

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

KNAV CPA LLP

Certified Public Accountants

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America Counts on CPAs

TABLE OF CONTENTS

| | |
|--------------------------------------|-----------|
| Independent Auditor's Report | 3 |
| Financial Statements | 5 |
| Balance sheets | 6 |
| Statements of income | 7 |
| Statements of stockholders' equity | 8 |
| Statements of cash flows | 9 |
| Notes to Financial Statements | 10 |

Independent Auditor's Report

To the Board of Directors,
Global Hi-Tech Films, Inc. (formerly known as Global Pet Films, Inc.)
Gaithersburg, MD, USA

Opinion

We have audited the financial statements of Global Hi-Tech Films, Inc. (the "Company"), which comprise the balance sheets as of March 31, 2024, and March 31, 2023, and the related statements of income, stockholders' equity and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and March 31, 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 the Company 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 the Company'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 the Company'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.

KNAV CPA LLP

Atlanta, Georgia

May 14, 2024

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

Financial Statements

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

Balance sheets*(All amounts are stated in United States Dollars, unless otherwise stated)*

| | As of | |
|---|-------------------|------------------|
| | March 31, 2024 | March 31, 2023 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 7,258,388 | 2,405,405 |
| Accounts receivable, net | 8,212 | 121,601 |
| Inventories | 2,766,411 | 6,558,426 |
| Other current assets | 1,120,810 | 829,769 |
| Total current assets | 11,153,821 | 9,915,201 |
| Equipment, net | 2,293 | 3,206 |
| Right of use asset- operating lease | 33,197 | 71,194 |
| Other assets | 3,122 | 3,122 |
| Total assets | 11,192,433 | 9,992,723 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Related party payable | 4,639,590 | 4,359,550 |
| Operating lease liability, current portion | 32,803 | 38,799 |
| Other current liabilities | 628,536 | 964,485 |
| Total current liabilities | 5,300,929 | 5,362,834 |
| Operating lease liability | - | 32,803 |
| Total liabilities | 5,300,929 | 5,395,637 |
| Stockholders' equity | | |
| Common stock | 100,000 | 100,000 |
| Accumulated surplus | 5,791,504 | 4,497,086 |
| Total stockholders' equity | 5,891,504 | 4,597,086 |
| Total liabilities and stockholders' equity | 11,192,433 | 9,992,723 |

(The accompanying notes are an integral part of these financial statements.)

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

Statements of income*(All amounts are stated in United States Dollars, unless otherwise stated)*

| | For the year ended | |
|--|---------------------------|-----------------------|
| | March 31, 2024 | March 31, 2023 |
| Operating revenues | 46,858,899 | 58,932,549 |
| Less: cost of revenues | (42,549,462) | (53,954,208) |
| Gross profit | 4,309,437 | 4,978,341 |
| Cost and expenses | | |
| Selling, general and administrative expenses | 1,965,582 | 2,030,767 |
| Depreciation expense | 913 | 1,317 |
| Total cost and expenses | 1,966,495 | 2,032,084 |
| Operating income | 2,342,942 | 2,946,257 |
| Other income | 132,716 | 34,084 |
| Income before income taxes | 2,475,658 | 2,980,341 |
| Current tax expenses | 681,240 | 826,703 |
| Net income for the year | 1,794,418 | 2,153,638 |

(The accompanying notes are an integral part of these financial statements.)

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

Statement of stockholders' equity**For the years ended March 31, 2024, and March 31, 2023***(All amounts are stated in United States Dollars, except number of shares)***Balance as of April 01, 2022**

Net income for the year

Dividend distribution

Balance as of March 31, 2023**Balance as of April 01, 2023**

Net income for the year

Dividend distribution

Balance as of March 31, 2024

| Common Stock authorized, issued and outstanding | | Retained earnings | Total stockholders' equity |
|--|----------------|-------------------|----------------------------------|
| Shares | Value (\$) | | |
| 100,000 | 100,000 | 3,443,448 | 3,543,448 |
| - | - | 2,153,638 | 2,153,638 |
| - | - | (1,100,000) | (1,100,000) |
| 100,000 | 100,000 | 4,497,086 | 4,597,086 |
| 100,000 | 100,000 | 4,497,086 | 4,597,086 |
| - | - | 1,794,418 | 1,794,418 |
| - | - | (500,000) | (500,000) |
| 100,000 | 100,000 | 5,791,504 | 5,891,504 |

(The accompanying notes are integral part of these financial statements.)

