

**THE HI-TECH GEARS CANADA INC.**  
**NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2022**

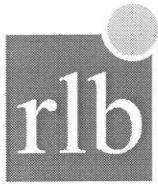
**THE HI-TECH GEARS CANADA INC.**

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**YEAR ENDED MARCH 31, 2022**

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Chartered  
Professional  
Accountants

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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, 2022 and the non-consolidated statements of loss 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, 2022 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 27, 2022



Chartered Professional Accountants  
Licensed Public Accountants



THE HI-TECH GEARS CANADA INC.  
NON-CONSOLIDATED BALANCE SHEET  
AS AT MARCH 31, 2022

	2022	2021
<b>ASSETS</b>		
<b>CURRENT</b>		
Trade accounts receivable	\$ 9,422,146	\$ 11,389,442
Government remittances recoverable	316,847	384,231
Inventories (note 5)	6,081,305	5,750,172
Prepaid expenses	264,506	388,846
Due from related parties (note 7)	<u>5,420,372</u>	<u>6,685,317</u>
	21,505,176	24,598,008
<b>INVESTMENT IN TEUTECH HOLDING CORPORATION</b>	3,146,211	3,146,211
<b>PROPERTY, PLANT AND EQUIPMENT</b> (note 6)	26,015,853	23,988,714
<b>FUTURE INCOME TAXES</b> (note 13)	<u>1,705,200</u>	<u>1,426,300</u>
	<u>\$ 52,372,440</u>	<u>\$ 53,159,233</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank indebtedness (note 8)	\$ 5,021,735	\$ 5,230,152
Accounts payable	6,890,722	6,246,150
Other payables and accrued liabilities	828,626	506,928
Due to related parties (note 7)	8,138,869	6,840,003
Current portion of long term debt (note 9)	<u>1,355,920</u>	<u>586,520</u>
	22,235,872	19,409,753
<b>LONG TERM DEBT</b> (note 9)	<u>6,211,875</u>	<u>4,173,413</u>
	<u>28,447,747</u>	<u>23,583,166</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>(23,783,867)</u>	<u>(18,132,493)</u>
	<u>23,924,693</u>	<u>29,576,067</u>
	<u>\$ 52,372,440</u>	<u>\$ 53,159,233</u>

*R. K. Korman*

*Amij Korman*

THE HI-TECH GEARS CANADA INC.  
NON-CONSOLIDATED STATEMENT OF LOSS AND DEFICIT  
FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021
<b>REVENUE</b>	\$ <u>52,672,689</u>	\$ <u>38,052,404</u>
<b>COST OF SALES</b>		
Freight and broker	3,147,250	545,966
Fuel and hydro	964,015	1,070,778
Insurance	400,588	303,920
Materials and shop supplies (note 7)	32,346,428	22,126,378
Municipal taxes	0	21,344
Plant wages and benefits (note 10)	13,335,693	8,940,842
Rent (note 7)	577,512	577,512
Repairs and maintenance	<u>1,069,266</u>	<u>447,835</u>
	<u>51,840,752</u>	<u>34,034,575</u>
<b>GROSS PROFIT</b>	<u>831,937</u>	<u>4,017,829</u>
<b>OPERATING EXPENSES</b>		
Amortization	2,459,257	2,040,289
Automotive	17,574	29,595
Bad debts	3,624	0
Bank charges and interest on long term debt (note 7)	758,436	795,479
Employees' benefits	993,129	738,855
Office and general	1,126,206	993,189
Office wages (note 10)	<u>2,399,113</u>	<u>2,063,587</u>
	<u>7,757,339</u>	<u>6,660,994</u>
<b>LOSS FROM OPERATIONS</b>	<u>(6,925,402)</u>	<u>(2,643,165)</u>
<b>OTHER INCOME (EXPENSES)</b>		
Other income	832,144	397,706
Foreign exchange gain (loss)	<u>160,738</u>	<u>(428,766)</u>
	<u>992,882</u>	<u>(31,060)</u>
<b>LOSS BEFORE INCOME TAXES</b>	<u>(5,932,520)</u>	<u>(2,674,225)</u>
<b>INCOME TAXES</b>		
Recovery of current income taxes	(2,246)	(26,220)
Recovery of future income taxes	<u>(278,900)</u>	<u>(1,061,600)</u>
	<u>(281,146)</u>	<u>(1,087,820)</u>
<b>NET LOSS for the year</b>	(5,651,374)	(1,586,405)
<b>DEFICIT, beginning of year</b>	<u>(18,132,493)</u>	<u>(16,546,088)</u>
<b>DEFICIT, end of year</b>	<u>\$ (23,783,867)</u>	<u>\$ (18,132,493)</u>

