Suprajit USA, Inc.

Independent Auditor's Report and Consolidated Financial Statements

March 31, 2022 and 2021

Suprajit USA, Inc.
March 31, 2022 and 2021

Contents

BKD
CPAs & Advisors

1551 N. Waterfront Parkway, Suite 300 | Wichita, KS 67206-6601
316.265.2811 | Fax 316.265.9405 | bkd.com

Independent Auditor's Report

Board of Directors
Suprajit USA, Inc.

Opinion

We have audited the consolidated financial statements of Suprajit USA, Inc. (a 100% wholly-owned subsidiary of Suprajit Engineering Limited) and its subsidiary, which comprise the consolidated balance sheets as of March 31, 2022 and 2021, and the related consolidated statements of income and comprehensive income, stockholder's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Suprajit USA, Inc. and subsidiary as of March 31, 2022 and 2021, and the results of their operations and their 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 (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of Suprajit USA, Inc. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Suprajit USA, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Suprajit USA, Inc.'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 performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, 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 consolidated financial statements as a whole.

BKD, LLP

Wichita, Kansas
May 23, 2022

Suprajit USA, Inc.

Consolidated Balance Sheets

March 31, 2022 and 2021

Assets

	2022	2021
Current Assets		
Cash	$ 18,384,507	$ 1,605,570
Accounts receivable, net of allowance; 2022 - $11,807; 2021 - $83,587	3,507,678	4,521,619
Inventories, net	10,107,607	7,343,144
Prepaid expenses and other	189,793	259,929
Refundable income taxes	-	192,826
Total current assets	32,189,585	13,923,088
Property and Equipment, at Cost		
Land and land improvements	579,766	579,766
Buildings and leasehold improvements	4,024,888	4,373,066
Machinery and equipment	6,416,674	6,302,095
Office equipment	1,136,742	1,219,332
Transportation equipment	44,097	44,097
Construction in progress	114,379	-
	12,316,546	12,518,356
Less accumulated depreciation and amortization	(6,462,105)	(5,501,476)
	5,854,441	7,016,880
Other Assets		
Goodwill, net	7,513,536	9,207,257
Indefinite-lived intangible assets	1,420,000	1,420,000
Definite-lived intangible assets, net	9,546,823	10,830,669
	18,480,359	21,457,926
Total assets	$ 56,524,385	$ 42,397,894

Liabilities and Stockholder's Equity

	2022	2021
Current Liabilities		
Current maturities of long-term debt	$ -	$ 5,424,792
Line of credit	9,000,000	8,000,000
Accounts payable	3,674,249	4,203,821
Accrued interest	22,724	42,885
Accrued salaries, wages and commissions	289,740	161,533
Accrued vacation	377,894	338,696
Operating lease liability	348,178	348,178
Income taxes payable	348,624	-
Accrued other	139,509	133,149
Total current liabilities	14,200,918	18,653,054
Long-term Liabilities		
Long-term debt, less current maturities	-	474,577
Note payable to parent	19,000,000	-
Interest rate swap agreement	-	19,460
Deferred income taxes	2,678,400	3,522,800
Other long-term liabilities	179,519	185,853
Operating lease liability, less current maturities	957,488	1,305,666
Total long-term liabilities	22,815,407	5,508,356
Stockholder's Equity		
Preferred stock, $10.00 par value; authorized 1,000,000 shares, issued - none	-	-
Common stock, $1.00 par value; 10,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Additional paid-in capital	20,999,000	20,999,000
Retained deficit	(1,491,940)	(2,748,142)
Accumulated other comprehensive loss	-	(15,374)
Total stockholder's equity	19,508,060	18,236,484
Total liabilities and stockholder's equity	$ 56,524,385	$ 42,397,894

Suprajit USA, Inc.
Consolidated Statements of Income and Comprehensive Income
Years Ended March 31, 2022 and 2021