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

Statements of cash flows*(All amounts are stated in United States Dollars, unless otherwise stated)*

| | For the year ended | |
|--|---------------------------|-----------------------|
| | March 31, 2024 | March 31, 2023 |
| Cash flows from operating activities | | |
| Net income | 1,794,418 | 2,153,638 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation expense | 913 | 1,317 |
| Reserve for obsolete inventory | 187,040 | - |
| Changes in assets and liabilities | | |
| Accounts receivable, net | 113,389 | 56,735 |
| Inventories | 3,604,975 | (2,353,607) |
| Other current assets | (291,041) | (310,604) |
| Related party payable | 280,040 | (1,457,360) |
| Accounts payable | - | (1,554) |
| Operating lease liability | (802) | 408 |
| Other current liabilities | (335,949) | (370,270) |
| Net cash provided by (used in) operating activities | 5,352,983 | (2,281,297) |
| Cash flows from financing activities | | |
| Dividend distribution | (500,000) | (1,100,000) |
| Net cash used in financing activities | (500,000) | (1,100,000) |
| Net increase (decrease) in cash and cash equivalents | 4,852,983 | (3,381,297) |
| Cash and cash equivalents at the beginning of the year | 2,405,405 | 5,786,702 |
| Cash and cash equivalents at the end of the year | 7,258,388 | 2,405,405 |
| Supplementary cash flow information | | |
| Income taxes paid | 930,480 | 593,250 |
| Acquisition of right-of-use assets | - | 107,337 |

(The accompanying notes are integral part of these financial statements.)

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

Notes to Financial Statements

NOTE A - NATURE OF OPERATIONS

Global Hi-Tech Films, Inc. (formerly known as Global Pet Films, Inc.) (“the Company”) was incorporated on December 22, 1997, under the laws of State of Illinois, USA and is also registered with State of Florida and State of Maryland, USA. The Company is engaged in the business of supply and distribution of polyester and solar control films in USA. The Company has its place of business in Gaithersburg, Maryland USA. The Company is a subsidiary of Garware Hi-Tech Films International Limited (Formerly known as Garware Polyester International Limited), a United Kingdom company which is ultimately held by Garware Hi-Tech Films Limited (“GHFL” or “the Ultimate Parent Company”).

On August 23, 2021, the Company changed its name to Global Hi-Tech Films, Inc. from Global Pet Films, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are detailed below:

1 Basis of preparation

- a. The accompanying financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States of America (“US GAAP”) to reflect the financial position, results of operations and cash flows of the Company.
- b. The financial statements are presented for the year April 01, 2023 to March 31, 2024, and April 01, 2022 to March 31, 2023.
- c. All amounts are stated in United States Dollars, unless specified otherwise.

2 Use of estimates

The preparation of financial statements in conformity with US GAAP requires the 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 revenues and expenses during the reporting period. The management’s estimates for determination of useful lives for equipment, provision for doubtful debts, inventory valuation and estimation relating to unsettled transactions and events at the balance sheet date represent certain of these particularly sensitive estimates. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Revisions in accounting estimates are recognized prospectively in the current and future periods.

3 Cash and cash equivalents

The Company considers all short-term, highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit and money market accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risk on cash and cash equivalents.

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

4 Revenue recognition

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied; generally, this occurs with the transfer of control of the Company's products or services. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the contract. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The Company's contracts with customers are comprised of purchase orders along with standard terms and conditions. These contracts with customers typically consist of sale of products which represent single performance obligations that are satisfied upon transfer of control of the product to the customer at a point in time. Revenue from sale of goods is shown net of provisions for estimated sales returns, consumer and trade promotions, rebates, cash discounts, promotional reserve, and other deductions. Provisions for rebates to customers are provided in the same period that the sales are recorded. Shipping and handling activities are considered to be fulfillment activities and are not considered to be a separate performance obligation.

