognized upon transfer of control of products or services promised to customers in an amount that reflects the consideration the Company expects to receive in exchange for these products or services. The Company adopted modified-retrospective approach for adoption of Accounting Standards Codification ("ASC") 606 and the provisions did not have a material impact on the Company's financial statements, although the financial statement presentation and disclosures have changed. Please refer to Note M "Revenue from Contracts with Customers" for further information on the Company's revenue.

The core principle of ASC 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied; generally, this occurs with the transfer of control of the Company's products or services. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the contract. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

Revenues related to sale of products is recognized at a point in time when control of the asset is transferred to the customer based on an overall assessment of the existence of a right to payment, the allocation of ownership rights, the transfer of physical possession, the transfer of control, and acceptance by the customer. In case of product sales undertaken by the Company, sales are recognized when control of the products has transferred, being when the products are either picked up by customer or shipped from the warehouse, as agreed in the contract, the entity has right to payment and has transferred legal title to a customer. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated trade discounts, rebates and allowances.

(m) Shipping and handling cost

The Company classifies freight billed to customers as sales revenue, which is generally included in the list price to the customer. Freight costs are considered as fulfilment cost and recorded as a cost of product revenue. The Company does not consider shipping to be a separate performance obligation.

(n) Income taxes

Income taxes are provided for tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis for accounts receivable, inventory, net property and equipment, net goodwill, accrued expenses and deferred rent for financial and income tax reporting. The Company's tax obligation is combined with the activities of its Parent in a consolidated return. The income tax provisions shown in the accompanying financial statements have been determined based solely on the operations of the Company. Current and deferred taxes are allocated to the Company using the separate return method. This method allocates income taxes to each member of the consolidated group based on its apportionment. Other non-consolidated state income taxes are also computed on a separate company basis.

The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are expected to be recovered or settled. Deferred tax expense or benefit is recognized as a result of the change in the deferred tax assets or liabilities during the year.

The Company files consolidated tax returns along with its parent company in the U.S. federal jurisdiction and various states. Furthermore, the Company has no income tax related penalties or interest for the periods reported in these financial statements.

The Company has not recognized any uncertain tax positions in the financial statements as at March 31, 2020 and March 31, 2019.

(o) Operating leases

Lease rent expenses on operating leases are charged to expense over the lease term. Rent expense for such leases is recognized on a straight-line basis over the lease term.

(p) Stock based compensation to employees

The Company accounts for stock-based compensation expense relating to equity stock options that will be settled in shares of Uniparts India Limited, ultimate parent company. The Company computes the fair value of options granted using Black Scholes option pricing model. An amount equal to such compensation expense for the year is credited to additional paid-in capital of the Company.

The Company has used guidance in ASC 718; "Compensation-Stock Compensation" to account for employee share-based payments. ASC 718 requires share-based payments to employees, including grants of employee stock options and purchases under employee stock purchase plans, to be recognized in statements of income based on their fair values.

In accordance with ASC 718, the Company recognized stock-based compensation for awards granted by the ultimate parent company, that are expected to vest on a straight-line basis over the requisite service period of the awards. In respect of awards that have a graded vesting schedule and with only service conditions, compensation cost is recognized on straight line basis over the requisite service period for each separately vesting portion of the award as if the award was-in-substance, multiple awards. In determining whether an award is expected to vest, the Company uses an estimated forfeiture rate based on historical rates. The estimated forfeiture rate is updated for actual forfeitures annually

(q) Retirement benefits to employees

Contributions to defined contribution plans are charged to statements of income in the period in which they accrue.

(r) Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigations, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

(s) Insurance recoveries

A potential insurance recovery is evaluated and accounted for separately from the related loss and does not affect the recorded amount of the loss. An asset relating to an insurance recovery is recognized only when realization of the claim is deemed probable, and only to the extent of the related loss recognized in the financial statements. Any amount expected to be recovered in excess of the recognized loss, which will result in a gain, is not recognized until any contingencies relating to the insurance claim have been resolved. A contingent gain is not recognized until realized. The recovery of a loss is generally considered probable if there is a legally enforceable contract that stipulates the terms of the insurance coverage and the terms are not in dispute.