*Ravi Kumar*

*Anuj Kera*

THE HI-TECH GEARS CANADA INC.  
**NON-CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2022**

	2022	2021
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (5,651,374)	\$ (1,586,405)
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	2,459,257	2,040,289
Provision for future income taxes	<u>(278,900)</u>	<u>(1,061,600)</u>
	(3,471,017)	(607,716)
Change in assets and liabilities		
Trade accounts receivable	1,967,296	(5,816,570)
Inventories	(331,133)	(492,132)
Prepaid expenses	124,340	998,802
Government remittances recoverable	67,384	(92,219)
Accounts payable	644,572	1,985,308
Other payables and accrued liabilities	<u>321,698</u>	<u>373,421</u>
	<u>(676,860)</u>	<u>(3,651,106)</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
(Decrease) increase in bank indebtedness	(208,418)	5,230,152
Due from related parties	1,264,945	825,620
Repayment of long term debt	(139,466)	(436,187)
Advances of long term debt	2,947,328	2,709,516
Due to related parties	<u>1,298,866</u>	<u>(45,612)</u>
	<u>5,163,255</u>	<u>8,283,489</u>
<b>CASH (USED IN) INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	<u>(4,486,395)</u>	<u>(6,423,466)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	0	(1,791,083)
<b>NET CASH, beginning of year</b>	<u>0</u>	<u>1,791,083</u>
<b>NET CASH, end of year</b>	<u>\$ 0</u>	<u>\$ 0</u>

*Raman Kapur*

*Amit Ban*



**THE HI-TECH GEARS CANADA INC.**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2022**

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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.

Revenue from government grants and subsidies is recognized as earned.

(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 SUBSIDIARY AND LLC

The company has elected to account for its wholly-owned US subsidiary, Teutech Leasing Co., 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 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.

*Russell Kaporner*      *Stacy Korp*

THE HI-TECH GEARS CANADA INC.  
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2022

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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.

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.

*Ramona Kayman*

*Amij Ram*



THE HI-TECH GEARS CANADA INC.  
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2022

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) FINANCIAL INSTRUMENTS (continued)

Transaction costs

Transaction costs attributable to financial instruments subsequently measured at fair value 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.

*Renu Kapur*

*Anuj Kom*

THE HI-TECH GEARS CANADA INC.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2022

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3. CHANGE IN ACCOUNTING POLICY

Financial Instruments - Related Party Transactions

The company adopted the amendments to Financial Instruments, Section 3856, relating to the recognition of financial instruments originated or exchanged in a related party transaction.

Under these new requirements, such a financial instrument is initially measured at cost, which is determined depending on whether the instrument has repayment terms. If it does, cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses. Otherwise, its cost is determined using the consideration transferred or received by the company. Subsequent measurement is based on how the instrument was initially measured. In general, a financial instrument is subsequently measured at cost less any reduction for impairment, or at fair value. According to the transition provisions, such financial instruments that exist at the date these amendments are applied for the first time, i.e. April 1, 2021, are measured as follows:

- The cost of an instrument that has repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment as at the beginning of the earliest comparative period, i.e. April 1, 2020.
- The cost of an instrument that does not have repayment terms is deemed to be its carrying amount in the company's non-consolidated financial statements, less any impairment, as at the same date.
- The fair value of an instrument that is an investment in shares quoted in an active market is determined as at the same date.

