

Suprajit USA, Inc.

**Independent Auditor's
Report and Consolidated
Financial Statements**

March 31, 2023 and 2022



Suprajit USA, Inc.
March 31, 2023 and 2022

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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 subsidiaries, which comprise the consolidated balance sheets as of March 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income (loss), 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 subsidiaries as of March 31, 2023 and 2022, 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 subsidiaries 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. and subsidiaries' 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. and subsidiaries' 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. and subsidiaries' 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.

FORVIS,LLP

Wichita, Kansas
May 25, 2023

Suprajit USA, Inc.
Consolidated Balance Sheets
March 31, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash	\$ 3,880,255	\$ 18,384,507
Accounts receivable, net of allowance; 2023 - \$102,748; 2022 - \$11,807	22,547,391	3,507,678
Inventories, net	25,620,568	10,107,607
Income tax receivable	2,967,648	-
Prepaid expenses and other	<u>2,310,186</u>	<u>189,793</u>
Total current assets	<u>57,326,048</u>	<u>32,189,585</u>
 Property and Equipment, at Cost		
Land and land improvements	579,766	579,766
Buildings and leasehold improvements	14,039,468	4,024,888
Machinery and equipment	16,941,749	6,416,674
Office equipment	1,168,975	1,136,742
Transportation equipment	47,442	44,097
Construction in progress	<u>869,619</u>	<u>114,379</u>
	33,647,019	12,316,546
Less accumulated depreciation and amortization	<u>(11,966,991)</u>	<u>(6,462,105)</u>
	<u>21,680,027</u>	<u>5,854,441</u>
 Other Assets		
Deferred tax assets	207,571	-
Goodwill, net	5,819,814	7,513,536
Indefinite-lived intangible assets	1,420,000	1,420,000
Definite-lived intangible assets, net	14,751,029	9,546,823
Other assets	<u>2,038,402</u>	<u>-</u>
	<u>24,236,816</u>	<u>18,480,359</u>
Total assets	<u>\$ 103,242,892</u>	<u>\$ 56,524,385</u>

Liabilities and Stockholder's Equity

	<u>2023</u>	<u>2022</u>
Current Liabilities		
Current maturities of long-term debt	\$ 6,000,000	\$ -
Line of credit	15,452,500	9,000,000
Accounts payable	13,953,463	3,674,249
Accrued interest	240,755	22,724
Accrued salaries, wages and commissions	2,394,571	289,740
Accrued vacation	905,836	377,894
Operating lease liabilities	2,231,455	348,178
.Income taxes payable	-	348,624
Accrued other	2,502,595	139,509
	<u>43,681,175</u>	<u>14,200,918</u>
Long-term Liabilities		
Note payable to parent	5,000,000	19,000,000
Long-term debt, less current maturities	24,000,000	-
Deferred income taxes	3,128,572	2,678,400
Other long-term liabilities	1,650,834	179,519
Operating lease liabilities, less current maturities	4,794,382	957,488
	<u>38,573,788</u>	<u>22,815,407</u>
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	29,999,000	20,999,000
Accumulated other comprehensive loss	(576,764)	-
Retained deficit	(8,435,307)	(1,491,940)
	<u>20,987,929</u>	<u>19,508,060</u>
Total stockholder's equity	<u>20,987,929</u>	<u>19,508,060</u>
Total liabilities and stockholder's equity	<u>\$ 103,242,892</u>	<u>\$ 56,524,385</u>

Suprajit USA, Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
Years Ended March 31, 2023 and 2022

	2023	2022
Net Sales	\$ 131,879,024	\$ 45,002,863
Cost of Goods Sold	121,068,722	37,381,382
Gross Profit	10,810,302	7,621,481
Selling, general and administrative expenses	15,523,117	7,707,289
Business acquisition expenses	479,150	911,424
Operating Loss	(5,191,965)	(997,232)
Other Income (Expense)		
Interest expense	(2,675,695)	(289,846)
Interest income	210,411	-
Other	(312,498)	2,280,280
	(2,777,782)	1,990,434
Income (Loss) Before Income Taxes	(7,969,747)	993,202
Income Tax Benefit	1,016,380	263,000
Net Income (Loss)	(6,953,367)	1,256,202
Other Comprehensive Income (Loss)		
Change in foreign currency translation adjustments	(576,764)	-
Change in fair value of rate swap agreement, net of taxes of \$4,086 in 2022	-	15,374
Comprehensive Income (Loss)	\$ (7,530,131)	\$ 1,271,576

