

# **Uniparts Olsen Inc.**

Financial statements

March 31, 2023 and March 31, 2022

## **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 and Shareholders  
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, 2023, and March 31, 2022, 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, 2023, and March 31, 2022, 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 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:

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**KNAV P.A.**

**Certified Public Accountants**

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2023-133-US

- 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 06, 2023

**Uniparts Olsen Inc.**  
Financial statements  
March 31, 2023 and March 31, 2022

# Financial statements

**Uniparts Olsen Inc.**

Financial statements

March 31, 2023 and March 31, 2022

**Balance sheets***(All amounts are in United States Dollars, unless otherwise stated)*

		As of	
	Notes	March 31, 2023	March 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C	172,353	79,000
Accounts receivable, net	D	2,705,910	4,116,827
Inventories, net	E	16,496,190	16,531,953
Prepaid expenses and other current assets		169,784	124,593
Due from parent	Q	958,427	1,330,078
<b>Total current assets</b>		<b>20,502,664</b>	<b>22,182,451</b>
Property and equipment, net	F	2,208,916	2,148,781
Capital work in progress		155,599	163,055
Software	G	-	140,535
Goodwill		6,909,650	6,909,650
Operating lease right-of-use assets	M	2,375,829	-
<b>Total non-current assets</b>		<b>11,649,994</b>	<b>9,362,021</b>
<b>Total assets</b>		<b>32,152,658</b>	<b>31,544,472</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>			
<b>Current liabilities</b>			
Current portion of operating lease obligations	M	396,948	-
Line of credit	I	-	2,031,224
Accounts payable		781,471	950,715
Due to related parties	Q	1,143,218	883,689
Current portion of long-term debt	I	270,457	276,707
Accrued expenses and other current liabilities		789,252	701,412
Provision for taxation		304,732	1,140,791
<b>Total current liabilities</b>		<b>3,686,078</b>	<b>5,984,538</b>
<b>Non-current liabilities</b>			
Long-term debt, net of current portion	I	387,892	638,546
Operating lease obligations, less current portion	M	2,082,319	-
Deferred rent		-	102,072
Deferred tax liability, net	N	2,328,945	2,399,526
<b>Total non-current liabilities</b>		<b>4,799,156</b>	<b>3,140,144</b>
<b>Stockholder's equity</b>			
Common stock - \$ 1 par value, 1,224,301 shares authorized, issued and outstanding	R	1,224,301	1,224,301
Additional paid-in capital		2,711,703	2,705,910
Retained earnings		19,731,420	18,489,579
<b>Total stockholder's equity</b>		<b>23,667,424</b>	<b>22,419,790</b>
<b>Total liabilities and stockholder's equity</b>		<b>32,152,658</b>	<b>31,544,472</b>

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

**Uniparts Olsen Inc.**

Financial statements

March 31, 2023 and March 31, 2022

**Statements of income***(All amounts are in United States Dollars, unless otherwise stated)*

		For the year ended	
	Notes	March 31, 2023	March 31, 2022
Revenues, net	K	44,721,482	39,758,798
Less: Cost of goods sold (excluding depreciation and amortization expense)		(38,500,655)	(34,149,570)
Other revenue	L	101,959	112,524
<b>Gross profit</b>		<b>6,322,786</b>	<b>5,721,752</b>
<b>Cost and expenses</b>			
Selling, general and administration expenses		2,915,510	2,398,744
Depreciation and amortization expenses	F & G	531,086	549,710
<b>Total cost and expenses</b>		<b>3,446,596</b>	<b>2,948,454</b>
<b>Income from operations</b>		<b>2,876,190</b>	<b>2,773,298</b>
<b>Other income (expense)</b>			
Interest expense	I	(55,098)	(39,128)
Loss on disposal of asset		(134,413)	-
Other income	M	1,554,330	149,338
<b>Total other income</b>		<b>1,364,819</b>	<b>110,210</b>
<b>Income before income tax expense</b>		<b>4,241,009</b>	<b>2,883,508</b>
Current tax expense	N	1,069,749	1,133,214
Deferred tax (benefit) expense	N	(70,581)	(1,467)
<b>Total income tax expense</b>		<b>999,168</b>	<b>1,131,747</b>
<b>Net income for the year</b>		<b>3,241,841</b>	<b>1,751,761</b>