	2022	2021
Net Sales	$ 45,002,863	$ 38,201,314
Cost of Goods Sold	37,391,284	32,361,943
Gross Profit	7,611,579	5,839,371
Selling, General and Administrative Expenses	7,697,387	6,953,040
Operating Loss	(85,808)	(1,113,669)
Other Income (Expense)		
Interest expense	(289,846)	(482,850)
Business acquisition expenses	(911,424)	-
Other	2,280,280	23,020
	1,079,010	(459,830)
Income (Loss) Before Income Taxes	993,202	(1,573,499)
Income Tax Benefit	(263,000)	(421,806)
Net Income (Loss)	1,256,202	(1,151,693)
Other Comprehensive Income		
Change in fair value of rate swap agreement, net of taxes of $4,086 in 2022 and $19,822 in 2021	15,374	74,568
Comprehensive Income (Loss)	$ 1,271,576	$ (1,077,125)

Suprajit USA, Inc.
Consolidated Statements of Stockholder's Equity
Years Ended March 31, 2022 and 2021

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance, April 1, 2020	$ 1,000	$ 20,999,000	$ (1,596,449)	$ (89,942)	$ 19,313,609
Net loss	-	-	(1,151,693)	-	(1,151,693)
Other comprehensive loss, net	-	-	-	74,568	74,568
Balance, March 31, 2021	1,000	20,999,000	(2,748,142)	(15,374)	18,236,484
Net income	-	-	1,256,202	-	1,256,202
Other comprehensive income, net	-	-	-	15,374	15,374
Balance, March 31, 2022	$ 1,000	$ 20,999,000	$ (1,491,940)	$ -	$ 19,508,060

Suprajit USA, Inc.
Consolidated Statements of Cash Flows
Years Ended March 31, 2022 and 2021

	2022	2021
Operating Activities		
Net income (loss)	$ 1,256,202	$ (1,151,693)
Items not requiring (providing) cash		
Depreciation and amortization	4,408,845	4,578,258
Amortization of debt issuance costs	13,531	27,061
Loss on disposal of property and equipment	32,308	803
Deferred income taxes	(844,400)	(417,644)
Forgiveness income from Payment Protection Program loan	(2,162,900)	-
Changes in		
Accounts receivable	1,013,941	(1,256,447)
Inventories	(2,764,463)	(223,992)
Related party receivables/payables	-	19,934
Prepaid expenses and other	70,136	45,098
Income taxes refundable/payable	541,450	121,337
Accounts payable	(529,572)	722,619
Operating lease liability	(348,178)	(349,382)
Accrued liabilities	143,184	(386,152)
Net cash provided by operating activities	830,084	1,729,800
Investing Activities		
Purchase of property and equipment	(301,147)	(101,363)
Proceeds on sale of property and equipment	-	1,103
Net cash used in investing activities	(301,147)	(100,260)
Financing Activities		
Borrowings under line-of-credit agreement	6,250,000	8,905,000
Payments under line-of-credit agreement	(5,250,000)	(7,905,000)
Principal payments on long-term debt	(3,750,000)	(5,000,000)
Proceeds from issuance of note payable to Parent	19,000,000	-
Proceeds from Paycheck Protection Program loan	-	2,162,900
Net cash provided by (used in) financing activities	16,250,000	(1,837,100)
Increase (Decrease) in Cash	16,778,937	(207,560)
Cash, Beginning of Year	1,605,570	1,813,130
Cash, End of Year	$ 18,384,507	$ 1,605,570
Supplemental Cash Flows Information		
Interest paid	$ 289,065	$ 454,929
Income taxes paid, net of refunds	$ 72,183	$ (90,571)
Right-of-use assets obtained in exchange for new operating lease liabilities	$ -	$ 1,740,888

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Suprajit USA, Inc. ("Company"), through its wholly-owned subsidiary, earns revenues predominately from the manufacturing of high performance mechanical controls for the outdoor power equipment, recreational vehicle, agricultural and construction equipment markets. Products are sold primarily to manufacturers in the United States.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Wescon Controls LLC ("Wescon"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Company maintains cash balances at financial institutions which from time to time may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at the amount of consideration due from customers, the majority of which are original equipment manufacturers, of which the Company has an unconditional right to receive plus any accrued and unpaid interest. Credit is extended based on an evaluation of a customer's financial condition; generally, collateral is not required. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, the customer's current ability to pay its obligations to the Company and existing economic conditions.

