

**AMTEC PRECISION PRODUCTS, INC.  
AND SUBSIDIARIES**

**ELGIN, ILLINOIS**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Including Independent Auditors' Report**

**March 31, 2014 and March 31, 2013**

# AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES

## TABLE OF CONTENTS

---

Independent Auditors' Report	1
<b>Financial Statements</b>	
Consolidated Balance Sheet	2 - 3
Consolidated Statement of Operations and Accumulated Deficit	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 15

---

## **SMART MILLENNIUM SOLUTIONS LIMITED**

**Certified Public Accountants & Consultants**

**1200 Roosevelt Road, #155**

**Glen Ellyn, Illinois 60137**

**Tel: 630-261-9901**

**Fax: 630-261-9903**

---

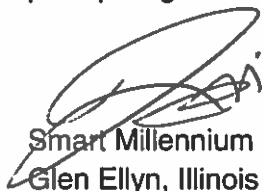
### **INDEPENDENT AUDITORS' REPORT**

Stockholders and Board of Directors  
AMTEC Precision Products, Inc. and Subsidiaries  
Elgin, Illinois

We have audited the accompanying consolidated balance sheet of AMTEC Precision Products, Inc. and Subsidiaries as of March 31, 2014 and 2013, and the related consolidated statements of operations and retained earnings (accumulated deficit), and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMTEC Precision Products, Inc. and Subsidiaries as of March 31, 2014 and March 31, 2013 and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Smart Millennium Solutions Limited.

Glen Ellyn, Illinois

May 22, 2014

**AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET**

March 31, 2014 and 2013

---

**ASSETS**

**ASSETS**

	<b>3/31/2014</b>	<b>3/31/2013</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 11,487	\$ 7,679
Accounts receivable, net	4,604,910	4,798,604
Inventories	4,395,489	4,514,156
Prepaid expenses and other current assets	808,993	568,496
Deferred income taxes	373,000	448,000
<b>Total Current Assets</b>	<b>10,193,879</b>	<b>10,336,935</b>
<b>NET PROPERTY AND EQUIPMENT</b>	<b>13,628,530</b>	<b>14,980,298</b>
<b>OTHER ASSETS</b>		
Other long-term assets	162,341	132,341
Deferred income taxes	4,110,000	4,035,000
Deferred financing fees	10,833	18,083
Deferred Marketing cost	-	4,700
<b>Total Other Assets</b>	<b>4,283,174</b>	<b>4,190,124</b>
<b>TOTAL ASSETS</b>	<b>\$ 28,105,583</b>	<b>\$ 29,507,357</b>

---

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<b>3/31/2014</b>	<b>3/31/2013</b>
<b>CURRENT LIABILITIES</b>		
Checks issued in excess of bank balances	\$ 303,875	\$ 190,748
Revolving lines of credit	2,994,778	3,000,000
Term debt - current portion	3,227,355	452,954
Accounts payable - Non affiliates	2,220,492	2,356,924
Accounts payable - Dues to Parent co.	4,353,137	4,353,157
Other accrued liabilities	704,433	643,744
Accrued salaries & employee benefits	402,615	561,195
<b>Total Current Liabilities</b>	<b>14,206,684</b>	<b>11,558,722</b>
 <b>LONG TERM LIABILITIES</b>		
Term debt	10,942,747	14,029,557
Due to parent company	23,376,697	23,481,195
<b>Total long term liabilities</b>	<b>34,319,444</b>	<b>37,510,752</b>
 <b>Total Liabilities</b>	 <b>48,526,128</b>	 <b>49,069,474</b>
 <b>Stockholders' Equity</b>		
Common Stock: \$0.01 par value per share 1,000 shares authorized, 1,000 shares issued and outstanding	10	10
Additional paid-in capital	35,105,621	35,105,621
Accumulated deficit	(55,526,175)	(54,667,748)
<b>Total shareholders Equity</b>	<b>(20,420,544)</b>	<b>(19,562,117)</b>
 <b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	 <b>\$ 28,105,583</b>	 <b>\$ 29,507,357</b>