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

**Uniparts Olsen Inc.**

Financial statements

March 31, 2023 and March 31, 2022

**Statements of stockholder's equity****For the year ended March 31, 2023 and March 31, 2022***(All amounts are in United States Dollars, except for number of shares)*

	Common stock issued				Additional paid in capital	Retained earnings	Total stockholder's equity
	Authorized		Issued and outstanding				
	Shares	Value (\$)	Shares	Value (\$)			
<b>Balance as at March 31, 2021</b>	<b>1,224,301</b>	<b>1,224,301</b>	<b>1,224,301</b>	<b>1,224,301</b>	<b>2,698,803</b>	<b>17,737,818</b>	<b>21,660,922</b>
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)
<b>Balance as at March 31, 2022</b>	<b>1,224,301</b>	<b>1,224,301</b>	<b>1,224,301</b>	<b>1,224,301</b>	<b>2,705,910</b>	<b>18,489,579</b>	<b>22,419,790</b>
Employee stock options	-	-	-	-	5,793	-	5,793
Net income for the year	-	-	-	-	-	3,241,841	3,241,841
Dividend paid	-	-	-	-	-	(2,000,000)	(2,000,000)
<b>Balance as at March 31, 2023</b>	<b>1,224,301</b>	<b>1,224,301</b>	<b>1,224,301</b>	<b>1,224,301</b>	<b>2,711,703</b>	<b>19,731,420</b>	<b>23,667,424</b>

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

**Uniparts Olsen Inc.**

Financial statements

March 31, 2023 and March 31, 2022

**Statements of cash flows***(All amounts are in United States Dollar except otherwise stated)*

	<b>For the year ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
<b>Cash flows from operating activities</b>		
Net income for the year	3,241,841	1,751,761
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities</b>		
Depreciation and amortization	531,086	549,710
Provision for inventory and inventory written off (Refer Note E)	-	1,478,880
Deferred income tax (benefit) expense	(70,581)	(1,467)
Provision for employee stock options	5,793	7,107
Loss on assets written off	134,413	-
<b>Changes in operating assets and liabilities, net</b>		
Accounts receivable	1,410,917	73,313
Inventories	35,763	(4,657,796)
Prepaid expenses	(45,191)	413,578
Operating lease right-of-use assets	(2,375,829)	-
Due from parent	371,651	(808,001)
Accounts payable	(169,244)	(74,994)
Due to related parties	259,528	(302,816)
Accrued expenses and other current liabilities	87,842	48,528
Provision for taxation	(836,059)	1,140,791
Operating lease liabilities	2,479,267	-
Deferred rent	(102,072)	14,292
<b>Net cash used in (provided by) operating activities</b>	<b>4,959,125</b>	<b>(367,114)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(577,644)	(658,916)
<b>Net cash used in investing activities</b>	<b>(577,644)</b>	<b>(658,916)</b>
<b>Cash flows from financing activities</b>		
(Repayment) proceeds of bank borrowings on line of credit, net	(2,031,224)	1,703,673
Proceeds from loan obtained	-	594,096
Repayment of loans	(256,904)	(226,707)
Dividend paid	(2,000,000)	(1,000,000)
<b>Net cash (used in) provided by financing activities</b>	<b>(4,288,128)</b>	<b>1,071,062</b>
<b>Net increase in cash and cash equivalents</b>	<b>93,353</b>	<b>45,032</b>
Cash and cash equivalents, beginning of year	79,000	33,968
<b>Cash and cash equivalents, end of year</b>	<b>172,353</b>	<b>79,000</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	56,333	40,380
Cash paid for income taxes	1,040,231	439,500

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

## **Notes to Financial Statements**

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

### **NOTE A - 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 is as follows:

#### *1 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, 2022, to March 31, 2023, and April 01, 2021, to March 31, 2022.

