

**THE HI-TECH GEARS CANADA INC.**  
**NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2024**

**THE HI-TECH GEARS CANADA INC.**

**INDEX TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2024**

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## **INDEPENDENT AUDITOR'S REPORT**

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To the Directors of: The Hi-Tech Gears Canada Inc.

### **Opinion**

We have audited the accompanying financial statements of The Hi-Tech Gears Canada Inc., which comprise the non-consolidated balance sheet as at March 31, 2024 and the non-consolidated statements of earnings 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 non-consolidated financial statements present fairly, in all material respects, the financial position of The Hi-Tech Gears Canada 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 of 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 The Hi-Tech Gears Canada 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 non-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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-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**

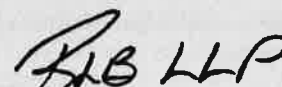
Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 non-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

**THE HI-TECH GEARS CANADA INC.**

**NON-CONSOLIDATED BALANCE SHEET (IN CDN \$)**

**AS AT MARCH 31, 2024**

	2024	2023
<b>ASSETS</b>		
<b>CURRENT</b>		
Trade accounts receivable	\$ 9,633,416	\$ 10,383,301
Government remittances recoverable	685,537	253,608
Inventories (note 4)	6,135,342	7,245,241
Prepaid expenses	366,982	283,212
Due from related parties (note 6)	31,184,504	6,314,080
Deposits	<u>1,027,385</u>	<u>0</u>
	49,033,166	24,479,442
<b>INVESTMENT IN TEUTECH HOLDING CORPORATION</b>	3,146,211	3,146,211
<b>PROPERTY, PLANT AND EQUIPMENT</b> (note 5)	20,248,209	23,665,627
<b>FUTURE INCOME TAXES</b> (note 11)	<u>2,313,600</u>	<u>2,845,300</u>
	<u>\$ 74,741,186</u>	<u>\$ 54,136,580</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank indebtedness (note 7)	\$ 8,255,326	\$ 7,457,225
Accounts payable	4,987,746	6,148,701
Other payables and accrued liabilities	279,568	600,716
Income taxes payable	14,551	0
Due to related parties (note 6)	5,675,581	8,755,836
Current portion of long term debt (note 8)	<u>1,279,715</u>	<u>1,275,309</u>
	20,492,487	24,237,787
<b>LONG TERM DEBT</b> (note 8)	3,691,035	4,916,115
<b>DEFERRED RENT</b>	53,381	0
<b>DEFERRED INCOME</b>	<u>22,231,059</u>	<u>0</u>
	<u>46,467,962</u>	<u>29,153,902</u>
<b>SHAREHOLDER'S EQUITY</b>		
<b>SHARE CAPITAL</b>		
Authorized		
Unlimited number of Common shares		
Unlimited number of Class A special shares, non cumulative, discretionary dividend, non-voting, redeemable and retractable		
Unlimited number of Class B special shares, non cumulative, discretionary dividend, voting and redeemable		
Issued Capital		
5 Common shares	47,708,560	47,708,560
<b>DEFICIT</b>	<u>(19,435,336)</u>	<u>(22,725,882)</u>
	<u>28,273,224</u>	<u>24,982,678</u>
	<u>\$ 74,741,186</u>	<u>\$ 54,136,580</u>

See notes to the non-consolidated financial statements

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*Ranaw Kojima*

**THE HI-TECH GEARS CANADA INC.**

**NON-CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT (IN CDN \$)**

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

	<b>2024</b>	<b>2023</b>
<b>REVENUE</b>	<u>\$ 51,726,964</u>	<u>\$ 61,147,512</u>
<b>COST OF SALES</b> (note 4)	<u>42,035,408</u>	<u>52,418,447</u>
<b>GROSS PROFIT</b>	<u>9,691,556</u>	<u>8,729,065</u>
<b>OPERATING EXPENSES</b>		
Amortization of property, plant and equipment	3,407,922	3,192,478
Selling, general and administrative	4,267,136	4,790,317
Other (income) and expenses	<u>(258,333)</u>	<u>(605,082)</u>
	<u>7,416,725</u>	<u>7,377,713</u>
<b>EARNINGS FROM OPERATIONS</b>	<u>2,274,831</u>	<u>1,351,352</u>
<b>OTHER INCOME (EXPENSES)</b>		
Finance expenses	(1,216,921)	(1,433,467)
Net gain on sale of property, plant and equipment	<u>1,271,891</u>	<u>0</u>
	<u>54,970</u>	<u>(1,433,467)</u>
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>	<u>2,329,801</u>	<u>(82,115)</u>
<b>INCOME TAXES</b>		
Provision for (recovery of) future income taxes	<u>531,700</u>	<u>(1,140,100)</u>
<b>NET EARNINGS for the year</b>	<u>1,798,101</u>	<u>1,057,985</u>
<b>DEFICIT, beginning of year</b>	<u>(22,725,882)</u>	<u>(23,783,867)</u>
<b>ADJUSTMENT UPON AMALGAMATION</b> (note 12)	<u>1,492,445</u>	<u>0</u>
<b>DEFICIT, end of year</b>	<u>\$ (19,435,336)</u>	<u>\$ (22,725,882)</u>

