




Suprajit USA, Inc.

Independent Auditor's Report and Consolidated Financial Statements

March 31, 2024 and 2023



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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. and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive 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 its subsidiaries as of March 31, 2024 and 2023, 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 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 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.

FORVIS, LLP

**Wichita, Kansas
May 24, 2024**

Suprajit USA, Inc.
Balance Sheets
March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash	\$ 4,796,838	\$ 3,880,255
Accounts receivable, net of allowance; 2024 - \$133,280; 2023 - \$102,748	24,356,928	22,547,391
Other receivables	2,293,830	-
Inventories, net	20,687,966	25,620,568
Income tax receivable	-	2,967,648
Prepaid expenses and other	1,698,907	2,310,186
	<u>53,834,469</u>	<u>57,326,048</u>
Property and Equipment, at Cost		
Land and land improvements	545,836	579,766
Buildings and leasehold improvements	3,354,814	3,253,885
Machinery and equipment	17,043,044	16,941,750
Office equipment	1,839,473	1,168,975
Transportation equipment	92,161	47,442
Construction in progress	646,445	869,619
	<u>23,521,773</u>	<u>22,861,437</u>
Less accumulated depreciation and amortization	<u>(10,124,139)</u>	<u>(8,081,565)</u>
	<u>13,397,634</u>	<u>14,779,872</u>
Other Assets		
Right-of-use asset - operating leases	8,063,411	6,874,284
Deferred tax assets	1,645,503	1,713,822
Goodwill, net	4,126,093	5,819,814
Definite-lived intangible assets, net	12,777,744	14,751,029
Indefinite-lived intangible assets	1,420,000	1,420,000
Other assets	1,283,109	558,023
	<u>29,315,860</u>	<u>31,136,972</u>
Total assets	<u>\$ 96,547,963</u>	<u>\$ 103,242,892</u>

	<u>2024</u>	<u>2023</u>
Liabilities and Stockholder's Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 6,000,000	\$ 6,000,000
Line of credit	15,079,500	15,452,500
Accounts payable	15,659,127	13,953,463
Accrued interest	227,723	240,755
Accrued salaries, wages and commissions	2,010,310	2,394,571
Accrued vacation	844,470	905,836
Operating lease liabilities	2,007,716	2,231,455
Income taxes payable	188,526	-
Accrued other	2,038,158	2,502,595
	<u>44,055,530</u>	<u>43,681,175</u>
Long-term Liabilities		
Note payable to parent	15,000,000	5,000,000
Long-term debt, less current maturities	19,500,000	24,000,000
Deferred income taxes	146,577	3,128,572
Other long-term liabilities	2,205,863	1,650,834
Operating lease liabilities, less current maturities	6,391,588	4,794,382
	<u>43,244,028</u>	<u>38,573,788</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	29,999,000
Accumulated other comprehensive loss	(732,309)	(576,764)
Retained deficit	(20,019,286)	(8,435,307)
	<u>9,248,405</u>	<u>20,987,929</u>
Total stockholder's equity	<u>9,248,405</u>	<u>20,987,929</u>
Total liabilities and stockholder's equity	<u>\$ 96,547,963</u>	<u>\$ 103,242,892</u>

Suprajit USA, Inc.
Consolidated Statements of Operations and Comprehensive Loss
Years Ended March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net Sales	\$ 126,096,519	\$ 131,879,024
Cost of Goods Sold	<u>120,816,885</u>	<u>121,068,722</u>
Gross Profit	5,279,634	10,810,302
Selling, general and administrative expenses	13,911,041	15,523,117
Business acquisition expenses	<u>-</u>	<u>479,150</u>
Operating Loss	<u>(8,631,407)</u>	<u>(5,191,965)</u>
Other Income (Expense)		
Interest expense	(3,845,421)	(2,675,695)
Interest income	-	210,411
Other	<u>(87,601)</u>	<u>(312,498)</u>
	<u>(3,933,022)</u>	<u>(2,777,782)</u>
Loss Before Income Taxes	(12,564,429)	(7,969,747)
Income Tax Benefit	<u>980,450</u>	<u>1,016,380</u>
Net Loss	(11,583,979)	(6,953,367)
Other Comprehensive Loss		
Change in foreign currency translation adjustments	<u>(155,545)</u>	<u>(576,764)</u>
Comprehensive Loss	<u>\$ (11,739,524)</u>	<u>\$ (7,530,131)</u>