Suprajit USA, Inc.
Consolidated Statements of Stockholder's Equity
Years Ended March 31, 2023 and 2022

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Total
Balance, April 1, 2021	\$ 1,000	\$ 20,999,000	\$ (15,374)	\$ (2,748,142)	\$ 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
Parent debt forgiveness converted to equity	-	9,000,000	-	-	9,000,000
Foreign currency translation adjustment	-	-	(576,764)	-	(576,764)
Net loss	-	-	-	(6,953,367)	(6,953,367)
Balance, March 31, 2023	<u>\$ 1,000</u>	<u>\$ 29,999,000</u>	<u>\$ (576,764)</u>	<u>\$ (8,445,307)</u>	<u>\$ 20,977,929</u>

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Net income (loss)	\$ (6,953,367)	\$ 1,256,202
Items not requiring (providing) cash		
Depreciation and amortization	6,595,696	4,408,845
Amortization of debt issuance costs	-	13,531
Loss on disposal of property and equipment	196,696	32,308
Deferred income taxes	(149,676)	(844,400)
Forgiveness income from Payment Protection Program loan	-	(2,162,900)
Changes in operating assets and liabilities exclusive of effects of business combination:		
Accounts receivable	4,966,577	1,013,941
Inventories	(2,795,935)	(2,764,463)
Prepaid expenses and other	2,318,451	70,136
Income taxes refundable/payable	(3,316,272)	541,450
Accounts payable	(3,058,752)	(529,572)
Operating lease liabilities	(1,791,897)	(348,178)
Accrued liabilities	(846,543)	143,184
Net cash provided by (used in) operating activities	<u>(4,835,022)</u>	<u>830,084</u>
Investing Activities		
Business acquisition, net of cash acquired	(39,202,135)	-
Purchase of property and equipment	(1,352,831)	(301,147)
Net cash used in investing activities	<u>(40,554,966)</u>	<u>(301,147)</u>
Financing Activities		
Borrowings under line-of-credit agreement	23,197,500	6,250,000
Payments under line-of-credit agreement	(16,745,000)	(5,250,000)
Proceeds from issuance of long-term debt	30,000,000	-
Principal payments on long-term debt	(5,000,000)	(3,750,000)
Proceeds from issuance of note payable to Parent	-	19,000,000
Net cash provided by financing activities	<u>31,452,500</u>	<u>16,250,000</u>
Increase (Decrease) in Cash	<u>(13,937,488)</u>	<u>16,778,937</u>
Effect of exchange rate changes on cash	<u>(576,764)</u>	<u>-</u>
Cash, Beginning of Year	<u>18,384,507</u>	<u>1,605,570</u>
Cash, End of Year	<u>\$ 3,870,255</u>	<u>\$ 18,384,507</u>
Supplemental Cash Flows Information		
Interest paid	\$ 2,203,070	\$ 289,065
Income taxes paid, net of refunds	\$ 141,344	\$ 72,183
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 3,030,031	\$ -
Liabilities assumed in business combination	\$ 22,055,267	\$ -
Purchase consideration included in accounts payable	\$ 275,125	\$ -

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

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

Nature of Operations

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Wescon Controls LLC (“Wescon”); and the following subsidiaries acquired in April 2022, Suprajit Brownsville, LLC; Suprajit Mexico S de RLde CV; Suprajit Hungary Kft.; and Shanghai Lone Star Cable Co. Ltd (see *Note 11*). 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.

Foreign Currency Translation

The functional currency of the Company is the U.S. dollar. The local currencies of certain of the Company’s foreign operation are the Mexican Peso, the Hungarian Forint and the Chinese Yuan. Transactions denominated in currencies other than the functional currency are recorded based on the exchange rates at the time such transactions arise. Subsequent changes in the exchange rates result in transaction gains and losses that are reflected in the consolidated statement of operations and comprehensive income (loss).