#### *2 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), employee stock compensation cost, 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.

#### *3 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.

#### *4 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, 2023, and March 31, 2022, the allowance for doubtful accounts totaled \$4,000 and \$4,000, respectively.

## Uniparts Olsen Inc.

Financial statements

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### 5 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.

### 6 Property, equipment and software

Property, equipment and software 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:

<b>Class of assets</b>	<b>Estimated useful life (years)</b>
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.

### 7 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.

### 8 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, 2023, and March 31, 2022.

### 9 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.

### 10 Fair value of financial instruments

The Company applies fair value measurements to certain assets, liabilities and transactions that are periodically measured at fair value.

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

## **Uniparts Olsen Inc.**

### Financial statements

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Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 – unobservable inputs for the asset or liability used only when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

#### *11 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.

#### *12 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.

#### *13 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.

## **Uniparts Olsen Inc.**

### Financial statements

March 31, 2023 and March 31, 2022

#### *14 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, 2023 and March 31, 2022.

#### *15 Leases*

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. The Company's assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the term of the contract, and (3) whether the Company has the right to direct the use of the asset. At the inception of a lease, the consideration in the contract is allocated to each lease component based on its relative standalone price to determine the lease payments. Leases entered into prior to April 01, 2022 have been accounted for under ASC 840 and were not reassessed.

Leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria are met: (1) the lease transfers ownership of the asset by the end of the lease term, (2) the lease contains an option to purchase the asset that is reasonably certain to be exercised, (3) the lease term is for a major part of the remaining useful life of the asset or (4) the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease is classified as an operating lease if it does not meet any one of the above criteria.

For all leases at the lease commencement date, a right-to-use ("ROU") asset and a lease liability are recognized. The lease liability represents the present value of the lease payments under the lease. Lease liabilities are initially measured as the present value of the lease payments not yet paid, discounted using the discount rate for the lease at lease commencement. The lease liabilities are subsequently measured on an amortized cost basis. The lease liability is adjusted to reflect interest on the liability and the lease payments made during the period. Interest on the lease liability is determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability.

The ROU asset represents the right to use the leased asset for the lease term. The ROU asset for each lease initially includes the amount of the initial measurement of the lease liability adjusted for any lease payments made to the lessor at or before the commencement date, accrued lease liabilities and any lease incentives received, or any initial direct costs incurred by the Company.

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The ROU asset of finance leases is subsequently measured at cost, less accumulated amortization and any accumulated impairment losses. The ROU asset of operating leases is subsequently measured from the carrying amount of the lease liability at the end of each reporting period, and is therefore equal to the carrying amount of lease liabilities adjusted for (1) unamortized initial direct costs, (2) prepaid/(accrued) lease payments and (3) the unamortized balance of lease incentives received.

Leases with a lease term of 12 months or less from the commencement date that do not contain a purchase option are recognized as an expense on a straight-line basis over the lease term.

#### **Significant judgements**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has applied an incremental borrowing rate for the purpose of computing lease liabilities. Upon the Company's adoption of ASC 842, the Company applied an incremental borrowing rate to leases existing as of April 01, 2022, the date of initial application.

#### **Changes in accounting policies**

Except as described below, the Company has applied accounting policies consistently to all periods presented in these financial statements. The Company adopted Accounting Standards Codification Topic 842, Leases ("Topic 842"), effective April 01, 2022. The Company applied Topic 842 using the modified retrospective adoption approach, which involves recognizing new ROU assets and lease liabilities in its statement of financial position for various operating leases. Therefore, comparative information has not been adjusted and continues to be reported under ASC Topic 840.