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at	
	March 31, 2020	**March 31, 2019**
Cash in hand	138	404
Check in transit*	740,533	-
Balances with banks in checking accounts	19,924	-
Total	**760,595**	**404**

Cash balances with the bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of $250,000 (March 31, 2019: $250,000).

*Check in transit includes the check issued by the insurance company pursuant to fire related claims (Refer Note K); but not received and deposited by the Company as of March 31, 2020.

NOTE D- ACCOUNTS RECEIVABLE

The Company's accounts receivable primarily relate to sale of goods to outside customers. Accounts receivable comprise the following:

	As at	
	March 31, 2020	**March 31, 2019**
Receivable from customers	5,576,824	5,942,030
Less: Allowance for doubtful accounts	(55,000)	(75,000)
Accounts receivable, net	**5,521,824**	**5,867,030**

All the account receivable of the Company are collateralized as security against the line of credit (Refer Note I).

NOTE E - INVENTORIES

The composition of inventories as of March 31, 2020 is as follows:

	Total	Obsolescence allowance	Net amount
Raw materials	2,472,838	-	2,472,838
Work-in-progress	1,362,396	(100,000)	1,262,396
Finished goods	11,995,234	(600,000)	11,395,234
Supplies	1,479,968	-	1,479,968
Total	**17,310,436**	**(700,000)**	**16,610,436**

The composition of inventories as of March 31, 2019 is as follows:

	Total	Obsolescence allowance	Net amount
Raw materials	5,220,989	-	5,220,989
Work-in-progress	1,604,049	(100,000)	1,604,049
Finished goods	9,980,876	(300,000)	9,580,876
Supplies	1,738,377	-	1,738,377
Total	**18,544,291**	**(400,000)**	**18,144,291**

All the inventories of the Company are collateralized as security against the line of credit (Refer Note I).

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment comprise of the following:

	As at	
	March 31, 2020	March 31, 2019
Leasehold improvements	212,267	212,267
Shop equipment	12,312,490	11,969,544
Office equipment	885,515	815,714
Property and equipment, gross*	**13,410,272**	**12,997,525**
Accumulated depreciation	(11,051,623)	(10,676,478)
Property and equipment, net	**2,358,649**	**2,321,047**

Depreciation expense is $ 421,990 and $ 401,235 for the years ended March 31, 2020 and March 31, 2019, respectively.

*Property and equipment include capital work in progress amounting to $339,440 as at March 31, 2020 and $535,708 as at March 31, 2019. All the property and equipment of the Company are collateralized as security against the line of credit (Refer Note I).

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NOTE G – CAPITALIZED SOFTWARE COSTS

Information regarding the Company's other intangible assets acquired either individually, or with a group of other assets is as follows:

		As at March 31, 2020		
	Useful life	Gross carrying amount	Accumulated amortization	Net carrying amount
Definite life intangibles				
Software	3	562,160	(46,845)	515,295
Total		**562,160**	**(46,845)**	**515,295**

The Company's estimated annual amortization expense in future years for the intangible assets is as follows:

Year ending March 31,	Total
2021	187,380
2022	187,380
2023	140,535
Total	**515,295**

During the year ended March 31, 2020, the Company incurred $381,825 (March 31, 2019: $180,315) of expenses related to software and implementation of a new ERP system - BAAN. The ERP software has been completed and capitalized during the year ended March 31, 2020. The ERP system was in the process of implementation as of the March 31, 2019 and amortization of the capitalized cost did not begin as of March 31, 2019. The amortization cost is $ 46,845 and $Nil for the years ended March 31, 2020 and March 31, 2019, respectively. A portion of the costs related to the software was incurred by the Company's ultimate parent, Uniparts India Limited, and was included in due to related parties (refer Note Q) on the balance sheets as of March 31, 2020 and March 31, 2019.

NOTE H - RISK CONCENTRATIONS

Credit risk
The Company's financial instruments that are exposed to concentration of credit risk consist primarily of trade accounts receivable.

For the year ended March 31, 2020 and March 31, 2019, the Company's two largest customers accounted for approximately 71% and 78% of revenues, respectively. Two customers accounted for approximately 63% and 72% of net accounts receivable as of March 31, 2020 and 2019, respectively. Generally, the Company does not obtain security from its customers in support of accounts receivable. Potential losses from concentrations of credit risk with respect to trade accounts receivable are considered to be limited due to the Company's ongoing credit evaluation of its customers.

