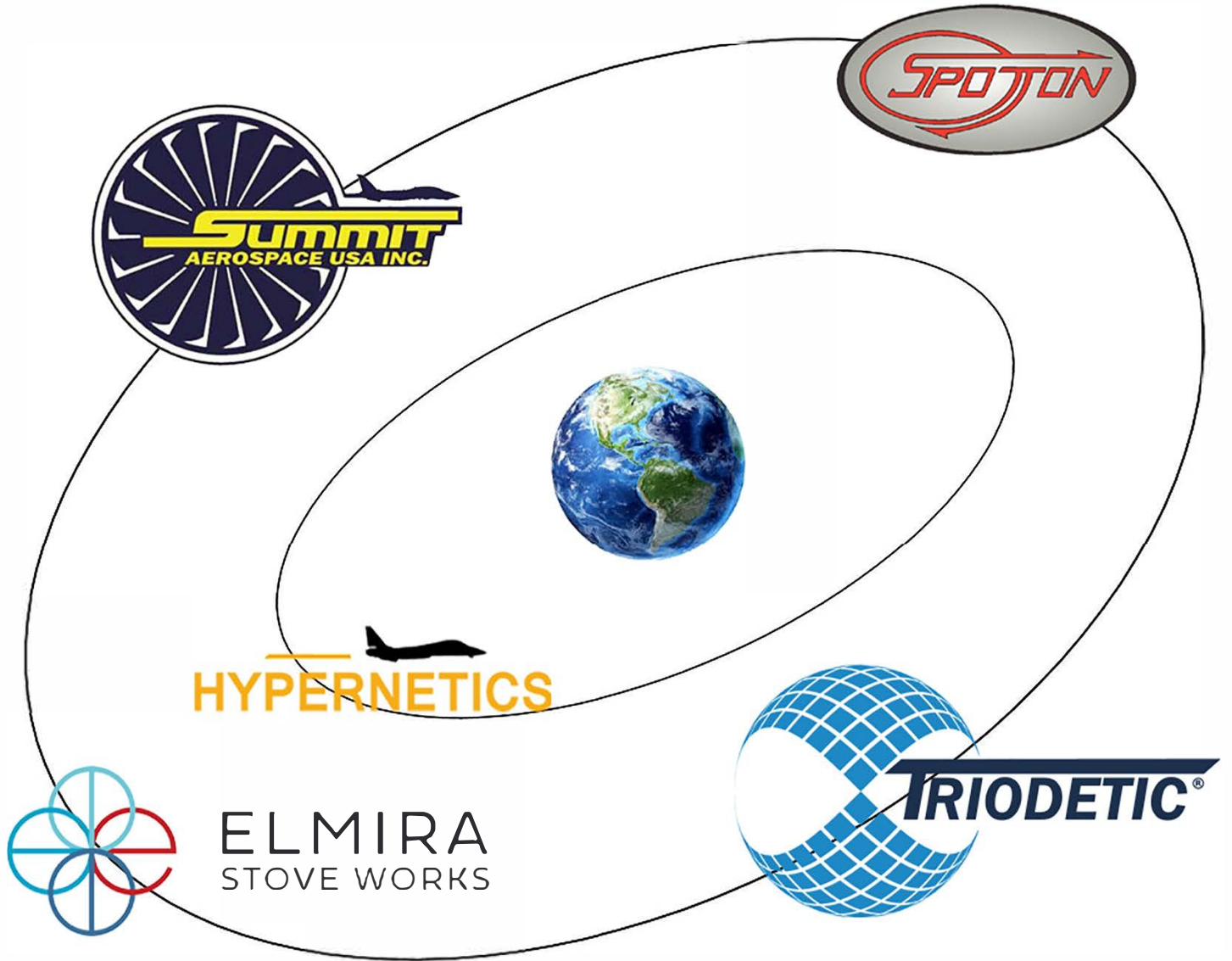




# PLAINTREE



Annual Report Fiscal 2024  
March 31, 2024

# Plaintree Systems Inc.

March 31, 2024 and March 31, 2023

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**INDEPENDENT AUDITOR'S REPORT**

To the shareholders of

**PLAINTREE SYSTEMS INC.**

**Opinion**

We have audited the consolidated financial statements of Plaintiff Systems Inc. (the Company), which comprise the consolidated statement of financial position as at March 31, 2024 and 2023, the consolidated statements of comprehensive earnings, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2024 and 2023 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matter**

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matter described below to be the key audit matter to be communicated in our auditor's report.