Accounts receivable are ordinarily due 30 days after the issuance of the invoice for the majority of customers and up to 120 days for certain customers. Accounts outstanding longer than the agreed payment terms are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Inventories

Inventories consist of raw materials, work in process and finished goods. Inventories are stated at the lower of standard cost or net realizable value using the FIFO (first-in, first-out) method.

Property and Equipment

Property and equipment acquisitions are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Leasehold improvements and right-of-use assets under operating leases are amortized over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	20 years
Buildings and leasehold improvements	10 - 20 years
Machinery and equipment	2 - 10 years
Office equipment	3 - 10 years
Transportation equipment	3 - 5 years

Depreciation and amortization expense totaled $1,431,278 and $1,600,691 for the years ended March 31, 2022 and 2021, respectively.

Goodwill

The Company has elected the private company accounting alternative for the subsequent measurement of goodwill. Under this alternative, goodwill is amortized on a straight-line basis over 10 years. The Company evaluates the recoverability of the carrying value of goodwill at the entity level whenever events or circumstances indicate the carrying amount may not be recoverable.

In testing goodwill for impairment, the Company has the option first to perform a qualitative assessment to determine whether it is more likely than not that goodwill is impaired or the entity can bypass the qualitative assessment and proceed directly to the quantitative test by comparing the carrying amount, including goodwill, of the entity with its fair value. The goodwill impairment loss, if any, is measured as the amount by which the carrying amount of an entity, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

Intangible Assets

Intangible assets with finite lives are being amortized on the straight-line basis over periods ranging from 10 to 13 years. Such assets are periodically evaluated as to the recoverability of their carrying values.

Indefinite-lived intangibles include trade names. Trade names are not subject to amortization, but are tested for impairment on an annual basis or whenever an impairment indicator is identified. The Company performs its annual impairment testing in the fourth quarter for all indefinite-lived intangibles.

Interest Rate Swaps

The Company has elected the private company accounting alternative for certain interest rate swaps. The election to use the alternative accounting for interest rate swaps is made on a swap-by-swap basis. The Company had one interest rate swap that matured during 2022 for which it elected to apply the alternative accounting and use the simplified hedge accounting approach.

Long-lived Asset Impairment

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.

No asset impairment was recognized during 2022 or 2021.

Deferred Financing Costs

Deferred financing costs comprise the direct costs associated with obtaining financing and are amortized over the life of the debt using a method that approximates the effective interest method. Amortization expense of deferred financing costs was $13,531 and $27,061 for the years ending March 31, 2022 and 2021, respectively, and is included in interest expense. The deferred financing costs were fully amortized as of March 31, 2022.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to the management's judgment.

The Company recognizes interest and penalties on income taxes as a component of income tax expense. The Company files consolidated income tax returns with its subsidiary.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. See *Note 8* for additional information about the Company's revenue.

Shipping and Handling Costs

Shipping and handling costs of $291,093 and $407,437 for 2022 and 2021, respectively, are included in operating expenses.

Paycheck Protection Program (PPP) Loan

The Company received a PPP loan established by the *CARES Act* and has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized. See additional discussion in *Note 5*.

Comprehensive Income (Loss)

Comprehensive income consists of net income (loss) and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized and realized gains and losses for the interest rate swap that qualifies for hedge accounting.