5 Expected credit loss

Prior to the Company's adoption of ASC 326, the accounts receivable balance was reduced by an allowance for doubtful accounts that was determined based on the Company's assessment of the collectability of customer accounts. Under ASC 326, accounts receivable are recorded at the invoiced amount, net of provision for credit loss. The Company regularly reviews the adequacy of the provision for credit loss based on a combination of factors. In establishing any required allowance, management considers historical losses adjusted for current market conditions, the current receivables aging, current payment terms and expectations of forward-looking loss estimates. Provision for credit loss was Nil as of March 31, 2024 and allowance for doubtful accounts was Nil as of March 31, 2023, and is classified within "Accounts receivable, net" in the balance sheets. See "Recent accounting pronouncements adopted" section below for information pertaining to the adoption of ASU 2016- 13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. The adoption of this standard did not have a material impact on the Company's financial statements.

6 Inventories

Inventories are stated at the lower of cost and market (net realizable) value. Cost is determined using the First-in First-Out (FIFO) method.

A write down of inventory to the lower of cost or market value at the close of a fiscal period creates a new cost basis and is not marked up based on changes in underlying facts and circumstances.

Inventories are reviewed on a periodic basis for identification and write-off of slow moving, obsolete and impaired inventory. Such write-downs, if any, are included in cost of revenues.

7 Equipment and depreciation

Equipment are stated at cost less accumulated depreciation. Cost of items of equipment comprise cost of purchase and other costs necessarily incurred to bring it to the condition and location necessary for its intended use. The Company depreciates assets using modified accelerated cost recovery system (MACRS) method over the useful lives of the assets. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to operations.

The estimated useful life used to determine depreciation is:

| | |
|----------------------|---------|
| Equipment | 7 years |
| Furniture & fixtures | 5 years |

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

8 Impairment of long-lived assets

Long-lived assets, including equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such assets are considered to be impaired if the carrying amount of the assets is higher than the future undiscounted net cash flows expected to be generated from the assets. The impairment amount to be recognized is measured by the amount by which the carrying value of the assets exceeds its fair value. No impairment loss has been recognized for the year ended March 31, 2024, and March 31, 2023.

9 Operating leases right-of-use assets

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. The Company's assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the term of the contract, and (3) whether the Company has the right to direct the use of the asset. At the inception of a lease, the consideration in the contract is allocated to each lease component based on its relative standalone price to determine the lease payments.

Leases are classified as either finance leases or operating leases. A lease is classified as an operating lease if the following criteria are not met: (1) the lease transfers ownership of the asset by the end of the lease term, (2) the lease contains an option to purchase the asset that is reasonably certain to be exercised, (3) the lease term is for a major part of the remaining useful life of the asset or (4) the present value of the lease payments equals or exceeds substantially all of the fair value of the asset.

For all leases at the lease commencement date, a right-of-use ("ROU") asset and a lease liability are recognized. The lease liability represents the present value of the lease payments under the lease. Lease liabilities are initially measured as the present value of the lease payments not yet paid, discounted using the discount rate for the lease at lease commencement. The lease liabilities are subsequently measured on an amortized cost basis. The lease liability is adjusted to reflect interest on the liability and the lease payments made during the period. Interest on the lease liability is determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability.

The ROU asset represents the right to use the leased asset for the lease term. The ROU asset for each lease initially includes the amount of the initial measurement of the lease liability adjusted for any lease payments made to the lessor at or before the commencement date, accrued lease liabilities and any lease incentives received, or any initial direct costs incurred by the Company.

The ROU asset of operating leases is subsequently measured from the carrying amount of the lease liability at the end of each reporting period and is therefore equal to the carrying amount of lease liabilities adjusted for (1) unamortized initial direct costs, (2) prepaid/(accrued) lease payments and (3) the unamortized balance of lease incentives received.

Leases with a lease term of 12 months or less from the commencement date that do not contain a purchase option are recognized as an expense on a straight-line basis over the lease term.

Significant judgements:

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Company has applied an incremental borrowing rate for computing lease liabilities based on the rate prevailing in different geographies.

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

10 Income taxes

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 "Income Taxes," income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some portion or all of the assets will not be realized. All deferred tax assets and liabilities, along with any related valuation allowance, are classified as noncurrent on the balance sheet.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions in the statements of income.

