

CUMI AMERICA, INC.
(A SUBSIDIARY)

FINANCIAL STATEMENTS

For the Years Ended March 31, 2024 and 2023

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Anneken, Huey & Moser PLLC
Certified Public Accountants
Engaged. Responsive. Future-focused.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of CUMI America, Inc.

Opinion

We have audited the accompanying financial statements of CUMI America, Inc. (a Subsidiary, a Kentucky corporation), which comprise the balance sheets as of March 31, 2024 and 2023, and the related statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CUMI America, Inc. as of March 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 required to be independent of CUMI America, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CUMI America, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CUMI America, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Anneken, Huey & Moser, PLLC

Anneken, Huey & Moser, PLLC
Highland Heights, Kentucky
April 10, 2024

CUMI AMERICA, INC. (A SUBSIDIARY)
BALANCE SHEETS
March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
NON-CURRENT ASSETS		
Net property and equipment	\$ 235,647	\$ 189,016
Deferred tax asset	88,300	820,300
Operating lease right-of-use asset	672,453	1,052,881
TOTAL NON-CURRENT ASSETS	<u>996,400</u>	<u>2,062,197</u>
CURRENT ASSETS		
Inventory	6,116,779	5,062,964
Financial assets		
Trade receivables	2,335,497	2,276,475
Cash	2,383,666	795,188
Other financial assets	306,459	8,259
Other current assets	155,464	137,349
TOTAL CURRENT ASSETS	<u>11,297,865</u>	<u>8,280,235</u>
TOTAL ASSETS	<u>\$ 12,294,265</u>	<u>\$ 10,342,432</u>
STOCKHOLDERS' EQUITY AND LIABILITIES		
STOCKHOLDERS' EQUITY		
Equity share capital	\$ 8,600,000	\$ 8,600,000
Other equity excluding non-controlling interest	119,147	(1,954,274)
TOTAL STOCKHOLDERS' EQUITY	<u>8,719,147</u>	<u>6,645,726</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial liabilities		
Operating lease liabilities	292,024	672,452
TOTAL NON-CURRENT LIABILITIES	<u>292,024</u>	<u>672,452</u>
CURRENT LIABILITIES		
Financial liabilities		
Borrowings	-	850,000
Trade payables	2,808,692	1,783,577
Operating lease liabilities	380,429	380,429
Other current liabilities	93,973	10,248
TOTAL CURRENT LIABILITIES	<u>3,283,094</u>	<u>3,024,254</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 12,294,265</u>	<u>\$ 10,342,432</u>

See accompanying notes to financial statements.

CUMI AMERICA, INC. (A SUBSIDIARY)
STATEMENTS OF OPERATIONS
 March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CONTINUING OPERATIONS		
Revenue from operations	\$ 19,802,044	\$ 18,074,067
TOTAL REVENUE	19,802,044	\$ 18,074,067
EXPENSES		
Purchases of finished, semi-finished and other products	14,719,209	13,393,638
Changes in stock of finished goods	(1,053,815)	(270,036)
Employee benefit expense	1,431,854	1,474,407
Finance costs	58,871	50,086
Depreciation expense	36,927	41,536
Other expenses	1,621,577	1,220,417
TOTAL EXPENSES	16,814,623	15,910,048
PROFIT BEFORE TAX	2,987,421	2,164,019
Tax Expense		
Current tax	182,000	-
Deferred tax	732,000	-
Total tax expense	914,000	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the Company	<u>\$ 2,073,421</u>	<u>\$ 2,164,019</u>

See accompanying notes to financial statements.

CUMI AMERICA, INC. (A SUBSIDIARY)
STATEMENTS OF STOCKHOLDERS' EQUITY
 March 31, 2024 and 2023

	COMMON STOCK ISSUED		RETAINED	
	SHARES	AMOUNT	EARNINGS	Total
	<u> </u>	<u> </u>	<u>(DEFICIT)</u>	<u> </u>
Balance, March 31, 2022	86,000	\$ 8,600,000	\$ (4,118,293)	\$ 4,481,707
Net Income	<u> -</u>	<u> -</u>	<u>2,164,019</u>	<u>2,164,019</u>
Balance, March 31, 2023	86,000	8,600,000	\$ (1,954,274)	\$ 6,645,726
Net Income	<u> -</u>	<u> -</u>	<u>2,073,421</u>	<u>2,073,421</u>
Balance, March 31, 2024	<u>86,000</u>	<u>\$ 8,600,000</u>	<u>\$ 119,147</u>	<u>\$ 8,719,147</u>

See accompanying notes to financial statements.

