

## SUBSEQUENT EVENTS REVIEW

Name(s) of  
Component(s)

HBL America, Inc.

Reporting Currency

USO

Period End

March 31, 2023

	Yes/No/NA	Comments
1. Have you reviewed the appropriateness of the going concern basis by a review of the most recent management accounts, correspondence, confirmation and/or other available data prepared by the component?	Yes	We confirmed directly with the parent company that HBL India would fund HBL America, Inc. if needed. In addition, during our subsequent events review, we reviewed cash receipts and disbursements activity subsequent to the balance sheet date and it appeared reasonable.
2. Have you reviewed whether or not there have been any business combinations, acquisitions of significant assets, disposals of significant assets, or extraordinary, unusual, or infrequently occurring transactions subsequent to the balance sheet date?	Yes	Nothing material noted.
3. Have you reviewed whether or not any significant contingent liabilities or commitments have arisen subsequent to the balance sheet date?	Yes	There were none noted.
4. Have any reviewed whether or not any significant changes occurred, subsequent to the balance sheet date, in the status of items, including contingent liabilities and commitments, that had been accounted for on the basis of tentative, preliminary, or inconclusive data?	Yes	There were none noted.

## SUBSEQUENT EVENTS REVIEW, CONTINUED

5. Have you reviewed whether or not there were any significant unusual or non-recurring adjustments recorded in the accounting records subsequent to the balance sheet date?	Yes	There were none noted.
6. Have you reviewed whether or not there were any changes to existing litigation or new matters of litigation subsequent to the balance sheet date?	Yes	There were none noted.
7. Have you reviewed whether or not there were any changes in internal control or in the accounting systems subsequent to the balance sheet date?	Yes	There were no changes noted.
8. Have you inquired about minutes of meetings, i.e., Board of Directors, Audit Committee or any other Committee of the Board, subsequent to the balance sheet date?	Yes	There were no meetings for which minutes were prepared subsequent to the balance sheet date.
9. Have you reviewed whether or not anything has occurred subsequent to the balance sheet date with respect to taxation which would require a change to any provision or disclosure made?	Yes	There were no such occurrences subsequent to the balance sheet date.
10. Have you reviewed whether or not there have been any changes in the capital structure subsequent to the balance sheet date?	Yes	There were no changes in the capital structure subsequent to the balance sheet date.

We have undertaken a review of events occurring after the balance sheet date through May 10, 2023 and confirm that there are no matters arising for the purposes of your audit as indicated above.

Partner in charge of the component engagement:



Signature

Firm Name Whittlesey PC

Date May 10, 2023

HBL America, Inc.  
Financial Reporting Package as of 3.31.23  
Prepared by client

**Purpose of the workbook:** The client prepared this Financial Reporting Package subsequent to audit adjustments proposed and agreed upon.

Whittlesey PC agreed final audited balances reported by client to final audited trial balance.

**Conclusion:** Balances reported by client appear materially correct.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

**Signature:**

**Firm Name:** Whittlesey PC  
Hartford, CT, USA

**Date:** May 10, 2023

The financial statements of the organization as of March 31, 2022, and for the year then ended, were audited by other auditors. Their report for the March 31, 2022 financial statements was dated May 4, 2022.

## BALANCE SHEET

Name of Company: HBL America, Inc.

Balance Sheet as of: March 31, 2023

in US Dollars

	Particulars	Note No	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	1	2	3	4
<b>I ASSETS</b>				
1 Non-Current Assets				
a) Property, Plant and Equipment			53,414	72,904
b) Capital Works in Progress				
c) Intangible Assets			8,975	8,975
d) Intangible Assets Under Development				
e) Financial Assets				
i) Investments				
ii) Other Financial Assets				
f) other non-current assets (security deposit)			6,230	6,230
			68,619	88,109
2 Current Assets				
a) Inventories			365,189	462,672
b) Financial Assets				
i) Investments				
ii) Trade receivables			899,587	1,196,301
iii) Cash and cash equivalents			78,273	166,858
iv) Bank balances other than (iii) above				
v) Others			-	2,553
c) Current Tax Assets (net)				
d) other current assets			34,594	28,845
			1,377,643	1,857,229
Total Assets			1,446,262	1,945,338
<b>II EQUITY AND LIABILITIES</b>				
1 Equity				
a) Equity Share Capital			600,000	600,000
b) Other Equity			(665,831)	(1,105,816)
			(65,831)	(505,816)
<b>LIABILITIES</b>				
2 Non-Current Liabilities				
a) Financial Liabilities				
i) Borrowings			-	-
b) Provisions				
c) Deferred Tax liabilities (net)				
d) Other non-current liabilities				

	Total Non-Current Liabilities		-	-
3	Current Liabilities			
	a) Financial Liabilities			
	i) Borrowings		-	56,854
	ii) Trade Payables		1,336,134	2,274,777
	iii) Other financial liabilities (other than those specified in item (c), to be specified)			-
	b) Other Current liabilities		59,789	20,241
	c) Provisions		116,170	99,282
	Total Current Liabilities		1,512,093	2,451,154
	Total Equity and Liabilities		1,446,262	1,945,338

# STATEMENT OF PROFIT AND LOSS

Name of Company:

HBL America, Inc.

For the Fiscal Year Ended:

March 31, 2023

in US Dollars

	Particulars	Note No	Figures for the current reporting period	Figures for the previous reporting period
I	Revenue from Operations		4,096,557	4,786,229
II	Other Income		1,744	344
III	Total Income (1+11)		4,098,301	4,786,573
IV	<b>EXPENSES</b>			
	Cost of material consumed			
	Purchases of Stock-in-Trade		2,751,873	3,399,753
	Changes in inventories		97,483	354,605
	Employee benefit expenses		575,135	567,884
	Finance costs		(573)	2,723
	Depreciation and amortization expense		23,447	21,334
	Administrative & Selling Expenses		193,684	243,336
	Total Expenses (IV)		3,641,049	4,589,635
V	Profit/(loss) before exceptional items and tax (III-IV)		457,252	196,938
VI	Exceptional items - (income)/ expense		-	-
VII	Profit/(loss) before tax (V-VI)		457,252	196,938
VIII	Tax Expense			
	1) Current tax		17,267	7,825
	2) Deferred tax			
			17,267	7,825
IX	Profit/(loss) for the period from continuing operations ('v		439,985	189,113
X	Profit/(loss) from discontinued operations			
XI	Tax expense of discontinued operations			
XII				
XIII	Profit/(loss) for the period (IX+XII)		439,985	189,113
XIV	Other Comprehensive Income			
	A (i) Items that will not be reclassified to profit or loss			