Note 2: Inventories

Inventory consisted of the following at March 31:

	2022	2021
Manufacturing inventories		
Raw materials	$ 9,296,428	$ 6,061,096
Work-in-process and finished goods	1,964,607	2,168,707
	11,261,035	8,229,803
Reserve for obsolescence	(1,153,428)	(886,659)
	$ 10,107,607	$ 7,343,144

Note 3: Acquired Intangible Assets and Goodwill

The carrying basis and accumulated amortization of recognized intangible assets at March 31, 2022 and 2021, were:

		2022		2021	
	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangible assets					
Customer relationships	13 years	$ 16,850,000	$ 7,303,177	$ 16,850,000	$ 6,019,331
Goodwill	10 years	16,937,212	9,423,676	16,937,212	7,729,955
		$ 33,787,212	$ 16,726,853	$ 33,787,212	$ 13,749,286
Indefinite-lived intangible assets					
Tradename		$ 1,420,000		$ 1,420,000	

Amortization expense for the years ended March 31, 2022 and 2021, was $2,977,567 for both years. Estimated amortization expense for each of the following five years is:

2023	$ 2,977,567
2024	2,977,567
2025	2,977,567
2026	2,977,567
2027	2,022,497

Note 4: Line of Credit

Effective March 25, 2022, the Company executed a new loan agreement with a bank that includes a $20,000,000 revolving line of credit which is due on demand. This agreement replaced the $12,500,000 line of credit agreement previously in place that was expiring in May 2022. At March 31, 2022 and 2021, there was $9,000,000 and $8,000,000 borrowed against these lines, respectively. The lines are collateralized by substantially all of the Company's assets and are guaranteed by the Parent, Suprajit Engineering Limited. Interest on the new line varies with the SOFR rate plus 1.5%, which was 1.79% at March 31, 2022. The previous line of credit interest varied with the LIBOR rate plus 2.75%, which was 2.86% on March 31, 2021.

In connection with the new line of credit and term loan commitment (see *Note 5*), the Company's Parent, Suprajit Engineering Limited, is required, among other things, to maintain certain financial conditions, including maintaining a consolidated debt service coverage ratio, and a consolidated leverage ratio.

Note 5: Long-term Debt

	2022	2021
Note payable, Parent (A)	$ 19,000,000	$ -
Note payable, bank (B)	-	3,750,000
Note payable, bank (C)	-	2,162,900
	19,000,000	5,912,900
Less current maturities	-	(5,424,792)
Less deferred financing costs	-	(13,531)
	$ 19,000,000	$ 474,577

(A) Unsecured term loan with Parent, Suprajit Engineering Limited, with a total commitment of $20,000,000, therefore $1,000,000 is still available under the note. Due December 1, 2031; principal payments beginning April 1, 2027, payable $1,000,000 per quarter. Interest payable quarterly at the rate of interest of the line of credit, see *Note 4*. This note was issued in conjunction with the acquisition that took place subsequent to year-end, see *Note 13*.

(B) The Company had a term loan with a bank expiring in September 2021; principal payments were due in quarterly installments of $1,250,000, including interest at the LIBOR rate plus 2.30%. Unamortized debt issuance costs were $0 and $13,531 at March 31, 2022 and 2021, respectively. The effective interest rate was 2.50% for the years ended March 31, 2022 and 2021, respectively. The line was collateralized by substantially all of the Company's assets and was guaranteed by the Parent, Suprajit Engineering Limited. This note was paid off in 2022.

(C) Due May 1, 2022; payable $115,267 monthly, including interest at 1.00%, beginning in September 2021; fully guaranteed by the U.S. Small Business Administration (SB) through the Paycheck Protection Program (PPP) under the *CARES Act.* The Company received their notice of forgiveness from the SBA in June 2021. Such forgiveness was recognized as a gain on debt extinguishment and is included in other income in the 2022 statement of income.

Effective March 25, 2022, the Company executed a new loan agreement with a bank that includes a term loan commitment not to exceed $30,000,000. No amounts were drawn under this term loan as of March 31, 2022, but in conjunction with the acquisition that took place subsequent to year-end, see *Note 13*, the Company withdrew $30,000,000 under this agreement. Principal payments will begin quarterly in June 2023 and will be payable in twenty equal quarterly installments of $1,500,000. Interest is due monthly and varies with the SOFR rate plus 1.5%. The term loan matures on March 31, 2028. The Company may prepay the term loan at any time without prepayment penalties.

