

**2545887 ONTARIO INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2024**

**2545887 ONTARIO INC.**

**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2024**

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	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>3 - 4</b>
<b>FINANCIAL STATEMENTS</b>	
<b>Consolidated Balance Sheet</b>	<b>5</b>
<b>Consolidated Statement of Operations and Deficit</b>	<b>6</b>
<b>Consolidated Statement of Cash Flows</b>	<b>7</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>8 - 16</b>

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## INDEPENDENT AUDITOR'S REPORT

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To the Shareholder of: 2545887 Ontario Inc.

### **Opinion**

We have audited the accompanying financial statements of 2545887 Ontario Inc., which comprise the consolidated balance sheet as at March 31, 2024 and the consolidated statements of operations and deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of 2545887 Ontario Inc. as at March 31, 2024 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of 2545887 Ontario Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for private enterprises and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

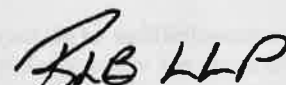
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 override of internal control.
- 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 the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Guelph, Ontario  
May 24, 2024



Chartered Professional Accountants  
Licensed Public Accountants

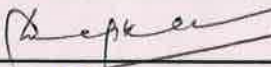

2545887 ONTARIO INC.

CONSOLIDATED BALANCE SHEET (IN CDN \$)

AS AT MARCH 31, 2024

	2024	2023
<b>ASSETS</b>		
<b>CURRENT</b>		
Trade accounts receivable	\$ 9,933,246	\$ 11,105,792
Inventories (note 4)	6,275,247	7,381,825
Prepays	447,947	315,004
Government remittances recoverable	691,036	258,714
Due from related parties (note 7)	5,312	5,312
Deposits	<u>1,027,385</u>	<u>0</u>
	18,380,173	19,066,647
<b>FINANCING FEES</b>	0	118,455
<b>PROPERTY, PLANT AND EQUIPMENT</b> (note 5)	22,651,270	29,087,392
<b>FUTURE INCOME TAXES</b> (note 12)	790,093	1,093,230
<b>INTANGIBLE ASSETS</b> (note 6)	7,690,625	8,553,125
<b>GOODWILL</b>	<u>10,454,375</u>	<u>10,454,375</u>
	<u>\$ 59,966,536</u>	<u>\$ 68,373,224</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank indebtedness (note 8)	\$ 6,598,834	\$ 5,691,987
Trade accounts payable	5,025,103	6,229,618
Other payables and accrued liabilities	420,619	762,521
Income taxes payable	31,282	7,169
Current portion of long term debt (note 9)	<u>1,279,715</u>	<u>2,304,115</u>
	13,355,553	14,995,410
<b>DUE TO SHAREHOLDER</b> (note 7)	1,529,610	2,993,045
<b>LONG TERM DEBT</b> (note 9)	3,691,035	31,265,106
<b>DEFERRED RENT</b>	53,381	0
<b>DEFERRED INCOME</b>	<u>22,231,059</u>	<u>0</u>
	<u>40,860,638</u>	<u>49,253,561</u>
<b>SHAREHOLDER'S EQUITY</b>		
<b>SHARE CAPITAL</b> (note 10)	29,864,225	29,864,225
<b>CURRENCY TRANSLATION ADJUSTMENT</b> (note 2(n))	108,792	100,968
<b>DEFICIT</b>	<u>(10,867,119)</u>	<u>(10,845,530)</u>
	<u>19,105,898</u>	<u>19,119,663</u>
	<u>\$ 59,966,536</u>	<u>\$ 68,373,224</u>

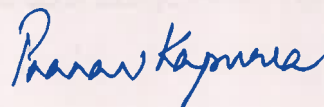
APPROVED ON BEHALF OF THE BOARD:

  
 Director  
  
 Director

See notes to the consolidated financial statements

**2545887 ONTARIO INC.****CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT (IN CDN \$)****FOR THE YEAR ENDED MARCH 31, 2024**