Foreign risk
The Company purchases significant amount of materials from affiliates located in India. This source of materials may be subject to unpredictable changes and delays due to legal, political, and climate conditions. See Note Q "Related Party Transactions" for further information.

Economic and political risk
The United States government has called for substantial changes to its trade policy and, in certain instances, has enacted and assessed tariffs on specific products imported from certain foreign countries; conversely, certain foreign countries have enacted tariffs on specific products exported by U.S. based companies.

The results of discussions and negotiations among these affected countries is subject to a number of factors and the magnitude of the impact on the Company cannot be predicted with any degree of certainty. Changes in international trade agreements, regulations, restrictions, and tariffs may increase the Company's operating costs and make it more difficult to compete in the U.S. markets; as a result, its business, demand for products, financial condition and results of operations could be adversely impacted. The Company is actively monitoring the status of these discussions and market reactions.

In view of the unprecedented COVID-19 pandemic and economic forecasts, the management has assessed the recoverability of its assets including receivables & inventories. In such assessment, the Company has considered internal and external information up to the date of approval of these financial statements including economic forecasts. The Company has performed analysis on the assumptions used and based on current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets. The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

NOTE I – DEBT

Line of credit

In March 2019, the Company renewed its revolving line of credit to extend the term of the line of credit to March 31, 2020. Additionally, the Company must pay a non-usage fee on the average daily unused portion of the facility at a rate of 0.25% per annum, payable in arrears within thirty days of the end of each calendar month for which the fee is due. The line of credit has a variable interest rate calculated as a "floating rate" which is a "base rate" determined by LIBOR plus a variable "margin rate" based on the utilization of the line. The average interest rate for the years ended March 31, 2020 and March 31, 2019 was approximately 4.35% and 4.49%, respectively. The line is collateralized by substantially all assets of the Company and cross-collateralized with a term loan at the bank. This line of credit is secured by a corporate guarantee by the Parent.

The Company has drawn down $4,800,944 and $6,930,532 on the line of credit as of March 31, 2020 and March 31, 2019, respectively. Interest expense relating to this credit line was $268,804 and $292,850 for the years ended March 31, 2020 and March 31, 2019, respectively.

Notes payable

The Company has a $1,000,000 capital expenditures non-revolving note facility draw down availability ("capex line of credit") that expires on March 24, 2024. The interest rate that is due monthly is 2.0% plus an adjusted LIBOR. The balance as of each March 24 (unless modified with the bank) will be amortized over a 60-month period. All interest and principal are payable in full at the end of the 60-month term. In March 2019, the agreement was modified to extend the expiration date to March 31, 2025. The capex line of credit has $Nil and $Nil drawn down under the availability amount as of March 31, 2020 and 2019, respectively, resulting in $1,000,000 and $1,000,000 of availability under the current facility as of March 31, 2020 and 2019, respectively. The debt is collateralized by substantially all assets of the Company. The loan is also secured by a corporate guarantee by the Parent. There are four notes that were converted to term loans under the agreement that have varying monthly installments and maturity dates included in the following table.

	March 31, 2020	**March 31, 2019**
Capital Expenditure Non-Revolving Notes Payable:	-	-
Note payable of $517,500 due in monthly installments of $8,625 bearing interest at 4.85% through April 2020	8,625	112,125

Note payable of $445,928 due in monthly installments of $7,432 bearing interest at 4.85% through March 2021	89,186	177,371
Note payable of $375,156 due in monthly installments of $6,256 bearing interest at 4.85% through April 2022	156,403	231,477
Note payable of $758,163 due in monthly installments of $12,636 bearing interest at 4.49% through April 2024	618,167	758,164
Less: current portion	(324,514)	(428,017)
Long-term debt, net of current portion	**547,867**	**851,120**

Future annual maturities of the long-term debt:

Year ending March 31:	
2021	324,514
2022	226,704
2023	157,891
2024	151,632
2025	11,639
	872,380

NOTE J – SALE – LEASEBACK

In March 2002, Olsen Engineering, LP (predecessor to the Company) sold its operating facilities to Pin House, LLC resulting in a loss of $648,827 to be recognized over the life of the lease in accordance with generally accepted accounting principles. The owners of Pin House, LLC owned approximately 87% of Olsen Holding, LP, the former 99% limited partner of Olsen Engineering, LP. These facilities were then leased back to the Company. The accumulated loss recognized through March 2007 was $241,537. The remaining deferred loss of $407,290 will be recognized over the remaining lease period.