The adoption of these new requirements had no impact on the company's non-consolidated financial statements.

Income Taxes

The company adopted the amendments to Income Taxes, Section 3465, relating to the classification of future income tax assets and liabilities, and to the disclosure of the amount of future income tax assets and liabilities. Under these new requirements, a company that uses the future income taxes method shall:

- Classify its future income tax assets and liabilities as non-current when it segregates assets and liabilities between current and non-current assets and liabilities
- Disclose the amount of future income tax assets and liabilities in respect of each type of temporary difference for each period presented

These amendments, which apply to annual financial statements relating to fiscal years beginning on or after January 1, 2021, were applied retrospectively and had no impact on the company's non-consolidated financial statements.





**THE HI-TECH GEARS CANADA INC.**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2022**

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**4. 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 2022 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 71% (2021 - 65%) of the accounts receivable balance was owing by three (2020 - 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 \$3,990,266 (2021 - \$548,837), foreign accounts receivable balances in the amount of \$8,700,623 (2021 - \$10,053,151), foreign accounts payable balances in the amount of \$4,231,343 (2021 - \$3,577,365), foreign long term debt balances in the amount of \$349,103 (2021 - \$503,700) and foreign due to related parties balances in the amount of \$nil (2021 - \$1,021,006) denominated in Canadian dollars. Included in sales is an exchange gain of \$10,037,695 (2021 - gain of \$8,052,098). Included in cost of sales is an exchange loss of \$6,929,742 (2021 - loss of \$4,306,444).

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.

*R. Kymura*

*Amy Kam*



THE HI-TECH GEARS CANADA INC.  
 NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2022

5. INVENTORIES

Inventories consist of:

	2022	2021
Raw materials and supplies	\$ 3,756,388	\$ 4,139,563
Work in process	1,619,502	1,389,928
Finished goods	<u>705,415</u>	<u>220,681</u>
	<u>\$ 6,081,305</u>	<u>\$ 5,750,172</u>

During the year, the company expensed \$32,346,428 (2021 - \$22,126,378) in cost of goods sold.

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2022	Net 2021
Land	\$ 568,275	\$ 0	\$ 568,275	\$ 568,275
Buildings	1,780,763	344,508	1,436,255	1,507,384
Vehicles	539,515	538,236	1,279	61,013
Furniture and equipment	876,758	682,454	194,304	31,122
Manufacturing equipment	44,082,434	20,277,017	23,805,417	21,793,438
Leasehold improvements	<u>492,502</u>	<u>482,179</u>	<u>10,323</u>	<u>27,482</u>
	<u>\$ 48,340,247</u>	<u>\$ 22,324,394</u>	<u>\$ 26,015,853</u>	<u>\$ 23,988,714</u>

7. 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:

	2022	2021
Interest paid to 2545887 Ontario Inc.	\$ 200,100	\$ 201,000
Rent paid to 2323532 Ontario Inc.	577,512	577,512
Purchases from The Hi-Tech Gears Limited	3,310,368	1,336,129

Due to Related Parties

	2022	2021
2545887 Ontario Inc.	\$ 3,350,000	\$ 3,350,000
Teutech LLC	1,393,214	667,913
2323532 Ontario Inc.	1,393,670	1,214,193
The Hi-Tech Gears Limited	2,001,985	363,891
Director loans	<u>0</u>	<u>1,244,006</u>
	<u>\$ 8,138,869</u>	<u>\$ 6,840,003</u>