## **Key Audit Matter - Cont'd.**

### *Impairment of goodwill and intangibles*

#### Description of matter

As detailed in financial statement note 10, the Company recorded a goodwill and intangible impairment loss for the year ended March 31, 2024 of \$360,000 resulting in a goodwill balance of \$NIL as at March 31, 2024. Management conducts an impairment assessment annually or more frequently if events or circumstances indicate the carrying value of goodwill may be impaired. An impairment loss is recognized when the carrying value of a cash generating unit (CGU) exceeds the CGU's recoverable amount. As at March 31, 2024 the Elmira CGU's carrying value exceeded its recoverable amount as the Company's financial performance for the Elmira CGU did not meet the Company's expectations. As at March 31, 2024 the Company was required to complete its annual goodwill impairment assessment for the Elmira CGU.

#### Why the matter is a key audit matter

The determination of a CGU's recoverable amount requires significant judgement when determining the inputs into the calculation of the recoverable amount including estimating the expected future net cash flows and the discount rate. This estimation uncertainty required auditor judgement and specialized skills and knowledge to evaluate management's estimate.

#### How the matter was addressed in the audit

The primary procedures performed to address the key audit matter included the following:

We evaluated the appropriateness of the future net cash flows by reviewing key assumptions used including forecasted growth rates against historical results, working capital assumptions, planned changes in margin against historical trends and management plans. We assessed the appropriateness of the valuation methodology used to calculate the CGU recoverable amount. We compared the approach and valuation model used to the fiscal 2023 impairment assessment. We involved a valuation professional to assist with assessing the discount rate used.

## **Other Information**

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Bryan Haralovich.



Chartered Professional Accountants  
Licensed Public Accountants

Ottawa, Ontario  
July 26, 2024.

**Plaintree Systems Inc.**

Consolidated statements of financial position

(audited)

(in Canadian dollars)

	March 31, 2024	March 31, 2023
	\$	\$
<b>Assets</b>		
Current assets		
Trade receivables and other receivables	2,842,969	2,577,668
Unbilled revenue	2,004,995	2,021,161
Taxes receivable	59,956	41,947
Inventories (Note 4)	3,939,972	4,005,890
Prepaid expenses and other receivables	160,288	155,528
Current portion of mortgage receivable (Note 5)	278,305	5,926
	<b>9,286,485</b>	8,808,121
Long-term portion of mortgage receivable (Note 5)	-	278,305
Property, plant and equipment (Note 9)	4,806,300	5,613,405
Intangible assets (Note 10)	891,842	1,241,177
Goodwill (Note 10)	-	186,816
	<b>14,984,627</b>	16,127,824
<b>Liabilities</b>		
Current liabilities		
Bank indebtedness (Note 17)	1,879,537	1,096,730
Trade and other payables (Note 12)	2,266,957	2,070,944
Deferred revenue	406,038	1,547,343
Current portion of long-term debt and lease obligation (Note 6, 7)	1,554,801	4,768,034
Current portion of due to related parties (Note 11)	50,000	50,000
Current portion of government assistance (Note 8)	81,825	160,694
	<b>6,239,158</b>	9,693,746
Long-term debt and lease obligation (Note 6, 7)	2,801,051	1,340,841
Deferred government assistance (Note 8)	286,616	355,419
Due to related parties (Note 11)	4,763,720	4,915,643
	<b>14,090,545</b>	16,305,648
<b>Shareholders' equity</b>		
Issued capital	2	2
Contributed surplus	2,159,842	2,159,842
<b>Deficit</b>	<b>(1,265,763)</b>	<b>(2,337,669)</b>
	<b>894,081</b>	<b>(177,825)</b>
	<b>14,984,627</b>	16,127,824

Approved by the Board

"David Watson""Girvan Patterson"

The accompanying notes are an integral part of the consolidated financial statements

**Welch LLP<sup>®</sup>**

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**Plaintree Systems Inc.**

Consolidated statements of comprehensive earnings

For the years ended March 31, 2024 and March 31, 2023

(audited)

(in Canadian dollars)