As a result of the Company's adoption of this new standard, all leases are classified as either operating leases or finance leases and are recorded on the balance sheet. The Company's accounting for finance leases (capital leases under ASC 840) is substantially unchanged. The Company has elected the "package of practical expedients," which allows the Company not to reassess, under the new standard, its prior conclusions about lease identification, lease classification and initial direct costs. The Company has also elected to not separate lease and non-lease components for all of its leases and to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"). As of April 01, 2022, the date of the Company's initial application of ASC 842, the Company recognized its lease liabilities measured as the present value of lease payments not yet paid, discounted using the discount rate for the lease as of the date of initial application. The ROU asset for each existing lease as of the date of initial application includes an initial measurement of the lease liability adjusted for any lease payments made to the lessor at or before the date of initial application, accrued lease payments and any lease incentives received or any initial direct costs incurred by the Company as of the date of initial application.

#### *16 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.

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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.

*17 Retirement benefits to employees*

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

*18 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.

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**NOTE C - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise the following:

	<b>As at March 31, 2023</b>	<b>As at March 31, 2022</b>
Balances with banks in checking accounts	172,016	78,665
Cash in hand	337	335
<b>Total</b>	<b>172,353</b>	<b>79,000</b>

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:

	<b>As at March 31, 2023</b>	<b>As at March 31, 2022</b>
Receivable from customers	2,709,910	4,120,827
Less: Allowance for doubtful accounts	(4,000)	(4,000)
<b>Accounts receivable, net</b>	<b>2,705,910</b>	<b>4,116,827</b>

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, 2023, is as follows:

	<b>Total</b>	<b>Obsolescence allowance</b>	<b>Net amount</b>
Raw materials	1,733,200	(364,433)	1,368,767
Work-in-progress	1,084,890	(154,991)	929,899
Finished goods	13,410,338	(994,074)	12,416,264
Supplies	1,781,260	-	1,781,260
<b>Total</b>	<b>18,009,688</b>	<b>(1,513,498)</b>	<b>16,496,190</b>

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During the year ended March 31, 2023, the Company has written off inventory worth of \$393,470 (March 31, 2022: \$656,913) 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, 2022, is as follows:

	<b>Total</b>	<b>Obsolescence allowance</b>	<b>Net amount</b>
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
<b>Total</b>	<b>18,438,921</b>	<b>(1,906,968)</b>	<b>16,531,953</b>

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, net comprises the following:

	<b>As at March 31, 2023</b>	<b>As at March 31, 2022</b>
Leasehold improvements	234,130	232,587
Shop equipment	7,269,559	10,542,953
Office equipment	529,977	924,223
<b>Property and equipment, gross</b>	<b>8,033,666</b>	<b>11,699,763</b>
Less: Accumulated depreciation	(5,824,750)	(9,550,982)
Capital work in progress	155,599	163,055
<b>Property and equipment, net</b>	<b>2,364,515</b>	<b>2,311,836</b>

Depreciation expense is \$390,551 and \$362,330 for the years ended March 31, 2023, and March 31, 2022, respectively.

During the year ended March 31, 2023, the Company has written off assets carrying net book value of \$134,413 (March 31, 2022: \$NIL).

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 - SOFTWARE**

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

<b>As at March 31, 2023</b>			
<b>Useful life</b>	<b>Gross carrying amount</b>	<b>Accumulated amortization</b>	<b>Net carrying amount</b>
<b>Definite life intangibles</b>			
Software	3	562,140	(562,140)
<b>Total</b>		<b>562,140</b>	<b>(562,140)</b>
<b>As at March 31, 2022</b>			
<b>Useful life</b>	<b>Gross carrying amount</b>	<b>Accumulated amortization</b>	<b>Net carrying amount</b>
<b>Definite life intangibles</b>			
Software	3	562,140	(421,605)
<b>Total</b>		<b>562,140</b>	<b>(421,605)</b>

Amortization expense is \$140,535 and \$187,380 for the years ended March 31, 2023, and March 31, 2022, respectively.

