

# **Uniparts Olsen Inc.**

Financial statements

March 31, 2024, and March 31, 2023

## **KNAV CPA LLP**

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America Counts on CPAs

## Table of contents

<b>Independent auditor's report</b>	3
<b>Financial Statements</b>	5
Balance sheets	6
Statements of income	7
Statements of stockholder's equity	8
Statements of cash flows	9
<b>Notes to financial statements</b>	10
<b>Supplementary information</b>	25

# Independent auditor's report

Board of Directors and Shareholders  
Uniparts Olsen Inc.

## Opinion

We have audited the financial statements of Uniparts Olsen Inc., ('the Company'), which comprise the balance sheets as of March 31, 2024, and March 31, 2023, 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, 2024, and March 31, 2023, 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:

- 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.

#### **Supplementary Information**

Our audits were 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 CPA LLP*

Atlanta, Georgia  
May 08, 2024

**Uniparts Olsen Inc.**  
Financial statements  
March 31, 2024 and March 31, 2023

# Financial statements

**Uniparts Olsen Inc.**  
Financial statements  
March 31, 2024 and March 31, 2023

**Balance sheets**

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

		As of	
	Notes	March 31, 2024	March 31, 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C	403,634	172,353
Accounts receivable, net	D	2,240,555	2,705,910
Inventories, net	E	15,482,459	16,496,190
Prepaid expenses and other current assets		180,246	169,784
Due from parent	Q	2,254,124	958,427
<b>Total current assets</b>		<b>20,561,018</b>	<b>20,502,664</b>
Property and equipment, net	F	2,132,664	2,208,916
Capital work-in-progress		500,653	155,599
Intangible assets	G	46,680	-
Goodwill		6,909,650	6,909,650
Operating lease right-of-use assets	M	1,977,515	2,375,829
<b>Total non-current assets</b>		<b>11,567,162</b>	<b>11,649,994</b>
<b>Total assets</b>		<b>32,128,180</b>	<b>32,152,658</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>			
<b>Current liabilities</b>			
Current portion of operating lease obligations	M	374,116	396,948
Accounts payable		909,105	781,471
Due to related parties	Q	1,534,196	1,143,218
Current portion of long-term debt	I	130,462	270,457
Accrued expenses and other current liabilities		730,904	789,252
Provision for taxation		503,181	304,732
<b>Total current liabilities</b>		<b>4,181,964</b>	<b>3,686,078</b>
<b>Non-current liabilities</b>			
Operating lease obligations, net of current portion	M	1,708,902	2,082,319
Long-term debt, net of current portion	I	257,435	387,892
Deferred tax liability, net	N	2,190,302	2,328,945
<b>Total non-current liabilities</b>		<b>4,156,639</b>	<b>4,799,156</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		2,712,737	2,711,703
Retained earnings		19,852,539	19,731,420
<b>Total stockholder's equity</b>		<b>23,789,577</b>	<b>23,667,424</b>
<b>Total liabilities and stockholder's equity</b>		<b>32,128,180</b>	<b>32,152,658</b>

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

**Uniparts Olsen Inc.**

Financial statements

March 31, 2024 and March 31, 2023

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

		<b>For the year ended</b>	
	<b>Notes</b>	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Revenue, net	K	47,788,271	44,721,482
Less: Cost of goods sold (excluding depreciation and amortization expense)		(39,902,598)	(38,500,655)
Other revenue	K	69,170	101,959
<b>Gross profit</b>		<b>7,954,843</b>	<b>6,322,786</b>
<b>Cost and expenses</b>			
Selling, general and administration expenses		3,434,355	2,915,510
Depreciation and amortization expenses	F & G	418,198	531,086
		<b>3,852,553</b>	<b>3,446,596</b>
<b>Income from operations</b>		<b>4,102,290</b>	<b>2,876,190</b>
<b>Other (expense) / income</b>			
Interest expense	I	(36,786)	(55,098)
Loss on asset written off		(2,464)	(134,413)
Other income	L	-	1,554,330
<b>Total other (expense) / income</b>		<b>(39,250)</b>	<b>1,364,819</b>
<b>Income before income tax expense</b>		<b>4,063,040</b>	<b>4,241,009</b>
<b>Income tax expense</b>			
Current tax expense	N	1,080,565	1,069,749
Deferred tax benefit	N	(138,644)	(70,581)
<b>Total income tax expense</b>		<b>941,921</b>	<b>999,168</b>
<b>Net income for the year</b>		<b>3,121,119</b>	<b>3,241,841</b>