Suprajit USA, Inc.
Consolidated Statements of Stockholder's Equity
Years Ended March 31, 2024 and 2023

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Retained Deficit</u>	<u>Total</u>
Balance, April 1, 2022	\$ 1,000	\$ 20,999,000	\$ -	\$ (1,481,940)	\$ 19,518,060
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	1,000	29,999,000	(576,764)	(8,435,307)	20,987,929
Foreign currency translation adjustment	-	-	(155,545)	-	(155,545)
Net loss	-	-	-	(11,583,979)	(11,583,979)
Balance, March 31, 2024	<u>\$ 1,000</u>	<u>\$ 29,999,000</u>	<u>\$ (732,309)</u>	<u>\$ (20,019,286)</u>	<u>\$ 9,248,405</u>

Suprajit USA, Inc.
Consolidated Statements of Cash Flows
Years Ended March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Net loss	\$ (11,583,979)	\$ (6,953,367)
Items not requiring (providing) cash		
Depreciation and amortization	6,086,656	6,595,696
(Gain) Loss on disposal of property and equipment	(34,596)	196,696
Deferred income taxes	(2,913,676)	(149,676)
Changes in operating assets and liabilities:		
Accounts receivable	(4,879,248)	4,966,577
Inventories	4,932,602	(2,795,935)
Prepaid expenses and other	(3,168,869)	2,328,451
Income taxes refundable/payable	3,156,174	(3,316,272)
Accounts payable	4,225,665	(3,058,752)
Operating lease liabilities	184,341	(1,791,897)
Accrued liabilities	419,115	(846,543)
	<u>(3,575,815)</u>	<u>(4,825,022)</u>
Net cash used in operating activities		
Investing Activities		
Business acquisition, net of cash acquired	-	(39,202,135)
Purchase of property and equipment	(697,231)	(1,352,831)
Proceeds on sale of property and equipment	218,174	-
	<u>(479,057)</u>	<u>(40,554,966)</u>
Net cash used in investing activities		
Financing Activities		
Borrowings under line-of-credit agreement	27,947,000	23,197,500
Payments under line-of-credit agreement	(28,320,000)	(16,745,000)
Proceeds from issuance of long-term debt	-	30,000,000
Principal payments on long-term debt	(4,500,000)	(5,000,000)
Borrowing from parent company	10,000,000	-
	<u>5,127,000</u>	<u>31,452,500</u>
Net cash provided by financing activities		
Increase (decrease) in Cash	1,072,128	(13,927,488)
Effect of Exchange Rate Changes on Cash	<u>(155,545)</u>	<u>(576,764)</u>
Cash, Beginning of Year	<u>3,880,255</u>	<u>18,384,507</u>
Cash, End of Year	<u>\$ 4,796,838</u>	<u>\$ 3,880,255</u>
Supplemental Cash Flows Information		
Interest paid	\$ 3,983,241	\$ 2,203,070
Income taxes paid, net of refunds	592,669	141,344
Right-of-use assets obtained in exchange for new operating lease liabilities	2,500,251	3,030,031
Liabilities assumed in business combination	-	22,055,367
Purchase consideration included in accounts payable	-	275,125

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

Nature of Operations

Suprajit USA, Inc. (the “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, 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 loss.

Cash

As of March 31, 2024, the Company had cash balances of \$1,807,000 that were in excess of U.S. federally insured limits.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers of which the Company has an unconditional right to receive. The Company provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts.

Accounts receivable are ordinarily due 30 days after the issuance of the invoice 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.

During the years ended March 31, 2024 and 2023, credit loss expense related to doubtful accounts receivable, where collectability is not reasonably assured, was \$66,062 and \$0, respectively.

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.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2024 and 2023

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 \$2,500,632 and \$2,928,680 for the years ended March 31, 2024 and 2023, 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. 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 2024 or 2023.

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.

Shipping and Handling Costs

Shipping and handling costs of \$2,442,949 and \$1,112,537 for 2024 and 2023, respectively, are included in cost of goods sold and operating expenses.