*Ravi Karna*

*Anuj Karna*

**THE HI-TECH GEARS CANADA INC.**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2022**

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

**Due from Related Parties**

	<b>2022</b>	<b>2021</b>
Teutech Leasing Co.	\$ 16,274	\$ 10,450
Hi-Tech Robotics Limited	7,013	7,013
Teutech Holdings Co.	25,392	13,228
2545887 Ontario Inc.	5,371,693	6,368,462
Neo-Tech Smart Solutions Inc.	<u>0</u>	<u>286,164</u>
	<u>\$ 5,420,372</u>	<u>\$ 6,685,317</u>

2545887 Ontario Inc., 2323532 Ontario Inc., Teutech Leasing Co., Teutech LLC, Teutech Holding Corp. and the company are under common control. The Hi-Tech Gears Limited is the shareholder of 2545887 Ontario Inc., and the shareholder of the company. Neo-Tech Smart Solutions Inc. and Hi-Tech Robotics Limited are controlled by The Hi-Tech Gears Limited. 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., Teutech Leasing Co., and Neo-Tech Smart Solutions Inc. are non-interest bearing and due on demand.

**8. BANK INDEBTEDNESS**

**Toronto-Dominion Bank Facility:**

The company, along with Teutech LLC, have entered into a credit facility agreement with The Toronto-Dominion Bank. This facility agreement includes the following:

The company has a revolving credit facility of \$10,000,000 based on a margining calculation. Advances under the facility bear interest at prime plus 2% (2021 - prime plus 0.25%). The company has utilized \$5,021,735 (2021 - \$5,230,151) of this facility at year end.

The company has an equipment credit facility of \$3,000,000 of which \$349,103 (2021 - \$503,699) was utilized. Advances under the facility bear interest at prime plus 0.25%.

The equivalent amount in Canadian Dollars of all such Revolving Loans outstanding at any time shall not exceed the revolving credit facility commitment of \$10,000,000, subject to the agreed upon margining calculation.

In addition, the company has a foreign exchange contracts contingency limit of US \$1,000,000. There are no derivatives contracts outstanding at year end.

*Renu Kapur*

*Anuj Kapur*

THE HI-TECH GEARS CANADA INC.  
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2022

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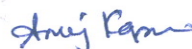
8. **BANK INDEBTEDNESS** (continued)

All Toronto-Dominion Bank facilities are secured by each company in the Hi-Tech Gears Group of Companies (2504584 Ontario Inc., 2545877 Ontario Inc., 2323532 Ontario Inc., Teutech Holdings Co. and Teutech Leasing Co.), and a general security agreement creating a first ranking security in accounts receivable and inventories and a second ranking security in property, plant and equipment of the company, a waiver and consent from the landlord for leased property, directing to pay from EDC with regard to receivable insurance to cover all receivables from a specific customer, a guarantee from the company, assignment of fire and other perils insurance on the property, postponement and subordination agreements made by each of the Directors in respect of the Director Loans, all other collateral of the loan parties, and an inter-credit facility with Fiera Private Debt Fund V LP (formerly IAM Private Debt Fund V LP).

The agreements governing the Toronto-Dominion revolving credit facility and the equipment credit facility contain certain financial covenants which must be maintained by the Hi-Tech Gears Group of Companies on a consolidated basis. As a result of an existing default on these covenants, the company entered into a forbearance agreement with Toronto-Dominion on January 10, 2022. As per the terms of this agreement, Toronto-Dominion has agreed to forbear from exercising any other rights and remedies under the financing agreements until the earlier of June 30, 2022 or an intervening event per the terms of the forbearance agreement. In accordance with the agreement, the company is in the process of refinancing the bank indebtedness and long term debt owing to Toronto-Dominion by the date of June 30, 2022. As such, all loans owing to Toronto-Dominion have been classified as current liabilities.

**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 \$5,961,344 (2021 - \$2,910,873) 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.