In August 2004, Pin House, LLC sold the operating facilities to a third party resulting in a gain of $1,505,930. In accordance with generally accepted accounting principles, the gain on the sale-leaseback is recognized over the fifteen-year lease period. The accumulated gain recognized through March 2007 was $259,354 for Pin House, LLC. The remaining deferred gain of $1,246,576 is being recognized over the remaining lease period.

The March 31, 2007 financial statements reported the deferred gain of $1,246,576 from the leaseback under Pin House. The current year financial statements for the Company reflect the reporting of the Pin House deferred gain. In addition, the deferred loss of $407,290 as of March 31, 2007 has been recorded as a reduction of the deferred gain. The net deferred gain of $839,286 is being amortized by the Company over the remaining twelve-year lease term. The gain recognized during the year ended March 31, 2020 and March 31, 2019 is $28,170 and $67,593, respectively. The unrecognized deferred gain with respect to this transaction is $Nil and $28,170 as of March 31, 2020 and March 31, 2019, respectively.

NOTE K – FIRE RELATED EXPENSES AND INSURANCE CLAIM RECOVERIES

In October 2019, the Company had an incident of fire in the plant and suffered property damages. Since the claim process is in progress as of March 31, 2020, the Company has recognized the claim to the extent it has been approved by the insurance company and related expenses have been incurred.

During the year ended March 31, 2020, the Company incurred expenses related to fire amounting to $3,079,604 and has recognized insurance claim recoveries amounting to $3,269,314. As at March 31, 2020, the Company has receivables for insurance claim amounting to $800,245 and advance insurance claim recovery amounting to $653,558. In addition, the Company is working with insurance carriers on possible recovery of certain losses and costs for which no insurance recoveries have been recognized.

NOTE L – COMMITMENTS AND CONTINGENCIES

Commitments

The Company has various operating equipment leases and two building leases as of March 31, 2020. Total lease expense approximated $858,871 and $573,000 for the years ended March 31, 2020 and March 31, 2019, respectively. Under the terms of the building leases, the Company is responsible for all repairs, maintenance, insurance, real estate taxes and utilities on its respective lease.

Future minimum lease payments as at March 31, 2020 for such non-cancelable leases are as follows:

Year ending March 31:	Equipment	Building	Vehicle	Total
2021	22,483	361,764	46,464	430,711
2022	777	363,874	46,464	411,115
2023	-	374,424	46,464	420,888
2024	-	374,424	42,260	416,684
2025	-	383,161	7,080	390,241
Thereafter	-	1,913,749	-	1,913,749
	23,260	**3,771,396**	**188,732**	**3,983,388**

The Company has a standby letter of credit for $127,500 with a bank at March 31, 2019 to secure the lease for the building. The letter of credit is secured by all assets of the Company and a guarantee by the Parent. As of March 31, 2020, the standby letter of credit has been revoked by the bank.

The Company has guaranteed the liabilities of its Parent at the same financial institution as the debt disclosed in Note I. The guarantee is unconditional as the primary obligor and performance is required for full and prompt payment of the debt when due, whether at stated maturity, by acceleration or otherwise. The Parent's liabilities balance at this institution was approximately $3,050,000 and $6,600,000 as of March 31, 2020 and March 31, 2019, respectively.

Contingencies

During the year ended March 31, 2015, a major customer (the "Customer") of the Company informed the Company of a warranty claim issue relating to a specific part supplied by the Company that was not properly heat treated and thus allegedly caused defects in the assembly ultimately sold by the Customer to its end users. Although the Customer had been aware of claims arising from this product for nearly one year, the Company was first notified of a potential claim in August of 2014, the amount of which was then unknown. Based upon the data provided to the Company by the Customer in 2015, the Customer experienced the majority of claims relating to this item in 2012 and 2013. In 2016, the Company settled this claim for $1,680,000 and recorded a liability for the full amount in accrued expense. The Company outsourced this specific part for heat treating and the Company expects to be reimbursed $425,000 by its vendor. As of March 31, 2020, and March 31, 2019, the receivable from the vendor was approximately $Nil and $108,000, respectively.