**NOTE H - RISK CONCENTRATION**

**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, 2023, and March 31, 2022, the Company's two largest customers accounted for approximately 72% and 54% of revenues, respectively. Two customers accounted for approximately 59% and 51% of net accounts receivable as of March 31, 2023, and March 31, 2022, 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.

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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.

## **NOTE I - DEBT**

### *Line of credit*

In March 2023, the Company extended its revolving line of credit to extend the term of the line of credit till March 31, 2024 and revised the amount to \$1,500,000. 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, 2023, and year ended March 31, 2022, was approximately 4.82% and 2.08%, 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 \$Nil and \$2,031,224 as of March 31, 2023, and March 31, 2022, respectively. The unutilized portion of the line of credit was \$1,500,000 and \$2,468,776 as of March 31, 2023 and March 31, 2022, respectively. Interest expense relating to this credit line was \$32,784 and \$27,895 for the years ended March 31, 2023, and March 31, 2022, 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.

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	<u>March 31, 2023</u>	<u>March 31, 2022</u>
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	-	6,255
Note payable of \$758,163 due in monthly installments of \$12,636 bearing interest at 4.49% through April 2024	163,274	314,902
Note payable of \$594,096 due in monthly installments of \$9,902 bearing interest at SOFR+150 basis points, through March 2027	495,075	594,096
Less: Current portion	(270,457)	(276,707)
<b>Long-term debt, net of current portion</b>	<b><u>387,892</u></b>	<b><u>638,546</u></b>
Future annual maturities of the long-term debt:		
Year ending March 31:		
2024		270,457
2025		131,460
2026		118,824
2027		137,608
		<b><u>658,349</u></b>

**NOTE J – COMMITMENTS AND CONTINGENCIES**

*Commitments*

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 \$660,000 and \$1,800,000 as of March 31, 2023, and March 31, 2022, respectively.

**NOTE K - REVENUE FROM CONTRACTS WITH CUSTOMERS**

The following table presents revenue disaggregated by product line:

	<b>For the year ended</b>	
	<b><u>March 31, 2023</u></b>	<b><u>March 31, 2022</u></b>
Revenue from sale of goods	44,721,482	39,758,798
Consignment sales	101,959	112,524
<b>Total</b>	<b><u>44,823,441</u></b>	<b><u>39,871,322</u></b>

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The following table presents revenue disaggregated by timing of recognition:

	For the year ended	
	March 31, 2023	March 31, 2022
At a point in time	44,823,441	39,758,798
<b>Total</b>	<b>44,823,441</b>	<b>39,758,798</b>

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, 2023, and year ended March 31, 2022, value of sales and purchase on consignment basis is as follows:

	For the year ended	
	March 31, 2023	March 31, 2022
Sale of goods	734,481	566,175
Purchase of goods	(632,522)	(453,651)
<b>Other revenue</b>	<b>101,959</b>	<b>112,524</b>

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	As at
	March 31, 2023	March 31, 2022
Accounts receivable	2,705,910	4,116,827
<b>Total</b>	<b>2,705,910</b>	<b>4,116,827</b>

**NOTE L – OTHER INCOME**

Other income comprises of the following:

	For the year ended	
	March 31, 2023	March 31, 2022
Employee retention credit (Refer Note S)	1,517,314	149,338
Miscellaneous income	1,276	-
Interest income	35,740	-
<b>Total</b>	<b>1,554,330</b>	<b>149,338</b>

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### NOTE M – Leases

The Company has leased office space, vehicles and forklifts from various lessors. Certain lease agreements include options to extend the leases for up to 10 years. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company notes that on adoption of new standard resulted in recording a lease liability and right-of-use asset associated with Company's lease agreement totalling \$2,873,488 and \$2,776,416 respectively as of April 01, 2022.