11 Fair value measurements and financial instruments

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 – unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

12 Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

13 Recently issued accounting standards adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires measurement and recognition of expected credit losses for financial assets measured at amortized cost as well as certain off balance sheet commitments (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). The Company adopted ASU 2016-13 on April 01, 2023, using a modified retrospective approach. Results for reporting periods beginning April 01, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable generally accepted accounting principles.

14 Recently issued accounting standards not yet adopted

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance will be effective for the annual periods beginning the year ended March 31, 2026. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. The Company does not expect the adoption of this guidance to have a material impact on financial statements.

NOTE C - FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and accounts receivable. By their nature, all accounts receivable involve risk including the credit risk of non-performance by counter parties. In management's opinion, as of March 31, 2024 and March 31, 2023 there was no significant risk of loss in the event of non-performance of the counter parties to these cash equivalents and accounts receivable.

Two customers accounted for 100% of the total accounts receivables as on March 31, 2024 (March 31, 2023: Two customers for 100%). The Company owes 100% of total accounts payable to Garware Hi-Tech Films Limited as of March 31, 2024. (March 31, 2023: 100% of the total accounts payable to the related parties, namely Garware Hi-Tech Films Limited and Garware Hi-Tech Films International Limited).

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Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

NOTE D - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

| | As of | |
|---------------------|------------------|------------------|
| | March 31, 2024 | March 31, 2023 |
| Balances with banks | 7,258,388 | 2,405,405 |
| Total | 7,258,388 | 2,405,405 |

Cash balances in bank accounts are insured by the Federal Deposit Insurance Corporation up to \$ 250,000 (previous year – \$ 250,000) for each insured bank for each account per depositor.

NOTE E - ACCOUNTS RECEIVABLE, NET

Accounts receivable include the following:

| | As of | |
|----------------------------|----------------|----------------|
| | March 31, 2024 | March 31, 2023 |
| Amounts due from customers | 8,212 | 121,601 |
| Total | 8,212 | 121,601 |

As of March 31, 2024, the allowance for doubtful accounts is Nil (As of March 31, 2023: Nil)

NOTE F - INVENTORIES

| | As of | |
|---------------------------------------|------------------|------------------|
| | March 31, 2024 | March 31, 2023 |
| Inventory of finished goods | 2,953,451 | 6,558,426 |
| Less : reserve for obsolete inventory | (187,040) | - |
| Total | 2,766,411 | 6,558,426 |

The movement in allowance for inventory during the year was as follows:

| | As of | |
|---|----------------|----------------|
| | March 31, 2024 | March 31, 2023 |
| Balance at beginning of the year | - | - |
| Provision created during the year | 187,040 | - |
| Balance at the end of the year | 187,040 | - |

The inventory comprises of stock that is purchased from Garware Hi-Tech Films Limited and not delivered to customer at the year end.

NOTE G - OTHER CURRENT ASSETS

Other current assets comprise the following:

| | As of | |
|------------------------------|------------------|----------------|
| | March 31, 2024 | March 31, 2023 |
| Deposit for customs clearing | 1,100,000 | 800,000 |
| Prepaid expenses | 20,810 | 28,954 |
| Advance to Employees | - | 815 |
| Total | 1,120,810 | 829,769 |

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

NOTE H - EQUIPMENT, NET

Equipment, net includes the following:

| | As of | |
|--------------------------------|----------------|----------------|
| | March 31, 2024 | March 31, 2023 |
| Data processing equipment | 4,635 | 4,635 |
| Furniture & fixtures | 8,624 | 8,624 |
| | 13,259 | 13,259 |
| Less: accumulated depreciation | (10,966) | (10,053) |
| Equipment, net | 2,293 | 3,206 |

Depreciation expense for the year ended March 31, 2024 is \$913 (March 31, 2023: \$1,317).

NOTE I - OTHER CURRENT LIABILITIES

Other current liabilities include:

| | As of | |
|---------------------|----------------|----------------|
| | March 31, 2024 | March 31, 2023 |
| Deferred revenue | 495,950 | 605,870 |
| Accrued expenses | 114,455 | 91,245 |
| Provision for taxes | 18,131 | 267,370 |
| Total | 628,536 | 964,485 |

NOTE J - LEASES

General description of the lease

The Company facilities an office space under operating leases which have non-cancellable terms through January 2025.