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

**Uniparts Olsen Inc.**

Financial statements

March 31, 2024 and March 31, 2023

**Statements of stockholder's equity****For the year ended March 31, 2024 and March 31, 2023***(All amounts are in United States Dollars, except for number of shares)*

	Common stock issued						Total stockholder's equity
	Authorized		Issued and outstanding		Additional paid in capital	Retained earnings	
	Shares	Value (\$)	Shares	Value (\$)			
<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>
Employee stock options	-	-	-	-	1,034	-	1,034
Net income for the year	-	-	-	-	-	3,121,119	3,121,119
Dividend paid	-	-	-	-	-	(3,000,000)	(3,000,000)
<b>Balance as at March 31, 2024</b>	<b>1,224,301</b>	<b>1,224,301</b>	<b>1,224,301</b>	<b>1,224,301</b>	<b>2,712,737</b>	<b>19,852,539</b>	<b>23,789,577</b>

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



**Uniparts Olsen Inc.**

Financial statements

March 31, 2024 and March 31, 2023

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

	<b>For the year ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
<b>Cash flows from operating activities</b>		
Net income for the year	3,121,119	3,241,841
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Depreciation and amortization	418,198	531,086
Provision for inventory and inventory written off	(451,377)	-
Deferred income tax benefit	(138,644)	(70,581)
Employee stock options	1,034	5,793
Loss on assets written off	2,464	134,413
<b>Changes in operating assets and liabilities, net</b>		
Accounts receivable	465,355	1,410,917
Inventories	1,465,108	35,763
Prepaid expenses	(10,462)	(45,191)
Operating lease right-of-use assets	398,314	(2,375,829)
Due from parent	(1,295,697)	371,651
Accounts payable	127,634	(169,244)
Due to related parties	390,978	259,528
Accrued expenses and other current liabilities	(58,344)	87,842
Provision for taxation	198,447	(836,059)
Operating lease liabilities	(396,249)	2,479,267
Deferred rent	-	(102,072)
<b>Net cash provided by operating activities</b>	<b>4,237,878</b>	<b>4,959,125</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(736,145)	(577,644)
<b>Net cash used in investing activities</b>	<b>(736,145)</b>	<b>(577,644)</b>
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings on line of credit, net	-	(2,031,224)
Repayment of loans	(270,452)	(256,904)
Dividend paid	(3,000,000)	(2,000,000)
<b>Net cash used in financing activities</b>	<b>(3,270,452)</b>	<b>(4,288,128)</b>
<b>Net increase in cash and cash equivalents</b>	<b>231,281</b>	<b>93,353</b>
Cash and cash equivalents, beginning of year	172,353	79,000
<b>Cash and cash equivalents, end of year</b>	<b>403,634</b>	<b>172,353</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	38,124	56,333
Cash paid for income taxes	882,118	1,040,231

*(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, 2023, to March 31, 2024, and April 01, 2022, to March 31, 2023.

#### *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, expected credit loss, inventory valuation (which includes allowance for obsolescence and standard labor and overhead rates capitalized in inventory), goodwill impairment, useful lives of tangible and intangible assets 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.

Accounts receivables are stated at the amount billed to customers. Prior to the Company's adoption of Topic 326, the Company followed the specific identification method for recognizing allowance for doubtful debts. Management analyzes composition of the accounts receivable aging, historical bad debts, current economic trends, internal assessments of credit quality and the economic conditions in the industry, as well as in the economy as a whole and customer credit worthiness of each account receivable when evaluating the adequacy of the allowance for doubtful accounts. Under Topic 326, accounts receivable are recorded at the invoiced amount, net of allowance for credit losses. The Company regularly reviews the adequacy of the allowance for credit losses based on a combination of factors. In establishing any required allowance, management considers historical losses adjusted for current market conditions, the current receivables aging, current payment terms and expectations of forward-looking loss estimates.

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 comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the moving average method. Net realizable value is the estimated selling price less applicable selling expenses. If the carrying value exceeds net realizable amount, a write-down is recognized.