*Panay Kaponua*

**THE HI-TECH GEARS CANADA INC.**

**NON-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 earnings for the year	\$ 1,798,101	\$ 1,057,985
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of property, plant and equipment	3,407,922	3,192,478
Provision for future income taxes	531,700	(1,140,100)
Net gain on sale of property, plant and equipment	(1,271,891)	0
Deferred rent	53,381	0
Finance expenses	1,216,921	1,433,467
Restatement of currency adjustment	(86,771)	278,985
Adjustment upon amalgamation	(1,492,445)	0
	<u>4,156,918</u>	<u>4,822,815</u>
Change in assets and liabilities		
Trade accounts receivable	811,218	(984,577)
Inventories	1,109,899	(1,163,936)
Prepaid expenses	(83,770)	(18,706)
Deposits	(1,027,385)	0
Government remittances recoverable	(431,929)	63,239
Accounts payable	(1,184,532)	(739,018)
Other payables and accrued liabilities	(321,148)	(227,910)
Income taxes payable	14,551	0
	<u>3,043,822</u>	<u>1,751,907</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Repayment of debt	316,652	(4,654,299)
Due from related parties	(24,870,424)	(893,708)
Repayment of long term debt	(1,220,674)	(1,376,371)
Proceeds from short term debt	532,346	6,831,223
Due to related parties	(3,080,255)	616,967
Finance expenses	(1,216,921)	(1,433,467)
	<u>(29,539,276)</u>	<u>(909,655)</u>
<b>CASH (USED IN) INVESTING ACTIVITIES</b>		
Net additions to property, plant and equipment	(83,676)	(842,252)
Proceeds from disposal of property, plant and equipment	26,579,130	0
	<u>26,495,454</u>	<u>(842,252)</u>
<b>NET CASH, end of year</b>	<u>\$ 0</u>	<u>\$ 0</u>

*Rohan Kapur*



**THE HI-TECH GEARS CANADA INC.**

**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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

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**1. NATURE OF BUSINESS**

The company (formerly known as Teutech Industries Inc.) is incorporated under the provisions of the Ontario Business Corporations Act and is primarily involved in operating a machining, stamping and fabrication facility primarily for the automotive sector.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) 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.

**(b) 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.

Finished goods inventories are measured at the lower of cost and net realizable value, with cost being determined on a weighted average 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.

**(c) INVESTMENT IN AND LLC**

The company has elected to account for its wholly-owned subsidiary, Teutech Holding Corporation, using the cost method of accounting. The cost method is a basis of accounting for investments whereby the investment is initially recorded at cost and earnings from such investment are recognized only to the extent received or receivable.

The company has elected to account for its wholly-owned US subsidiary, Teutech Leasing Co., using the cost method of accounting.

The company also has a wholly-owned Limited Liability Company (LLC), Teutech LLC. The earnings of this wholly-owned LLC have been recognized only to the extent received or receivable. As such, the statements have been prepared on a non-consolidated basis. The company has assessed its investments for indicators of impairment and has determined that its investment is recoverable.





**THE HI-TECH GEARS CANADA INC.**

**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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

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

**(d) 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

**(e) 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.

**(f) 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 of doubtful accounts, the net realizable value of the inventories and the estimated useful life of the property, plant and equipment. Actual results could differ from those estimates.

**(g) 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.

*Raman Kapur*

**THE HI-TECH GEARS CANADA INC.**

**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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

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

**(g) FINANCIAL INSTRUMENTS (continued)**

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.

**(h) INCOME TAXES**

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

**(i) 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.

**(j) 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.

**(k) 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.

*Puran Kapur*

**THE HI-TECH GEARS CANADA INC.**

**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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

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

**(I) TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS**

The company uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses are translated at the exchange rate in effect at the transaction date. Exchange gains and losses are included in the income statement.

**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 92% (2023 - 73%) of the accounts receivable balance was owing by three (2023 - three) customers.

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 \$(6,699,410) (2023 - \$(6,049,485), foreign accounts receivable balances in the amount of \$9,114,468 (2023 - \$9,744,061) and foreign accounts payable balances in the amount of \$4,159,424 (2023 - \$4,604,986).

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, bank indebtedness 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.

*Pranav Kapur*

**THE HI-TECH GEARS CANADA INC.**

**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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

**4. INVENTORIES**

Inventories consist of:

	2024	2023
Raw materials and supplies	\$ 4,246,642	\$ 5,299,011
Work in process	962,361	1,309,882
Finished goods	<u>926,339</u>	<u>636,348</u>
	<u>\$ 6,135,342</u>	<u>\$ 7,245,241</u>

During the year, the company expensed \$30,220,551 (2023 - \$35,673,470) in cost of goods sold.