Non-lease components: Leases that contain non-lease components are accounted for as a single component and recorded on the balance sheet for certain asset classes including equipment. Non-lease components include, but are not limited to, common area maintenance and service arrangements.

Package of practical expedients: The Company will not reassess whether any expired or existing contracts are leases or contain leases, the lease classification for any expired or existing leases or any initial direct costs for any expired or existing leases as of the transition date.

Additional transition methods: The Company adopted the standard using a modified retrospective approach, applying the standard's transition provisions at the beginning of the period of adoption and maintain previous disclosure requirements for comparative periods.

The Company used the following policies and/or assumptions in evaluating the lease population:

Lease determination: The Company considers a contract to be or to contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.

Discount rate: When the lease contracts do not provide a readily determinable implicit rate, the Company uses the estimated incremental borrowing rate based on information available at the inception of the lease. The discount rate is determined by asset class.

Variable payments: The Company includes payments that are based on an index or rate within the calculation of right of use leased assets and lease liabilities, initially measured at the lease commencement date. There are variable payments in the nature of shared rent costs and tenant's share of expenses and therefore are not treated as a part of lease payments.

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

Renewal options: Most leases include one or more options to renew, with renewal terms that can extend the lease term from one or more years. The exercise of lease renewal options is at the Company's sole discretion.

Residual value guarantees, restrictions, or covenants: The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Short-term leases: Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term and expense the associated operating lease costs to administrative expenses on the statements of income.

The table below presents the classification of the operating lease assets and liabilities:

| Leases | Balance classification | Sheet | As of | |
|-------------------------------------|-------------------------------|--------------|-----------------------|-----------------------|
| | | | March 31, 2024 | March 31, 2023 |
| Assets | | | | |
| Operating lease right-of-use assets | Non-current asset | | 33,197 | 71,194 |
| Liabilities | | | | |
| Operating lease liabilities | Non-current liabilities | | - | 32,803 |
| | Current liabilities | | 32,803 | 38,799 |
| | | | 32,803 | 71,602 |

Operating lease expense has been recognized in the statements of income under the head “selling, general & administrative expenses”

The following table contains supplemental cash flow information related to leases for the year ended March 31, 2024:

| | For the year ended | |
|--|---------------------------|-----------------------|
| | March 31, 2024 | March 31, 2023 |
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from operating expenses | 41,506 | 40,297 |
| Right-of-use operating lease assets obtained in exchange for lease obligations | - | 107,337 |

Future minimum payments under non-cancelable operating lease are as follows:

| Year ended March 31, | Amount (\$) |
|-------------------------------------|--------------------|
| 2025 | 33,528 |
| Total minimum lease payments | 33,528 |
| Less: imputed interest | (724) |
| Operating lease liabilities | 32,803 |

| | |
|---|-------|
| Weighted average remaining lease terms (years) – operating leases | 0.83 |
| Weighted average – discount rate | 5.00% |

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

NOTE K - INCOME TAXES

The Company will file federal and state tax returns as per regulations applicable to Chapter C corporations in the United States.

The components of the provision for income taxes are as follows:

| | For the year ended | |
|----------------------|---------------------------|-----------------------|
| | March 31, 2024 | March 31, 2023 |
| Current taxes | | |
| - Federal income tax | 476,998 | 569,952 |
| - State income tax | 204,242 | 256,751 |
| Total | 681,240 | 826,703 |

As of March 31, 2024, and March 31, 2023, the Company has not recognized any deferred tax assets or liabilities, as the management has assessed that there are no net operating losses (NOLs) to be carried forward or other items which may lead to a temporary or permanent timing differences

NOTE L - RELATED PARTY TRANSACTIONS

A. Related parties with whom transactions have taken place during the year:

- a. Garware Hi-Tech Films Limited (Formerly known as 'Garware Polyester Limited') (Ultimate Holding Company)
- b. Garware Hi-Tech Films International Limited (Formerly known as 'Garware Polyester International Limited') (Holding Company)