6 *Property, equipment and intangible assets*

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, 2024, and March 31, 2023.

9 *Impairment of long-lived assets*

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

*(This space has been intentionally left blank)*

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:

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*

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 K "Revenue from Contracts with Customers" for further information on the Company's revenue.

The Company 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.

Practical expedients and contract costs

The Company applies the practical expedient available under Accounting Standards Codification ("ASC") 606 that permits not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. In addition, there are no unsatisfied performance obligations for contracts greater than one year. Costs incurred to obtain or fulfil a contract are not material.

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 fulfillment cost and recorded as a cost of product revenue. The Company does not consider shipping to be a separate performance obligation.

*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 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, 2024 and March 31, 2023.

*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.

**Uniparts Olsen Inc.**

Financial statements

March 31, 2024 and March 31, 2023

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.

*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.

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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**Uniparts Olsen Inc.**

Financial statements

March 31, 2024 and March 31, 2023

**NOTE C - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise the following:

	<b>As at March 31, 2024</b>	<b>As at March 31, 2023</b>
Balances with banks in checking accounts	403,241	172,016
Cash in hand	392	337
<b>Total</b>	<b>403,634</b>	<b>172,353</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, 2024</b>	<b>As at March 31, 2023</b>
Receivable from customers	2,244,555	2,709,910
Less: Allowance for expected credit losses	(4,000)	(4,000)
<b>Accounts receivable, net</b>	<b>2,240,555</b>	<b>2,705,910</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, 2024, is as follows:

	<b>Total</b>	<b>Obsolescence allowance</b>	<b>Net amount</b>
Raw materials	1,904,725	(468,621)	1,436,104
Work-in-progress	1,104,920	-	1,104,920
Finished goods	11,878,371	(593,500)	11,284,871
Supplies	1,656,564	-	1,656,564
<b>Total</b>	<b>16,544,580</b>	<b>(1,062,121)</b>	<b>15,482,459</b>

During the year ended March 31, 2024, the Company has reduced obsolescence allowance by \$451,377 which has been included under cost of goods sold in the statements of income. Further, inventory worth of \$Nil (March 31, 2023: \$393,470) on account of obsolete and slow-moving inventory for discontinued parts was written-off and has been included under cost of goods sold in the statements of income.

**Uniparts Olsen Inc.**  
Financial statements  
March 31, 2024 and March 31, 2023

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>

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, 2024</b>	<b>As at March 31, 2023</b>
Leasehold improvements	262,027	234,130
Shop equipment	7,404,280	7,269,559
Office equipment	595,862	529,977
<b>Property and equipment, gross</b>	<b>8,262,169</b>	<b>8,033,666</b>
Less: Accumulated depreciation	(6,129,505)	(5,824,750)
<b>Property and equipment, net</b>	<b>2,132,664</b>	<b>2,208,916</b>

Depreciation expense is \$412,571 and \$390,551 for the years ended March 31, 2024, and March 31, 2023, respectively.

During the year ended March 31, 2024, the Company has written off assets carrying net book value of \$2,464 (March 31, 2023: \$134,413)

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 - INTANGIBLE ASSETS**

The Company's intangible assets includes software as follows;

<b>As at March 31, 2024</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	614,447	(567,767)
<b>Total</b>		<b>614,447</b>	<b>(567,767)</b>

<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>

Amortization expense is \$5,627 and \$140,535 for the years ended March 31, 2024, and March 31, 2023, 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, 2024, and March 31, 2023, the Company's two largest customers accounted for approximately 68% and 72% of revenues, respectively. Two customers accounted for approximately 49% and 59% of net accounts receivable as of March 31, 2024, and March 31, 2023, 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

**NOTE I - DEBT**

*Line of credit*

In March 2024, the Company extended its revolving line of credit to extend the term of the line of credit till March 31, 2025 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, 2024, and year ended March 31, 2023, was approximately 4.89% and 4.82%, 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 not drawn down any amount as of March 31, 2024, and March 31, 2023, respectively and the unutilized portion of the line of credit was \$1,500,000 and \$1,500,000 as of March 31, 2024 and March 31, 2023, respectively. Interest expense relating to this credit line was \$193 and \$32,784 for the years ended March 31, 2024, and March 31, 2023, respectively.