See accompanying notes to consolidated financial statements

**AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED  
DEFICIT**

For the years ended March 31, 2014 and 2013

---

	<u>3/31/2014</u>	<u>3/31/2013</u>
<b>NET SALES</b>	<b>\$ 30,684,379</b>	<b>\$ 28,053,747</b>
<b>COST OF GOODS SOLD</b>	<b>28,533,775</b>	<b>26,364,004</b>
Gross Income	2,150,604	1,689,744
<b>OPERATING EXPENSES</b>	<b>2,353,093</b>	<b>2,299,009</b>
Operating Loss	(202,489)	(609,265)
<b>OTHER INCOME (EXPENSE)</b>		
Interest Expense	714,576	703,415
Other Expense / (income)	(58,638)	(4,772)
Net Other Expenses	655,938	698,643
Loss Before Income Taxes	(858,427)	(1,307,908)
Benefit For Income taxes	-	(26,330)
<b>NET LOSS</b>	<b>(858,427)</b>	<b>(1,334,238)</b>
RETAINED EARNINGS - Beginning of Period	(54,667,748)	(53,333,510)
<b>ACCUMULATED DEFICIT - END OF PERIOD</b>	<b>(55,526,175)</b>	<b>(54,667,748)</b>

See accompanying notes to consolidated financial statements

**AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the years ended March 31, 2014 and 2013

	<b>3/31/2014</b>	<b>3/31/2013</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Net Loss	\$ (858,427)	\$ (1,334,238)
Adjustments to reconcile net loss cash flows from operating activities		
Depreciation	1,373,360	1,414,989
Deferred financing fees	7,250	(18,083)
Amortization of deferred Marketing cost	4,700	28,200
Changes in assets and liabilities:		
Accounts receivable	89,196	203,577
Inventories	118,667	894,544
Prepaid expenses and other assets	(240,497)	44,616
Accounts payable	(136,452)	280,978
Income taxes payable	-	(30,000)
Other long-term assets	(30,000)	5,000
Accrued Liabilities	(97,892)	(909,910)
Net Cash Flows from Operating Activities	<b>229,905</b>	<b>579,672</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditure	(21,592)	(451,513)
Net Cash Flows from Investing Activities	<b>(21,592)</b>	<b>(451,513)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance/(Repayment) of Term Loan	(50,000)	(2,737,500)
Issuance/(Repayment) of WCTL	(238,971)	-
Issuance/(Repayment) of Auto / Fork lift Loan	(23,439)	71,764
Increase in checks issued in excess of bank balance	113,126	177,687
Increase/(Decrease) in Revolving line of Credit	(5,222)	-
Due to parent company	-	2,237,500
Net Cash Flows from Financing Activities	<b>(200,931)</b>	<b>(250,549)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>3,808</b>	<b>(122,390)</b>
CASH AND CASH EQUIVLALENTS - Beginning of the year	7,679	130,069
<b>CASH AND CASH EQUIVLALENTS - END OF year</b>	<b>11,487</b>	<b>7,679</b>
<b>Supplemental cash flow disclosure</b>		
Cash paid for interest	\$ 650,943	\$ 1,160,500

See accompanying notes to consolidated financial statements

## AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years ended MARCH 31, 2014 and 2013

---

#### **NOTE 1 - Summary of Significant Accounting Policies**

##### *Nature of Operations and Principles of Presentation*

AMTEC Precision Products, Inc. ("AMTEC" or the "company", a Delaware corporation) is a wholly owned subsidiary of UCAL Fuel Systems Ltd (UCAL). The company's subsidiaries are manufacturers of precision metal and plastic products and assemblies, primarily serving the automotive, truck, and capital goods industries in the United States. The accompanying consolidated financial statements include the consolidated results of AMTEC and its wholly owned subsidiaries, North American Acquisition Corporation ("NAAC") and AMTEC Molded Products, Inc. as of March 31, 2014 and for the period from April 1, 2013 to March 31, 2014. Significant intercompany accounts and transactions have been eliminated in consolidation.

NAAC, a manufacturer of precision-machined components and AMTEC Molded Products, Inc., a plastic injection molding company both companies operate out of two separate facilities in Elgin, Illinois.

##### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *Revenue Recognition*

The company recognizes revenue when goods are shipped, at which time the title and risk of loss passes to the customer.