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.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

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 \$2,928,680 and \$1,431,278 for the years ended March 31, 2023 and 2022, respectively.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

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. Certain 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.

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 2023 or 2022.

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 for the year ending March 31, 2022, and was included in interest expense. The deferred financing costs were fully amortized as of March 31, 2022.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 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 7* for additional information about the Company's revenue.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

Shipping and Handling Costs

Shipping and handling costs of \$1,112,537 and \$291,093 for 2023 and 2022, 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.

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 foreign currency translations adjustments in 2023 and unrealized and realized gains and losses for the interest rate swap that qualifies for hedge accounting in 2022.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 consolidated financial statement presentation. These reclassifications had no effect on net income.

Note 2: Inventories

Inventory consisted of the following at March 31:

	<u>2023</u>	<u>2022</u>
Manufacturing inventories		
Raw materials	\$ 18,571,292	\$ 8,458,969
Work-in-process and finished goods	7,049,276	1,648,638
	<u>\$ 25,620,568</u>	<u>\$ 10,107,607</u>

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

Note 3: Acquired Intangible Assets and Goodwill

The carrying basis and accumulated amortization of recognized intangible assets at March 31, 2023 and 2022, were:

	Weighted Average Amortization Period	2023		2022	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangible assets					
Tradenames	10 years	\$ 1,957,500	\$ 188,031	\$ -	\$ -
Patents	10 years	5,220,000	501,416	-	-
Customer relationships	13 years	16,850,000	8,587,024	16,850,000	7,303,177
Goodwill	10 years	16,937,212	11,117,398	16,937,212	9,423,676
		<u>\$ 40,964,712</u>	<u>\$ 20,393,869</u>	<u>\$ 33,787,212</u>	<u>\$ 16,726,853</u>
Indefinite-lived intangible assets					
Tradename		<u>\$ 1,420,000</u>		<u>\$ 1,420,000</u>	

Amortization expense for the years ended March 31, 2023 and 2022, was \$3,667,016 and \$2,977,567, respectively. Estimated amortization expense for each of the following five years is:

2024	\$ 3,733,714
2025	3,733,714
2026	3,733,714
2027	2,778,644
2028	1,719,032

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, 2023 and 2022, there was \$15,452,500 and \$9,000,000 borrowed against this line, respectively. The line is collateralized by substantially all of the Company's assets and is guaranteed by the Parent, Suprajit Engineering Limited. Interest on the line varies with the SOFR rate plus 1.5%, which was 6.22% and 1.79% at March 31, 2023 and 2022, respectively.

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.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

Note 5: Long-term Debt

	2023	2022
Note payable, Parent (A)	\$ 5,000,000	\$ 19,000,000
Note payable, bank (B)	30,000,000	-
	35,000,000	19,000,000
Less current maturities	(6,000,000)	-
	\$ 29,000,000	\$ 19,000,000

(A) Unsecured term loan with Parent, Suprajit Engineering Limited, with a total commitment of \$20,000,000. 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 in April 2022, see *Note 11*. During 2023, the Company repaid \$5,000,000 of principal under this term loan during 2023 and the Parent forgave an additional \$9,000,000, which was recorded as a contribution to Additional Paid-in Capital.

(B) 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 in April 2022, see *Note 11*, 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, 2023, are:

2024	\$ 6,000,000
2025	6,000,000
2026	6,000,000
2027	6,000,000
2028	9,000,000
Thereafter	2,000,000
	\$ 35,000,000

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

Note 6: 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

Wescon leases two facilities for manufacturing and warehouse space that expire on January 1, 2026. There are no remaining lease renewal options under the agreement.

Suprajit Brownsville, LLC leases three facilities for warehouse space that expire on various dates through December 2029. There are remaining lease renewal options that can be executed. The entity also three leases for machinery and equipment that expire in February 2024.

Suprajit Mexico S de RLde CV leases facilities for manufacturing and warehouse space that expire through March 2028. There are remaining lease renewal options that can be executed under the agreement.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

Suprajit Hungary Kft. leases a facility for manufacturing and warehouse space that expires in March 2026. There are no remaining lease renewal options under the agreement. The entity also leases certain office and transportation equipment that expire on various dates through March 2026.