	(ii) Income tax relating to items that will not be reclassified to profit or loss				
	B (i) Items that will be reclassified to profit or loss				
	(ii) Income tax relating to items that will be reclassified to profit or loss				
				-	-
XV	Total Comprehensive income for the period (XIII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)			439,985	189,113
XVI	Earnings per equity share (for continuing operation):				
	(1) Basic			0.73	0.32
	(2) Diluted			0.73	0.32
XVII	Earnings per equity share (for discontinued operation):				
	(1) Basic				-
	(2) Diluted				-
XVIII					
	(1) Basic			0.73	0.32
	(2) Diluted			0.73	0.32

**Name of Company:** HBL America, Inc.  
**Balance Sheet as of:** March 31, 2023

**MARK 'X' WHERE SCHEDULE IS PRESENT**

BALANCE SHEET	IAS BS 1.0	<u><b>X</b></u>
FIXED ASSETS	2.0	<u><b>X</b></u>
INTANGIBLES	2.1	<u><b>X</b></u>
Construction in progress	2.2	<u>N/A</u>
Others {Long-term prepaid assets}	2.3	<u>N/A</u>
INVENTORIES	3.0	<u><b>X</b></u>
TRADE AND OTHER RECEIVABLES	4.0	<u><b>X</b></u>
CASH AND BANK BALANCES	5.0	<u><b>X</b></u>
INTERCOMPANY INDEBTEDNESS	6.0	<u><b>X</b></u>
Due to/from related companies	6.0	<u><b>X</b></u>
Due to/from associated companies	6.0	<u><b>X</b></u>
BORROWINGS	7.0	<u>N/A</u>
Bank Loans	7.1	<u>N/A</u>
Finance Leases	7.2	<u>N/A</u>
OTHER CREDITORS	8.0	<u><b>X</b></u>
TAXATION	9.0	<u><b>X</b></u>
CONTINGENT LIABILITIES	10.0	<u>N/A</u>
OPERATING LEASE COMMITMENTS	11.0	<u><b>X</b></u>
OTHER DISCLOSURES	12.0	<u><b>X</b></u>



**PROPERTY PLANT & EQUIPMENT**

Name of Company: HBL America, Inc.

For the Fiscal Year Ended: March 31, 2023

in US Dollars

**Assets:**

Fixed Assets:

	3/31/2022	Additions	Disposals	Transfers	3/31/2023
Computer Equipment	30,927	3498	-	-	34,425
Leasehold Improvements	11,726	-	-	-	11,726
Machinery & Equipment	133,102	459	-	-	133,561
Furniture & Fixtures	18,077	-	-	-	18,077
Software	3,981	-	-	-	3,981
Capital Leases	-	-	-	-	-
<b>Total</b>	<b>197,813</b>	<b>3,957</b>	<b>-</b>	<b>-</b>	<b>201,770</b>

**AID:**

Fixed Assets:

Computer Equipment	(19,301)	(5,048)	-	-	(24,349)
Leasehold Improvements	(3,107)	(4,083)	-	-	(7,190)
Machinery & Equipment	(85,942)	(13,191)	-	-	(99,133)
Furniture & Fixtures	(15,118)	(770)	-	-	(15,888)
Software	(1,443)	(355)	-	-	(1,798)
Capital Leases	-	-	-	-	-
<b>Total</b>	<b>(124,911)</b>	<b>(23,447)</b>			<b>(148,358)</b>

Rounding Adjustment

2	-	-	-	2
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NET

<b>72,904</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,414</b>
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» To / AS BS 1.0

**Explanatory notes:**

Equipment and leasehold improvements are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which range from 4 to 7 years. Cost and accumulated depreciation of assets sold or disposed of are removed from the respective accounts and any gain or loss is reflected in income. Major improvements and betterments are capitalized. Maintenance and repairs are charged against income in the year incurred.

**INTANGIBLE ASSETS**

**Name of Company:** HBL America, Inc.  
**As of Date:** March 31, 2023

in US Dollars

USEFUL LIFE (%)	Goodwill	PRE- OPERATING EXPENSES	DEFERRED DEVELOPMENT EXPENSES	OTHERS (Software)	OTHERS (Describe as appropriate)	TOTAL
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**Cost / Valuation**

Balance at 3/31/22	Indefinite				8,975	8,975
Additions						
Disposal						
Balance at 3/31/23	Indefinite				8,975	8,975

**Amortization**

Balance as at 3/31/22						
Additions						
Disposal						
Balance as at 3/31/23					-	-

**Net carrying value**

At beginning of year					8,975	8,975
At end of year					8,975	8,975

**Explanatory notes:**

The Company capitalized the cost of purchasing a private label program with its supplier. The value of the asset is evaluated annually to determine whether the amount reflected on the balance sheet as an asset has been impaired. No impairment has been reflected as of March 31, 2023 and 2022.

Name of Company:

HBL America, Inc.

As of Date:

March 31, 2023

in US Dollars

	Raw materials	WIP	Finished goods	Totals
	US\$	US\$	US\$	US\$
Stated at cost			365,189	365,189
Stated at NRV				
Gross			365,189	365,189
Provision				
Net Inventory			365,189	365,189

**Explanatory notes:**

Inventory is valued at lower of cost, using an average costing method, or net realizable value. The inventory consists of batteries and accessories available for sale.

**TRADE DEBTORS**

**Name of Company:** HBL America, Inc.  
**As of Date:** March 31, 2023

in US Dollars

TRADE DEBTORS	AMOUNT (US\$ )	Impairment (US\$)	NET US\$)	%	REMARKS
External (no intercompany)					
Not past due	350,628		350,628	39.00%	
Past due 0 - 30 days	463,738		463,738	51.55%	
Past due 31 - 60 days	80,015		80,015	8.89%	
Past due 61 - 90 days	-		-	0%	
More than 90 days	5,209		5,209	0.58%	
	899,587	-	899,587	100.0%	

**Impairment movement:**

Opening balance  
Additions  
Provision no longer required  
Bad debts written off  
Closing balance

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**Explanatory notes:**

Accounts receivable represent trade receivables that result when the Company has invoiced a customer and the Company has not yet received payment. The Company presents accounts receivable net of an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts is estimated based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivables are charged against the allowance (written-off) when substantially all collection efforts cease. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance being recognized in the period in which the change occurs. As of March 31, 2023 the Company considers all of its receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been established.