##### *Cash and Cash Equivalents*

The company considers depository accounts and investments with original maturities of three months or less to be cash and cash equivalents. The company maintains its cash balances in financial institutions which at times may exceed federally insured limits.

##### *Accounts Receivable*

Accounts receivable are shown net of an allowance for doubtful accounts of \$337,137 and \$460,018 as of March 31, 2014 and March 31, 2013 respectively.

On an ongoing basis, the company evaluates its accounts receivable based on customer and industry credit conditions, historical write-offs and collections, and adjusts its allowance for returns and doubtful accounts accordingly. Accounts receivable have been adjusted for all known uncollectible accounts. In addition to reserving for specifically identified uncollectible accounts, the company records a general allowance on the remaining accounts receivable balance based on a percentage of uncollectible accounts. The company's policy regarding write-offs and collection efforts varies based on individual customer circumstances. The company does not record interest on past due accounts receivable.



**AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Years ended MARCH 31, 2014 and 2013

---

**NOTE 1 - Summary of Significant Accounting Policies**

*Inventories*

Inventories are valued at lower of cost using the first-in, first-out (FIFO) method or market. Work in process and finished goods includes the cost of materials, labor and manufacturing overhead. Perishable tooling is recorded in inventory when purchased and charged to cost of sales when consumed in the manufacture of the company's products.

*Property and Equipment*

Property and equipment of the company are stated at acquisition cost less accumulated depreciation. Major expenditures for property and equipment are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Depreciation is computed primarily utilizing the straight-line method over the estimated useful lives of the related assets. Amortization of the company's assets under capital lease is included as a component of depreciation expense.

*Deferred Financing Fees*

In connection with its restructuring of indebtedness during financial year 2012-13, the company incurred fees in the amount of \$33,250. These fees are being amortized on a straight-line basis over the related term of indebtedness. The amortization fee was \$15,062 and \$15,167 for the years ended March 31, 2014 and March 31, 2013 respectively. This amortization fee was included as a component of interest expense. Accumulated amortization of this fee was \$30,229 as of March 31, 2014. The amortization for financial year 2014-15 will be \$3,021.

*Deferred Marketing Cost*

In connection with business development in Europe during year 2006 & 2007 the company had incurred cost in the amount of \$141,000. These costs are amortized on a straight-line basis over a five year period starting from the year ended May 31, 2009. The amortization expenses were \$4,700 and \$28,200 for year ended March 31, 2014 and March 31, 2013 respectively. These amortization expenses are included under the head "Operating Expenses". As of year ended March 31, 2014 this expense was fully amortized.

*Impairment of Long-Lived Assets*

The company reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. The company is operating at 72% level capacity and has estimated that approximately \$2,500,000 of net book value of its long-lived assets are temporarily idle. The company is expecting that the future sales will increase and these idle long-lived assets will be utilized in future. Therefore, no impairment losses have been recognized.

**AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Years ended MARCH 31, 2014 and 2013

---

*Advertising*

Advertising costs are charged to operations when incurred.

*Shipping and Handling Costs*

Shipping and handling costs charged to customers have been included in net sales. Shipping and handling costs incurred by the company have been included in cost of goods sold.

*Income Taxes*

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for the tax effect of temporary differences between the basis of certain assets and liabilities for financial and income tax reporting purposes and for net operating loss carry forwards. The deferred tax assets and liabilities represent the future tax return consequences of those temporary differences, which will either be taxable or deductible when the assets or liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when the probability of not being able to realize these assets is more likely than not.

---

**NOTE 2 - Inventories**

Inventories consist of the following at March 31:

	<u>3/31/2014</u>	<u>3/31/2013</u>
Raw Material	930,891	1,086,280
Work in Process	1,135,410	793,395
Finished Goods	258,846	247,513
Production supplies and replacement parts*	1,980,345	2,193,959
Perishable tooling	482,005	556,572
	<u>4,787,497</u>	<u>4,877,719</u>
Obsolescence reserve	(392,008)	(363,563)
Total Inventory	<u>4,395,489</u>	<u>4,514,156</u>

\* Included are \$1.8 million replacement parts in stock for future usage.