Shanghai Lone Star Cable Co. Ltd leases a facility for manufacturing and warehouse space that expires in December 2023. There are remaining lease renewal options that can be executed 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, machinery and equipment, office equipment or transportation equipment in the consolidated balance sheets.

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 2,443,545	\$ 348,178
Other information:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 2,610,683	\$ 375,378
Weighted-average remaining lease term - operating leases	3.32 years	3.75 years
Weighted-average discount rate - operating leases	4.5%	3.0%

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

Future minimum lease payments and reconciliation to the consolidated balance sheet at March 31, 2023, are as follows:

	Operating Leases
2024	\$ 2,231,455
2025	1,861,051
2026	1,685,101
2027	1,029,308
2028	770,870
Thereafter	<u>147,019</u>
Total future undisclosed lease payments	7,724,804
Less interest	<u>(698,967)</u>
Lease liabilities	<u><u>\$ 7,025,837</u></u>

Note 7: 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.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

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 8: Income Taxes

The benefit for income taxes includes these components:

	2023	2022
Taxes currently payable	\$ (866,704)	\$ 581,400
Deferred income taxes	<u>(149,676)</u>	<u>(844,400)</u>
Income tax benefit	<u>\$ (1,016,380)</u>	<u>\$ (263,000)</u>

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
Computed at the statutory rate - 21%	\$ (1,672,949)	\$ 210,128
Increase (decrease) resulting from		
Goodwill amortization	74,863	74,863
State income taxes	(129,639)	(167,242)
PPP loan	-	(454,209)
Business acquisition expenses	-	105,652
Foreign taxes	(68,581)	-
Change in valuation allowance	610,181	-
Return to provision	7,412	(24,589)
Other	<u>162,334</u>	<u>(7,603)</u>
Actual tax benefit	<u>\$ (1,016,379)</u>	<u>\$ (263,000)</u>

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
Deferred tax assets		
Allowance for doubtful accounts	\$ 19,900	\$ 3,200
Inventory overhead costs capitalized for tax purposes	423,000	362,400
Obsolete inventory reserve	386,500	311,400
Accrued expenses	207,469	104,800
Amortization	-	147,600
Unrealized foreign exchange gain/loss	106,700	-
163(j) interest limitation	635,400	-
Net operating loss carryforward (Hungary)	610,181	-
Deferred compensation	4,800	4,800
Deferred tax liabilities		
Depreciation	(2,079,645)	(887,500)
Prepays	(49,400)	(53,000)
Goodwill and other intangibles	(2,575,725)	(2,672,100)
Net deferred tax liability	<u>\$ (2,310,820)</u>	<u>\$ (2,678,400)</u>
Valuation allowance		
Beginning balance	\$ -	\$ -
Increase during the period	(610,181)	-
Ending balance	<u>(610,181)</u>	<u>-</u>
Net deferred tax liability	<u>\$ (2,921,001)</u>	<u>\$ (2,678,400)</u>
Net deferred tax asset	\$ 207,571	\$ -
Net deferred tax liability	<u>(3,128,572)</u>	<u>(2,678,400)</u>
Net deferred tax liability	<u>\$ (2,921,001)</u>	<u>\$ (2,678,400)</u>

The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company has elected to account for GILTI in the year the tax is incurred. The Company recorded GILTI tax expense of \$0 for both years ended March 31, 2023 and March 31, 2022. Tax expense related to GILTI is included as a component of income tax expense.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

The Company had a Hungary net operating loss carryforward of approximately \$2,900,000 as of March 31, 2023. Hungary allows for a five year carryforward, thus this loss will expire in 2028. Based upon projections of future taxable income, management believes it is more likely than not that the Company will not realize the full benefits of these attributes. Due to the uncertainty of the realization of this deferred tax asset, the Company has established a valuation allowance equal to the Hungary net operating loss carryforward deferred tax asset.

Note 9: Employee Benefit Plans

The Company's wholly-owned subsidiary, Wescon, sponsors a defined contribution 401(k) plan that covers substantially all of its U.S. 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 \$479,000 and \$398,000 for the years ended March 31, 2023 and 2022, respectively.

The Company also maintains certain benefit plans for full-time employees in its Shanghai plant as required by the respective federal labor laws. Amounts contributed to these plans amounted to approximately \$612,000 for the year ended March 31, 2023.