Aggregate annual maturities of long-term debt payments at March 31, 2022, are:

	Long-term Debt
2023	$ -
2024	-
2025	-
2026	-
2027	-
Thereafter	19,000,000
	$ 19,000,000

Note 6: Derivative Financial Instruments

Interest Rate Swap

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company entered into an interest rate swap agreement during 2018 for a portion of its floating rate debt which matured in September 2021. The agreement provided for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 2.42% on amortizing notional amounts of $2,500,000. Under the agreement, the Company paid or received the net interest amount quarterly, with the quarterly settlements included in interest expense.

Management designated the interest rate swap agreement as a cash flow hedging instrument. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

With the adoption of Accounting Standards Update 2014-03, Derivatives and Hedging (Topic 815): *Accounting for Certain Receive – Variable, Pay Fix Interest Rate Swaps – Simplified Hedge Accounting Approach*, the Company can assume no ineffectiveness for qualifying swaps when applying hedge accounting under Topic 815.

The table below presents certain information regarding the Company's interest rate swap agreement designated as a cash flow hedge. The Company did not have any derivative instruments at March 31, 2022 and 2021, which were not designated as hedging instruments.

		2022	2021
	Balance sheet location of fair value amount		
Fair value of interest rate swap	Long-term liabilities	$ -	$ (19,460)
	Income statement location		
Loss reclassified from accumulated other comprehensive income into income (monthly settlement)	Interest expense	$ 19,537	$ 100,536

Note 7: Leases

Accounting Policies

The Company determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Company determines lease classification as operating or finance at the lease commencement date.

The Company combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its manufacturing and warehouse space.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. As the leases did not provide an implicit rate, the Company used its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that the Company is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Company has elected not to record leases with an initial term of 12 months or less on the consolidated balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Company has entered into the following lease arrangements:

Operating Leases

The Company leases two facilities for manufacturing and warehouse space that expire on January 1, 2026. There are no remaining lease renewal options under the agreement. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

All Leases

The Company has no material related-party leases.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The ROU assets obtained in exchange for operating lease liabilities are classified within buildings and leasehold improvements in the consolidated balance sheets.

	2022	2021
Operating lease cost	$ 348,178	$ 349,382
Other information:		
Cash paid for amounts included in the measurement of operating lease liabilities	$ 375,378	$ 362,752
Right-of-use assets obtained in exchange for new operating lease liabilities	$ -	$ 1,740,888
Remaining operating lease term	3.75 years	4.75 years
Operating lease discount rate	3.0%	3.0%

Future minimum lease payments and reconciliation to the consolidated balance sheet at March 31, 2022, are as follows:

	Operating Leases
2023	$ 370,518
2024	376,861
2025	383,331
2026	291,192
Total future undisclosed lease payments	1,421,902
Less interest	(116,236)
Lease liabilities	$ 1,305,666

Note 8: Revenue from Contracts with Customers

Performance Obligations

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring distinct goods or providing services to customers.

The Company's revenue consists substantially of mechanical controls sales and is reported net of sales discounts, rebates, incentives, returns and other allowances offered to customers. The Company recognizes revenue when performance obligations under the terms of contracts with its customers are satisfied, which occurs when control passes to a customer to enable them to direct the use of and obtain benefit from a product. This typically occurs when a customer obtains legal title, obtains the risks and rewards of ownership, has received the goods according to the contractual shipping terms either at the shipping point or destination and is obligated to pay for the product. All of the Company's revenue is recognized at a point in time. Customary terms require payment within 30 days, and for certain customers, deposits may be required in advance of shipment.