Comprehensive Loss

Comprehensive income consists of net loss and other comprehensive loss, net of applicable income taxes. Other comprehensive loss includes foreign currency translations adjustments in 2024 and 2023.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 consolidated financial statement presentation. These reclassifications had no effect on net income.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2024 and 2023

Note 2. Inventories

Inventory consisted of the following at March 31:

	<u>2024</u>	<u>2023</u>
Manufacturing inventories		
Raw materials	\$ 20,454,357	\$ 22,813,533
Work-in-process and finished goods	5,619,041	7,587,521
Reserve for obsolete inventory	<u>(5,385,432)</u>	<u>(4,780,486)</u>
	<u>\$ 20,687,966</u>	<u>\$ 25,620,568</u>

Note 3. Acquired Intangible Assets and Goodwill

The carrying basis and accumulated amortization of recognized intangible assets at March 31, 2024 and 2023, were:

		<u>2024</u>		<u>2023</u>	
	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Goodwill	10 years	\$ 16,937,212	\$ 12,811,119	\$ 16,937,212	\$ 11,117,398
Definite-lived intangible assets					
Tradenames	10 years	1,957,500	376,062	1,957,500	188,031
Patents	10 years	5,220,000	1,002,824	5,220,000	501,416
Customer relationships	13 years	<u>16,850,000</u>	<u>9,870,870</u>	<u>16,850,000</u>	<u>8,587,024</u>
		<u>\$ 40,964,712</u>	<u>\$ 24,060,875</u>	<u>\$ 40,964,712</u>	<u>\$ 20,393,869</u>
Indefinite-lived intangible assets					
Tradename		<u>\$ 1,420,000</u>		<u>\$ 1,420,000</u>	

Amortization expense for the years ended March 31, 2024 and 2023, was \$2,896,585 and \$3,667,016, respectively. Estimated amortization expense for each of the following five years is:

2025	\$ 3,733,714
2026	3,733,714
2027	2,778,644
2028	1,719,032
2029	1,719,032

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2024 and 2023

Note 4. Line of Credit

The Company has a \$20,000,000 revolving line of credit which is due on demand. At March 31, 2024 and 2023, there was \$15,079,500 and \$15,452,500 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 6.94% and 6.22% at March 31, 2024 and 2023, 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.

Note 5. Long-term Debt

	<u>2024</u>	<u>2023</u>
Note payable, Parent (A)	\$ 15,000,000	\$ 5,000,000
Note payable, Bank (B)	<u>25,500,000</u>	<u>30,000,000</u>
	40,500,000	35,000,000
Less current maturities	<u>(6,000,000)</u>	<u>(6,000,000)</u>
	<u><u>\$ 34,500,000</u></u>	<u><u>\$ 29,000,000</u></u>

(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.

(B) Originally for \$30,000,000 maturing in March 2028, requiring monthly interest payments at SOFR rate plus 1.50 percent (6.94 percent as of March 31, 2024). Quarterly principal payments of \$1,500,000 are due until maturity. The loan is secured by substantially all of the Company's assets. The loan is guaranteed by the Parent company, Suprajit Engineering Limited.

Aggregate annual maturities of long-term debt payments at March 31, 2024, are:

	<u>Long-term Debt</u>
2025	\$ 6,000,000
2026	6,000,000
2027	6,000,000
2028	6,000,000
2029	1,500,000
Thereafter	<u>15,000,000</u>
	<u><u>\$ 40,500,000</u></u>

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 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 June 2033. 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.

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2024 and 2023

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>2024</u>	<u>2023</u>
Operating lease cost	\$ 1,311,125	\$ 2,443,545
Other information:		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,684,742	\$ 2,610,683
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 2,933,174	\$ -
Weighted-average remaining lease term - operating leases	6.58 years	3.32 years
Weighted-average discount rate - operating leases	4.84%	4.50%

Future minimum lease payments and reconciliation to the consolidated balance sheet at March 31, 2024, are as follows:

	<u>Operating Leases</u>
2025	\$ 2,414,564
2026	2,348,526
2027	1,716,278
2028	1,337,318
2029	365,312
Thereafter	<u>2,104,524</u>
Total future undiscovered lease payments	10,286,522
Less interest	<u>(1,887,218)</u>
Lease liabilities	<u>\$ 8,399,304</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.