NOTE M - REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table presents revenue disaggregated by product line:

	For the year ended	
	March 31, 2020	March 31, 2019
Revenue from sale of goods	46,893,667	57,710,420
Total	**46,893,667**	**57,710,420**

The following table presents revenue disaggregated by timing of recognition:

	For the year ended March 31, 2020
At a point in time	46,893,667
Total	**46,893,667**

Contract balances

The Company's contracts with customers typically consist of sale of products which represent performance obligations that are satisfied upon transfer of control of the product to the customer at a point in time. The Company adopted the new revenue recognition standard using the modified retrospective transition approach and determined that the existing revenue recognition practices comply with ASC 606. Accordingly, there was no cumulative effect adjustment to the opening balance of retained earnings in the balance sheet as at March 31, 2020, as the adoption did not result in a change to the timing of revenue recognition.

	As at March 31, 2020
Accounts receivable	5,521,824
	5,521,824

NOTE N - INCOME TAXES

For the years ended March 31, 2020 and March 31, 2019, the Company will file consolidated federal and state tax returns as per regulations applicable to Chapter C corporations in the United States.

The components of the provision (benefit) for income taxes consisted of the following:

	March 31, 2020	March 31, 2019
Current		
Federal	209,360	411,353
State	64,477	242,356
Deferred		
Federal	186,043	44,537
State	(8,109)	130,216
	177,934	174,753
Provision for income taxes	**451,771**	**828,462**

The Tax Cuts and Jobs Act was enacted on December 22, 2017. The Act reduced the US federal corporate tax rate from 35% to 21%. The Company remeasured deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. Income tax expense differs from the amounts that would be obtained by applying Federal statutory rates to income before income tax expense because no tax benefit has been provided for non-deductible expenses, research and development credits have been used to reduce taxable income, the benefit of prior year accrual to actual deductions and state income taxes.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Components of the deferred tax assets and deferred tax liabilities consist of the following amounts as of March 31:

	March 31, 2020	March 31, 2019
Deferred tax assets:		
Accrued expenses	136,262	157,575
Bad debts	13,871	19,388
Inventory	270,295	218,217
Deferred gain	-	7,283
Deferred rent	18,534	-
Total	438,962	402,463
Less: Valuation allowance	-	-
Deferred tax assets, net	**438,962**	**402,463**
Deferred tax liability		
Goodwill	(1,742,613)	(1,786,187)
Prepaid expenses	(20,493)	(13,565)
Property and equipment	(718,755)	(467,676)
Deferred tax liability	**(2,481,861)**	**(2,267,428)**
Net deferred tax liability	**(2,042,899)**	**(1,864,965)**

Accounting for uncertain tax position

The Company recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination.

The tax years of 2016 through 2018 remain subject to examination by the taxing authorities.

NOTE O - EMPLOYEE BENEFITS

The Company has a defined contribution plan ("the Plan") under Section 401(k) of the Internal Revenue Code which covers substantially all regular full-time employees who have attained the defined age and service requirements.

The Plan provides for employee and discretionary employer matching contributions. Employer contributions to the Plan approximated $80,395 and $83,000 for the years ended March 31, 2020 and 2019, respectively.

The Company has elected to be self-insured for its group health and dental plan which covers all employees and their immediate families up to a maximum annual claim of $80,000 per individual with an aggregate annual ceiling of approximately $1,200,000. Insurance coverage has been obtained for claims in excess of these levels. The amount of expenses relating to the Plan approximated $839,759 and $837,000 for the years ended March 31, 2020 and March 31, 2019, respectively. Claims incurred but not reported for which the Company is liable were approximately $85,000 and $152,000 as of March 31, 2020 and March 31, 2019, respectively. Incurred but not reported claims are included in accrued expenses in the accompanying balance sheets.

NOTE P – STOCK COMPENSATION EXPENSE

Uniparts India Limited ("UIL"), the ultimate parent company, issued stock option incentive plans, under which the employees of the Company may subscribe to stock options. Under the plan, stock options to purchase UIL's common stock may be granted to employees at prices not lower than fair value at the date of grant. Stock options have a maximum term of 15 years.