#### General description of the lease

The Company facilitates office space, vehicles and forklifts under operating leases which have non-cancellable terms.

**Non-lease components:** Leases that contain non-lease components are accounted for as a single component and recorded on the balance sheet for certain asset classes including equipment. Non-lease components include, but are not limited to, common area maintenance and service arrangements.

**Package of practical expedients:** The Company will not reassess whether any expired or existing contracts are leases or contain leases, the lease classification for any expired or existing leases or any initial direct costs for any expired or existing leases as of the transition date.

**Additional transition method:** The Company adopted the standard using a modified retrospective approach, applying the standard's transition provisions at the beginning of the period of adoption and maintain previous disclosure requirements for comparative periods.

The Company used the following policies and/or assumptions in evaluating the lease population:

**Lease determination:** The Company considers a contract to be or to contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.

**Discount rate:** When the lease contracts do not provide a readily determinable implicit rate, the Company uses the estimated incremental borrowing rate based on information available at the inception of the lease. The discount rate is determined by asset class.

**Renewal options:** Most leases include one or more options to renew, with renewal terms that can extend the lease term from one or more years. The exercise of lease renewal options is at the Company's sole discretion.

**Residual value guarantees, restrictions, or covenants:** The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Short-term leases:** Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term and expense the associated operating lease costs to administrative expenses on the statements of income.

The components of lease cost for operating lease for the year ended March 31, 2023 are as follows

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	<b>Year ended 31-Mar-23</b>
Operating lease cost	509,941
<b>Total</b>	<b>509,941</b>

The Company records operating lease cost in the statements of income within cost of goods sold.

**Other Information**

	<b>Year ended 31-Mar-23</b>
Weighted -average remaining lease term -operating lease (years)	6.25
Weighted -average discount rate-operating lease	4.62%

**Supplemental cash flow information related to leases was as follows:**

	<b>Year ended 31-Mar-23</b>
Operating cash flows from operating lease	508,575
<b>Total</b>	<b>508,575</b>

Future minimum lease payments relating to operating lease are as follows:

<b>Year ending March 31,</b>	<b>Amount (\$)</b>
2024	504,371
2025	463,313
2026	387,529
2027	389,790
2028 onwards	1,136,430
<b>Total minimum lease payments</b>	<b>2,881,433</b>
Less: Imputed interest	402,166
<b>Present value of minimum lease payments</b>	<b>2,479,267</b>
Less: Current portion	396,948
<b>Non-current lease obligations</b>	<b>2,082,319</b>

The following table provides details of future minimum lease payments under lease agreements as of March 31, 2022 prior to adoption of the new lease standard:

<b>Year ending March 31,</b>	<b>Amount (\$)</b>
2023	591,617
2024	516,617
2025	467,095
Thereafter	1,913,749
	<b>3,489,078</b>

**NOTE N - INCOME TAXES**

For the year ended March 31, 2023, and year ended March 31, 2022, 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:

	<b>For the year ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
<b>Current taxes</b>		
Federal	975,922	540,521
State	93,827	592,693
	<b>1,069,749</b>	<b>1,133,214</b>
<b>Deferred taxes</b>		
Federal	44,246	(165,831)
State	(114,826)	164,364
	<b>(70,581)</b>	<b>(1,467)</b>
<b>Total income tax expense</b>	<b>999,168</b>	<b>1,131,747</b>

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, 2023, and March 31, 2022:

