Uniparts Olsen Inc.

Financial Statements

March 31, 2022, and March 31, 2021

KNAV P.A.

Certified Public Accountants
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America Counts on CPAs

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Independent Auditor's Report

Board of Directors
Uniparts Olsen Inc.

Opinion

We have audited the accompanying financial statements of Uniparts Olsen Inc., ('the Company'), which comprise the balance sheets as of March 31, 2022, and March 31, 2021, and the related statements of income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and March 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other matter

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 of America. 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
May 17, 2022

Financial Statements

Balance sheets

(All amounts in United States Dollars, except otherwise stated)	Notes		As at March 31, 2022	March 31, 2021
ASSETS				
Current assets				
Cash and cash equivalents	C		79,000	33,968
Accounts receivable, net	D		4,116,827	4,190,140
Inventories, net	E		16,531,953	13,353,036
Prepaid expenses and other current assets			124,593	538,172
Due from parent	Q		1,330,078	522,077
Total current assets		**$**	**22,182,451**	**18,637,393**
Property and equipment, net	F		2,148,781	1,828,492
Capital work in progress			163,055	186,757
Software	G		140,535	327,915
Goodwill			6,909,650	6,909,650
Total non-current assets			**9,362,021**	**9,252,814**
Total assets		**$**	**31,544,472**	**27,890,207**
LIABILITIES AND STOCKHOLDER'S EQUITY				
Current liabilities				
Line of credit	I		2,031,224	327,551
Accounts payable			950,715	1,025,709
Due to related parties	Q		883,689	1,186,505
Current portion of long-term debt	I		276,707	226,704
Accrued expenses and other current liabilities			701,412	652,883
Provision for taxation			1,140,791	-
Total current liabilities		**$**	**5,984,538**	**3,419,352**
Non-current liabilities				
Long-term debt, net of current portion	I		638,546	321,160
Deferred rent			102,072	87,780
Deferred tax liability, net	N		2,399,526	2,400,993
Total non-current liabilities		**$**	**3,140,144**	**2,809,933**
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			2,705,910	2,698,803
Retained earnings			18,489,579	17,737,818
Total stockholder's equity		**$**	**22,419,790**	**21,660,922**
Total liabilities and stockholder's equity		**$**	**31,544,472**	**27,890,207**

(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 year ended March 31, 2022	For the year ended March 31, 2021
Revenues, net	L		39,758,798	32,308,168
Less: Cost of goods sold (excluding depreciation and amortization expense)			(34,149,570)	(30,641,680)
Other revenue	L		112,524	56,712
Gross profit		**$**	**5,721,752**	**1,723,200**
Cost and expenses				
Selling, general and administration expenses			2,398,744	2,431,231
Depreciation and amortization expenses	F & G		549,710	728,237
Total cost and expenses			**2,948,454**	**3,159,468**
Income (loss) from operations		**$**	**2,773,298**	**(1,436,268)**
Other income (expense)				
Fire related expenses	J		-	(1,013,753)
Insurance claim recoveries	J		-	3,211,037
Interest expense	I		(39,128)	(75,662)
Reimbursement of payroll protection program loan	S		-	1,989,209
Other income	M		149,338	165,005
Total other income		**$**	**110,210**	**4,275,836**
Income before income tax expense			**2,883,508**	**2,839,568**
Current income tax expense	N		1,133,214	4,832
Deferred tax (benefit) expense	N		(1,467)	358,094
Total income tax expense		**$**	**1,131,747**	**362,926**
Net income for the year		**$**	**1,751,761**	**2,476,642**

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

Statements of stockholder's equity
For the years ended March 31, 2022, and March 31, 2021

(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, 2020	**1,224,301**	**1,224,301**	**1,224,301**	**1,224,301**	**2,689,151**	**15,261,176**	**19,174,628**
Employee stock options	-	-	-	-	9,652	-	**9,652**
Net income for the year	-	-	-	-	-	2,476,642	**2,476,642**
Balance as at March 31, 2021	**1,224,301**	**1,224,301**	**1,224,301**	**1,224,301**	**2,698,803**	**17,737,818**	**21,660,922**
Employee stock options	-	-	-	-	7,107	-	**7,107**
Net income for the year	-	-	-	-	-	1,751,761	**1,751,761**
Dividend paid	-	-	-	-	-	(1,000,000)	**(1,000,000)**
Balance as at March 31, 2022	**1,224,301**	**1,224,301**	**1,224,301**	**1,224,301**	**2,705,910**	**18,489,579**	**22,419,790**