---

**AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years ended MARCH 31, 2014 and 2013

---

**NOTE 3 – Property and Equipment**

The major categories of property and equipment at Mar 31 are as follows:

	Depreciable Lives	3/31/2014	3/31/2013
Plant machinery and equipment	5 to 20 yrs.	\$31,605,984	\$31,578,080
Leasehold improvements	10 yrs.	1,543,940	1,566,138
Vehicles	3 to 5 yrs.	115,081	115,081
Office computers and software	3 yrs.	764,378	748,492
Office furniture and fixtures	5 yrs.	117,805	117,805
Total Property and Equipment		<u>\$34,147,188</u>	<u>34,125,596</u>
Less: accumulated depreciation and amortization		20,518,658	19,145,298
Net Property and Equipment		<u>\$ 13,628,530</u>	<u>\$ 14,980,298</u>

---

**NOTE 4 - Indebtedness**

*Term Loan and Revolving Credit Facility - State Bank of India*

On June 15, 2005, the company entered into a revolving credit agreement with the State Bank of India which allows it to borrow up to \$22,000,000 under a \$16,000,000 term loan and \$6,000,000 line of credit.

On November 25, 2008 the company received an amendment from the bank allowing it to defer repayment of term up to two years, there by extending the first payment to December 1, 2010 and renewal with reduction of revolving line of credit facility to \$3,000,000 with conversion of remaining part into working capital term loan. The amendment also includes change of interest rate from 6 months LIBOR plus 250 bps to 3 months LIBOR plus 300 bps.

On July 31, 2009 the company has received an amendment from the bank allowing it a partial deferment of the monthly interest payment commencing from April 01, 2009 to April 1, 2013. Under this amendment the company paid monthly interest at LIBOR plus 50 bps instead of the existing LIBOR plus 300 bps. Commencing April 1, 2011 the interest payable reverted to LIBOR plus 300 bps. The deferred interest was payable in eight (8) equal quarterly installments commencing from April 1, 2011. As of March 2014 the company has paid all the quarterly installments due under this amendment.

On November 16, 2012 the company received an amendment from the bank allowing it to defer repayment of term loan installments up to December 2013 and defer repayment of working capital term loan installments up to November 2013. The amendment also includes change of rate of interest for term loan and working capital term loan from LIBOR plus 300 bps to LIBOR plus 350 bps. For the revolving line of credit the rate of interest changed from LIBOR plus 300 bps to LIBOR plus 325 bps.

## AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Years ended MARCH 31, 2014 and 2013

---

#### NOTE 4 - Indebtedness (Contd.)

The balance of term loan as on March 31, 2014 is \$11,250,000 and this is payable in fourteen quarterly installments as below:

- One quarterly installments of \$25,000 each on Jun 2014.
- One quarterly installment of \$500,000 in Sep 2014.
- Five quarterly installments of \$700,000 each on Dec 2014, Mar 2015, Jun 2015, Sep 2015, and Dec 2015.
- Three quarterly installments of \$800,000 each on Mar 2016, Jun 2016 and Sep 2016.
- One quarterly installment of \$900,000 in Dec 2016.
- One quarterly installment of \$1,000,000 in Mar 2017.
- One quarterly installment of \$1,500,000 in Jun 2017.
- Final quarterly installment of \$1,425,000 will be due on Sep 01, 2017.

The balance of working capital term loan as of March 31, 2014 is \$1,250,000 and this is payable in twenty four monthly installments as following:

- Five monthly installments of \$12,500 each from April 2014 to August 2014.
- Nineteen monthly installments of \$62,500 each from Sep 2014 to Mar 01, 2016.

Borrowings under the agreement are secured by charge on Current Assets and Fixed Assets of the company. The rate of interest for the term loans were at 3 months LIBOR plus 350 bps (3.74% as of March 31, 2014) and at LIBOR plus 300 (3.78% as of March 31, 2013). The rate of interest for the revolving line of credit was at LIBOR plus 325 bps (3.49% as of March 31, 2014) and at LIBOR plus 300 bps (3.53% as of March 31, 2013). Borrowings outstanding under the term loan were \$11,250,000 and \$11,300,000 as on March 31, 2014 and March 31, 2013 respectively. Borrowings under working capital term loan were \$1,250,000 and \$1,312,500 as on March 31, 2014 and March 31, 2013 respectively. Borrowings outstanding under the line of credit were \$2,994,778 and \$3,000,000 as on March 31, 2014 and March 31, 2013 respectively.