	March 31, 2024	March 31, 2023
	\$	\$
Revenue	<b>24,204,805</b>	19,943,120
Cost of sales	<b>16,562,060</b>	15,801,901
Gross margin	<b>7,642,745</b>	4,141,219
Operating expenses		
Engineering and design	<b>1,767,010</b>	1,592,531
Finance and administration	<b>2,227,864</b>	2,003,020
Sales and marketing	<b>1,906,358</b>	1,884,343
Bad debts	<b>27,638</b>	-
Loss on disposal of assets	<b>39,944</b>	9,750
Interest expense	<b>301,956</b>	335,449
Loss/(Gain) on foreign exchange	<b>197,670</b>	(96,163)
	<b>6,468,440</b>	5,728,931
Net earnings (loss) before income taxes and other income/expenses	<b>1,174,305</b>	(1,587,712)
Loss on Impairment	<b>360,000</b>	666,486
Gain on loan derecognition (Note 23)	<b>(257,601)</b>	-
Net earnings (loss) before income taxes	<b>1,071,906</b>	(2,254,198)
Income tax expense (note 16)		
Current expense	-	30,742
Deferred income tax expense	-	(340,000)
	-	(309,258)
Net earnings (loss) and comprehensive earnings	<b>1,071,906</b>	(1,944,940)
Basic and diluted (loss) per common share (Note 14)	<b>(0.03)</b>	(0.26)
Weighted average common shares outstanding	<b>12,925,253</b>	12,925,253

The accompanying notes are an integral part of the consolidated financial statements

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**Plaintree Systems Inc.**

Consolidated statements of cash flows

For the years ended March 31, 2024 and March 31, 2023

(audited)

(in Canadian dollars)

	March 31, 2024	March 31, 2023
	\$	\$
Operating activities		
Comprehensive earnings	1,071,906	(1,944,940)
Add (deduct) items not affecting cash:		
Depreciation of intangible assets	194,740	307,722
Depreciation of property, plant and equipment	1,317,509	1,310,561
Bad debts	27,638	-
(Gain)/Loss on disposal of assets	39,944	9,750
Loss on Impairment	360,000	666,486
Gain on loan derecognition	(257,601)	-
Deferred tax liabilities	-	(340,000)
Write-down of inventory	64,005	123,610
Changes in non-cash operating working capital items		
Deferred revenue	(1,141,305)	680,111
Inventories	1,913	(1,035,836)
Prepaid expenses and other receivables	(4,760)	176,340
Trade and other payables	196,013	(713,799)
Trade and other receivables	(310,948)	167,800
Unbilled revenue	16,166	(8,305)
Mortgage receivable	5,926	5,578
Cash (used) provided by operations	1,581,147	(594,923)
Investing activities		
Payments to acquire intangible assets	(18,590)	(257,546)
Payments to acquire property, plant and equipment	(550,347)	(285,652)
Cash (used) in investing activities	(568,937)	(543,198)
Financing activities		
Repayment of government assistance	(147,672)	(28,475)
Repayment of long-term debt	(962,970)	(1,567,729)
Proceeds from financing	408,864	500,000
Repayment of capital lease obligations	(941,316)	(723,685)
Repayment of related party borrowings (Note 11)	(151,923)	(49,921)
Cash (used) in financing activities	(1,795,017)	(1,869,811)
Net cash outflow	(782,807)	(3,007,931)
Net cash (beginning of the year)	(1,096,730)	1,911,201
Net cash, end of the period	(1,879,537)	(1,096,730)

The accompanying notes are an integral part of the consolidated financial statements

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**Plaintree Systems Inc.**

Consolidated Statement of changes in equity  
for the years ended March 31, 2024 and March 31, 2023  
(audited)  
(in Canadian dollars)

	Common Shares Number	Issued Capital	Preferred Shares (1) Number	Issued Capital	Contributed Surplus	Retained earnings (deficit)	Shareholders' Equity
		\$		\$	\$	\$	\$
Balances at April 1, 2023	12,925,253	1	18,325	1	2,159,842	(2,337,669)	(177,825)
Net earnings and comprehensive earnings						1,071,906	1,071,906
Balances at March 31, 2024	12,925,253	1	18,325	1	2,159,842	(1,265,763)	894,081

	Common Shares Number	Issued Capital	Preferred Shares (1) Number	Issued Capital	Contributed Surplus	Retained earnings (deficit)	Shareholders' Equity
		\$		\$	\$	\$	\$
Balances at April 1, 2022	12,925,253	1	18,325	1	2,159,842	(392,729)	1,767,115
Net earnings and comprehensive earnings						(1,944,940)	(1,944,940)
Balances at March 31, 2023	12,925,253	1	18,325	1	2,159,842	(2,337,669)	(177,825)

(1) Class A Shares have a 8% cumulative dividend, calculated on redemption amount, redeemable at the option of the Company at any time at \$1,000 per share plus accrued dividends; non-voting.