	<b>2024</b>	<b>2023</b>
<b>REVENUE</b>	<u>\$ 56,041,676</u>	<u>\$ 66,232,194</u>
<b>COST OF SALES</b> (notes 4 and 7)	<u>44,219,674</u>	<u>55,859,750</u>
<b>GROSS PROFIT</b>	<u>11,822,002</u>	<u>10,372,444</u>
<b>OPERATING EXPENSES</b>		
Amortization of intangible assets	862,500	862,500
Amortization of property, plant and equipment	3,659,507	3,497,962
Selling, general and administrative	6,016,214	6,404,673
Other (income) and expenses	<u>(284,818)</u>	<u>(1,509,374)</u>
	<u>10,253,403</u>	<u>9,255,761</u>
<b>EARNINGS FROM OPERATIONS</b>	<u>1,568,599</u>	<u>1,116,683</u>
<b>OTHER EXPENSES</b>		
Finance expenses (notes 8 and 9)	(2,581,611)	(2,981,337)
Net gain on sale of property, plant and equipment	<u>1,362,648</u>	<u>0</u>
	<u>(1,218,963)</u>	<u>(2,981,337)</u>
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>	<u>349,636</u>	<u>(1,864,654)</u>
<b>INCOME TAXES</b>		
Provision for current income taxes	68,088	32,548
Provision for (recovery of) future income taxes	<u>303,137</u>	<u>(1,368,663)</u>
	<u>371,225</u>	<u>(1,336,115)</u>
<b>NET LOSS for the year</b>	(21,589)	(528,539)
<b>DEFICIT, beginning of year</b>	<u>(10,845,530)</u>	<u>(10,316,991)</u>
<b>DEFICIT, end of year</b>	<u>\$ (10,867,119)</u>	<u>\$ (10,845,530)</u>





2545887 ONTARIO INC.

**CONSOLIDATED STATEMENT OF CASH FLOWS (IN CDN \$)**

**FOR THE YEAR ENDED MARCH 31, 2024**

	2024	2023
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (21,589)	\$ (528,539)
Items not requiring an outlay of cash		
Amortization of property, plant and equipment	3,659,507	3,497,962
Amortization of intangibles	862,500	862,500
Provision for future income taxes	303,137	(1,368,663)
Finance expenses	2,581,611	2,981,337
Gain on sale of property, plant and equipment	(1,362,648)	0
Deferred rent	53,381	0
Currency translation adjustments	(91,979)	430,367
Restatement of currency adjustment	(86,771)	278,985
	<u>5,897,149</u>	<u>6,153,949</u>
Changes in non-cash working capital		
Trade accounts receivable	1,233,879	(1,003,453)
Financing fees	118,455	20,307
Inventories	1,106,578	(1,160,237)
Prepays	(132,943)	1,228
Deposits	(1,027,385)	0
Government remittances recoverable	(432,322)	61,373
Trade accounts payable	(1,229,974)	(685,827)
Other payables and accrued liabilities	(341,902)	(250,859)
Income taxes payable	24,113	(31,467)
	<u>5,215,648</u>	<u>3,105,014</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Due from related parties	0	1,702
Repayment of long term debt	(28,547,574)	(1,376,371)
Proceeds from short term debt	0	282,778
Advances from shareholder	(1,463,435)	(331,159)
Finance expenses	(2,581,611)	(2,981,337)
	<u>(32,592,620)</u>	<u>(4,404,387)</u>
<b>CASH (USED IN) INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(109,005)	(1,176,965)
Proceeds from disposal of property, plant and equipment	<u>26,579,130</u>	<u>0</u>
	<u>26,470,125</u>	<u>(1,176,965)</u>
<b>NET DECREASE IN CASH</b>	(906,847)	(2,476,338)
<b>NET BANK INDEBTEDNESS, beginning of year</b>	<u>(5,691,987)</u>	<u>(3,215,649)</u>
<b>NET BANK INDEBTEDNESS, end of year</b>	<u>\$ (6,598,834)</u>	<u>\$ (5,691,987)</u>