B. Summary of transactions with related parties in the normal course of business are as follows:

| | March 31, 2024 | March 31, 2023 |
|---|-----------------------|-----------------------|
| Transactions during the year | | |
| <u>Garware Hi-Tech Films Limited</u> | | |
| - Goods purchased | 35,826,516 | 51,981,117 |
| - Debit notes issued on account of mark up | 685,897 | 711,419 |
| <u>Garware Hi-Tech Films International Limited</u> | | |
| - Management fee | 325,000 | 250,000 |
| - Dividend distributed | 500,000 | 1,100,000 |
| Balances as at year end | | |
| Payable to: | | |
| - Garware Hi-Tech Films Limited | 4,314,590 | 4,109,550 |
| - Garware Hi-Tech Films International Limited | 325,000 | 250,000 |

NOTE M - STOCKHOLDERS' EQUITY

Common stock authorized, issued and outstanding

The Company's certificate of incorporation authorizes 100,000 shares of capital stock for issuance. As of March 31, 2023, 99,999 shares of capital stock have been issued to Garware Hi-Tech Films International Limited, a United Kingdom company in consideration of \$ 99,999 and 1 share capital of stock has been issued to an individual shareholder in consideration of \$ 1.

Voting

Each holder of common stock is entitled to one vote in respect of each share held by the holder in the records of the Company for all matters submitted to a vote.

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

Liquidation

In the event of liquidation of the Company, the holders of common stock shall be entitled to receive all of the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

NOTE N - REVENUE FROM CONTRACT WITH CUSTOMERS

The Company's contracts with customers are comprised of purchase orders along with standard terms and conditions. These contracts with customers typically consist of sale of products which represent single performance obligations that are satisfied upon transfer of control of the product to the customer at a point in time.

Revenue disaggregated by timing of recognition:

| | For the year ended | |
|--|--------------------|-------------------|
| | March 31, 2024 | March 31, 2023 |
| Products and services transferred at a point in time | 46,858,899 | 58,932,549 |
| Total revenue by timing of recognition | 46,858,899 | 58,932,549 |

Revenue disaggregated based on geographical regions:

| | For the year ended | |
|----------------------|--------------------|-------------------|
| | March 31, 2024 | March 31, 2023 |
| United States | 42,547,489 | 53,141,231 |
| Australia | 1,260,696 | 1,513,330 |
| Canada | 1,255,696 | 1,704,061 |
| China | 1,118,507 | 1,159,026 |
| Netherlands | 205,146 | 838,445 |
| Mexico | 193,956 | 102,517 |
| Saudi Arabia | 160,445 | - |
| United Arab Emirates | 107,362 | 462,923 |
| Brazil | 9,600 | - |
| Colombia | - | 8,552 |
| Taiwan | - | 2,464 |
| Total revenue | 46,858,899 | 58,932,549 |

Contract balances

The following table provides information about contract assets and liability balances as of December 31, 2022 and December 31, 2021:

| | As of | |
|---|----------------|----------------|
| | March 31, 2024 | March 31, 2023 |
| Accounts receivable, net (Refer Note E) | 8,212 | 121,601 |
| Billings in excess of earnings (Deferred revenue) | 495,950 | 605,870 |

NOTE O - FAIR VALUE MEASUREMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. The estimated fair value of cash, accounts receivable and accounts payable approximate their carrying amounts of these instruments. None of these instruments are held for trading purposes.

Global Hi-Tech Films, Inc.

Financial Statements

March 31, 2024, and March 31, 2023

NOTE P - RISK AND UNCERTAINTIES

The Company's future results of operations involve several risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, competitive factors, including but not limited to pricing pressures; deterioration in general economic conditions; the Company's ability to effectively manage operating costs and increase operating efficiencies; declines in revenues; technological and market changes; the ability to attract and retain qualified employees and the Company's ability to execute on its business plan.

NOTE Q - SUBSEQUENT EVENTS

The Company evaluated all subsequent events that occurred after March 31, 2024 up through May 14, 2024, which is the date the financial statements were available to be issued. Based on the evaluation, the Company is not aware of any events or transactions that would require recognition or disclosure in the financial statements.