CUMI AMERICA, INC. (A SUBSIDIARY)
STATEMENTS OF CASH FLOWS
March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME	\$ 2,073,421	\$ 2,164,019
Adjustments to reconcile net income to net cash used by operating activities:		
Change in deferred income taxes	732,000	-
Depreciation	36,927	41,536
Loss on sale of assets	-	2,483
(Increase) Decrease in:		
Trade receivables	(59,022)	(737,714)
Inventory	(1,053,815)	270,036
Other financial assets	(298,200)	2,842
Other current assets	(18,115)	(78,487)
Increase (Decrease) in:		
Trade payables	1,025,115	(1,382,061)
Other current liabilities	83,725	(2,673)
	<u>2,522,036</u>	<u>279,981</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,522,036	279,981
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(83,558)</u>	<u>(14,655)</u>
NET CASH USED BY INVESTING ACTIVITIES	(83,558)	(14,655)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	<u>(850,000)</u>	<u>(150,000)</u>
NET CASH USED BY FINANCING ACTIVITIES	(850,000)	(150,000)
INCREASE IN CASH	1,588,478	115,326
CASH AT BEGINNING OF PERIOD	<u>795,188</u>	<u>679,862</u>
CASH AT END OF PERIOD	<u>\$ 2,383,666</u>	<u>\$ 795,188</u>

See accompanying notes to financial statements.

CUMI AMERICA, INC. (A SUBSIDIARY)
NOTES TO FINANCIAL STATEMENTS
March 31, 2024 and 2023

NOTE A – NATURE OF ORGANIZATION

CUMI America, Inc. (a Subsidiary) was incorporated May 4, 1998, in the Commonwealth of Kentucky. The Company is an import and sales firm wholly owned by CUMI International Ltd., Limassol Cyprus which is a 100% owned subsidiary of Carborundum Universal Ltd., Chennai, India. The Company is a wholesaler, and primarily sells abrasive grinding wheels, flooring and industrial ceramics marketed in the Americas.

NOTE B – DATE OF MANAGEMENT’S REVIEW

In preparing these financial statements, the Company has evaluation events and transactions for potential recognition or disclosure through April 10, 2024, the date the financial statements were available to be issued.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Accounting Standard Codification (ASC) 606, *Revenue from Contracts with Customers* requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Shipping and handling costs associated with outbound freight after control over a product has been transferred to a customer are accounted for in cost of sales.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all temporary cash investments purchased with a maturity of three months or less to be cash equivalents.

Supplemental Disclosures of Cash Flow Information

	<u>2024</u>	<u>2023</u>
Cash paid during the year:		
Interest	\$ 58,871	\$ 50,086
State income taxes (PA)	\$ 96,094	\$ 75,000

CUMI AMERICA, INC. (A SUBSIDIARY)
NOTES TO FINANCIAL STATEMENTS
March 31, 2024 and 2023

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Company maintains its cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At March 31, 2024, the Company's uninsured cash balances totaled \$1,430,437.

Accounts Receivable

The Company extends unsecured credit to its customers in the ordinary course of business. Trade accounts receivable are recorded net of an allowance for possible losses. Management estimates these possible losses based on a review of the financial condition and payment history of specific customers having significant accounts receivable balance. Trade accounts receivable and the allowance for doubtful accounts as of March 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Trade accounts receivable	\$ 2,335,497	\$ 2,276,475
Allowance for doubtful accounts	-	-
Trade accounts receivable, net	<u>\$ 2,335,497</u>	<u>\$ 2,276,475</u>

Inventory

Inventory is valued at the lower of cost or market. Cost is determined using the first-in, first-out method. Included in inventory are in-transit goods in the amounts of \$1,874,657 and \$1,492,797 for 2024 and 2023, respectively.

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using accelerated methods over the estimated useful lives of the assets. The income statement reflects depreciation expense of \$36,927 and \$41,536 in 2024 and 2023, respectively. Expenditures for maintenance, repairs, renewals, and betterments, which do not materially extend the useful lives of the assets, are expensed as incurred.

Leases

The Company adopted ASU No. 2016-02 – *Leases* (ASC 842) which supersedes the lease requirements in ASC 840, *Leases* and requires the recognition of financing and operating lease assets and lease liabilities on the balance sheet. The Company did not recognize right-of-use assets and liabilities for leases with the lease term of 12 months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the collectability of accounts receivable and salability of inventory.