The accompanying notes are an integral part of the consolidated financial statements

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# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 1. Description of the business

Plaintree Systems Inc. ("Plaintree" or the "Company") was incorporated in Canada under the Canada Business Corporation Act and is publicly traded on the Canadian Securities Exchange ("CSE") under "NPT". Plaintree is a diversified company with proprietary technologies and manufacturing capabilities in structural design and aerospace. The Company operates an Applied Electronics division, consisting of the Hypernetics division, Summit Aerospace USA Inc. ("Summit Aerospace") and the Elmira Stove Works business, and a Specialty Structures division consisting of the Triodetic business and Spotton Corporation. The Hypernetics business manufactures avionics components for various applications including aircraft antiskid braking, aircraft indicators, solenoids and permanent magnet alternators. The Triodetic business is a design/build manufacturer of steel, aluminum, and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames, and industrial dome coverings. Summit Aerospace specializes in the high-end machining of super-alloys for the aircraft and helicopter markets. Spotton's business involves the design and manufacture of high-end custom hydraulic and pneumatic cylinders for the industrial, automation and oil and gas markets. The Elmira Stove Works business manufactures custom vintage-inspired kitchen appliances for the North American consumer market.

The address of the Company's registered office and principal place of business is 10 Didak Drive, Arnprior, Ontario.

### 2. Basis of presentation

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were approved for issue by the Board of Directors on July 26, 2024.

#### (b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for share-based compensation and for the purchase price allocation for business combinations, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

#### (c) Basis of consolidation

The consolidated financial statements include the accounts of Plaintree Systems Inc. and its wholly-owned subsidiaries: Summit Aerospace USA Inc. and Triodetic Inc. (U.S. companies), and Triodetic Ltd, Spotton Corporation, and Elmira Stove Works Inc. (Canadian companies). Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries align with the policies adopted by the Company. All inter-company transactions have been eliminated.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 3. Significant accounting policies

The significant accounting policies include the following:

#### *Inventories*

Inventories are valued using a standard costing formula and are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are allocated to the weighted average cost of inventory by the method most appropriate to the particular class of inventory. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment for losses. When parts of material items of property, plant and equipment have significantly different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives using the straight-line method as follows:

Building	20 years
Leasehold improvements	10 years
Factory equipment	10 years
Computer equipment	3 years
Office equipment and furniture	10 years
Vehicles	4 years

#### *Leases and right-of-use assets*

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero. Variable costs are not included in the measurement of the lease liability.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 3. Significant accounting policies - Cont'd.

#### *Goodwill*

Goodwill is the excess of the cost of an acquired enterprise over the net of the amounts assigned to assets acquired and acquired and liabilities assumed. Goodwill is not amortized however is subject to an annual impairment assessment. When the carrying amount of the reporting unit exceeds its recoverable amount, a goodwill impairment loss is recognized in an amount equal to the excess.

#### *Intangible assets*

The Company's intangible assets consist of brands, a customer relationship, a non-competition agreement and software. Intangible assets are stated at cost less accumulated depreciation and accumulated impairment for losses. The Company uses the income approach to determine the fair value of its acquired customer relationship and non-competition agreement intangible assets. This approach is a valuation technique that calculates the fair value of an intangible asset based on the cash flows that an asset can be expected to generate over its remaining useful life. These assets are capitalized and are amortized to operations over their estimated useful lives from the date that they are acquired and available for use, since this most closely reflects the expected usage and consumption patterns related to the future economic benefits embodied in the assets. The Company considers the length of time over which it expects to earn or recover the present value of the assets. Depreciation is recognized so as to write off the cost of assets over their useful lives using the straight-line method as follows:

Software	2 years
Customer relationship	10 years
Non-competition agreement	6.5 years
Brands	10 years

The Company's policy is to review all long-lived assets, including property, plant and equipment, and intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company will record an impairment of the asset if the recoverable amount, determined as the higher of an asset's fair value less costs to sell or the discounted future cash flows generated from use and eventual disposal of an asset, is less than its carrying value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

#### *Revenue recognition*

Revenue is recognized upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services. This is achieved through applying the following five-step model:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligation in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligation in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company generates substantially all of its revenue from contracts with customers, whether formal or implied for the delivery of customized products and services, except for Elmira where standard products are sold.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 3. Significant accounting policies - Cont'd.