**CASH IN BANKS****Name of Company:** HBL America, Inc.**As of Date:** March 31, 2023**in US Dollars**

<u>NAME OF BANKS</u>	<u>AMOUNT</u>	<u>REMARKS</u>
	US\$	
Short term deposits		
Cash in banks	78,273	
<b>Cash and cash equivalents</b>	<b>78,273</b>	
Less: Deposits pledged (if any, other than the restricted cash held in trust)		
Less: Restricted Cash		
<b>Cash and cash equivalents</b>	<b>78,273</b>	

**Explanatory Notes:**

The Company considers all cash accounts which are not subject to withdrawal restrictions or early withdrawal penalties, and all highly liquid debt instruments purchased with a maturity of three months or less, as cash and cash equivalents.

Concentration of Credit Risk - The Company maintains cash deposits in banks that at times exceed federally insured deposit limits. The Company has not suffered any losses as a result of this concentration and believes their cash deposits are not subject to significant credit risk.

## INTERCOMPANYINDEBTEDNESS

Name of Company: **HBL America, Inc.**  
 As of Date: **March 31, 2023**

in US Dollars

RELATED COMPANIES	DUE FROM (USD)	PROVISION (USD)	TOTAL (USO)	DUE TO (USO)	REMARKS
A/R Interco - HBLPSL					
Recapture Expense from HBLI					
Accounts Payable Interco				(1,148,697)	
Accrued Interco AP				<u>(93,380)</u>	
				<u>(1,242,077)</u>	
<b>Reconciliation to Trade Payables</b>					
Trade Payables				(84,706)	
Credit Card Payable and Other Payables				<u>(9,351)</u>	
			*Total Trade Payables	<b>(1,336,134)</b>	

**Explanatory Notes:**

None.

**BORROWINGS****Name of Company:** HBL America, Inc.**As of Date:** March 31, 2023

in US Dollars

	DUE W/112 MTHS	DUE AFTER 12 MTHS	TOTAL	REMARKS
Borrowings				
DECO Note Payable	-	-	-	
Others - <b>N/A</b>	-	-	-	
Others - <b>N/A</b>	-	-	-	
Others - <b>N/A</b>	-	-	-	
	-	-	-	

Anticipated future minimum payments on the loan from the DECO, are as follows for the years ended March 31:

2024	-
Total	-

**Explanatory notes:**

On August 23, 2012, the Company entered into a note agreement (the Note) with the State of Connecticut, Department of Economic and Community Development in the amount of \$400,000. The Note bears an interest rate of 2%, however was increased to 3.2% for the month of March 2018 due to the Company's failure to meet employment requirements in the state of CT under the terms of the loan. The Note is paid down in equal monthly installments totaling \$4,820, and matured on March 1, 2023. The Note was secured by the assets of the Company.

**OTHER CREDITORS & ACCRUALS****Company Name:** HBL America, Inc.**As of Date:** March 31, 2023**in US Dollars**

	Amount (USD)	REMARKS
Accrued Professional Fees	26,000	
Accrued Payroll & Related Expenses	72,577	
Sales tax payable	326	
Accrued Taxes	<u>17,267</u>	
	116,170	
 Payable Due to Customers	 <u>59,789</u>	
	<u>175,633</u>	

**Explanatory Notes:**

None.



# DEFERRED TAXATION/ TAX EXPENSE

**Name of Company:** HBL America, Inc.

**For the Fiscal Year Ended:** March 31, 2023

The major components of tax expense (income) consists of the following at March 31:

	<u>2023</u>	<u>2022</u>
Current tax expense	\$ 17,267.00	\$ 7,825.00
Deferred tax expense relating to the origination and reversal of temporary differences		
Total	<u>\$ 17,267.00</u>	<u>\$ 7,825.00</u>

## Reconciliation of effective tax rate:

The U.S. federal statutory income tax rate and the Company's effective income tax rate for the fiscal years ending March 31, 2022 and 2021 are as follows:

	<u>2023</u>	<u>2022</u>
U.S. federal statutory income tax rate	<u>21%</u>	<u>21%</u>
Effective income tax rate	<u>4.0%</u>	<u>4.0%</u>

## Explanatory notes:

The Company has federal tax loss carryforwards totaling \$612,748 and \$1,052,755 at March 31, 2023 and March 31, 2022, respectively as well as state tax loss carryforwards totaling \$1,047,875 and \$1,278,095 at March 31, 2023 and March 31, 2022, respectively.

The Company's net deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available to utilize the benefits therefrom.

The Company has no uncertain tax positions as of March 31, 2023 and 2022. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; and such changes may affect tax expense in the period that such a determination is made.

Name of Company: HBL America, Inc.  
Fiscal Year Ended: March 31, 2023

Lease Commitment

The Company signed a Lease of Premises agreement dated September 10, 2020. The lease carries a 5-year term and requires the Company to pay an annual base rent plus, under the terms of the triple- net lease, the Company is responsible for a pro-rata portion of the annual operating expenses (including property taxes).

	AMOUNT (USD) Current Period	AMOUNT (USD) Prior Period
Rent Expense for Premises	65,717	60,288

**Name of Company:** HBL America, Inc.  
**Fiscal Year Ended:** March 31, 2023

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#### **OTHER DISCLOSURES**

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##### **Use of Estimates**

The preparation of financial statements on the accrual method of accounting can require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclose of certain contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

##### **Advertising Costs**

Costs of advertising are expensed as incurred. Advertising expense was \$1,182 for the year ended March 31, 2023 and \$-0- for the year ended March 31, 2022.

##### **Foreign Currencies**

Foreign currencies transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions denominated in the foreign currencies are recognized in the statements of operations and retained deficit.

##### **Employee Benefit Plan**

The Company established a 401(k) plan which covers employees meeting the plan participation requirements. The Company matches a portion of the employee's voluntary contributions up to a maximum of 4% of the employee's gross earnings. The Company's matching contribution for the years ended March 31, 2023 and 2022 was \$14,158 and \$16,410, respectively.

## Summary Memorandum

<b>Group Name:</b>	HBL Group	<b>Period end:</b>	31/03/2023
<b>Component Name:</b>	HBL America, Inc.		

## SECTION A

SUMMARY OF AUDIT APPROACH

We were engaged to perform an audit of the March 31, 2023, financial statement accounts of HBL America, Inc. (the Company). We performed our audit in accordance with International Financial Reporting Standards (IFRS). The Company's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America (US GAAP), and it is the Company's responsibility to provide the proper reconciliation of the differences between US GAAP and IFRS. We have audited the reconciliations of the accounts to determine that the Financial Reporting Package is prepared in accordance with IFRS.