*Ranav Kapur*

**2545887 ONTARIO INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2024**

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**1. NATURE OF BUSINESS**

Teutech Leasing Co., and Teutech LLC are incorporated under the Limited Liability Act of the State of Alabama, USA. Teutech Holding Co. is incorporated under the General Corporations Laws of the State of Delaware, USA. The Hi-Tech Gears Canada Inc., and the parent company 2545887 Ontario Inc, are incorporated under the provisions of the Ontario Business Corporations Act. The companies are primarily involved in machining, stamping and fabrication primarily for the automotive sector.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises and include the following significant accounting policies:

**(a) BASIS OF CONSOLIDATION**

These consolidated financial statements include the accounts of the company and its privately held subsidiaries. Wholly-owned subsidiaries are 2504584 Ontario Inc., 2323532 Ontario Inc., The Hi-Tech Gears Canada Inc., Teutech Holding Co., Teutech Leasing Co. and Teutech LLC.

During the year, 2323532 Ontario Inc. and 2504584 Ontario Inc. amalgamated to form 1000501645 Ontario Inc. 1000501645 Ontario Inc. then amalgamated with The Hi-Tech Gears Canada Inc. and continued operating under the name of The Hi-Tech Gears Canada Inc.

All significant intercompany transactions and balances have been eliminated.

**(b) REVENUE RECOGNITION**

Revenue is recognized when the title and risk of ownership have been transferred to the customer, which is generally upon shipment, and collection of the resulting receivable is reasonably assured.

**(c) OTHER INCOME**

Other income is primarily comprised of salvage income, interest income and volume adjustments. Other income is recognized as earned and collection is reasonably assured.

The company recognizes the grants or subsidies from the Government under the same head of expense or an asset in case it pertains to the same accounting period to reflect the effective net cost to the organization. In case the grant or subsidy pertains to a different accounting period or non-relatable to the any particular expense or an asset, it is recognized as "Other Income".

**(d) INVENTORIES**

Work in process inventories are measured at the lower of cost and net realizable value, with cost being determined on a standard cost basis. The cost of work in process inventories includes raw materials, direct labour costs and manufacturing overhead based on normal production capacity.

*Raman Kapur*



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVENTORIES (continued)

Finished goods inventories are measured at the lower of cost and net realizable value, with cost being determined on a standard cost basis. The cost of finished goods inventories includes raw materials, direct labour costs and manufacturing overhead based on normal production capacity.

Raw materials inventories are measured at the lower of cost and net realizable value, with cost being determined on a first-in first-out (FIFO) basis.

Supplies inventories are measured at the lower of cost and net realizable value, with cost being determined on a first-in first-out (FIFO) basis.

Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

(e) INVESTMENT TAX CREDITS

Investment tax credits generated through the expenditure of scientific research and experimental development costs are accounted for using the cost reduction approach whereby the investment tax credits are credited to the related expenses and/or capitalized items of the period in which the costs were incurred. The benefits are recognized when the company has complied with the terms and conditions of the applicable tax legislation and there is reasonable assurance that the credits will be realized.

(f) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less applicable investment tax credits and amortized on the basis of their estimated useful life using the following methods and rates:

Buildings	- 25 years straight line-basis
Vehicles	- 5 years straight line-basis
Furniture and equipment	- 5 years straight line-basis
Manufacturing equipment	- 10 years straight line-basis
Leasehold improvements	- 5 years straight line-basis

(g) IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(h) INTANGIBLE ASSETS

Intangible assets are amortized on the basis of their useful life using the straight-line method at the following rates, except for goodwill, which is not amortized.

Customer relationships	- 16 years
Non-compete arrangements	- 5 years
Brand name	- 2 years

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2024**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(i) **GOODWILL**

Goodwill, which represents the excess of the cost of an enterprise over the net of the amounts assigned to assets acquired and liabilities assumed, is not amortized. Goodwill is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the reporting unit to which the goodwill is assigned may exceed the fair value.