#### *Revenue recognition - Cont'd.*

Given the custom nature of the products sold by the Company revenue is recognize over time using the percentage of completion method of services rendered that reflects the extent of work accomplished. Management estimates the percentage-of-completion by reference to measures of performance that are reasonably determinable and are directly related to the activities critical to completion of the contract.

The Company uses this method of revenue recognition as projected contract revenue and costs may reasonably be estimated based on the Company's business practices, methods and historical experience.

This method requires estimates of costs and profits over the entire term of the contract. Management regularly reviews underlying estimates of project profitability; revisions to estimates are reflected in the statement of income in the period in which the facts that give rise to the revision become known. Provisions for estimated losses, if any, are recognized in the period in which the loss is determined. Contract losses are measured as the amount by which the estimated costs of the contract exceed the estimated total revenue from the contract.

Where products sold are not customized, the company recognizes revenue at a point in time upon delivery of the goods.

Progress billings are recorded as deferred revenue to the extent that the billings exceed revenue recognized to date. Unbilled revenue is recorded to the extent that revenue has been recognized, but not yet billed to the customer.

Warranty obligations associated with the sale of equipment are assurance-type warranties and therefore do not represent a distinct performance obligation. The Company records a provision for assurance-type warranties at the time equipment sales are recognized as revenue.

Professional services may be provided for training and support. Professional services are typically billed on a time and material basis and revenue is recognized over time as the services are performed or delivered.

Generally the Company's performance obligations have an expected duration of under one year and as such the Company has elected to apply the practical expedient available under IFRS 15 to not disclose information relating to remaining performance obligations.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The Company applies the practical expedient available under IFRS 15 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less. The Company had no material contract assets or liabilities.

The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

#### *Business combination*

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets acquired and liabilities incurred or assumed. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, Business Combinations, are recognized at their fair values at the acquisition date. Acquisition costs are expensed as incurred.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 3. Significant accounting policies - Cont'd.

#### *Functional currency*

The Canadian dollar is the functional currency of the parent company and its subsidiaries.

Monetary assets and liabilities, which are denominated in foreign currencies, are translated to the entity's functional currency at period end exchange rates, and transactions included in the consolidated statement of comprehensive earnings (loss) are translated at average rates prevailing during the period. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statement of comprehensive earnings.

The accounts of the Company's wholly-owned U.S. subsidiaries, which have Canadian dollar functional currencies, have been translated into Canadian dollars using the exchange rates at period end for monetary items and at exchange rates at the transaction date for non-monetary items measured at historical costs. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statement of comprehensive earnings.

#### *Stock option plans*

The Company measures equity settled stock options granted based on their fair value at the grant date and recognizes compensation expense over the vesting period. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in net earnings. Consideration paid by employees on the exercise of stock options is recorded as share capital and the related share-based payments are transferred from contributed surplus to share capital.

#### *Investment tax credits and government assistance*

Investment tax credits and government assistance are recorded as a reduction of the related expense or cost of the asset acquired. The benefits are recognized when the Company has complied with the terms and conditions of the approved grant program or applicable tax legislation.

#### *Research and development expenditures*

Current research costs are expensed as incurred while expenditures for research and development equipment, net of related investment tax credits, are capitalized.

Development costs are deferred and amortized when the criteria for deferral under IFRS are met, or otherwise, are expensed as incurred. To date, no such costs have been capitalized.

#### *Income taxes*

The Company's deferred income tax assets and liabilities are recognized for the future tax consequences attributable to tax loss carry-forwards and to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted, applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change of statutory tax rates is recognized in income in the period of enactment or substantive enactment. Deferred income tax assets are recognized to the extent it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Corporation operates and generates taxable income or operating losses.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 3. Significant accounting policies - Cont'd.