The scope of our procedures was not materially altered and there were no scope limitations placed on our audit scope or related procedures.

SUMMARY OF ACTUAL FINANCIAL RESULTS

## Profit and Loss Statement - Key Figures

	Particulars	Figures for the current reporting period	Figures for the previous reporting period	\$ Change	% Change
I	Revenue from Operations	4,096,557	4,786,229	(689,672)	(14%)
II	Other Income	1,744	344	1,400	407%
III	Total Income (1+11)	4,098,301	4,786,573	(688,217)	(14%)
IV	<b>EXPENSES</b>				
	Purchases of Stock-in-Trade	2,751,873	3,399,753	(647,880)	(19%)
	Changes in inventories of finished goods, Stock-in-Trade and work-in-progress	97,483	354,605	(257,122)	(73%)
	Employee benefit expenses	575,135	567,884	7,251	1%
	Finance costs	(573)	2,723	(3,296)	(121%)
	Depreciation and amortization expense	23,447	21,334	2,113	10%
	Administrative & Selling Expenses	193,684	243,336	(49,978)	(20%)
	Total Expenses (IV)	3,641,049	4,586,635	(945,586)	(21%)
V	Profit/(loss) before exceptional items and tax (III-IV)	457,252	196,938	260,314	132%
VI	Exceptional items - (income)/ expense	-	-	-	-
VII	Profit/(loss) before tax (V-VI)	457,252	196,938	260,314	132%
VIII	Tax Expense				
	1) Current tax	17,267	7,825	(7,675)	(98%)
IX	Profit/(loss) for the period	439,985	189,113	250,872	133%

## HBLGROUP

March 31, 2023

### Comments

Revenue - There has been an overall decrease in revenue from the previous reporting period. In our analysis of this decrease it was noted that the primary driver of the decrease in revenue was one customer with a significant project that shipments in the prior year were much higher than the current year.

### Gross Margin Analysis

Particulars	Figures for the current reporting period	Figures for the previous reporting period
Revenue from Operations	4,098,301	4,786,229
Less: Purchases of Stock-in-Trade	2,751,873	3,399,753
Less: Changes in inventories of finished goods, Stock-in-Trade and work-in-progress	97,483	354,605
Gross Operating Margin	1,248,945	1,031,871
GM%	30.5%	22%

As shown above, gross margin for the current reporting period increased despite lower sales due to the low margins inherent in the one customer's project that represented large volume in the prior year.

Expenses: Overall operating expenses increased during the current reporting period, compared to the previous reporting period. A brief analysis of the variance in selected expense accounts is provided below.

Payroll & Employee Benefits - There was a small increase in payroll & employee benefits from the previous year. The manpower level remained the same, annual pay increases were given, and slightly lower bonus accrued.

Insurance Expense – The trend in the cost of our GL and Excess policies continues to increase.

Professional fees Audit – Our old auditor was unable to continue and the new auditor is significantly more expensive.

Repair & Maintenance - There was a significant repair to the Toyota forklift truck.

Rent Expense - There was an increase in rent expense from the previous year primarily due to a retro-active Gas Utility charge that is part of the additional rent as defined in the lease.

## Balance Sheet - Key Figures

	Particulars	Figures as of the end of current reporting period	Figures as of the end of previous reporting period	\$ Change	% Change
I	<b>ASSETS</b>				
1	Non-Current Assets				
	a) Property, Plant and Equipment	53,414	72,904	(19,490)	(27%)
	b) intangible Assets	8,975	8,975	-	-
	c) Other Non-Current Assets (security deposit)	6,230	6,230	-	-
		68,619	88,109	(19,490)	(22%)
2	Current Assets				
	a) Inventories	365,189	462,672	(97,483)	(21%)
	ii) Trade receivables	899,587	1,196,301	(296,714)	(25%)
	iii) Cash and cash equivalents	78,273	166,858	(88,585)	(53%)
	v) Others	-	2,553	(2,553)	(100%)
	d) other current assets	34,594	28,845	5,749	20%
	Total current assets	1,377,643	1,857,229	(479,586)	(26%)
	Total Assets	1,446,262	1,945,338	(499,076)	(26%)
II	<b>EQUITY AND LIABILITIES</b>				
1	Equity				
	a) Equity Share Capital	600,000	600,000	-	-
	b) Other Equity	(665,505)	(1,105,816)	439,985	(40%)
	Total Equity	(65,831)	(505,816)	439,985	(87%)
	<b>LIABILITIES</b>				
2	Non-Current Liabilities				
	i) Borrowings	-	-	-	-
	Total Non-Current Liabilities	-	-	-	-
3	Current Liabilities				
	i) Borrowings	-	56,854	(56,854)	(100%)
	ii) Trade Payables	1,336,134	2,274,777	(938,643)	(41%)
	b) Other Current liabilities	59,789	20,241	39,548	195%
	c) Provisions	116,170	99,282	16,888	17%
	Total Current Liabilities	1,512,093	2,451,154	(939,387)	(38%)
	Total Equity and Liabilities	1,446,262	1,945,338	(499,076)	(26%)

**Comments**

The following is a brief analytical review of the balance sheet to provide an explanation of significant changes in figures reported for the current reporting period from figures reported in the previous reporting period.

**Property & Equipment** - The Company purchased \$3,957 in additions during the current reporting period and disposed of assets with a net book value of \$-0-. The depreciation allowance for the period was \$23,447.

**Other Non-Current Assets** - There is no change in the balances in these accounts from the previous reporting period. Other intangible assets of \$8,975 represents the cost of purchasing a private label program, similar to a trademark or logo.

## HBLGROUP

March 31, 2023

Inventory - There was an overall decrease in inventory of \$97,483, or -21% in fiscal 2023. This was due to significantly less inventory in-transit from the parent company at the snapshot of March 31.

Trade Receivables - There was an overall decrease in trade receivables of \$296,714. The Company monitors the accounts closely and based upon experience does not expect any significant credit losses to result from these balances.

Cash - There was a decrease in cash of \$88,585. The cash balance ordinarily fluctuates from one reporting period to the next due to various operational factors. Cash is monitored and reconciled daily in order to ensure that the Company can meet its operating needs.

Other Current Assets - These assets represent short-term prepaid expenses, the largest being prepaid insurance that was most of the increase. Other prepaid expenses include prepaid dues/subscriptions, prepaid rent, as well as prepaid medical (for employees). There were no significant variances in the balances in these accounts from the previous reporting period.