Accounting Policies and Practical Expedients Elected

For shipping and handling activities, the Company is applying an accounting policy election, which allows an entity to account for shipping and handling activities as fulfillment activities rather than a promised good or service when the activities are performed, even if those activities are performed after the control of the good has been transferred to the customer. Therefore, the Company expenses shipping and handling costs at the time revenue is recognized. The Company classifies shipping and handling expenses in operating expenses in the consolidated statements of income and comprehensive loss.

The Company is also applying an accounting policy election, which allows an entity to exclude from revenue any amounts collected from customers on behalf of third parties, such as sales taxes and other similar taxes the Company collects concurrent with revenue-producing activities. Therefore, revenue is presented net of sales taxes and similar revenue-based taxes.

For incremental costs of obtaining a contract, the Company elected a practical expedient, which permits an entity to recognize incremental costs to obtain a contract as an expense when incurred if the amortization period is less than one year. This election had an immaterial effect on the Company's consolidated financial statements.

Note 9: Income Taxes

The benefit for income taxes includes these components:

	2022	2021
Taxes currently payable	$ 581,400	$ (4,162)
Deferred income taxes	(844,400)	(417,644)
Income tax benefit	$ (263,000)	$ (421,806)

A reconciliation of income tax benefit at the statutory rate to the Company's actual income tax benefit is shown below:

	2022	2021
Computed at the statutory rate - 21%	$ 210,128	$ (330,435)
Increase (decrease) resulting from		
Goodwill amortization	74,863	74,863
Nondeductible expenses	-	193
State income taxes	(167,242)	(61,088)
Rate differential on net operating loss carryback	-	(100,721)
PPP loan	(454,209)	-
Business acquisition expenses	105,652	-
Return to provision	(24,589)	12,124
Other	(7,603)	(16,742)
Actual tax benefit	$ (263,000)	$ (421,806)

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	2022	2021
Deferred tax assets		
Allowance for doubtful accounts	$ 3,200	$ 22,600
Inventory overhead costs capitalized for tax purposes	362,400	262,600
Obsolete inventory reserve	311,400	227,300
Accrued expenses	104,800	108,100
Amortization	147,600	31,700
Deferred compensation	4,800	4,800
Deferred tax liabilities		
Depreciation	(887,500)	(1,093,500)
Prepaids	(53,000)	(52,800)
Goodwill and other intangibles	(2,672,100)	(3,033,600)
Net deferred tax liability	$ (2,678,400)	$ (3,522,800)

Note 10: Employee Benefit Plans

The Company's wholly-owned subsidiary sponsors a defined contribution 401(k) plan that covers substantially all employees. The subsidiary contributes a specified percentage of each participant's annual compensation up to certain limits defined in the 401(k) plan. The subsidiary's charge to expense amounted to approximately $398,000 and $367,000 for the years ended March 31, 2022 and 2021, respectively.

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Major Customers

Three customers made up approximately 46% and 47% of the Company's total revenue during the years ended March 31, 2022 and 2021, respectively. At March 31, 2022 and 2021, credit extended to these customers was approximately 33% and 38% of accounts receivable, respectively.

Major Supplier

The Company purchases most of its contract labor and rents the facility used for manufacturing at its Juarez, Mexico location from one supplier.

Note 13: Subsequent Events

On April 6, 2022, the Company acquired the Light Duty Cables (LDC) business unit of Kongsberg Automotive in exchange for approximately $42 million. The LDC business unit is engaged in the development, manufacture and sales of mechanical and electro-mechanical light-duty cables used in the automotive and off-highway applications. The LDC business unit consists of three manufacturing plants located in Matamoros, Mexico; Siofok, Hungary; and Shanghai, China along with a distribution center in Brownville, Texas.