(j) **USE OF ESTIMATES**

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring management's estimates include the assessment of future income taxes, an estimate for the allowance for doubtful accounts, net realizable value of inventories, estimated useful life of property, plant and equipment and life of intangible assets. Actual results could differ from those estimates.

(k) **FINANCIAL INSTRUMENTS**

Measurement of financial instruments

The company initially measures its financial assets and liabilities at fair value, except for a related party transaction which is recorded at cost and measured using the carrying amount or exchange amount depending on the circumstances.

The company subsequently measures all its financial assets and financial liabilities at amortized cost, unless otherwise noted below.

Cost in a related party transaction with no repayment terms is determined using the consideration transferred or received by the company in the transaction during the year as a current account.

Impairment

For financial assets measured at cost or amortized cost, the company determines whether there are indications of possible impairment. When there are, and the company determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

Transaction costs

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

*Ranav Kapur*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2024**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) INCOME TAXES**

The company applies the future income taxes method of accounting for income taxes.

**(m) LEASES**

Leases are classified as either capital or operating leases. A lease that transfers substantially all the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are amortized on a straight-line basis over the term of the lease to rental expense. At the inception of a capital lease, an asset and obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease.

**(n) FOREIGN CURRENCY TRANSLATION**

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary asset and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in the current year statements of operations.

Self-sustaining foreign operations are translated to Canadian dollars as follows:

The assets and liabilities of the self-sustaining foreign operations are translated into Canadian dollars using the exchange rate in effect at the year end date. Revenue and expense items are translated using the average exchange rate for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rate at the dates of the transaction are used. The resulting foreign exchange gains and losses are recognized as a separate component of equity as a foreign currency translation adjustment.

**3. FINANCIAL INSTRUMENTS**

Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, credit, currency, liquidity, or other price risks arising from the financial instruments.

The extent of the company's exposure to these risks did not change in 2024 compared to the previous period.

The company does not have a significant exposure to any individual customer or counterpart.

Transacting in financial instruments exposes the company to certain financial risks and uncertainties. These risks include:

**Credit risk**

The company is exposed to credit risk which may result from failure to collect accounts receivable or failure of repayment of the due from related parties balances. At the end of the year, approximately 86% (2023 - 68%) of the accounts receivable balance was owing by three (2022- three) customers.



2545887 ONTARIO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2024

3. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk as a result of the floating interest rate on the bank indebtedness and long term debt.

Currency risk

The currency risk refers to the risk that the fair value of the financial instruments or future cash flows associated with them will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The company is exposed to United States currency rate risk on foreign cash account balances in the amount of \$(5,042,984) (2023 - \$(5,491,090)), foreign accounts receivable balances in the amount of \$9,414,298 (2023 - \$10,199,552) and foreign accounts payable balances in the amount of \$4,196,785 (2023 - \$4,764,271) denominated in Canadian dollars.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to liquidity risk as a result of accounts payable, accrued liabilities, and long term debt. The company controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.

Financial derivative contracts

On occasion, the company enters into financial derivative contracts to mitigate risks associated with its interest-bearing instruments and transactions executed in foreign currency. The company does not designate these contracts as hedging items and, accordingly, accounts for them as freestanding derivatives whereby they are measured at fair value without adjustment for transaction costs. Changes in fair value are recognized in income in the period such changes are recorded.

4. INVENTORIES

Inventories consist of:

	2024	2023
Raw materials and supplies	\$ 4,386,547	\$ 5,435,595
Work in process	962,361	1,309,882
Finished goods	<u>926,339</u>	<u>636,348</u>
	<u>\$ 6,275,247</u>	<u>\$ 7,381,825</u>

During the year, the company expensed \$30,262,064 (2023 - \$35,763,855) in cost of goods sold.