- The equity increased due to the current year net profit.

Borrowings - The total borrowings decreased by \$56,854 due to principal payments on the existing note payable to the lender that is now fully paid off. There were no new borrowings noted during the current reporting period.

Trade Payables - Trade payables are comprised of the following amounts:

	Figures as of the end of current reporting period	Figures as of the end of previous reporting period	\$ Change	% Change
Trade Payables	84,706	162,389	(77,683)	(48%)
intercompany Payables	1,148,697	1,824,109	(675,412)	(37%)
Accrued intercompany Payables	93,380	281,091	(187,711)	(67%)
Credit Card Payables	9,351	7,188	2,163	30%
<b>Total</b>	<b>1,336,134</b>	<b>2,274,777</b>	<b>(938,643)</b>	<b>(41%)</b>

As noted above, trade payables have decreased dramatically due to a decrease in purchases in the current reporting period. Five employees maintain a credit card, which is used for travel expenses, trade shows, and supplies, etc.

The intercompany balance decreased during fiscal 2023. The Company will be current with its parent company early in FYE2024.

Other Financial Liabilities - Accrued expenses increased from the previous reporting period. There were employee bonuses accrued in the current and prior reporting periods.

Other Current Liabilities - These represent cash paid in advance from customers in the amount of \$59,789.

Other Provisions - This is mainly accrued payroll liabilities and professional fees audit.

## **Off-Balance Sheet Commitments- Contingencies**

We are unaware of any off-balance sheet commitments.

## ACCOUNTING AND AUDITING MATTERS

### Revenue Recognition

- ▶ The Company recognizes revenues from sales when the product is shipped and title and risk of loss have been transferred to the customer. Payments received in advance of revenue recognition are classified as liabilities on the balance sheet.

In addition to our testing of accounts receivable, we performed analytical procedures related to revenue, and noted no findings.

### Cash in Banks

- ▶ We viewed the third-party bank statement, noted no reconciling items at March 31, 2023, and noted no findings. The cash balance appears reasonable at March 31, 2023.

### Accounts Receivable

- ▶ We selected approximately 80% of accounts receivable for testing via balance confirmation. For those balances where our confirmations were not returned, we performed alternate procedures on those balances. There were no findings noted.
- ▶ The Company monitors outstanding customer balances on a regular basis and evaluates the collectability of outstanding receivables. As of March 31, 2023 the Company considers all of its receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been established.

### Inventory

- ▶ We performed price testing on the Company's inventory to determine if it is valued at the lower of cost, using average costing method, or net realizable value. All inventory is valued at cost using the average costing method.
- ▶ We attended the Company's physical inventory count on April 3, 2023. We performed "sheet to floor" counts and "floor to sheet" counts on selected inventory items noting no findings. As the batteries have a shelf-life of many years, there were no obsolete inventory items noted.
- ▶ Using the physical inventory summary, we tested the clerical accuracy of the summary, agreed the balance to the general ledger, traced the test counts recorded during the physical inventory to the physical inventory summary, and noted no findings.
- ▶ We performed analytical procedures to the inventory and compared the results to both prior periods, and expected results. An analysis of inventory turns during the current reporting period indicated that inventory turned approximately 8 times. This was slightly higher than in the previous reporting period, and is consistent with the level of revenue, and within expectations.

### Accounts Payable / Accrued Expenses / Expenses

- ▶ We performed a search for unrecorded liabilities to establish proper expense cutoff and noted no findings. Expenses appear to be recorded in the proper reporting period.
- ▶ There were no findings noted during our review of accrued expenses.

### Intercompany Accounts

- ▶ The Company reported intercompany balances of \$0 DUE FROM the parent company and \$1,242,076 PAYABLE TO the parent company at March 31, 2023. We confirmed the above intercompany account balances with the parent company and noted no findings.



## HBLGROUP

March 31, 2023

### Long Term Debt

- ▶ We reviewed the note payable to DECD, including the table of amortization, and the UCC-3 Financing Statement Amendment dated 3/30/2023 terminating the security interest of the DECD to ensure the -0- balance is correct. We performed an interest reasonableness test, noting no findings.

### SUMMARY OF SIGNIFICANT RISKS IDENTIFIED

#### Management Override of Controls

- ▶ During the conduct of our audit, we did not note any override of accounting controls.

#### Segregation of Duties

- ▶ Due to the size of the Company, and few employees, there is limited segregation of duties. However, it appears that compensating controls exist.

#### Revenue

- ▶ The risk of improper transactions due to fraud and/or due to improper cut-off was considered. With reference to the explanatory material contained in the relevant area(s) of the preceding Accounting and Auditing Matters section, there were no findings noted.

#### Inventory

- ▶ The risk of improper cost of goods sold classification, improper cut-off and improper valuation was considered. With reference to the explanatory material contained in the relevant area(s) of the preceding Accounting and Auditing Matters section, there were no findings noted.

#### Accounts Payable/ Expenses

- ▶ Completeness and cut-off risk were considered. With reference to the explanatory material contained in the relevant area(s) of the preceding Accounting and Auditing Matters section, there were no findings noted.

### ISSUES RELATING TO FRAUD AND COMPLIANCE WITH LAWS AND REGULATIONS

As part of our audit, we performed inquiries of key management personnel as well as other staff members of the Company who are directly or indirectly involved with financial reporting and the recording of financial transactions. We note no matters addressed to Company personnel that indicate any known, suspected or alleged fraud or illegal acts. Our audit procedures did not bring light to any irregular transactions which we could include in such an assessment. In addition, we considered the following fraud risks during our audit procedures:

Specific items to look for which may indicate the potential for fraud are:

- ▶ Unsupported accounting transactions - none noted
- ▶ Unusual transactions or transactions conducted on unusual terms - none noted
- ▶ Items that are not consistent with expectations - none noted
- ▶ Management overrides - none noted
- ▶ Aggressive application of accounting standards - none noted
- ▶ Poor segregation of duties - The Company's structure does require substantially all financial reporting obligations with the President and his staff

Finally, we are not aware of any matters of non-compliance with laws or regulations by the Company that could have a material adverse impact on the Company.

## HBLGROUP

March 31, 2023

### ISSUES RELATING TO INVESTMENTS, GUARANTEE OR SECURITY OR ANY LOANS OR ADVANCES IN THE NATURE OF LOANS

The Company has no investments, guarantee or security or any loans or advances in the nature of loans, as of and for the fiscal years ended March 31, 2023 and March 31, 2022, respectively.