Subsequent events have been evaluated through May 23, 2022, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Suprajit USA, Inc.
Consolidating Schedule - Balance Sheet Information
March 31, 2022

Assets

	Suprajit USA, Inc.	Wescon Controls, LLC	Total	Eliminating Entries	Consolidated
Current Assets					
Cash	$ 18,134,233	$ 250,274	$ 18,384,507	$ -	$ 18,384,507
Accounts receivable, net	-	3,507,678	3,507,678	-	3,507,678
Inventories, net	-	10,107,607	10,107,607	-	10,107,607
Prepaid expenses and other	19,961	169,832	189,793	-	189,793
Total current assets	18,154,194	14,035,391	32,189,585	-	32,189,585
Property and Equipment, at Cost					
Land and land improvements	-	579,766	579,766	-	579,766
Buildings and leasehold improvements	-	4,024,888	4,024,888	-	4,024,888
Machinery and equipment	-	6,416,674	6,416,674	-	6,416,674
Office equipment	-	1,136,742	1,136,742	-	1,136,742
Transportation equipment	-	44,097	44,097	-	44,097
Construction in progress	-	114,379	114,379	-	114,379
	-	12,316,546	12,316,546	-	12,316,546
Less accumulated depreciation and amortization	-	(6,462,105)	(6,462,105)	-	(6,462,105)
	-	5,854,441	5,854,441	-	5,854,441
Other Assets					
Investment in subsidiary	29,244,067	-	29,244,067	(29,244,067)	-
Goodwill, net	-	7,513,536	7,513,536	-	7,513,536
Indefinite-lived intangible assets	-	1,420,000	1,420,000	-	1,420,000
Definite-lived intangible assets, net	-	9,546,823	9,546,823	-	9,546,823
	29,244,067	18,480,359	47,724,426	(29,244,067)	18,480,359
Total assets	$ 47,398,261	$ 38,370,191	$ 85,768,452	$ (29,244,067)	$ 56,524,385

Liabilities and Stockholder's Equity

	Suprajit USA, Inc.	Wescon Controls, LLC	Total	Eliminating Entries	Consolidated
Current Liabilities					
Line of credit	$ 9,000,000	$ -	$ 9,000,000	$ -	$ 9,000,000
Accounts payable	27,247	3,647,002	3,674,249	-	3,674,249
Accrued interest	22,724	-	22,724	-	22,724
Accrued salaries, wages and commissions	-	289,740	289,740	-	289,740
Accrued vacation	-	377,894	377,894	-	377,894
Operating lease liability	-	348,178	348,178	-	348,178
Income taxes payable	(12,170)	360,794	348,624	-	348,624
Accrued other	-	139,509	139,509	-	139,509
Total current liabilities	9,037,801	5,163,117	14,200,918	-	14,200,918
Long-term Liabilities					
Note payable to parent	19,000,000	-	19,000,000	-	19,000,000
Deferred income taxes	(147,600)	2,826,000	2,678,400	-	2,678,400
Other long-term liabilities	-	179,519	179,519	-	179,519
Operating lease liability, less current maturities	-	957,488	957,488	-	957,488
Total long-term liabilities	18,852,400	3,963,007	22,815,407	-	22,815,407
Stockholder's Equity					
Preferred stock	-	-	-	-	-
Common stock	1,000	-	1,000	-	1,000
Additional paid-in capital	20,999,000	29,667,270	50,666,270	(29,667,270)	20,999,000
Retained deficit	(1,491,940)	(423,203)	(1,915,143)	423,203	(1,491,940)
Total stockholder's equity	19,508,060	29,244,067	48,752,127	(29,244,067)	19,508,060
Total liabilities and stockholder's equity	$ 47,398,261	$ 38,370,191	$ 85,768,452	$ (29,244,067)	$ 56,524,385

Suprajit USA, Inc.