Note 10: Related-Party Transactions

The Company's Parent has guaranteed the term loan and line of credit with the bank (see *Notes 4 and 5*). For the year ended March 31, 2023, the Company incurred \$292,500 in corporate guarantee fees under this agreement.

Note 11: Business Combination

On April 4, 2022, the Company acquired the Light Duty Cables (LDC) business unit of Kongsberg Automotive which consists of Suprajit Brownsville, LLC, Suprajit Mexico S de RLde CV, Suprajit Hungary Kft. and Shanghai Lone Star Cable Co. Ltd. under a single purchase agreement. 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. This acquisition allows for the opportunity to increase manufacturing capacity and expand internationally. 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.

In 2023 and 2022, the Company incurred \$479,150 and \$911,424, respectively of acquisition-related third-party costs. No goodwill was recorded as part of this transaction.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

The following table summarizes the consideration paid and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

	2023
Fair value of consideration transferred	
Cash paid	\$ 41,925,739
Net working capital adjustment payable	275,125
Total	42,200,864
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash	2,723,604
Accounts receivable	24,006,289
Inventories	12,717,026
Prepaid expenses and other	2,074,380
Property and equipment	15,942,102
Tradenname	1,980,900
Patents	5,282,400
Deferred tax assets	892,587
Other noncurrent assets	2,215,415
Accounts payable	(13,062,840)
Accrued expenses	(6,177,435)
Operating lease liabilities	(4,482,036)
Deferred tax liabilities	(548,371)
Other long-term liabilities	(1,363,157)
Total identifiable net assets	42,200,864
Goodwill	\$ -

The weighted-average amortization period of acquired patents and tradenname is each 10 years of which 9 years is remaining.

Note 12: Reliance on Third-party Liquidity

The Company has received a commitment from its Parent to provide additional funds during the next year to meet liquidity needs not covered by operating cash flows.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

Note 13: 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

One customer made up approximately 12% of the Company's total revenue during the year ended March 31, 2023. Three customers made up approximately 46% of the Company's total revenue during the year ended March 31, 2022. At March 31, 2022, credit extended to these customers was approximately 33% of accounts receivable. No customers represented more than 10% of accounts receivable as of March 31, 2023.

Major Supplier

The Company purchases most of its contract labor and rents the facility used for manufacturing at its Juarez, Mexico and Matamoros, Mexico locations from one supplier in each city.

Note 13: Subsequent Events

Subsequent events have been evaluated through May 25, 2023, 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, 2023