**5. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Amortization	Net 2024	Net 2023
Land	\$ 568,275	\$ 0	\$ 568,275	\$ 568,275
Buildings	1,780,763	486,765	1,293,998	1,365,127
Vehicles	508,034	507,908	126	318
Furniture and equipment	925,359	773,083	152,276	158,365
Manufacturing equipment	44,743,852	26,510,318	18,233,534	21,471,598
Leasehold improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>101,944</u>
	<u>\$ 48,526,283</u>	<u>\$ 28,278,074</u>	<u>\$ 20,248,209</u>	<u>\$ 23,665,627</u>

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

**6. RELATED PARTY TRANSACTIONS**

During the year, the company had the following related party transactions with related companies that are related by virtue of common control:

	2024	2023
Interest paid to 2545887 Ontario Inc.	\$ 201,551	\$ 201,000
Rent paid to 2323532 Ontario Inc.	117,107	577,512
Purchases from The Hi-Tech Gears Limited	2,959,315	3,014,841

**Due to Related Parties**

	2024	2023
2545887 Ontario Inc.	\$ 3,350,000	\$ 3,350,000
Teutech LLC	2,062,778	2,346,698
2323532 Ontario Inc.	0	1,464,144
The Hi-Tech Gears Limited	<u>262,803</u>	<u>1,594,994</u>
	<u>\$ 5,675,581</u>	<u>\$ 8,755,836</u>

*Pawan Kapur*



**THE HI-TECH GEARS CANADA INC.**

**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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

**6. RELATED PARTY TRANSACTIONS (continued)**

**Due from Related Parties**

	2024	2023
Teutech Leasing Co.	\$ 24,877	\$ 20,946
The Hi-Tech Robotic Systemz Limited	5,312	5,312
Teutech Holdings Co.	46,917	36,454
2545887 Ontario Inc.	<u>31,107,398</u>	<u>6,251,368</u>
	<u>\$ 31,184,504</u>	<u>\$ 6,314,080</u>

2545887 Ontario Inc., 2323532 Ontario Inc., 2504584 Ontario Inc., Teutech Leasing Co., Teutech LLC, Teutech Holding Corp. and the company are under common control. The Hi-Tech Gears Limited, India, is the shareholder of 2545887 Ontario Inc. and in turn 2545887 Ontario Inc. is the shareholder of the company. The Hi-Tech Robotic Systemz Limited is a group company of The Hi-Tech Gears Limited in India. The amounts due to 2323532 Ontario Inc., The Hi-Tech Gears Limited, and Teutech LLC are non-interest bearing and have no fixed terms of repayment. The amount due to 2545887 Ontario Inc. is interest bearing with interest charged at 6% and has no fixed terms of repayment. The amounts due from Hi-Tech Robotics Limited, 2545887 Ontario Inc., Teutech Holdings Co. and Teutech Leasing Co. are non-interest bearing and due on demand.

During the year, 2323532 Ontario Inc. and 2504584 Ontario Inc. amalgamated to form 1000501645 Ontario Inc. See note 12.

**7. BANK INDEBTEDNESS**

**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 USD \$6,633,664 (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).

*Ranaw Koyama*

**THE HI-TECH GEARS CANADA INC.**

**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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

**8. LONG TERM DEBT**

	2024	2023
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> 4,970,750	<u>4,978,972</u> 6,191,424
Less current portion: Cash repayments required within 12 months	<u>1,279,715</u>	<u>1,275,309</u>
	<u>\$ 3,691,035</u>	<u>\$ 4,916,115</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 \$288,684 (2023 - \$323,548).

**9. COMMITMENTS**

The company has rental operating lease commitments as follows:

2025	\$ 1,624,750
2026	1,624,750
2027	1,632,874
2028	1,665,369
2029	1,698,270
Thereafter	<u>8,540,905</u>
	<u>\$16,786,918</u>

Annual obligations for rental operating leases are due to related companies as disclosed in note 6.

**10. ECONOMIC DEPENDENCE**

The company has two major clients which account for 85% (2023 - 88%) 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.

*Ranav Kapur*



**THE HI-TECH GEARS CANADA INC.**

**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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

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**11. FUTURE INCOME TAX ASSET**

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

	<b>2024</b>	<b>2023</b>
Property, plant and equipment	\$ (1,414,200)	\$ (1,487,700)
Deferred gain on sale of property, plant and equipment	2,778,900	0
Unused tax losses	<u>948,900</u>	<u>4,333,000</u>
	<u><b>\$ 2,313,600</b></u>	<u><b>\$ 2,845,300</b></u>

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

	<b>2024</b>	<b>2023</b>
Future income tax asset.	\$ 3,727,800	\$ 4,333,000
Future income tax liability	<u>(1,414,200)</u>	<u>(1,487,700)</u>
	<u><b>\$ 2,313,600</b></u>	<u><b>\$ 2,845,300</b></u>

**12. ADJUSTMENT UPON AMALGAMATION**

On June 14th, 2023, The Hi-Tech Gears Canada Inc. amalgamated with 1000501645 Ontario Inc. The adjustment upon amalgamation represents the retained earnings of 1000501645 Ontario Inc.

**13. EXPENSES BY NATURE**

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

	<b>2024</b>	<b>2023</b>
Materials and shop supplies	\$ 30,220,551	\$ 35,673,470
Employee salaries and benefits	11,394,579	15,096,257
Amortization of property, plant and equipment	3,407,922	3,192,478
Other	4,687,414	6,439,037

*Pranav Kapur*