#### *Basic earnings (loss) per share for continued and discontinued operations*

Earnings (loss) per share has been calculated on the basis of net income attributable to common shareholders divided by the weighted average number of common shares outstanding during the period. Earnings (loss) attributable to common shareholders is equal to net income (loss) less the dividends accumulated on the preferred shares. Diluted earnings (loss) per common share is calculated by dividing the applicable net income attributable to common shareholders by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. The Company uses the treasury stock method in determining the denominator for earnings (loss) per share. Under this method, it is assumed that the proceeds from the exercise of options are used to repurchase common shares at the weighted average market price of the shares for the period.

#### *Financial instruments*

*Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the instrument.*

Trade receivables are initially measured at the transaction price which represents fair value at the date of the transaction. All financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### Financial assets

All financial assets are recognized and de-recognized on trade date.

The Company determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

<u>Financial asset</u>	<u>Classification under IFRS 9</u>
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Unbilled receivables	Amortized cost
Mortgage receivable	Amortized cost

#### *Amortized cost*

Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on de-recognition are recognized in profit or loss.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 3. Significant accounting policies - Cont'd.

Financial assets - Cont'd.

*Financial instruments* - Cont'd.

*Impairment of financial assets*

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Financial assets are written off when there is no reasonable expectation of recovery.

*Leases*

Operating lease payments net of any lease inducements are recognized as an expense in the consolidated statements of loss and comprehensive loss on a straight-line basis over the lease term. At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at an amount equal to the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently measured at cost net of accumulated depreciation. Depreciation is calculated on a straight-line basis over the shorter of the lease term or useful economic life of the asset. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the unpaid lease payments as at the commencement date, discounted using the Corporation's incremental borrowing rate unless the interest rate implicit in the lease is known. The Corporation's incremental borrowing rate for a lease is the rate that the Corporation would pay to borrow an amount necessary to obtain an asset of a similar value to the right-of-use asset on a collateralized basis over a similar term.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured if there is a change in future lease payments arising from a change in an index or rate; there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee; or the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. On remeasurement, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or directly in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets.

The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.



# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 3. Significant accounting policies - Cont'd.

#### Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are classified as follows:

<u>Financial liability</u>	<u>Classification under IFRS</u>
Trade payables and accrued liabilities	Amortized cost
Bank loans, loans	Amortized cost

#### *Amortized cost*

Financial liabilities at amortized cost are measured using the effective interest rate method, including the impact of deferred financing fees.

#### *De-recognition of financial liabilities*

The Company derecognizes a financial liability (in whole or part) from its balance sheet when it is extinguished. This occurs when then the obligation in the contract is discharged, cancelled or expires.

A financial liability is extinguished when the debtor either:

1. Discharges the liability:
  - The company pays the creditor and is released from its primary obligation.
  - Payments can be made in cash, other financial assets, goods or services.
2. Cancellation or expiry:
  - The company and the creditor agree to cancel the liability.
  - The liability expires or is legally voided.

#### *Loan derecognition - Cont'd.*

#### Assessment of derecognition:

The determination of whether a financial liability should be derecognized involves assessing whether the obligation has been substantially modified or settled. The following criteria are applied:

1. Legal discharge:
  - The company obtains a legal release from the creditor indicating that the legal liability is no longer enforceable.
2. Settlement through negotiation:
  - Any negotiations leading to the cancellation or substantial modification of the terms of the liability are documented and assessed.
  - If the terms are substantially modified, the original liability is derecognized and a new financial liability is recognized based on the modified terms.
3. Litigation outcomes:
  - When a financial liability is subject to litigation, the Company assess the probability of successfully negating the payment obligation.
  - If it is probable, based on legal opinions and management judgement, that the litigation will result in the liability being voided, the liability is derecognized.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 3. Significant accounting policies - Cont'd.

#### *Loan derecognition - Cont'd.*

Gains and losses on derecognition:

Any gain or loss arising from the derecognition of a financial liability is recognized in the income statement under 'Other Income' or 'Other Expenses'. The gain or loss is calculated as the difference between the carrying amount of the liability (or part of the liability) extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed.

Disclosure:

The Company provides comprehensive disclosures about the nature and financial effects of derecognition of financial liabilities, including the rationale and basis for derecognition, in its financial statements.