### SUMMARY OF COMPLIANCE AND PAYMENT OF STATUTORY DUES

The Company regularly pays and/or deposits all federal, state and local taxes (including employee payroll withholding taxes and other dues and assessments) to the appropriate taxing authorities and jurisdictions. There were no federal, state or local taxes (including employee payroll withholding taxes or other dues or assessments) outstanding, other than the normal accruals in the ordinary course of business, nor were any in dispute as of March 31, 2023 and March 31, 2022, respectively.

### SUMMARY OF GOING CONCERN REVIEW INCLUDING CONCLUSION

Based on our audit results, including confirmed support from the parent company and evaluating the information and representations made to us by Company management, we do not consider the Company a going concern risk.

### SUBSEQUENT EVENTS (Please see Section B-2)

Subsequent events assertion

Name(s) of Component(s): HBL America, Inc.  
Reporting Currency: USD  
Year Ended: March 31, 2023

We have performed, to the date of this memorandum, the attached Subsequent Events Review and other audit procedures covering transactions, operations and corporate (Board and Audit Committee) meeting minutes from the date of our conclusion and Final Summary Memorandum.

In the course of performing those procedures, no material subsequent events or transactions have come to our attention or adjustments have been discovered that should be considered by you, based on the component materiality, in reporting on the group financial statements of HBL Group for the year ended March 31, 2023. Additionally, the opinion expressed by us in the Auditor's Report requires no change or update as of today's date.

Signature:



Date: May 10, 2023

Name: Whittlesey PC

Country/Office: Hartford, CT, USA

### RELATED PARTIES

We note that Company maintains transactions with its parent, and we have identified all such intercompany accounts. We have confirmed with the parent company that such amounts agreed to the related party accounting records.

**SIGNIFICANT MATTERS FOR COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE AND/OR MANAGEMENT OF THE GROUP**

*Significant Estimates*

During our audit we noted no significant matters related to financial accounting and reporting estimates made by management.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected or Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. During our audit we noted no misstatements to communicate to management.

*Disagreements with Management*

A disagreement with management is a financial accounting, reporting or auditing matter whether or not resolved to our satisfaction, that could be significant to the financial statements of the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

*Management Consultations with other Independent Accountants*

In some cases, management may decide to consult with other accountants about accounting & auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all of the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We typically discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

**OTHER MATTERS OF SIGNIFICANCE TO THE GROUP**

*Such matters may include but are not limited to the following:*

- *Possible restatement for correction of an error affecting revenue, net income, or net equity*

We did not note any possible restatements for correction of an error that would affect revenue, net income or equity.

- *Disagreements or differences in professional judgment among the engagement team members*

We note no disagreements or differences in professional judgement among the engagement team members.

- *Matters relating to litigation and claims*

We did not note any matters relating to litigation and claims.

**SCOPE ASSESSMENT**

Materiality for the engagement based on Group Instructions:

**Year Ended: March 31, 2023**      **PM:**      **TM :** \_\_\_\_  
**USD \$46,000    USD \$34,000**

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*The scope of our audit procedures performed and the evidence obtained was appropriate and sufficient to support our opinion, based on the materiality level established by you.*

**OVERALL EVALUATION OF MISSTATEMENTS**

We noted no misstatements as a result of our audit procedures.

**Overall conclusion reached in our evaluation of misstatements, including disclosure deficiencies:**

<i>The unadjusted misstatements, including disclosure deficiencies, are immaterial, based on the materiality level established by you. We believe that the reporting package is not materially misstated.</i>
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**May 10, 2023**



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**Whittlesey PC**  
**Hartford, CT, USA**

## **SECTION-B**

### **B-1 Representation letters**

Please include following minimum points in your representation letter from component management and attach your Summary of identified misstatements to the representation letter. Your representation letter covers the period from April 1, 2022 till the date of signing of your Auditor's report.

The following are the minimum representation to be taken from component management:

- ▶ Availability of information
- ▶ Contingent liabilities
- ▶ Accounting estimates and related disclosures
- ▶ Litigations and claims
- ▶ Related parties
- ▶ Laws and regulations
- ▶ Subsequent events
- ▶ Fraud
- ▶ Going concern
- ▶ Uncorrected misstatements (being below materiality threshold)
- ▶ Compliance of the provisions of Applicable Law, Regulations etc.
- ▶ Correct Opening balances
- ▶ Collection of Loans and Advances in the nature of Loans.
- ▶ Repayment of Funds borrowed.
- ▶ Borrowings from Banks & Financials Institutions by pledge of securities of Subsidiaries, Joint Ventures and Associates.

You are required to confirm to us that you have obtained from component management the representations indicated above.

## **B-2 Subsequent events procedures**

You are required to perform subsequent events procedures i.e. significant events/adjustments post Balance Sheet date till the date of signing of Auditor's Report. The subsequent events procedures should include the following procedures:

- ▶ Whether there have been any business combinations, acquisitions of significant assets, disposals of significant assets, or extraordinary, unusual, or infrequently occurring transactions.
- ▶ Whether any significant contingent liabilities or commitments have arisen.
- ▶ Whether any significant changes have occurred in the status of items, including contingent liabilities and commitments that were accounted for on the basis of tentative, preliminary, or inconclusive data.
- ▶ Whether any significant unusual or non-recurring adjustments have been recorded.
- ▶ Whether there are any changes to existing litigation or new litigations
- ▶ Whether there are any changes in internal control or in the accounting systems.
- ▶ Read minutes of meetings - Board of Directors, Audit Committee or any other Committee of the Board

## SECTION C

## Accounting Standard Developments

**1. Ind AS 115**

IFRS 15 and ASC 606, under US GAAP on Revenue from Contracts with Customers applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018. To align with the revised effective date, January 1, 2018, of IFRS 15, the Ministry of Corporate Affairs, Government of India, (MCA), on March 28, 2018, notified (again) Ind AS 115, Revenue from Contracts with Customers as part of the Companies (Indian Accounting Standards) Amendment Rules, 2018. With the Ind AS 115 effective for accounting periods beginning on or after April 1, 2018.

**Differences between IndAS 115 & IFRS 15**

- ▶ As per paragraph 15 of IFRS 15, an amount of consideration, among other things, can vary because of penalties. However, paragraph 51 of Ind AS 115 has been amended to exclude 'penalties' from the list of examples given in the paragraph 51 due to which an amount of consideration can vary. However, paragraph 51AA has been inserted to explain the accounting treatment of 'penalties'.
- ▶ Paragraph 109AA has been inserted to require an entity to present separately the amount of excise duty included in the revenue recognized in the statement of profit and loss.
- ▶ Paragraph 126AA has been inserted to present reconciliation of the amount of revenue recognized in the statement of profit and loss with the contracted price showing separately each of the adjustments made to the contract price specifying the nature and amount of each such adjustment separately.
- ▶ In Appendix C - Application Guidance, paragraph B20AA has been inserted to explain the accounting treatment in case of transfers of control of a product to a customer with an unconditional right of return.