(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 year ended March 31, 2022	For the year ended March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**1,751,761**	**2,476,642**
Adjustments to reconcile net income to net cash (used in) provided by operating activities			
Depreciation and amortization		549,710	728,237
Provision for inventory and inventory written off (Refer Note E)		1,478,880	1,826,771
Provision for doubtful debts		-	(50,069)
Deferred income tax (benefit) expense		(1,467)	358,094
Provision for employee stock options		7,107	9,652
Insurance claim recovery for property and equipment		-	(2,269,586)
Loss on assets written off		-	98,427
Changes in operating assets and liabilities, net			
Accounts receivable		73,313	1,381,753
Inventories		(4,657,796)	1,430,629
Prepaid expenses		413,578	(384,372)
Other receivables		-	800,246
Due from parent		(808,001)	(104,837)
Accounts payable		(74,994)	(672,202)
Due to related parties		(302,816)	(1,693,654)
Accrued expenses and other current liabilities		48,528	(1,198,884)
Provision for taxation		1,140,791	-
Insurance claim recoveries in advance		-	(653,558)
Deferred rent		14,292	14,292
Net cash (used in) provided by operating activities	**$**	**(367,114)**	**2,097,581**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(658,916)	(295,884)
Insurance claim recovery for property and equipment (including advance)		-	2,269,586
Net cash (used in) provided by investing activities	$	**(658,916)**	**1,973,702**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (repayment) of bank borrowings on line of credit, net		1,703,673	(4,473,393)
Proceeds from loan obtained		594,096	-
Repayment of loans		(226,707)	(324,517)
Dividend paid		(1,000,000)	**-**
Net cash provided by (used in) financing activities	$	**1,071,062**	**(4,797,910)**
Net changes in cash and cash equivalents		**45,032**	**(726,627)**
Cash and cash equivalents at beginning of the year		33,968	760,595
Cash and cash equivalents at the end of the year	$	**79,000**	**33,968**

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	40,380	91,914
Cash paid for income taxes	439,500	483,170

(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 established 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 of America ('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, 2021, to March 31, 2022, and April 01, 2020, to March 31, 2021.

iii. Certain reclassifications have been made in the financial statements of prior periods to conform to the classifications used in the current year. 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 of America 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. 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 turns an account over for collection or write balances off as uncollectible based on the facts and circumstances of each situation. As of March 31, 2022, and March 31, 2021, the allowance for doubtful accounts totaled $4,000 and $4,000, 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	3-10
Office equipment	3-7
Computer equipment	3
Building	5-10
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. Based on an impairment analysis, the management has assessed that goodwill is not impaired as of March 31, 2022, and March 31, 2021.

(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

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. Please Refer Note L "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. However, 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.

Revenue from consignment sales is recorded on a net basis as "Other revenue" under revenue from operations in the statements of income.

(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, 2022 and March 31, 2021.

(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. The Company computes the fair value of options granted using Black Scholes option pricing model. An amount equal to such compensation expense for the period 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 separate 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, 2022	**March 31, 2021**
Cash in hand	335	122
Balances with banks in checking accounts	78,665	33,846
Total	**79,000**	**33,968**

Cash balances with the bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of $250,000.

NOTE D - ACCOUNTS RECEIVABLE, NET

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

	As at	
	March 31, 2022	**March 31, 2021**
Receivable from customers	4,120,827	4,194,140
Less: Allowance for doubtful accounts	(4,000)	(4,000)
Accounts receivable, net	**4,116,827**	**4,190,140**

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, 2022, is as follows:

	Total	**Obsolescence allowance**	**Net amount**
Raw materials	2,149,197	(554,395)	1,594,802
Work-in-progress	984,329	(269,982)	714,347
Finished goods	13,484,673	(1,082,591)	12,402,082
Supplies	1,820,722	-	1,820,722
Total	**18,438,921**	**(1,906,968)**	**16,531,953**

During the year ended March 31, 2022, the Company has written off inventory worth of $656,913 (March 31, 2021: $1,440,840) on account of obsolete and slow-moving inventory for discontinued parts. The inventory written off has been included under cost of goods sold in the statements of income.