Assets

	Suprajit USA, Inc.	Wescon Controls, LLC	Suprajit Brownsville, LLC	Suprajit Mexico S de RL de CV	Suprajit Hungary Kft.	Shanghai Lone Star Cable Co. Ltd.	Total	Eliminating Entries	Consolidated
Current Assets									
Cash	\$ 248,182	\$ 33,575	\$ 66,487	\$ 301,253	\$ 160,435	\$ 3,070,323	\$ 3,880,255	\$ -	\$ 3,880,255
Accounts receivable, net	470,215	3,780,143	9,685,093	4,921,804	5,280,130	3,953,752	28,091,137	(5,543,746)	22,547,391
Inventories, net	-	11,789,264	8,524,953	-	3,969,036	1,337,315	25,620,568	-	25,620,568
Income tax receivable	(73,530)	(516,292)	1,763,700	889,515	836,916	67,339	2,967,648	-	2,967,648
Prepaid expenses and other	-	174,341	639,411	729,357	74,182	692,895	2,310,186	-	2,310,186
Total current assets	644,867	15,261,031	20,679,644	6,841,929	10,320,699	9,121,624	62,869,794	(5,543,746)	57,326,048
Property and Equipment, at Cost									
Land and land improvements	-	579,766	-	-	-	-	579,766	-	579,766
Buildings and leasehold improvements	-	3,661,260	1,690,094	6,347,432	1,037,320	1,303,362	14,039,468	-	14,039,468
Machinery and equipment	-	6,103,915	6,445,708	1,267,001	2,919,808	205,318	16,941,749	-	16,941,749
Office equipment	-	1,004,507	46,058	45,944	72,465	-	1,168,975	-	1,168,975
Transportation equipment	-	44,097	899	2,446	-	-	47,442	-	47,442
Construction in progress	-	-	291,937	47,195	291,453	239,033	869,619	-	869,619
Less accumulated depreciation and amortization	-	11,393,545	8,474,696	7,710,019	4,321,046	1,747,713	33,647,019	-	33,647,019
	-	(6,881,458)	(1,410,948)	(2,642,497)	-	(1,032,088)	(11,966,991)	-	(11,966,991)
	-	4,512,087	7,063,748	5,067,521	4,321,046	715,625	21,680,027	-	21,680,027
Other Assets									
Investment in subsidiary	65,828,182	-	-	-	-	-	65,828,182	(65,828,182)	-
Intercompany loans receivable	5,533,969	-	-	-	-	-	5,533,969	(5,533,969)	-
Deferred tax asset	-	-	-	-	-	207,571	207,571	-	207,571
Goodwill, net	-	5,819,814	-	-	-	-	5,819,814	-	5,819,814
Indefinite-lived intangible assets	-	1,420,000	-	-	-	-	1,420,000	-	1,420,000
Definite-lived intangible assets, net	-	8,262,976	4,718,584	-	-	1,769,469	14,751,029	-	14,751,029
Other assets	16,591	-	-	1,585,123	-	436,688	2,038,402	-	2,038,402
	71,378,742	15,502,790	4,718,584	1,585,123	-	2,413,728	95,598,967	(71,362,151)	24,236,816
Total assets	\$ 72,023,609	\$ 35,275,908	\$ 32,461,976	\$ 13,494,573	\$ 14,641,746	\$ 12,250,977	\$ 180,148,788	\$ (76,905,897)	\$ 103,242,892

Suprajit USA, Inc.
Consolidating Schedule - Balance Sheet Information
March 31, 2023

Liabilities and Stockholder's Equity

	Suprajit USA, Inc.	Wescon Controls, LLC	Suprajit Brownsville, LLC	Suprajit Mexico S de RLde CV	Suprajit Hungary Kft.	Shanghai Lone Star Cable Co. Ltd.	Total	Eliminating Entries	Consolidated
Current Liabilities									
Current maturities of long-term debt	\$ 6,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,000,000	\$ -	\$ 6,000,000
Line of credit	15,452,500	-	-	-	-	-	15,452,500	-	15,452,500
Accounts payable	287,130	3,229,331	10,329,044	371,002	2,611,137	2,867,164	19,694,808	(5,741,345)	13,953,463
Accrued interest	240,755	-	-	-	-	-	240,755	-	240,755
Accrued salaries, wages and commissions	-	485,896	-	1,008,054	900,621	-	2,394,571	-	2,394,571
Accrued vacation	-	251,411	134,292	520,133	-	-	905,836	-	905,836
Operating lease liabilities	-	369,882	406,003	828,795	375,019	251,756	2,231,455	-	2,231,455
Accrued other	148,831	94,863	(3,029)	965,937	478,403	817,590	2,502,595	-	2,502,595
Total current liabilities	22,129,216	4,431,383	10,866,310	3,693,921	4,365,180	3,936,510	49,422,520	(5,741,345)	43,681,175
Long-term Liabilities									
Note payable to parent	5,000,000	-	-	-	-	-	5,000,000	-	5,000,000
Long-term debt, less current maturities	24,000,000	-	-	-	-	-	24,000,000	-	24,000,000
Intercompany loans payable	-	-	2,970,000	-	2,366,370	-	5,336,370	(5,336,370)	-
Deferred income taxes	(670,300)	2,083,800	1,166,700	53,147	-	495,225	3,128,572	-	3,128,572
Other long-term liabilities	-	195,935	-	1,454,899	-	-	1,650,834	-	1,650,834
Operating lease liabilities, less current maturities	-	587,607	974,694	2,724,116	507,965	-	4,794,382	-	4,794,382
Total long-term liabilities	28,329,700	2,867,342	5,111,394	4,232,162	2,874,335	495,225	43,910,158	(5,336,370)	38,573,788
Stockholder's Equity									
Preferred stock	-	-	-	-	-	-	-	-	-
Common stock	1,000	-	5,621,950	2,522	8,973	-	5,634,445	(5,633,445)	1,000
Additional paid-in capital	29,999,000	29,333,075	21,610,235	2,703,377	3,156,526	2,668,178	89,470,392	(59,471,392)	29,999,000
Accumulated other comprehensive loss	-	-	-	475,455	(621,087)	(431,132)	(576,764)	-	(576,764)
Retained earnings (deficit)	(8,435,307)	(1,355,892)	(10,747,914)	2,387,136	4,857,819	5,582,196	(7,711,962)	(723,345)	(8,435,307)
Total stockholder's equity	21,564,693	27,977,183	16,484,272	5,568,490	7,402,231	7,819,242	86,816,111	(65,828,182)	20,987,929
Total liabilities and stockholder's equity	\$ 72,023,609	\$ 35,275,908	\$ 32,461,976	\$ 13,494,573	\$ 14,641,746	\$ 12,250,977	\$ 180,148,788	\$ (76,905,897)	\$ 103,242,892