*Raman Kapur*



**2545887 ONTARIO INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2024**

**5. PROPERTY, PLANT AND EQUIPMENT**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2024</b>	<b>Net 2023</b>
Land	\$ 839,275	\$ 0	\$ 839,275	\$ 2,238,935
Buildings	3,724,532	1,269,012	2,455,520	3,964,356
Vehicles	508,034	507,908	126	318
Furniture and equipment	937,276	777,409	159,867	158,365
Manufacturing equipment	49,536,563	30,340,082	19,196,481	22,623,473
Leasehold improvements	39,972	39,971	1	101,945
	<u>\$ 55,585,652</u>	<u>\$ 32,934,382</u>	<u>\$ 22,651,270</u>	<u>\$ 29,087,392</u>

During the year, the company disposed of a building which was subsequently leased back to the company.

**6. INTANGIBLE ASSETS**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2024</b>	<b>Net 2023</b>
Customer relationships	\$ 13,800,000	\$ 6,109,375	\$ 7,690,625	\$ 9,415,625
Non-compete arrangements	200,000	200,000	0	0
Brand name	500,000	500,000	0	0
	<u>\$ 14,500,000</u>	<u>\$ 6,809,375</u>	<u>\$ 7,690,625</u>	<u>\$ 9,415,625</u>

**7. RELATED PARTY TRANSACTIONS**

Advances from The Hi-Tech Gears Ltd., the shareholder of 2545887 Ontario Inc., includes \$1,278,708 (2023 - \$1,398,051) of a loan payable with principal-in-kind interest of 5.90% per annum, with no repayments until September 2026. The remaining balance is related to accounts payable and is non-interest bearing with no fixed terms of repayment. The shareholder will not demand repayment within the next twelve months.

During the year, the company made purchases of goods and services from the shareholder in the amount of \$2,959,315 (2023 - \$3,041,841).

The amounts due from other related parties situated in North America consist of amounts due from companies controlled by The Hi-Tech Gears Ltd., which is the shareholder of 2545887 Ontario Inc., are non-interest bearing, unsecured and are due on demand.

*Pranav Kapur*

2545887 ONTARIO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2024

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8. BANK INDEBTEDNESS

**Fiera Private Debt Fund V LP:**

During the year, the company, along with its wholly-owned subsidiaries (2504584 Ontario Inc., 2323532 Ontario Inc., The Hi-Tech Gears Canada Inc., Teutech Holding Co., Teutech Leasing Co. and Teutech LLC.) were in an agreement with Fiera Private Debt Fund V LP.

The company has \$0 (2023 - \$27,377,797) balance due as of March 31st. Pursuant to the Forbearance Agreement ("FA"), from and after January 15, 2022 to January 15, 2024, the loan bears interest as below:

- 2.00% per annum paid in cash each month; and
- 3.99% per annum paid-in-kind which shall accrue and be added to the loan as additional principal each month.

An amendment to the FA was executed, whereby the company started paying the full interest (5.99%) effective October 1, 2022. The forbearance period ends at the earlier of January 15, 2024 or the date of a forbearance default. During this period, the lender is doing quarterly cash flow sweeps as principal payments against the loan. All financial covenants are suspended during the forbearance period. The loan amount was fully repaid during the year.

**Bank of Nova Scotia Facility:**

The company has entered into an equipment credit facility agreement of \$6,000,000 with The Bank of Nova Scotia of which \$3,767,807 (2023 - \$4,978,972) was utilized. Advances under the facility bear interest at 4.85%. The Bank of Nova Scotia facility is secured by 2545877 Ontario Inc., a company in The Hi-Tech Gears Group of Companies, and a general security agreement over the company's present and future personal property with appropriate insurance coverage, and any resulting loss payable to the Bank of Nova Scotia.

**Pathward, National Association Facility:**

The company has entered into a revolving line of credit loan of \$2,500,000 CAD and \$6,500,000 USD, of which \$1,247,038 CAD (2023 - \$1,245,755) and \$6,633,664 USD (2023 - \$6,102,601) was utilized (denominated in Canadian dollars). Advances under the USD facility bear interest at the Wall Street Journal Prime Rate + 1.00% with a floor of 5.25%. Advances under the CAD facility bear interest at the Canadian Dollar Prime Rate (as determined by CIBC) + 2.00% with a floor of 5.25%. The Pathward, National Association Facility is secured by a perfected security interest in all assets including a first security interest in Accounts Receivable and Inventory.