	<b>As of</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
<b>Deferred tax assets:</b>		
Accrued expenses	167,565	115,020
Allowance for doubtful accounts	1,025	1,081
Lease liabilities	350	-
Inventory	456,640	590,643
Deferred rent	-	27,596
Total	625,580	734,340
Less: Valuation allowance	-	-
<b>Deferred tax assets, net</b>	<b>625,580</b>	<b>734,340</b>
<b>Deferred tax liability</b>		
Goodwill	(1,771,095)	(1,868,088)
Prepaid expenses	(24,222)	(21,350)
Casualty gain deferral	(593,014)	(625,490)
Property and equipment	(566,194)	(618,938)
<b>Deferred tax liability</b>	<b>(2,954,525)</b>	<b>(3,133,866)</b>
<b>Net deferred tax liability</b>	<b>(2,328,945)</b>	<b>(2,399,526)</b>

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In assessing the realization of deferred tax assets, the likelihood of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized must be considered. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary difference become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment.

*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 2019 through 2021 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 \$73,098 and \$65,090 for the year ended March 31, 2023, and year ended March 31, 2022, respectively.

*Health and dental plan*

The amount of expenses relating to the health and dental plan for the employees approximated \$320,650 and \$294,605 for the year ended March 31, 2023, and year ended March 31, 2022, 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
<b>March 31, 2021</b>	<b>45,000</b>	<b>52.5</b>	<b>13.04</b>	<b>19,168</b>
Granted	2,500	52.5	15	20,843
Exercised	-	-	-	-
Forfeited	-	-	-	-
<b>March 31, 2022</b>	<b>47,500</b>	<b>52.5</b>	<b>12.04</b>	<b>20,843</b>
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
<b>March 31, 2023</b>	<b>47,500</b>	<b>52.5</b>	<b>11.16</b>	<b>290,303</b>
<b>Options vested and exercisable</b>	<b>36,500</b>			

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The weighted average exercise price of options is Indian Rupee 52.05 which is equivalent to \$0.74. The Company has recognized \$5,793 and \$7,107 as stock-based compensation expense for the years ended March 31, 2023, and March 31, 2022, respectively.

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%

As of March 31, 2023, the total unrecognized stock-based compensation expense related to the stock options outstanding was \$2,283, which is expected to be recognized over a weighted-average service period of 1.32 years.

### **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 \$20,614,000 and \$19,748,000 for the year ended March 31, 2023, and year ended March 31, 2022, respectively. Additionally, there is approximately \$1,143,217 and \$883,689, due to these companies for purchases of materials as of March 31, 2023, and March 31, 2022, 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, 2023, and March 31, 2022, 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, 2023 and March 31, 2022, the Company was due \$1,143,218 and \$1,330,078 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.

As of March 31, 2023, and March 31, 2022, 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.

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*Dividend*

During the year ended March 31, 2023, and March 31, 2022, the Company paid dividend of \$2,000,000 and \$1,000,000, respectively, to its Parent, Uniparts USA Ltd.

**NOTE S – EMPLOYEE RETENTION CREDIT ("ERC")***Employee retention credit ("ERC")*

During the years ended March 31, 2023 and March 31, 2022, the Company availed benefits under the Employee retention credit scheme, established under the Coronavirus Aid, Relief, and Economic Security 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 Paycheck protection program loan, under the provisions of International Accounting Standards ("IAS") 20, the Company has recorded total Employee retention credit refund received during the years ended March 31, 2023, and March 31, 2022, amounting to \$1,517,314 and \$149,338, respectively under other income in the statements of income.

**NOTE T - SUBSEQUENT EVENTS**

The Company evaluated all events and transactions that occurred after March 31, 2023, 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")**

	<b>For the year ended March 31, 2023</b>	<b>For the year ended March 31, 2022</b>
<b>Net income</b>	<b>3,241,841</b>	<b>1,751,761</b>
<b>Adjustments:</b>		
Interest expense	55,098	39,128
Income tax expense	999,168	1,131,747
Depreciation and amortization expense	531,086	549,710
<b>Total adjustments</b>	<b>1,585,352</b>	<b>1,720,585</b>
<b>EBITDA</b>	<b>4,827,193</b>	<b>3,472,346</b>