*Term Loan*

The term loan of \$758,163 is collateralized by substantially all assets of the Company and secured by a corporate guarantee by the Parent.

The term loan for a value of \$594,096 is to be repaid in equal instalments over a period of 60 months. The term loan has a "floating rate" which is a "base rate" determined by adjusted SOFR plus 150 basis points. The term loan is collateralized by fixed assets of the Company.

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Term Loan of \$758,163 due in monthly installments of \$12,636 bearing interest at 4.49% through April 2024	12,636	163,274
Term Loan of \$594,096 due in monthly installments of \$9,902 bearing interest at SOFR+150 basis points, through May 2027	375,261	495,075
Less: Current portion	(130,462)	(270,457)
<b>Long-term debt, net of current portion</b>	<b><u>257,435</u></b>	<b><u>387,892</u></b>

Future annual maturities of the long-term debt:

Year ending March 31:

2025	130,462
2026	118,824
2027	118,824
2028	19,787
	<b><u>387,897</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 \$NIL and \$660,000 as of March 31, 2024, and March 31, 2023, respectively.

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

The following table presents revenue disaggregated by product line:

	<b>For the year ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Revenue from sale of goods	47,788,271	44,721,482
Consignment sales	69,170	101,959
<b>Total</b>	<b>47,857,441</b>	<b>44,823,441</b>

The following table presents revenue disaggregated by timing of recognition:

	<b>For the year ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
At a point in time	47,857,441	44,823,441
<b>Total</b>	<b>47,857,441</b>	<b>44,823,441</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, 2024, and year ended March 31, 2023, value of sales and purchase on consignment basis is as follows:

	<b>For the year ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Sale of goods	557,742	734,481
Purchase of goods	(488,572)	(632,522)
<b>Other revenue</b>	<b>69,170</b>	<b>101,959</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.

	<b>As at</b>	<b>As at</b>
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Accounts receivable	2,240,555	2,705,910
<b>Total</b>	<b>2,240,555</b>	<b>2,705,910</b>

**NOTE L – OTHER INCOME**

Other income comprises of the following:

	<b>For the year ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Employee retention credit (Refer Note S)	-	1,517,314
Miscellaneous income	-	1,276.00
Interest income	-	35,740
<b>Total</b>	<b>-</b>	<b>1,554,330</b>

**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.

The components of lease cost for operating lease for the years ended March 31, 2024 and March 31, 2023 are as follows:

	<b>For the year ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Operating lease cost - Depreciation	398,314	395,587
Operating lease cost - Interest expense	107,423	114,354
<b>Total</b>	<b>505,737</b>	<b>509,941</b>

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

**Other Information**

	<b>For the year ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Weighted -average remaining lease term -operating lease (years)	5.64	6.25
Weighted -average discount rate-operating lease	4.62%	4.62%

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

	<b>For the year ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Operating cash flows from operating lease	420,888	508,575
<b>Total</b>	<b>420,888</b>	<b>508,575</b>

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

	<b>As at</b>	<b>As at</b>
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
<b>Within</b>		
1 year	456,006	504,371
1-2 years	387,529	463,313
2-3 years	389,790	387,529
3-4 years	401,093	389,790
5th year and onwards	735,337	1,136,430
<b>Total minimum lease payments</b>	<b>2,369,755</b>	<b>2,881,433</b>
Less: Imputed interest	286,737	402,166
<b>Present value of minimum lease payments</b>	<b>2,083,018</b>	<b>2,479,267</b>
Less: Current portion	374,116	396,948
<b>Non-current lease obligations</b>	<b>1,708,902</b>	<b>2,082,319</b>

**NOTE N - INCOME TAXES**

For the year ended March 31, 2024, the Company will file 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, 2024</b>	<b>March 31, 2023</b>
<b>Current taxes</b>		
Federal	783,777	975,922
State	296,788	93,827
	<b>1,080,565</b>	<b>1,069,749</b>
<b>Deferred taxes</b>		
Federal	(123,048)	44,246
State	(15,596)	(114,826)
	<b>(138,644)</b>	<b>(70,581)</b>
<b>Total income tax expense</b>	<b>941,921</b>	<b>999,168</b>