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

An entity shall apply this Standard to all contracts with customers, except the following:

- (a) Ind AS 17, Leases;
- (b) Ind AS 104, Insurance Contracts;
- (c) Ind AS 109, Financial Instruments, Ind AS 110, Consolidated Financial Statements, Ind AS 111, Joint Arrangements, Ind AS 27, Separate Financial Statements and Ind AS 28, Investments in Associates and Joint Ventures; and
- (d) non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.

### **Combination of contracts**

17 An entity shall combine two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and account for the contracts as a single contract if one or more of the following criteria are met:

- (a) the contracts are negotiated as a package with a single commercial objective;
- (b) the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- (c) the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation in accordance with paragraphs 22-30

### **Identifying performance obligations**

At contract inception, an entity shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or (constructing, manufacturing or developing an asset on behalf of a customer)
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer (see paragraph 23).



### **Satisfaction of performance obligations**

31 An entity shall recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

(Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. )

### **Performance obligations satisfied over time**

35 An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs (see paragraphs 83-84);

(b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced (see paragraph B5); or

(c) the entity's performance does not create an asset with an alternative use to the entity (see paragraph 36) and the entity has an enforceable right to payment for performance completed to date (see paragraph 37).

### **Measuring progress towards complete satisfaction of a performance obligation**

39 For each performance obligation satisfied over time in accordance with paragraphs 35- 37, an entity shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer (ie the satisfaction of an entity's performance obligation).

### **Methods for measuring progress**

41 Appropriate methods of measuring progress include output methods and input methods. Paragraphs B14-B19 provide guidance for using output methods and input methods to measure an entity's progress towards complete satisfaction of a performance obligation.

**Output methods**

B15 Output methods recognize revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Output methods include methods such as surveys of performance completed to date, appraisals of results achieved, milestones reached, time elapsed and units produced or units delivered.

**Input methods**

B18 Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labor hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation. If the entity's efforts or inputs are expended evenly throughout the performance period, it may be appropriate for the entity to recognize revenue on a straight-line basis.

**Disclosure formats for Consolidation**

<b>a) In summary, the impact on the Company's retained earnings as at April 01, 2023 is as follows:</b>	
<b>Movement in retained earnings</b>	<b>USD</b>
Retained earnings - (Opening as on April 01, 2023)	\$ (665,831)
Re-measurement of contract asset (Fair value of consideration)	
Re-statement of contract liability (Discounting of deferred liabilities)	
Increase in deferred tax assets (Net)	
Adjustment to retained earnings from adoption of IFRS 15/ASC 606	

**b) Movement in impairment provisions**

(None)

USD

Provision movement	2021-22			2022-23		
	Trade receivables	Contract assets	Contract Liabilities	Trade receivables	Contract assets	Contract Liabilities
Opening balance						
Add: Additions						
Less: Write off						
Less: Reversal						
Closing balance						

**Note:****Trade receivables** (unconditional right to consideration) such as Collectible Debts and others.**Contracts assets** (conditional right to consideration) such as Unbilled revenue (Deferred Debts, Unbilled PVC), Valuation Adjustment (debit balance).**Contract liabilities** (Advance received from customers, Valuation adjustment - credit balance).**c) Disaggregation of revenue from contracts with customers**

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major segment product and geographical regions:

Particulars	Battery		Electronics		Total
	Within India	Outside India	Within India	Outside India	
<b>2022-23</b>	USD				
Revenue from customers					
Timing of revenue recognition					
(a) At a point in time (product/ services)		\$ 4,093,282		\$ 5,019	\$4,098,301
(b) Over time (construction contracts)					
<b>2021-22</b>					
Revenue from customers					
Timing of revenue recognition					
(a) At a point in time (product/ services)		\$4,786,573			\$4,786,573
(b) Over time (construction contracts)					

Particulars	2021-22		2022-23		
	Battery	Electronics	Battery	Electronics	
<b>Revenue from customers</b>	<b>USD</b>				
Revenue from Customers	\$2,715,739		\$3,289,747		
Railways	\$2,070,834		\$696,010		
Telecom					

(Any other category that may be significant can be added as a separate line item)

**d) Contract Balances**

The following table provides information about trade receivables, contracts assets, and contract liabilities from contracts with customers.

**USD**

Particulars	As on March 31, 2022	As on March 31, 2023
Receivables	\$1,196,301	\$899,587
Contract assets		
Contract liabilities	\$20,241	\$59,789

**Note :** The above figures shall be net of provisions

<b>e) Contract revenue recognized</b>	<b>(None)</b>		<b>USD</b>
Particulars	2021-22	2022-23	
Revenue recognized against contract liabilities (adjustment of customer advances and valuation adjustment during the year)			
Revenue recognized against performance obligation satisfied in previous year (impact due to change in contract revenue)			

## **2. Ind AS 116**

Ind AS 116/IFRS 16 represents the first major overhaul of lease accounting in over three decades. The IASB has long considered the existing split between operating and finance leases as problematic as it has resulted in too much structuring and off-balance sheet financing. Therefore, Ind AS 116/ IFRS 16 has done away with this distinction, requiring the accounting of all leases to be 'on-balance sheet' for lessees.

### **Comparison of IndAs 116 with IFRS 16, Leases**

1. With regard to subsequent measurement, paragraph 34 of IFRS 16 provides that if lessee applies fair value model in IAS 40 to its investment property, it shall apply that fair value model to the right-of-use assets that meet the definition of investment property. Since Ind AS 40, Investment Property, does not allow the use of fair value model, paragraph 34 has been deleted in Ind AS 116. Accordingly, reference to paragraph 34 has been deleted in paragraph 29. Paragraph C9(b) and paragraph C9(c) of Appendix C, Effective Date and Transition, given in context of fair value model of investment property have been deleted. However, paragraph numbers have been retained in Ind AS 116 to maintain consistency with paragraph numbers of IFRS 16.

2. Paragraph 50(b) of IFRS 16 requires to classify cash payments for interest portion of lease liability applying requirements of IAS 7, Statement of Cash Flows. IAS 7 provides option of treating interest paid as operating or financing activity. However, Ind AS 7 requires interest paid to be treated as financing activity only. Accordingly, paragraph 50(b) has been modified in Ind AS 116 to specify that cash payments for interest portion of lease liability will be classified as financing activities applying Ind AS 7.