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:

	<u>2024</u>	<u>2023</u>
Taxes currently payable	\$ 1,933,226	\$ (866,704)
Deferred income taxes	<u>(2,913,676)</u>	<u>(149,676)</u>
Income tax benefit	<u>\$ (980,450)</u>	<u>\$ (1,016,380)</u>

Suprajit USA, Inc.
Notes to Consolidated Financial Statements
March 31, 2024 and 2023

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

	<u>2024</u>	<u>2023</u>
Computed at the statutory rate - 21%	\$ (2,252,808)	\$ (1,672,949)
Increase (decrease) resulting from		
Goodwill amortization and other nondeductible items	21,745	74,863
State income taxes	(498,250)	(129,639)
Foreign taxes	225,052	(68,582)
Change in valuation allowance	2,940,516	610,181
Return to provision	(482,130)	7,412
US foreign tax credit	(1,182,878)	-
Effect of statutory rate variances	248,303	-
Other	-	162,334
	<u> -</u>	<u> -</u>
Actual tax benefit	<u>\$ (980,450)</u>	<u>\$ (1,016,380)</u>

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

	<u>2024</u>	<u>2023</u>
Deferred tax assets		
Allowance for doubtful accounts	\$ 29,504	\$ 19,900
Inventory overhead costs capitalized for tax purposes	336,524	423,000
Obsolete inventory reserve	507,744	386,500
Accrued expenses	2,361,941	1,713,720
Unrealized gain/loss	45,399	106,700
163(j) interest limitation	1,412,080	635,400
Net operating loss carryforward	1,681,819	261,506
Foreign tax credit	1,182,878	-
Deferred compensation	-	4,800
	<u> -</u>	<u> -</u>
Deferred tax liabilities		
Depreciation	(196,385)	(2,079,645)
Prepays	(494,530)	(49,400)
Leases	(62,006)	-
Goodwill and other intangibles	(2,104,020)	(2,575,725)
	<u> -</u>	<u> -</u>
Net deferred tax asset (liability)	<u>\$ 4,700,948</u>	<u>\$ (1,153,244)</u>
Valuation allowance		
Beginning balance	\$ (261,506)	\$ -
Increase during the period	(2,940,516)	(261,506)
	<u> -</u>	<u> -</u>
Ending balance	<u>(3,202,022)</u>	<u>(261,506)</u>
Net deferred tax asset (liability)	<u>\$ 1,498,926</u>	<u>\$ (1,414,750)</u>
Net deferred tax asset	\$ 1,645,503	\$ 1,713,822
Net deferred tax liability	<u>(146,577)</u>	<u>(3,128,572)</u>
Net deferred tax asset (liability)	<u>\$ 1,498,926</u>	<u>\$ (1,414,750)</u>

Suprajit USA, Inc.
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March 31, 2024 and 2023

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, 2024 and 2023. Tax expense related to GILTI is included as a component of income tax expense.

The Company had a Hungary net operating loss carryforward of approximately \$4,400,000 as of March 31, 2024. Hungary allows for a five-year carryforward, thus this loss will expire in 2029. 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.

The valuation allowance has been recorded to adjust the deferred tax asset balances to the amount that is more likely than not to be realized as of March 31, 2024 and March 31, 2023.

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 \$341,744 and \$479,000 for the years ended March 31, 2024 and 2023, 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 \$729,000 and \$612,000 for the year ended March 31, 2024 and 2023, respectively.

Note 10. Related-Party Transactions

Suprajit Engineering Limited (the "Parent Company"), has guaranteed the term loan and the line of credit with the bank (see Note 4 and Note 5). The Parent Company charges fees to the Company to guarantee the debt. The Parent Company also charges interest to the Company for the outstanding loan balance (see Note 4 and Note 5).

Suprajit Automotive Private Limited is a related party under common control that provides warehousing services to the Company and its subsidiaries.

Suprajit Europe Limited is a related party under common control that provides warehousing services to the Company and its subsidiaries.

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.

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March 31, 2024 and 2023

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 2024 and 2023, the Company incurred \$0 and \$479,150, respectively, of acquisition-related third-party costs. No goodwill was recorded as part of this transaction.