The agreements governing the Pathward, National Association revolving line of credit loan contain certain financial covenants which must be maintained by the Hi-Tech Gears Group of Companies on a consolidated basis. The Hi-Tech Gears Group of Companies on a consolidated basis must maintain a minimum Tangible Net-Worth ("TNW") at all times. The basis of the TNW is to be ascertained at the TNW as at July 31, 2022 on the consolidated balance sheet basis minus \$1,250,000 as a cushion for additional liability.

Interest paid on short term debt during the year was \$737,107 (2023 - \$474,291).

*R. Kapur*



**2545887 ONTARIO INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2024**

**9. LONG TERM DEBT**

	2024	2023
Fiera Private Debt loan, repaid during the year (note 8)	\$ 0	\$ 27,377,797
CIBC mortgage, due May 2025, repayable in monthly instalments of \$6,944 principal plus variable interest charged at 6.24%, secured by real property with a carrying value of \$1,862,273	1,202,943	1,212,452
Bank of Nova Scotia equipment facility loan, due January 2027, repayable in blended monthly instalments of \$119,857, interest charged at 4.85%, secured by equipment with a carrying value of \$4,769,075	<u>3,767,807</u>	<u>4,978,972</u>
	4,970,750	33,569,221
Less current portion:		
Cash repayments required within 12 months	<u>1,279,715</u>	<u>2,304,115</u>
	<u>\$ 3,691,035</u>	<u>\$ 31,265,106</u>

Future minimum payments on long term obligations are as follows:

2025	\$ 1,279,715
2026	2,528,731
2027	<u>1,162,304</u>
	<u>\$ 4,970,750</u>

Interest paid on long term debt during the year was \$1,082,518 (2023 - \$1,952,955).

**10. SHARE CAPITAL**

Authorized:

Unlimited number of Common shares

Issued:

	2024	2023
29,864,225 Common shares	<u>\$ 29,864,225</u>	<u>\$ 29,864,225</u>

**11. ECONOMIC DEPENDENCE**

The company has two major clients which account for 78% (2023 - 81%) of its sales volume for the year. The company would have difficulty replacing the sales volume from these clients if such circumstance were to arise. The volume of transactions is normal for the company and the industry in which it operates. The company's clients are large automotive manufacturing companies, which due to the scale of their operations, have a large volume of transactions with their approved suppliers. Suppliers are approved based on protocols surrounding acceptable product quality by the client.

*Pranav Kapur*

**2545887 ONTARIO INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED MARCH 31, 2024**

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**12. FUTURE INCOME TAX ASSET/LIABILITY**

The amount of future income tax attributable to each type of temporary difference, unused tax losses and unused income tax reductions is as follows:

	2024	2023
Property, plant and equipment	\$ (1,414,200)	\$ (1,487,700)
Intangible assets	(2,034,204)	(2,262,760)
Unused tax losses	1,459,597	4,843,690
Deferred gain on sale of property, plant and equipment	<u>2,778,900</u>	<u>0</u>
	<u>\$ 790,093</u>	<u>\$ 1,093,230</u>

The future income tax balance is separated between future income tax assets and liabilities as follows:

	2024	2023
Future income tax asset	\$ 4,238,497	\$ 4,843,690
Future income tax liability	<u>(3,448,404)</u>	<u>(3,750,460)</u>
	<u>\$ 790,093</u>	<u>\$ 1,093,230</u>

**13. EXPENSES BY NATURE**

The below outlines the main categories of expenses of the company during the year:

	2024	2023
Materials and shop supplies	\$ 30,262,064	\$ 35,763,855
Employee salaries and benefits	14,287,501	18,749,367
Amortization of intangible assets	862,500	862,500
Amortization of property, plant and equipment	3,659,507	3,497,962
Other	5,686,323	7,751,201

*Raman Kapur*