3. Different terminology is used in this standard, eg, the term 'balance sheet' is used instead of 'Statement of financial position' and 'Statement of profit and loss' is used instead of 'Statement of comprehensive income'.

4. Paragraph C20 of Appendix C, Effective Date and Transition, dealing with interchange of reference of IFRS 9 to IAS 39 if entity does not apply IFRS 9 has been deleted since India has early adopted Ind AS 109, corresponding to IFRS 9.

**EXCERPTS FROM IndAS 116****Identification of Leases**

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**II Scope Exclusions & Initial Application Expedients**

- a. A lessee may elect not to apply the requirements in paragraphs 22-49 to:
  - (a) short-term leases; and
  - (b) leases for which the underlying asset is of low value (as described in paragraphs 83-88).
- b. a lessee may elect not to apply the requirements in paragraph CS to leases for which the lease term ends within 12 months of the date of initial application. In this case, a lessee shall:
  - (i) account for those leases in the same way as short-term leases as described in paragraph 6; and
  - (ii) include the cost associated with those leases within the disclosure of short term lease expense in the annual reporting period that includes the date of initial application.
- c. An underlying asset can be of low value only if:
  - (a) the lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the lessee; and
  - (b) the underlying asset is not highly dependent on, or highly interrelated with, other assets

Leases of low-value assets qualify for the accounting treatment in paragraph 6 regardless of whether those leases are material to the lessee. The assessment is not affected by the size, nature or circumstances of the lessee

A lessee shall assess the value of an underlying asset based on the value of the asset when it is new, regardless of the age of the asset being leased

- d. As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, the entity is permitted:

(a) to apply this Standard to contracts that were previously identified as leases applying Ind AS 17, Leases. The entity shall apply the transition requirements in paragraphs C5-C18 to those leases.

(b) not to apply this Standard to contracts that were not previously identified as containing a lease applying Ind AS 17.

**Lease of Premises**

In connection with moving their operation to a new location during the prior fiscal year, the Company signed a Lease of Premises agreement dated September 10, 2020. The lease carries a 5-year term and requires the Company to pay an annual base rent plus, under the terms of the triple-net lease, the Company is responsible for a pro-rata portion of the annual operating expenses (including property taxes). The premises consists of approximately 6,000 square feet of combined office and warehouse space located at 169 Progress Drive - Suite B, Manchester, Connecticut, USA.

The Company has not yet adopted IFRS 16 for financial reporting purposes. Accordingly, these financial statements do not reflect an asset (or related depreciation expense) for the fair market value of the right-of-use asset (premises), nor do they reflect a corresponding liability (or related interest expense) for the liability for the present value of the future payments due (lease liability). Instead, the Company records rent expense monthly, in an amount equal to the amount of rent due and payable under the terms of the lease.

Total rent expense for the current reporting period, and the prior reporting period, are shown below.

<b><u>Fiscal Year Ending</u></b>	<b><u>Rent Expense</u></b>
March 31, 2023	\$ 65,717
March 31, 2022	\$ 60,288

**APPENDIX III**

**Audit clearance on the reporting package**

**To:** LNR ASSOCIATES, Chartered Accountants, Visakhapatnam, India

**From:** Whittlesey PC , Hartford, CT USA

**Date:** May 10, 2023

**Component Audit of HBL America Inc. for the Year Ended March 31, 2023**

Audit Clearance Report on HBL America Inc., (the "Entity")

As requested in your instructions dated March 21, 2023, we have performed a full audit scope engagement, for the purpose of your audit of the group financial statements of HBL Power Systems Limited India, its Subsidiaries, Joint Ventures & Associates hereinafter referred to as "HBL Group", on the Reporting Package forms of HBL America Inc., (the Component) as of March 31, 2023 and for the year then ended.

**Reporting Package as of and for the period ended March 31, 2023**

1. We have audited the reporting package of the Entity. The reporting package shows a net profit of \$439,985 USD total assets of \$1,446,262 USD and total equity of (\$65,831) USD. The reporting package, dated May 10, 2023, was sent to you, signed, for identification purposes only.

**Management's Responsibility for the Reporting Package**

2. Management is responsible for the preparation of the Reporting Package in accordance with policies and instructions contained in the Instructions on Completing the Reporting Package and the disclosure and presentation requirements of the HBL Group as contained in the reporting package. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation of the Reporting Package so that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies that are consistent with the recognition and measurement criteria of the applicable financial reporting framework in *Indian Accounting Standards (Ind AS)* / *International Financial Reporting Standards (IFRS)* and the disclosure and presentation requirements of the HBL Group as contained in the reporting package and making accounting estimates that are reasonable in the circumstances. The Reporting Package has been prepared solely for the purpose of inclusion in the consolidated financial statements of the HBL Group.



### **Auditors' Responsibility**

3. Our responsibility is to express an opinion on the reporting package based on our audit. As instructed by you, we set the scope of and performed our procedures at the pre-tax materiality of \$46,000 USD. We conducted our audit in accordance with the Group referral instructions issued by you and in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the reporting package is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the reporting package. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the reporting package, whether due to fraud or error, as defined by you. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of the reporting package 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall reporting package presentation and disclosures. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.
4. We have complied with the requirements of the Code of Ethics for Professional Accountants issued by the International Federation of Accountants, including the independence requirements, national ethical requirements applicable to the audit of the Group's financial statements, and the quality control policies and procedures as defined in your instructions.
5. We have communicated all matters of significance to you in the communications you requested in your instructions.

### **Outstanding Items**

There are no outstanding items.

### **Opinion**

6. In our opinion, except for the Entity not implementing *IFRS 16 Leases*, the Reporting Package presents fairly, in all material respects, the financial position of the Entity at March 31, 2023 and its results at the year ended and has been prepared in accordance with the recognition and measurement criteria of *Ind AS or IFRS* and the additional requirements outlined by you in your instructions that will ensure compliance with the applicable financial reporting framework in India and the disclosure and presentation requirements of the Group as contained in the Reporting Package.

**Limitation on Use**

7. This report is provided to you solely for the information and use of the Management to assist you in your audit of the Group financial statements for the period ended March 31, 2023. It should not be distributed to anyone in the Group, any of its Components, or to any other third party without our prior written consent.

\_\_May 10, 2023\_\_

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

\_\_\_\_\_  
Whittlesey PC