CUMI AMERICA, INC. (A SUBSIDIARY)
NOTES TO FINANCIAL STATEMENTS
March 31, 2024 and 2023

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due or refundable, overpayments to be applied in subsequent tax returns, and deferred tax assets or liabilities related to temporary differences.

The Company is not aware of any tax positions that require recording of unrecognized tax benefits along with related interest or penalties as of March 31, 2024. The Company policy with regard to interest or penalties on such items is to record them as part of tax expense.

Major Customers

For the year ended March 31, 2024, four customers had sales in excess of five percent of sales and accounted for 38% of the total revenue. At March 31, 2024 accounts receivable included \$694,384 due from these customers and no allowance was considered necessary.

For the year ended March 31, 2023, three customers had sales in excess of five percent of sales and accounted for 19% of the total revenue. At March 31, 2023 accounts receivable included \$41,630 due from these customer and no allowance was considered necessary.

NOTE D – LINES OF CREDIT

The Company maintains a line of credit for \$2,500,000 with Citi Bank. The line expires October 29, 2024. The interest rate is the SOFR rate plus 0.65%. The interest rate at March 31, 2024 was 5.97%. The line is guaranteed by Carborundum Universal Ltd. The Company had \$2,500,000 available for borrowing against the line at March 31, 2024.

NOTE E – RELATED PARTY TRANSACTIONS

Purchases

The Company purchases the majority of its inventory from members of the Carborundum Universal Ltd. Group. Accounts payable due to the members of the group, as of March 31, 2024 and 2023, were \$2,761,131 and \$2,093,179, respectively.

Receivables

The Company was owed \$19,114 and \$52,910 by members of the Carborundum Universal Ltd. Group at March 31, 2024 and 2023.

CUMI AMERICA, INC. (A SUBSIDIARY)
NOTES TO FINANCIAL STATEMENTS
 March 31, 2024 and 2023

NOTE F – COMMON STOCK

Common stock consists of 100,000 authorized shares with a \$100 par value per share. There were 86,000 and 86,000 shares issued and outstanding respectively at March 31, 2024 and 2023.

NOTE G – INCOME TAXES

The Company incurred federal and state income tax expense of \$914,000 for the year ended March 31, 2024. The tax provision consists of the following components:

	<u>2024</u>	<u>2023</u>
Federal		
Currently payable	\$ -	454,400
Recognition of benefit loss carryforwards	-	(454,400)
Deferred Tax	672,000	-
	<u>672,000</u>	<u>-</u>
State		
Currently payable(refundable)	182,000	180,727
Prepaid income tax expense	-	(75,000)
Recognition of benefit loss carryforwards	-	(108,201)
Deferred Tax	60,000	-
	<u>242,000</u>	<u>(2,474)</u>
 Total Expense	 <u>\$ 914,000</u>	 <u>\$ (2,474)</u>

Deferred taxes are provided for the tax benefits expected to be realized from net operating loss carryforwards:

	<u>2024</u>	<u>2023</u>
Current Deferred Tax Asset	\$ -	\$ -
Long-term Deferred Tax Asset	88,300	975,480
Less: Valuation Allowance	-	(155,180)
	<u>\$ 88,300</u>	<u>\$ 820,300</u>

CUMI AMERICA, INC. (A SUBSIDIARY)
NOTES TO FINANCIAL STATEMENTS
March 31, 2024 and 2023

NOTE H – OPERATING LEASE LIABILITIES

The Company leases two warehouse facilities which typically run for three to five years. The Company amended those leases for an additional 36 months and 60 months commencing in February 2023 and February 2021. Lease payments are amortized on a straight-line basis. The discount rate was determined by using the Company's line of credit borrowing rate at March 31, 2024 and March 31, 2023. The balances of the right-of-use assets and lease liabilities at March 31, 2024 and March 31, 2023 were \$672,453 and \$672,453, and \$1,052,881 and \$1,052,881, respectively. Amortization of the right-of-use assets for the year ended March 31, 2024 was \$380,429. Interest expense on lease liabilities for the years ended March 31, 2024 and March 31, 2023 were \$29,513 and \$15,055, respectively.

The following is a schedule of future amortized lease payments:

<u>Year Ending March 31,</u>	
2025	414,385
2026	<u>318,664</u>
	733,049
Less amount representing interest:	<u>60,596</u>
	<u><u>\$ 672,453</u></u>