As of April 2014 the company has serviced the interest and installment obligations.

UCAL has guaranteed payment of all outstanding borrowings under the revolving credit agreement.

#### *Working Capital Term Loan -Bank of India*

On February 21, 2007 the company entered an agreement with Bank of India, which allows borrowing up to \$3,000,000 to fund the working capital requirements. Borrowings under the agreement bear interest at 3.24% and 3.58% as on March 31, 2014 and March 31, 2013 respectively. Borrowings

## AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Years ended MARCH 31, 2014 and 2013

---

#### **NOTE 4 - Indebtedness (Contd.)**

##### *Working Capital Term Loan -Bank of India (contd.)*

outstanding under the term loan were \$1,588,302 and \$1,764,773 as on March 31, 2014 and March 31, 2013 respectively.

On May 2012 the company received an amendment allowing it to defer the repayment of the Term Loan by 24 months. The balance \$1,764,773 will be paid in ten quarterly installments of \$176,477 stating from December 2013. The amendment also includes change of interest rate to three months LIBOR plus 300 bps from 3%.

As of April 2014 the company has serviced the interest and installment obligations.

---

#### **NOTE 5 - Employee Benefit Plans**

Eligible employees are covered under the AMTEC Precision Products, Inc. and Subsidiaries Employee Savings Plan (the "Plan") and the AMTEC Precision Products, Inc. and Subsidiaries Employee Savings Trust (the "Trust"). Annual contributions of the company are discretionary and must receive prior approval by the Board of Directors of the company. The contributions are allocated among all eligible participants based on the percentage of allowable compensation. The Board of Directors did not approve any profit-sharing contributions during the period from April 1, 2013 through March 31, 2014 and for the previous year ended March 31, 2013.

The Plan also contains a 401(k) provision, which allows the company, on an annual basis, to specify the formula for the employer-matching contributions. For the plan year ended May 31, 2008, the company matched 40% of the first \$4,000 and \$5,000 contributed by each union and non-union employee, respectively. As a cost reduction measure the company had decided not to contribute under the plan starting from October 2008. Employer-matching contributions were Zero for the years ended March 31, 2014 for the year ended March 31, 2013.

---

#### **NOTE 6 - Related Party Transactions**

The company's obligation to UCAL was \$23,376,697 and \$23,481,195 as of March 31, 2014 and March 31, 2013 respectively.

During the previous financial year 2012-2013 the company received \$2,237,500 from UCAL as long term loan.

The material purchases from UCAL were \$58,058 and \$110,781 for the years ended March 31, 2014 and March 31, 2013 respectively.

Financial statements include \$10,000 and \$120,000 paid to Ms Meenakshi Jayakar towards rent for the year ended March 31, 2014 and March 31, 2013 respectively. \$100,000 loan given to Ms Meenakshi

**AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Years ended MARCH 31, 2014 and 2013

---

**NOTE 6 - Related Party Transactions (contd.)**

Jayakar during January 2012 of which she returned \$50,000 during June 2012 and there is an outstanding balance of \$50,000.

---

**NOTE 7 – Lease Commitments**

The company leases certain facilities under various lease agreements. Total minimum commitments payable under these leases are as follows:

	<u>Operating</u>
Rent for Fiscal 2014-15	779,288
Rent for Fiscal 2015-16	817,188
Rent for Fiscal 2016-17	839,633
Rent for Fiscal 2017-18	862,710
Thereafter	<u>2,280,544</u>
Total Future Minimum Lease Payments	<u>\$ 5,579,365</u>

Rent expense on operating leases were approximately \$ 769,850 and \$771,947 for the periods from April 1, 2013 through March 31, 2014 and April 1, 2011 to March 31, 2013 respectively.