The composition of inventories as of March 31, 2021, is as follows:

	Total	Obsolescence allowance	Net amount
Raw materials	1,657,422	(340,000)	1,317,422
Work-in-progress	1,339,083	(100,000)	1,239,083
Finished goods	9,618,098	(645,000)	8,973,098
Supplies	1,823,433	-	1,823,433
Total	**14,438,036**	**(1,085,000)**	**13,353,036**

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, 2022	March 31, 2021
Leasehold improvements		232,587	218,083
Shop equipment		10,542,953	9,896,538
Office equipment		924,223	902,554
Property and equipment, gross	$	**11,699,763**	**11,017,175**
Less: Accumulated depreciation		(9,550,982)	(9,188,683)
Capital work in progress		163,055	186,757
Property and equipment, net	$	**2,311,836**	**2,015,249**

Depreciation expense is $362,330 and $540,857 for the years ended March 31, 2022, and March 31, 2021, respectively.

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

NOTE G – SOFTWARE

The Company's other intangible assets includes internal-use capitalized software as follows:

	As at March 31, 2022			
	Useful life	Gross carrying amount	Accumulated amortization	Net carrying amount
Definite life intangibles				
Software	3	562,140	(421,605)	140,535
Total		**562,140**	**(421,605)**	**140,535**

	As at March 31, 2021			
	Useful life	Gross carrying amount	Accumulated amortization	Net carrying amount
Definite life intangibles				
Software	3	562,140	(234,225)	327,915
Total		**562,140**	**(234,225)**	**327,915**

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

Year ending March 31,	Total ($)
2023	140,535
Total	**140,535**

Amortization expense is $187,380 and $187,380 for the year ended March 31, 2022, and March 31, 2021, respectively.

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 years ended March 31, 2022, and March 31, 2021, the Company's two largest customers accounted for approximately 54% and 53% of revenues, respectively. Two customers accounted for approximately 51% and 59% of net accounts receivable as of March 31, 2022, and March 31, 2021, 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. Refer Note Q "Related Party Transactions" for further information.

Economic and political risk
The United States (U.S.) 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 2022, the Company extended its revolving line of credit to extend the term of the line of credit till March 31, 2023 and revised the amount to $4,500,000. The line of credit has a variable interest rate calculated as a "floating rate" which is a "base rate" determined by adjusted SOFR plus 150 basis points, on the utilization of the line of credit. The average interest rate for the year ended March 31, 2022, and year ended March 31, 2021, was approximately 2.08% and

2.40%, respectively. The line is collateralized by substantially all assets of the Company and cross-collateralized with a term loan. This line of credit is secured by a corporate guarantee by the Parent.

The Company has drawn down $2,031,224 and $327,551 as of March 31, 2022, and March 31, 2021, respectively. The unutilized portion of the line of credit was $2,468,776 and $3,172,449 as of March 31, 2022 and March 31, 2021 respectively. Interest expense relating to this credit line was $27,895 and $58,796 for the year ended March 31, 2022, and year ended March 31, 2021, respectively.

Notes payable

The Company had capital expenditure non-revolving note payable facility with a bank ("Notes payable under capex line of credit"). The interest rate that is due monthly is 2.0% plus an adjusted LIBOR. The notes are collateralized by substantially all assets of the Company and secured by a corporate guarantee by the Parent. The notes payable under capex line of credit were converted to term loans under the term note agreement with varying monthly instalments and maturity dates included in the following table.
On March 29, 2021, the Company executed an interim promissory note with the bank with a credit limit of $1,000,000 with an original principal repayment date of March 31, 2022. As per the agreement, if the principal balance under this promissory note is not fully repaid, it shall be converted to a term loan and shall be governed by a separate term note agreement. If the principal balance is fully repaid by the original on or before the repayment date, the Company shall be required to pay prepayment fee of 5% on the principal balance repaid as described the agreement.

On March 31, 2022, the interim promissory note was converted into a term loan for a value of $594,096 to be repaid in equal instalments over a period of 60 months. The term note has a "floating rate" which is a "base rate" determined by by adjusted SOFR plus 150 basis points. The term loan is collateralized by fixed assets of the Company.