Consolidating Schedule - Statement of Income and Comprehensive Income

Year Ended March 31, 2022

	Suprajit USA, Inc.	Wescon Controls, LLC	Total	Eliminating Entries	Consolidated
Net Sales	$ -	$ 45,002,863	$ 45,002,863	$ -	$ 45,002,863
Cost of Goods Sold	-	37,391,284	37,391,284	-	37,391,284
Gross Profit	-	7,611,579	7,611,579	-	7,611,579
Selling, General and Administrative Expenses	54,853	7,642,534	7,697,387	-	7,697,387
Operating Loss	(54,853)	(30,955)	(85,808)	-	(85,808)
Other Income (Expense)					
Interest expense	(7,411)	(282,435)	(289,846)	-	(289,846)
Business acquisition expenses	(911,424)	-	(911,424)	-	(911,424)
Other	-	2,280,280	2,280,280	-	2,280,280
	(918,835)	1,997,845	1,079,010	-	1,079,010
Income (Loss) Before Income Taxes	(973,688)	1,966,890	993,202	-	993,202
Income Tax Benefit	(124,000)	(139,000)	(263,000)	-	(263,000)
Net Income From Subsidiary	2,105,890	-	2,105,890	(2,105,890)	-
Net Income	1,256,202	2,105,890	3,362,092	(2,105,890)	1,256,202
Other Comprehensive Income					
Change in fair value of rate swap agreement, net of taxes of $4,086	15,374	-	15,374	-	15,374
Comprehensive Income	$ 1,271,576	$ 2,105,890	$ 3,377,466	$ (2,105,890)	$ 1,271,576

Suprajit USA, Inc.
Consolidating Schedule - Statement of Cash Flows
Year Ended March 31, 2022

	Suprajit USA, Inc.	Wescon Controls, LLC	Total	Eliminating Entries	Consolidated
Operating Activities					
Net income	$ 1,256,202	$ 2,105,890	$ 3,362,092	$ (2,105,890)	$ 1,256,202
Items not requiring (providing) cash					
Depreciation and amortization	-	4,408,845	4,408,845	-	4,408,845
Amortization of debt issuance costs	-	13,531	13,531	-	13,531
Loss on sale of property and equipment	-	32,308	32,308	-	32,308
Deferred income taxes	(115,900)	(728,500)	(844,400)	-	(844,400)
Equity in income of subsidiary	(2,105,890)	-	(2,105,890)	2,105,890	-
Forgiveness income from Payment Protection Program loan	-	(2,162,900)	(2,162,900)	-	(2,162,900)
Changes in					
Accounts receivable	79,116	1,013,941	1,093,057	(79,116)	1,013,941
Inventories	-	(2,764,463)	(2,764,463)	-	(2,764,463)
Related party receivables/payables	-	(79,116)	(79,116)	79,116	-
Prepaid expenses and other	45,214	24,922	70,136	-	70,136
Income taxes refundable/payable	(4,014)	545,464	541,450	-	541,450
Accounts payable	27,247	(556,819)	(529,572)	-	(529,572)
Operating lease liability	-	(348,178)	(348,178)	-	(348,178)
Accrued liabilities	(4,313)	147,497	143,184	-	143,184
Net cash provided by (used in) operating activities	(822,338)	1,652,422	830,084	-	830,084
Investing Activities					
Purchase of property and equipment	-	(301,147)	(301,147)	-	(301,147)
Net cash used in investing activities	-	(301,147)	(301,147)	-	(301,147)
Financing Activities					
Borrowings under line-of-credit agreement	6,250,000	-	6,250,000	-	6,250,000
Payments under line-of-credit agreement	(5,250,000)	-	(5,250,000)	-	(5,250,000)
Proceeds from issuance of note payable to parent	19,000,000	-	19,000,000	-	19,000,000
Principal payments on long-term debt	(3,750,000)	-	(3,750,000)	-	(3,750,000)
Return of capital (paid) received from subsidiary	1,433,314	(1,433,314)	-	-	-
Net cash provided by (used in) financing activities	17,683,314	(1,433,314)	16,250,000	-	16,250,000
Increase (Decrease) in Cash	16,860,976	(82,039)	16,778,937	-	16,778,937
Cash, Beginning of Year	1,273,257	332,313	1,605,570	-	1,605,570
Cash, End of Year	$ 18,134,233	$ 250,274	$ 18,384,507	$ -	$ 18,384,507