Suprajit USA, Inc.
Consolidating Schedule - Statement of Operations and Comprehensive Income (Loss)
Year Ended March 31, 2023

	Suprajit USA, Inc.	Wescon Controls, LLC	Suprajit Brownsville, LLC	Suprajit Mexico S de RLde CV	Suprajit Hungary Kft.	Shanghai Lone Star Cable Co. Ltd.	Total	Eliminating Entries	Consolidated
Net Sales	\$ -	\$ 45,719,746	\$ 51,872,479	\$ 15,447	\$ 19,600,758	\$ 15,429,140	\$ 132,637,570	\$ (758,546)	\$ 131,879,024
Cost of Goods Sold	-	39,301,570	50,475,123	(728,177)	20,683,398	12,085,354	121,817,268	(748,546)	121,068,722
Gross Profit	-	6,418,176	1,397,356	743,624	(1,082,640)	3,343,786	10,820,302	(10,000)	10,810,302
Selling, general and administrative expenses	(320,979)	7,227,395	3,989,163	111,304	1,938,780	2,577,454	15,523,117	-	15,523,117
Business acquisition expenses	479,150	-	-	-	-	-	479,150	-	479,150
Operating Income (Loss)	(158,171)	(809,219)	(2,591,807)	632,320	(3,021,420)	766,332	(5,181,965)	(10,000)	(5,191,965)
Other Income (Expense)									
Interest expense	(2,011,184)	(372,906)	(129,299)	(50,542)	(111,571)	(193)	(2,675,695)	-	(2,675,695)
Interest income	197,599	-	-	-	-	12,812	210,411	-	210,411
Other	6,683	131,277	(643,968)	(187,008)	227,368	153,150	(312,498)	-	(312,498)
	(1,806,902)	(241,629)	(773,267)	(237,550)	115,797	165,769	(2,777,782)	-	(2,777,782)
Income (Loss) Before Income Taxes	(1,965,073)	(1,050,848)	(3,365,074)	394,770	(2,905,623)	932,101	(7,959,747)	-	(7,959,747)
Income Tax Provision (Benefit)	(437,000)	(118,001)	(654,686)	66,147	-	127,160	(1,016,380)	-	(1,016,380)
Net Income (Loss) From Subsidiary	(5,415,294)	-	-	-	-	-	(5,415,294)	5,415,294	-
Net Income (Loss)	(6,943,367)	(932,847)	(2,710,388)	328,623	(2,905,623)	804,941	(12,358,661)	5,415,294	(6,943,367)
Other Comprehensive Loss									
Change in foreign currency translation adjustments	-	-	-	475,455	(621,087)	(431,132)	(576,764)	-	(576,764)
Comprehensive Income (Loss)	\$ (6,943,367)	\$ (932,847)	\$ (2,710,388)	\$ 804,078	\$ (3,526,710)	\$ 373,809	\$ (12,935,425)	\$ 5,415,294	\$ (7,520,131)

Suprajit USA, Inc.