THE HI-TECH GEARS CANADA INC.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2022

9. LONG TERM DEBT

	2022	2021
CIBC mortgage, due May 2025, repayable in monthly instalments of \$6,944 principal plus interest charged at 2.24%, secured by real property with a carrying value of \$2,004,531	\$ 1,245,050	\$ 1,289,991
Term loan, due June 2022, repayable in blended monthly instalments of \$2,325, interest charged at 4.88%, secured by an automobile with a carrying value of \$nil	6,177	30,886
Term loan, due July 2022, repayable in blended monthly instalments of \$1,687, interest charged at 3.90%, secured by an automobile with a carrying value of \$nil	6,121	24,484
TD equipment facility loan #1, due June 2022, repayable in blended monthly instalments of US \$3,334, interest charged at 4.17%, secured by equipment with a carrying value of \$187,377	133,377	177,937
TD equipment facility loan #2, due June 2022, repayable in blended monthly instalments of US \$5,984, interest charged at 4.01%, secured by equipment with a carrying value of \$174,420	80,630	166,324
TD equipment facility loan #3, due June 2022, repayable in blended monthly instalments of US \$3,215, interest charged at 4.17%, secured by equipment with a carrying value of \$204,491	135,096	159,438
Bank of Nova Scotia equipment facility loan, due January 2027, repayable in blended monthly instalments of \$50,000 until August 2022 and then due in blended monthly instalments of \$119,857, interest charged at 4.85%, secured by equipment with a carrying value of \$5,961,344	<u>5,961,344</u>	<u>2,910,873</u>
	7,567,795	4,759,933
Less current portion:		
Cash repayments required within 12 months	<u>1,355,920</u>	<u>586,520</u>
	<u>\$ 6,211,875</u>	<u>\$ 4,173,413</u>

Future minimum payments on long term obligations are as follows:

2023	\$ 1,355,920
2024	1,279,040
2025	1,340,915
2026	2,419,398
2027	1,172,522
Thereafter	<u>0</u>
	<u>\$ 7,567,795</u>

*Praveen K. Sharma*

*Amir Khan*

THE HI-TECH GEARS CANADA INC.  
 NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2022

10. GOVERNMENT SUBSIDY

During the year, the company received \$nil (2021- \$990,574) in government assistance through the Canada Emergency Wage Subsidy program. This income is recorded as an offset to cost of sales and operating expenses.

	2022	2021
Cost of sales: Plant wages and benefits	\$ 0	\$ 770,290
Operating expenses: Office wages	<u>0</u>	<u>220,284</u>
	<u>\$ 0</u>	<u>\$ 990,574</u>

11. COMMITMENTS

The company has rental operating lease commitments as follows:

2023	\$ <u>529,386</u>
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Annual obligations for rental operating leases are due to related companies as disclosed in note 7.

12. ECONOMIC DEPENDENCE

The company has two major clients which account for 85% (2021 - 61%) 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.

13. 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:

	2022	2021
Property, plant and equipment	\$ (809,700)	\$ 256,000
Unused tax losses	<u>2,514,900</u>	<u>1,170,300</u>
	<u>\$ 1,705,200</u>	<u>\$ 1,426,300</u>

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

	2022	2021
Future income tax asset	\$ 2,514,900	\$ 1,426,300
Future income tax liability	<u>(809,700)</u>	<u>0</u>
	<u>\$ 1,705,200</u>	<u>\$ 1,426,300</u>

*Ranjit Kaur*

*Ranjit Kaur*

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

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

**FOR THE YEAR ENDED MARCH 31, 2022**

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**14. UNCERTAINTY RELATED TO THE NOVEL CORONAVIRUS (COVID-19)**

During and subsequent to year end, the impact of the Novel Coronavirus (COVID-19) in Canada and on the global economy has disrupted economic activities. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. Further, the timing and amounts realized on the company's assets as well as its future ability to provide services may be impacted by the evolving circumstances of the virus.

*Renu Kanna*

*Renu Kanna*