---

**NOTE 8 - Income Taxes**

The components of the provision for income taxes for the March 31, 2014 and March 31, 2013 are as follows:

	<u>3/31/2014</u>	<u>3/31/2013</u>
Current tax expense	\$ -	\$ -
Deferred tax benefit	\$ 619,000	\$ 122,000
Increase in valuation allowance	\$ (619,000)	\$ (122,000)
Total Provision for Income Taxes	<u>\$ -</u>	<u>\$ -</u>

The provision for taxes differs from the expected provision that would result from the application of federal tax rates to pre-tax income. The primary differences are attributed to state income taxes, changes in deferred tax asset valuation allowances, and nondeductible and travel and entertainment expenses.

**AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years ended MARCH 31, 2014 and 2013

**NOTE 8 - Income Taxes (contd.)**

Components of the deferred tax asset (liability) balances are as follows at March 31:

	<u>3/31/2014</u>	<u>3/31/2013</u>
<b>Assets</b>		
Accrued expenses	\$ 44,000	\$ 86,000
Reserve for doubtful accounts	\$ 130,000	\$ 178,000
Inventories	\$ 188,000	\$ 172,000
AMT tax credit	\$ 2,057,000	\$ 2,057,000
Federal net operating loss carry forward	\$ 25,060,000	\$ 25,331,000
State net operating loss carry forward	\$ 3,756,000	\$ 3,826,000
	<u>\$ 31,235,000</u>	<u>\$ 31,650,000</u>
Less: Valuation allowance	\$ 23,118,000	\$ 22,499,000
<b>Total Deferred Tax Assets</b>	<u>\$ 8,117,000</u>	<u>\$ 9,151,000</u>
<b>Liabilities</b>		
Prepaid insurance	\$ 11,000	12,000
Intangible assets	\$ -	
Depreciation	\$ (3,645,000)	(4,680,000)
<b>Total Liabilities</b>	<u>\$ (3,634,000)</u>	<u>\$ (4,668,000)</u>
<b>Net Deferred Tax Asset</b>	<u>\$ 4,483,000</u>	<u>\$ 4,483,000</u>

The company records a valuation allowance when it determines that the benefit from certain tax assets will not be realized. The company's valuation allowance specifically relates to benefits from net operating loss carry forwards that it anticipates will not be realized in the future.

The company has federal and state net operating loss carry forwards of approximately \$73,377,826 and \$53,317,679 respectively. The federal and state net operating losses carried forward will expire beginning in 2020 and 2016 respectively.

Tax-related balances included in the company's consolidated balance sheet at March 31 are as follows:

	<u>3/31/2014</u>	<u>3/31/2013</u>
Current assets	\$ 373,000	\$ 448,000
Non-current assets	4,110,000	4,035,000
<b>Total</b>	<u>\$ 4,483,000</u>	<u>\$ 4,483,000</u>

**AMTEC PRECISION PRODUCTS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Years ended MARCH 31, 2014 and 2013

---

**NOTE 9 - Concentrations**

*Major Customers*

During the period from April 1, 2013 through March 31, 2014, eight major customers accounted for 88% of the company's total sales. Amounts due from these customers comprised 85% of total accounts receivable as of March 31, 2014. During the period from April 1, 2012 through March 31, 2013, four major customers accounted for 85% of the company's total sales. Amounts due from these customers comprised 73% of total accounts receivable as of March 31, 2013.

*Major Suppliers*

During the period from April 1, 2013 through March 31, 2014, the company purchased a majority of its steel and aluminum inventory from six suppliers. Management does not perceive this concentration as a significant risk as alternative steel suppliers are readily available. During the period from April 1, 2012 through March 31, 2013, the company purchased a majority of its steel and aluminum inventory from the same six suppliers.

*Union Concentration*

Approximately 53% of the company's employees are subject to a labor agreement with the AFL-CIO Local 30 bargaining unit. The company's current labor agreement expires during September 2014.

---

**NOTE 10 - Support from Parent Company**

During the period from April 1, 2013 to March 31, 2014 the company has earned cash profits and did not depend on UCAL for financial support for its operations. During the period from April 1, 2012 through March 31, 2013 the company had received \$2.237 million financial support from UCAL to repay the major portion of the term loan installments.

---

**NOTE 11 – Litigations**

None.

---

**NOTE 12 – Subsequent Event**

None.

---

**NOTE 13 – Prior Period Adjustments**

The accounts payable to the parent company as on March 31, 2013 is re-classified under "Accounts payable - Dues to Parent co."

---