Activity under the plan to the extent related to employees of the Company:

Balance as on	Number of stock options	Weighted-average exercise price (INR)	Weighted average remaining contractual life (Years)	Aggregate intrinsic value
March 31, 2019	**20,000**	**52.50**	**14.65**	**7,376**
Granted	25,000	52.50	15.00	12,439
Exercised	-	-	-	-
Forfeited	-	-	-	-
March 31, 2020	**45,000**	**52.50**	**14.04**	**19,815**
Options vested and exercisable	**-**	**-**	**-**	**-**

The weighted average exercise price of options is Indian Rupee 52.50 which is equivalent to $0.74. The Company has recognized $8,995 as stock-based compensation expense for the year ended March 31, 2020.

The following table summarizes information about the pre-tax intrinsic value of options exercised, and the weighted average grant date fair value per share of options granted.

	Year ended	
	March 31, 2020	March 31, 2019
Intrinsic value of options exercised	-	-
Weighted average fair value of stock options granted	1.12	1.13

The grant date fair value of options has been estimated using the Black-Scholes single option pricing model with following assumptions:

Risk free interest rate	6.49% - 6.73%
Expected dividend yield	0.93%
Expected life of option in years	8.50 – 9.50
Weighted average expected volatility	14.74% - 14.84%

NOTE Q - RELATED PARTY TRANSACTIONS

The Company purchases materials from companies located in India that are affiliated through common ownership. Purchases from these related companies approximated $15,119,000 and $21,093,000 for the years ended March 31, 2020 and March 31, 2019, respectively. Additionally, there is approximately $2,880,159 and $2,427,000, due to these companies for purchases of materials as of March 31, 2020 and March 31, 2019, respectively. These amounts will be paid under normal trade terms with these affiliated companies. The Company provides minimal services to the aforementioned related companies. As of March 31, 2020, and March 31, 2019 and for the years then ended, sales to these related parties and the related accounts receivable are immaterial to the financial statements.

The Company files a consolidated tax return with its Parent. Cash is advanced from the Company to the Parent to pay the Company's share of Federal and state income tax liabilities. As at March 31, 2020 and March 31, 2019. the Company was due $417,240 and $512,078, respectively, from the Parent for advances for income taxes made in excess of actual liabilities. These advances are non-interest bearing and are due upon demand, by the Company.

During the year ended March 31, 2020 and March 31, 2019, the Company's Ultimate Parent, Uniparts India Limited, incurred costs related to the Company's purchase of software and the implementation of a new ERP system (see Note G). As at March 31, 2020 and March 31, 2019, balance due to Company's Ultimate Parent was $230,484 and $131,405, respectively.

As of March 31, 2020, and March 31, 2019, Parent company has provided guarantee to the Company for line of credit. The Company has provided corporate guarantee and substantially all the assets of the Company are collateralized for the notes payable by the Parent.

NOTE R - COMMON STOCK

Common stock
The authorized share capital of the Company is $ 1,224,301 comprising of 1,224,301 shares of par value $1 each, of which all the common stock are issued and outstanding.

Voting
Each holder of common stock is entitled to one vote in respect of each share held by him in the records of the Company for all matters submitted to a vote.

Liquidation
In the event of liquidation of the Company, the holders of common stock shall be entitled to receive all of the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

NOTE S - SUBSEQUENT EVENTS

The Company evaluated all events and transactions that occurred after March 31, 2020 through July 30, 2020; the date the financial statements are issued. Based on the evaluation, the Company is not aware of any other events or transactions that would require recognition or disclosure in the financial statements.

On April 01, 2020, the bank line of credit was renewed and revised to the amount of $8,000,000 for the Company.

On April 10, 2020, Uniparts USA Ltd., the parent company, received loan proceeds in the amount of $2,167,250 from JPMorgan Chase, N.A. (the "Loan") pursuant to the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which was enacted on March 27, 2020. The Company is also a beneficiary of the loan. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, rent and utilities (collectively, "Qualifying Expenses"). The Company intends to use the entire

Loan amount for the Qualifying Expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for Qualifying Expenses as described in the CARES Act.

Supplementary Information

Computation of Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA")

	For the year ended	
	March 31, 2020	**March 31, 2019**
Net income	**792,464**	**2,094,974**
Adjustments:		
Interest expense	325,434	348,079
Income tax expense	451,771	828,462
Depreciation and amortization expense	421,990	401,234
Total adjustments	1,199,195	1,577,775
EBITDA	**1,991,659**	**3,672,749**