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

	<b>For the year ended</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Income tax at federal rate	853,231	890,612
State tax, net of federal effect	226,265	(82,959)
True-up	(81,617)	446,321
Permanent differences	(68,301)	(254,806)
Change in tax rate	12,343	-
<b>Total income tax expense</b>	<b>941,921</b>	<b>999,168</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, 2024, and March 31, 2023:

	<b>As of</b>	
	<b>March 31, 2024</b>	<b>March 31, 2023</b>
<b>Deferred tax assets:</b>		
Accrued expenses	156,394	167,565
Allowance for doubtful accounts	1,031	1,025
Lease liabilities	884	350
R&D expense	137,664	-
Provision for rebate	14,074	-
Inventory	369,177	456,640
<b>Deferred tax assets</b>	<b>679,224</b>	<b>625,580</b>
<b>Deferred tax liability</b>		
Goodwill	(1,780,481)	(1,771,095)
Prepaid expenses	(24,948)	(24,222)
Casualty gain deferral	(596,157)	(593,014)
Property and equipment	(467,940)	(566,194)
<b>Deferred tax liability</b>	<b>(2,869,526)</b>	<b>(2,954,525)</b>
<b>Deferred tax liability, net</b>	<b>(2,190,302)</b>	<b>(2,328,945)</b>

**Uniparts Olsen Inc.**  
**Financial statements**  
**March 31, 2024 and March 31, 2023**

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 years 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 2020 through 2022 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 \$86,605 and \$73,098 for the year ended March 31, 2024, and year ended March 31, 2023, respectively.

*Health and dental plan*

The amount of expenses relating to the health and dental plan for the employees approximated \$425,566 and \$320,650 for the year ended March 31, 2024, and year ended March 31, 2023, 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:

<b>Balance as on</b>	<b>Number of stock options</b>	<b>Weighted-average exercise price (INR)</b>	<b>Weighted average remaining contractual life (Years)</b>	<b>Aggregate intrinsic value</b>
<b>March 31, 2022</b>	<b>47,500.00</b>	<b>52.50</b>	<b>12.04</b>	<b>20,843.00</b>
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
<b>March 31, 2023</b>	<b>47,500</b>	<b>52.50</b>	<b>11.16</b>	<b>290,303</b>
Granted	-	-	-	-
Exercised	45,825	52.50	-	-
Forfeited	1,675	52.50	-	-
<b>March 31, 2024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Options vested and exercisable</b>	<b>-</b>			

The weighted average exercise price of options is Indian Rupee 52.05 which is equivalent to \$0.74. The Company has recognized \$1,026 and \$5,793 as stock-based compensation expense for the years ended March 31, 2024, and March 31, 2023, respectively.

## Uniparts Olsen Inc.

### Financial statements

March 31, 2024 and March 31, 2023

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, 2024, there is no unrecognized stock-based compensation expense as there are no stock options outstanding.

### 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 \$22,195,360 and \$20,614,000 for the year ended March 31, 2024, and year ended March 31, 2023, respectively. Additionally, there is approximately \$1,534,196 and \$1,143,218, due to these companies for purchases of materials as of March 31, 2024, and March 31, 2023, 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, 2024, and March 31, 2023, 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, 2024 and March 31, 2023, the Company was due \$2,254,124 and \$958,427 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, 2024, and March 31, 2023, 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 - STOCKHOLDER'S EQUITY

#### *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, 2024, and March 31, 2023, the Company paid dividend of \$3,000,000 and \$2,000,000, respectively, to its Parent, Uniparts USA Ltd.

**NOTE S – EMPLOYEE RETENTION CREDIT ("ERC")**

*Employee retention credit ("ERC")*

During the year ended March 31, 2023, 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, 2024, and March 31, 2023, amounting to \$Nil and \$1,517,314, 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, 2024, 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.

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## Supplementary information

### Computation of Earnings Before Interest Taxes Depreciation and Amortization (“EBITDA”)

	For the year ended March 31, 2024	For the year ended March 31, 2023
Net income	3,121,119	3,241,841
<b>Adjustments:</b>		
Interest expense	36,786	55,098
Income tax expense	941,921	999,168
Depreciation and amortization expense	418,198	531,086
<b>Total adjustments</b>	<b>1,396,905</b>	<b>1,585,352</b>
<b>EBITDA</b>	<b>4,518,024</b>	<b>4,827,193</b>