	March 31, 2022	March 31, 2021
Capital Expenditure Non-Revolving Notes Payable:		
Note payable of $375,156 due in monthly installments of $6,256 bearing interest at 4.85% through April 2022	6,256	81,328
Note payable of $758,163 due in monthly installments of $12,636 bearing interest at 4.49% through April 2024	314,902	466,536
Note payable of $594,096 due in monthly installments of $9,902 bearing interest at SOFR+150 basis points, through March 2027	594,096	-
Less: Current portion	(276,707)	(226,704)
Long-term debt, net of current portion	**638,546**	**321,160**

Future annual maturities of the long-term debt:

Year ending March 31:	
2023	276,707
2024	270,451
2025	130,457
2026	118,819
2027	118,819
	915,253

NOTE J – FIRE RELATED EXPENSES AND INSURANCE CLAIM RECOVERIES

During October 2019, the Company had an incident of fire at its plant and suffered property damages. The Company has settled the fire insurance claim, including the equipment claim, with the insurance company under the settlement and release agreement dated October 03, 2020. The Company has recognized the claim to the extent it has been approved and received from the insurance company and related expenses have been incurred.

The Company incurred expenses related to fire amounting to $Nil and $1,013,753 for the years ended March 31, 2022, and March 31, 2021, respectively and has recognized insurance claim recoveries amounting to $Nil and $3,211,037 during the years ended March 31, 2022 and year ended March 31, 2021, respectively.

NOTE K – COMMITMENTS AND CONTINGENCIES

Commitments

The Company has various operating leases and two building leases as of March 31, 2022. Total lease expense approximated $600,610 and $614,729 for the year ended March 31, 2022, and year ended March 31, 2021, 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, 2022 for such non-cancelable leases are as follows:

Year ending March 31:	**Building**	**Vehicle**	**Fork Truck**	**Total**
2023	449,424	54,506	87,687	**591,617**
2024	374,424	54,506	87,687	**516,617**
2025	383,161	18,169	65,765	**467,095**
Thereafter	1,913,749	-	-	**1,913,749**
	3,120,758	**127,181**	**241,139**	**3,489,078**

The Company has guaranteed the liabilities of Uniparts USA Ltd., 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 liability balance at this institution was approximately $1,800,000 and $2,100,000 as of March 31, 2022, and March 31, 2021, respectively.

NOTE L - REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table presents revenue disaggregated by product line:

	For the year ended	
	March 31, 2022	**March 31, 2021**
Revenue from sale of goods	39,758,798	32,308,168
Total	**39,758,798**	**32,308,168**

The following table presents revenue disaggregated by timing of recognition:

	For the year ended	
	March 31, 2022	**March 31, 2021**
At a point in time	39,758,798	32,308,168

Total	**39,758,798**	**32,308,168**

Consignment sales

The Company has consignment transaction with a single consignor for sale of specified goods to the customer in accordance with instructions provided by the consignor. The revenue from such transactions is recognized on a net basis, as other revenue in the statement of income. For the year ended March 31, 2022, and year ended March 31, 2021, value of sales and purchase on consignment basis is as follows:

	For the year ended	
	March 31, 2022	**March 31, 2021**
Sale of goods	566,175	309,797
Purchase of goods	(453,651)	(253,085)
Other revenue	**112,524**	**56,712**

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.

	As at	
	March 31, 2022	**March 31, 2021**
Accounts receivable	4,116,827	4,190,140
Total	**4,116,827**	**4,190,140**

NOTE M – OTHER INCOME

Other income comprises of the following:

	For the year ended	
	March 31, 2022	**March 31, 2021**
Employee retention credit (Refer Note S)	149,338	-
Other insurance claims	-	104,936
Provision for doubtful debts written back	-	50,069
Economic injury disaster loan income (EIDL)	-	10,000
Total	**149,338**	**165,005**

NOTE N - INCOME TAXES

For the year ended March 31, 2022, and year ended March 31, 2021, the Company files consolidated federal and state tax returns as per regulations applicable to Chapter C corporations in the United States of America.

The components of the provision for income taxes consisted of the following:

	For the year ended	
	March 31, 2022	**March 31, 2021**
Current taxes		
Federal	540,521	8,134
State	592,693	(3,302)
	1,133,214	**4,832**
Deferred taxes		

Federal	(165,831)	328,582
State	164,364	29,512
	(1,467)	**358,094**
Total income tax expense	**1,131,747**	**362,926**

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, 2022, and March 31, 2021:

	As of	
	March 31, 2022	**March 31, 2021**
Deferred tax assets:		
Accrued expenses	115,021	108,169
Allowance for doubtful accounts	1,081	994
Inventory	590,643	343,833
Deferred rent	27,596	21,806
Total	734,341	474,802
Less: Valuation allowance	-	-
Deferred tax assets, net	**734,341**	**474,802**
Deferred tax liability		
Goodwill	(1,868,088)	(1,716,506)
Prepaid expenses	(21,350)	(29,563)
Casualty gain deferral	(625,490)	(556,775)
Property and equipment	(618,938)	(572,951)
Deferred tax liability	**(3,133,866)**	**(2,875,795)**
Net deferred tax liability	**(2,399,526)**	**(2,400,993)**

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 adoption of this standard had no material effect on the Company's financial position, results of operation or cash flows

The tax years of 2018 through 2020 remain subject to examination by the taxing authorities.