Consolidating Schedule - Statement of Cash Flows

Year Ended March 31, 2023

	Suprajit USA, Inc.	Wescon Controls, LLC	Suprajit Brownsville, LLC	Suprajit Mexico S de RL de CV	Suprajit Hungary Kft.	Shanghai Lone Star Cable Co. Ltd.	Total	Eliminating Entries	Consolidated
Operating Activities									
Net income	\$ (6,943,367)	\$ (932,847)	\$ (2,710,388)	\$ 328,623	\$ (2,905,623)	\$ 804,941	\$ (12,358,661)	\$ 5,415,294	\$ (6,943,367)
Items not requiring (providing) cash									
Depreciation and amortization	-	4,302,616	1,347,983	156,444	536,735	251,918	6,595,696	-	6,595,696
Loss on sale of property and equipment	-	101,835	-	-	5,084	89,777	196,696	-	196,696
Deferred income taxes	(522,700)	(742,200)	1,166,700	-	-	(51,476)	(149,676)	-	(149,676)
Equity in income of subsidiary	5,415,294	-	-	-	-	-	5,415,294	(5,415,294)	-
Changes in operating assets and liabilities exclusive of effects of the business combination									
Accounts receivable	(470,215)	(272,465)	19,382	38,954	(1,369,231)	1,476,406	(577,169)	5,543,746	4,966,577
Inventories	-	(1,681,657)	(706,631)	-	(579,637)	171,990	(2,795,935)	-	(2,795,935)
Related party receivables/payables	-	-	-	-	-	-	-	-	-
Prepaid expenses and other	3,370	(4,509)	(237,102)	466,556	1,889,353	200,783	2,318,451	-	2,318,451
Income taxes refundable/payable	85,700	155,498	(1,763,700)	(889,515)	(836,916)	(67,339)	(3,316,272)	-	(3,316,272)
Accounts payable	(15,242)	(417,671)	1,262,754	(144,215)	1,399,001	597,966	2,682,593	(5,741,345)	(3,058,752)
Operating lease liabilities	-	(348,177)	180,017	(888,820)	(392,588)	(342,329)	(1,791,897)	-	(1,791,897)
Accrued liabilities	234,122	41,603	(907,463)	590,623	6,518	(811,946)	(846,543)	-	(846,543)
Net cash provided by (used in) operating activities	(2,213,038)	202,026	(2,348,448)	(341,350)	(2,247,304)	2,320,691	(4,627,423)	(197,599)	(4,825,022)
Investing Activities									
Business acquisition, net of cash acquired	(41,925,739)	-	22,865	606,686	832,244	1,261,809	(39,202,135)	-	(39,202,135)
Purchase of property and equipment	-	(84,530)	(577,931)	(439,538)	(169,787)	(81,045)	(1,352,831)	-	(1,352,831)
Net cash provided by (used in) investing activities	(41,925,739)	(84,530)	(555,066)	167,148	662,457	1,180,764	(40,554,966)	-	(40,554,966)
Financing Activities									
Borrowings under line-of-credit agreement	23,197,500	-	-	-	-	-	23,197,500	-	23,197,500
Payments under line-of-credit agreement	(16,745,000)	-	-	-	-	-	(16,745,000)	-	(16,745,000)
Proceeds from issuance of long-term debt	30,000,000	-	-	-	-	-	30,000,000	-	30,000,000
Principal payments on long-term debt	(5,000,000)	-	-	-	-	-	(5,000,000)	-	(5,000,000)
Borrowings under notes receivable from affiliates	(5,533,969)	-	2,970,000	-	2,366,370	-	(197,599)	197,599	-
Return of capital (paid) received from subsidiary	334,195	(334,195)	-	-	-	-	-	-	-
Net cash provided by (used in) financing activities	26,252,726	(334,195)	2,970,000	-	2,366,370	-	31,254,901	197,599	31,452,500
Effect of exchange rate changes on cash	-	-	-	475,455	(621,087)	(431,132)	(576,764)	-	(576,764)
Increase (Decrease) in Cash	(17,886,051)	(216,699)	66,487	301,253	160,436	3,070,323	(14,504,252)	-	(14,504,252)
Cash, Beginning of Year	18,134,233	250,274	-	-	-	-	18,384,507	-	18,384,507
Cash, End of Year	\$ 248,182	\$ 33,575	\$ 66,487	\$ 301,253	\$ 160,436	\$ 3,070,323	\$ 3,880,255	\$ -	\$ 3,880,255