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

	<u>2023</u>
Fair Value of Consideration Transferred	
Cash paid	\$ 41,925,739
Net working capital adjustment payable	<u>275,125</u>
Total	<u>42,200,864</u>
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	<u>(1,363,157)</u>
Total identifiable net assets	<u>42,200,864</u>
Goodwill	<u><u>\$ -</u></u>

The weighted-average amortization period of acquired patents and tradenname is each 10 years of which 8 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.

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

Two customers made up approximately 27% of the Company's total revenue during the year ended March 31, 2024. One customer made up approximately 12% of the Company's total revenue during the year ended March 31, 2023. At March 31, 2024, credit extended to two customers was approximately 38% of accounts receivable. No customers represented more than 10% of accounts receivable as of March 31, 2023.

Note 14. Subsequent Events

Subsequent events have been evaluated through May 24, 2024, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Suprajit USA, Inc.
Consolidating Schedule – Balance Sheet Information
As of March 31, 2024

Assets

	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 Assets									
Cash	\$ 1,774,250	\$ 213,391	\$ 356,360	\$ 261,088	\$ 200,032	\$ 1,991,717	\$ 4,796,838	\$ -	\$ 4,796,838
Accounts receivable, net	3,641,493	3,327,081	10,774,108	4,128,403	5,351,163	5,396,023	32,618,271	(8,261,343)	24,356,928
Other receivables	-	180,849	121,307	617,333	1,374,341	-	2,293,830	-	2,293,830
Inventories, net	-	9,043,600	7,237,370	-	3,571,772	835,224	20,687,966	-	20,687,966
Prepaid expenses and other	436,021	210,514	-	1,016,531	35,841	-	1,698,907	-	1,698,907
Total current assets	5,851,764	12,975,435	18,489,145	6,023,355	10,533,149	8,222,964	62,095,812	(8,261,343)	53,834,469
Property and Equipment, at Cost									
Land and land improvements	-	545,836	-	-	-	-	545,836	-	545,836
Buildings and leasehold improvements	-	2,736,988	-	379,737	238,089	-	3,354,814	-	3,354,814
Machinery and equipment	-	5,975,691	6,375,603	1,592,535	3,099,215	-	17,043,044	-	17,043,044
Office equipment	-	1,023,704	187,428	67,598	91,334	469,409	1,839,473	-	1,839,473
Transportation equipment	-	44,097	45,148	2,916	-	-	92,161	-	92,161
Construction in progress	-	31,446	279,299	-	294,847	40,853	646,445	-	646,445
Less accumulated depreciation and amortization	-	10,357,762	6,887,478	2,042,786	3,723,485	510,262	23,521,773	-	23,521,773
	-	(7,693,785)	(1,525,631)	(468,990)	(435,733)	-	(10,124,139)	-	(10,124,139)
	-	2,663,977	5,361,847	1,573,796	3,287,752	510,262	13,397,634	-	13,397,634
Other Assets									
Investment in subsidiary	51,492,957	-	-	-	-	-	51,492,957	(51,492,957)	-
Intercompany loans receivable	7,738,164	-	-	-	-	-	7,738,164	(7,738,164)	-
Right-of-use asset - operating leases	-	609,311	965,215	3,028,973	758,948	2,700,964	8,063,411	-	8,063,411
Deferred tax asset	-	-	-	1,645,503	-	-	1,645,503	-	1,645,503
Goodwill, net	-	4,126,093	-	-	-	-	4,126,093	-	4,126,093
Indefinite-lived intangible assets	-	1,420,000	-	-	-	-	1,420,000	-	1,420,000
Definite-lived intangible assets, net	-	6,979,130	4,217,176	-	-	1,581,438	12,777,744	-	12,777,744
Other assets	16,591	-	-	316,079	17,033	933,406	1,283,109	-	1,283,109
	59,247,712	13,134,534	5,182,391	4,990,555	775,981	5,215,808	88,546,981	(59,231,121)	29,315,860
Total assets	\$ 65,099,476	\$ 28,773,946	\$ 29,033,383	\$ 12,587,706	\$ 14,596,882	\$ 13,949,034	\$ 164,040,427	\$ (67,492,464)	\$ 96,547,963

Suprajit USA, Inc.
Consolidating Schedule – Balance Sheet Information – Continued
As of March 31, 2024