NOTE O - EMPLOYEE BENEFITS

Defined contribution plan

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 $65,090 and $29,521 for the year ended March 31, 2022, and year ended March 31, 2021, respectively.

Health and dental plan

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.

With effect from June 01, 2020, the Company discontinued its self-insured plan and outsourced its medical and dental plan to an outside third-party vendor.

The amount of expenses relating to the plan approximated $294,605 and $463,754 for the year ended March 31, 2022, and year ended March 31, 2021, respectively.

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, 2020	**45,000**	**52.50**	**14.04**	**19,815**
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
March 31, 2021	**45,000**	**52.50**	**13.04**	**19,168**
Granted	2,500	52.50	15.00	20,843
Exercised	-	-	-	-
Forfeited	-	-	-	-
March 31, 2022	**47,500**	**52.50**	**12.04**	**20,843**
Options vested and exercisable	**21,450**	**-**	**-**	**-**

The weighted average exercise price of options is Indian Rupee 52.05 which is equivalent to $0.74. The Company has recognized $7,107 and $9,652 as stock-based compensation expense for the years ended March 31, 2022, and March 31, 2021, respectively.

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.

	For the year ended March 31, 2022	For the year ended March 31, 2021
Intrinsic value of options exercised	-	-
Weighted average fair value of stock options granted	6,653	-

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	4.9% - 5.6%
Expected dividend yield	3.00%
Expected life of option in years	3.00 - 5.00
Weighted average expected volatility	46.6% - 50.3%

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 $19,748,000 and $12,040,000 for the year ended March 31, 2022, and year ended March 31, 2021, respectively. Additionally, there is approximately $883,689 and $1,186,505, due to these companies for purchases of materials as of March 31, 2022, and March 31, 2021, 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, 2022, and March 31, 2021, and for the periods 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, 2022 and March 31, 2021. the Company was due $1,330,078 and $522,077 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.

As of March 31, 2022, and March 31, 2021, 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.

Dividend

During the year ended March 31, 2022, and March 31, 2021, the Company paid dividend of $1,000,000 and $Nil, respectively, to its Parent, Uniparts USA Ltd.

NOTE S – PAYCHECK PROTECTION PROGRAM (“PPP”) AND EMPLOYEE RETENTION CREDIT ("ERC”)

Paycheck protection program ("PPP”)

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 parent company has received forgiveness for the PPP loan during the current period based on the “Qualifying expenses” incurred during the utilization period, as per SBA guidelines. Following the guidance under International Accounting Standards (“IAS”) 20 (Accounting for Government Grants and disclosure of Government Assistance), the proceeds were recognized as “Other income” for qualifying expenses amount to $ Nil for the year ended March 31, 2022, and $1,989,209 for the year ended March 31, 2021. The related costs to which the loan relates (Qualifying expenses) are accounted for in the respective expense heads in cost of goods sold and selling, general and administrative expenses.

Employee retention credit (“ERC”)

During the year ended March 31, 2022, the Company availed benefits under the ERC scheme, established under the CARES Act. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides for a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. It is a per employee tax credit based on a percentage of qualified wages and health insurance benefits paid to employees. In accordance with the pre-existing accounting principles as applied to PPP loan, under the provisions of International Accounting Standards (“IAS”) 20, the Company has recorded total ERC credit refund received during the year ended March 31, 2022, amounting $ 149,338 under other income in the statements of income.

NOTE T - SUBSEQUENT EVENTS

The Company evaluated all events and transactions that occurred after March 31, 2022, through the date the financial statements were available to be issued. Based upon this evaluation the Company is not aware of any events or transactions that would require recognition or disclosure in the financial statements.

Supplementary information

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

	For the year ended March 31, 2022	For the year ended March 31, 2021
Net income	**1,751,761**	**2,476,642**
Adjustments:		
Interest expense	39,128	75,662
Income tax expense	1,131,747	362,926
Depreciation and amortization expense	549,710	728,237
Total adjustments	**1,720,585**	**1,166,825**
EBITDA	**3,472,346**	**3,643,467**