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	15,079,500	-	-	-	-	-	15,079,500	-	15,079,500
Accounts payable	17,380	2,337,785	13,790,204	818,010	3,548,136	3,408,955	23,920,470	(8,261,343)	15,659,127
Accrued interest	227,723	-	-	-	-	-	227,723	-	227,723
Accrued salaries, wages and commissions	-	172,594	-	1,228,613	609,103	-	2,010,310	-	2,010,310
Accrued vacation	-	278,986	161,034	404,450	-	-	844,470	-	844,470
Operating lease liabilities	-	358,340	318,713	757,294	357,947	215,422	2,007,716	-	2,007,716
Income taxes payable	-	-	-	42,467	146,059	-	188,526	-	188,526
Accrued other	-	73,994	204,218	816,991	305,209	637,746	2,038,158	-	2,038,158
Total current liabilities	21,324,603	3,221,699	14,474,169	4,067,825	4,966,454	4,262,123	52,316,873	(8,261,343)	44,055,530
Long-term Liabilities									
Note payable to parent	15,000,000	-	-	-	-	-	15,000,000	-	15,000,000
Long-term debt, less current maturities	19,500,000	-	-	-	-	-	19,500,000	-	19,500,000
Intercompany loans payable	-	-	4,501,794	-	3,236,370	-	7,738,164	(7,738,164)	-
Deferred income taxes	(705,841)	1,329,085	(580,805)	-	-	104,138	146,577	-	146,577
Other long-term liabilities	-	148,321	-	2,057,542	-	-	2,205,863	-	2,205,863
Operating lease liabilities, less current maturities	-	297,516	716,910	2,372,508	435,476	2,569,178	6,391,588	-	6,391,588
Total long-term liabilities	33,794,159	1,774,922	4,637,899	4,430,050	3,671,846	2,673,316	50,982,192	(7,738,164)	43,244,028
Stockholder's Equity									
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	27,670,761	21,610,235	(446,683)	3,156,526	650,413	82,640,252	(52,641,252)	29,999,000
Accumulated other comprehensive income (loss)	-	-	-	846,075	(843,279)	(735,105)	(732,309)	-	(732,309)
Retained earnings (deficit)	(20,019,286)	(3,893,436)	(17,310,870)	3,687,917	3,636,362	7,098,287	(26,801,026)	6,781,740	(20,019,286)
Total stockholder's equity	9,980,714	23,777,325	9,921,315	4,089,831	5,958,582	7,013,595	60,741,362	(51,492,957)	9,248,405
Total liabilities and stockholder's equity	\$ 65,099,476	\$ 28,773,946	\$ 29,033,383	\$ 12,587,706	\$ 14,596,882	\$ 13,949,034	\$ 164,040,427	\$ (67,492,464)	\$ 96,547,963

Suprajit USA, Inc.
Consolidating Schedule – Statement of Operations and Comprehensive Income (Loss)
Year Ended March 31, 2024

	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
Net Sales	\$ -	\$ 35,875,967	\$ 53,978,568	\$ 22,853,599	\$ 24,966,559	\$ 12,167,627	\$ 149,842,320	\$ (23,745,801)	\$ 126,096,519
Cost of Goods Sold	-	32,717,779	58,686,342	19,640,832	24,001,084	9,516,649	144,562,686	(23,745,801)	120,816,885
Gross Profit	-	3,158,188	(4,707,774)	3,212,767	965,475	2,650,978	5,279,634	-	5,279,634
Selling, general and administrative expenses	(27,091)	6,735,902	1,506,849	1,382,775	1,629,776	3,281,724	14,509,935	(598,894)	13,911,041
Operating Income (Loss)	27,091	(3,577,714)	(6,214,623)	1,829,992	(664,301)	(630,746)	(9,230,301)	598,894	(8,631,407)
Other Income (Expense)									
Interest expense	(3,091,120)	(534,082)	(190,892)	(169,520)	(212,318)	-	(4,197,932)	352,511	(3,845,421)
Interest income	352,511	-	-	-	-	-	352,511	(352,511)	-
Other	543,646	306,936	(141,247)	(16,915)	(119,785)	(61,342)	511,293	(598,894)	(87,601)
	(2,194,963)	(227,146)	(332,139)	(186,435)	(332,103)	(61,342)	(3,334,128)	(598,894)	(3,933,022)
Income (Loss) Before Income Taxes	(2,167,872)	(3,804,860)	(6,546,762)	1,643,557	(996,404)	(692,088)	(12,564,429)	-	(12,564,429)
Income Tax Provision (Benefit)	(106,744)	(1,267,316)	16,195	342,776	225,053	(190,414)	(980,450)	-	(980,450)
Net Loss From Subsidiary	(9,522,851)	-	-	-	-	-	(9,522,851)	9,522,851	-
Net Income (Loss)	(11,583,979)	(2,537,544)	(6,562,957)	1,300,781	(1,221,457)	(501,674)	(21,106,830)	9,522,851	(11,583,979)
Other Comprehensive Income (Loss)									
Change in foreign currency translation adjustments	-	-	-	370,620	(222,192)	(303,973)	(155,545)	-	(155,545)
Comprehensive Income (Loss)	<u>\$ (11,583,979)</u>	<u>\$ (2,537,544)</u>	<u>\$ (6,562,957)</u>	<u>\$ 1,671,401</u>	<u>\$ (1,443,649)</u>	<u>\$ (805,647)</u>	<u>\$ (21,262,375)</u>	<u>\$ 9,522,851</u>	<u>\$ (11,739,524)</u>

Suprajit USA, Inc.
Consolidating Schedule – Statement of Stockholders' Equity (Deficit)
Year Ended March 31, 2024

	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
Common Stock									
Balance, April 1, 2022	\$ 1,000	\$ -	\$ 5,621,950	\$ 2,522	\$ 8,973	\$ -	\$ 5,634,445	\$ (5,633,445)	\$ 1,000
Balance, March 31, 2023	1,000	-	5,621,950	2,522	8,973	-	5,634,445	(5,633,445)	1,000
Balance, March 31, 2024	\$ 1,000	\$ -	\$ 5,621,950	\$ 2,522	\$ 8,973	\$ -	\$ 5,634,445	\$ (5,633,445)	\$ 1,000
Additional Paid in Capital									
Balance, April 1, 2022	\$ 20,999,000	\$ 29,333,075	\$ 21,610,235	\$ 2,703,377	\$ 3,156,526	\$ 650,413	\$ 78,452,626	\$ (57,453,626)	\$ 20,999,000
Parent debt forgiveness converted to equity	9,000,000	-	-	-	-	-	9,000,000	-	9,000,000
Balance, March 31, 2023	29,999,000	29,333,075	21,610,235	2,703,377	3,156,526	650,413	87,452,626	(57,453,626)	29,999,000
Capital (paid) received from subsidiary	-	(1,662,314)	-	-	-	-	(1,662,314)	1,662,314	-
Dividends paid to parent on behalf of subsidiaries	-	-	-	(3,150,060)	-	-	(3,150,060)	3,150,060	-
Balance, March 31, 2024	\$ 29,999,000	\$ 27,670,761	\$ 21,610,235	\$ (446,683)	\$ 3,156,526	\$ 650,413	\$ 82,640,252	\$ (52,641,252)	\$ 29,999,000
Accumulated Other Comprehensive Income									
Balance, April 1, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foreign currency translation adjustment	-	-	-	475,455	(621,087)	(431,132)	(576,764)	-	(576,764)
Balance, March 31, 2023	-	-	-	475,455	(621,087)	(431,132)	(576,764)	-	(576,764)
Foreign currency translation adjustment	-	-	-	370,620	(222,192)	(303,973)	(155,545)	-	(155,545)
Balance, March 31, 2024	\$ -	\$ -	\$ -	\$ 846,075	\$ (843,279)	\$ (735,105)	\$ (732,309)	\$ -	\$ (732,309)
Retained Earnings (Deficit)									
Balance, April 1, 2022	\$ (1,491,940)	\$ (423,045)	\$ (8,037,525)	\$ 2,058,513	\$ 7,763,442	\$ 6,795,020	\$ 6,664,465	\$ (8,156,405)	\$ (1,491,940)
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)
Balance, March 31, 2023	(8,435,307)	(1,355,892)	(10,747,913)	2,387,136	4,857,819	7,599,961	(5,694,196)	(2,741,111)	(8,435,307)
Net income (loss)	(11,583,979)	(2,537,544)	(6,562,957)	1,300,781	(1,221,457)	(501,674)	(21,106,830)	9,522,851	(11,583,979)
Balance, March 31, 2024	\$ (20,019,286)	\$ (3,893,436)	\$ (17,310,870)	\$ 3,687,917	\$ 3,636,362	\$ 7,098,287	\$ (26,801,026)	\$ 6,781,740	\$ (20,019,286)

Suprajit USA, Inc.
Consolidating Schedule – Statement of Cash Flows
Year Ended March 31, 2024

	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	\$ (11,583,979)	\$ (2,537,544)	\$ (6,562,957)	\$ 1,300,781	\$ (1,221,457)	\$ (501,674)	\$ (21,106,830)	\$ 9,522,851	\$ (11,583,979)
Items not requiring (providing) cash									
Depreciation and amortization	-	3,878,116	1,356,398	208,794	442,331	201,017	6,086,656	-	6,086,656
Loss on sale of property and equipment	-	(65,578)	-	-	30,982	-	(34,596)	-	(34,596)
Deferred income taxes	(35,541)	(754,715)	(1,747,505)	(192,399)	-	(183,516)	(2,913,676)	-	(2,913,676)
Equity in income of subsidiary	9,522,851	-	-	-	-	-	9,522,851	(9,522,851)	-
Changes in operating assets and liabilities									
Accounts receivable	(3,523,392)	453,062	(1,089,015)	793,401	(71,033)	(1,442,271)	(4,879,248)	-	(4,879,248)
Inventories	-	2,745,664	1,287,583	-	397,264	502,091	4,932,602	-	4,932,602
Other current assets and liabilities	(436,021)	(523,618)	752,093	(1,185,784)	(1,791,872)	16,333	(3,168,869)	-	(3,168,869)
Income taxes refundable/payable	(73,530)	(516,292)	1,763,700	931,982	982,975	67,339	3,156,174	-	3,156,174
Accounts payable	(269,747)	(891,546)	3,461,160	447,008	936,999	541,791	4,225,665	-	4,225,665
Operating lease liabilities	-	46,545	(184,577)	80,419	209,361	32,593	184,341	-	184,341
Accrued liabilities	(161,866)	(47,614)	319,794	602,643	(293,842)	-	419,115	-	419,115
Net cash provided by (used in) operating activities	(6,561,225)	1,786,480	(643,326)	2,986,845	(378,292)	(766,297)	(3,575,815)	-	(3,575,815)
Investing Activities									
Purchase of property and equipment	-	(81,542)	(278,801)	(247,570)	-	(89,318)	(697,231)	-	(697,231)
Proceeds on sale of property and equipment	-	137,192	-	-	-	80,982	218,174	-	218,174
Net cash provided by (used in) investing activities	-	55,650	(278,801)	(247,570)	-	(8,336)	(479,057)	-	(479,057)
Financing Activities									
Borrowings under line-of-credit agreement	27,947,000	-	-	-	-	-	27,947,000	-	27,947,000
Payments under line-of-credit agreement	(28,320,000)	-	-	-	-	-	(28,320,000)	-	(28,320,000)
Principal payments on long-term debt	(4,500,000)	-	-	-	-	-	(4,500,000)	-	(4,500,000)
Borrowings from parent	10,000,000	-	-	-	-	-	10,000,000	-	10,000,000
Borrowings under notes receivable from affiliates	(189,767)	(1,662,314)	1,212,000	-	640,081	-	-	-	-
Dividends paid to parent	3,150,060	-	-	(3,150,060)	-	-	-	-	-
Net cash provided by (used in) financing activities	8,087,293	(1,662,314)	1,212,000	(3,150,060)	640,081	-	5,127,000	-	5,127,000
Effect of exchange rate changes on cash	-	-	-	370,620	(222,192)	(303,973)	(155,545)	-	(155,545)
Increase (Decrease) in Cash	1,526,068	179,816	289,873	(40,165)	39,597	(1,078,606)	916,583	-	916,583
Cash, Beginning of Year	248,182	33,575	66,487	301,253	160,435	3,070,323	3,880,255	-	3,880,255
Cash, End of Year	\$ 1,774,250	\$ 213,391	\$ 356,360	\$ 261,088	\$ 200,032	\$ 1,991,717	\$ 4,796,838	\$ -	\$ 4,796,838