#### *Critical accounting estimates and judgements*

The preparation of financial statements requires management to select appropriate accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

#### *Revenue recognition*

Application of the accounting principles related to measurement and recognition of revenue requires the Company to make judgments and estimates.

Revenue for customized products is recognized over time based on the estimated percentage-of-completion of services rendered at each period-end. This method requires management to estimate total costs and profits over the entire term of the contract.

#### *Impairment of trade receivables*

Management determines the estimated recoverability of trade receivables based on the evaluation and ageing of trade receivables, including the current creditworthiness and the past collection history of the customers and reviews these estimates at the end of each reporting period. The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables.

#### *Impairment of long-lived assets*

The following abbreviations are referenced below:

CGU: Cash generating unit

FVLCD: Fair value, less costs of disposal

VIU: Value in use

Long-lived assets, including property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value, less costs of disposal, and its VIU. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased, except for goodwill, to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously. Management uses information available to estimate if indicators of impairment exist when calculating the fair value amount.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 3. Significant accounting policies - Cont'd.

#### *Impairment of Goodwill*

The impairment test for cash generating units ("CGUs") to which goodwill is allocated is based on the higher of VIU and FVLCD of the CGU, determined in accordance with the expected cash flow approach. The calculation is based on assumptions including, but not limited to, the cash flow growth rate and the discount rate. See Note 10.

#### *Determination of CGUs*

Management is required to use judgement in determining which assets or group of assets make up appropriate CGUs for the level at which goodwill and intangible assets with indefinite lives are tested for impairment. A CGU is defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

#### *Useful lives of property, plant and equipment and intangible assets*

Management determines the estimated useful lives of its property, plant and equipment based on historical experience of the actual lives of property, plant and equipment of similar nature and functions and reviews these estimates at the end of each reporting period. The useful lives of intangible assets are based on management's best estimate of the expected life of the economic benefits that will be derived from the assets.

#### *Functional currency*

Revenue contracts are priced in a variety of currencies whereas the cost structure inputs are primarily in Canadian dollars. Secondary indicators of functional currency, including financing and cash holdings are primarily in Canadian dollars. As the primary indicators of functional currency do not clearly indicate a specific currency, the indicators as a whole have been judged to indicate the Canadian dollar as the functional currency of the parent company and its subsidiaries.

#### *Estimation uncertainty*

Critical accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of future cash flows utilized in assessing net recoverable amounts and net realizable values; allowance for bad debt; useful lives of property, equipment and intangible assets; percentage-of-completion for revenue recognition; unbilled revenue; deferred revenue; inventory obsolescence; ability to utilize tax losses; and measurement of deferred taxes. In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis where required.

These estimates have been applied in a manner consistent with that in the prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by many factors, some of which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 4. Inventories

	<b>March 31, 2024</b>	<b>March 31, 2023</b>
	<b>(audited)</b>	<b>(audited)</b>
	<b>\$</b>	<b>\$</b>
Raw materials	<b>3,245,735</b>	<b>3,252,570</b>
Work in process	<b>644,843</b>	<b>665,022</b>
Finished goods	<b>49,394</b>	<b>88,299</b>
	<b>3,939,972</b>	<b>4,005,890</b>

The cost of inventories recognized as an expense during the year was \$16,286,471 (\$15,801,900 in 2023). The total carrying value of inventory as at March 31, 2024, was pledged as security through general security agreements under bank lines of credit and related party liabilities (see note 11 and 17).

The Company wrote down its inventories by \$64,005 in fiscal 2024 (\$123,610, in 2023) to reflect where the carrying amount exceeded net realizable value. The Company had write ups in the year totaling \$38,102 (\$13,379 in 2023).

### 5. Mortgage receivable

In March 2020, the Company sold a building owned by it in Arnprior Ontario for \$1.3 million. The consideration was paid by \$1 million in cash and by a vendor take mortgage of \$300,000. The vendor take back mortgage has a five year term and earns interest at 6.076%. The Issuer has secured the vendor take back mortgage by a charge over the building and other security. The building was not used by the Issuer in its operations and was leased to a third party. The gain on sale was \$283,068. The remaining mortgage payments are as follows:

	<u>\$</u>
2025	<u>278,305</u>
Net mortgage receipts	<u>278,305</u>

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 6. Long-term debt

	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Non-revolving loan payable in monthly blended installments of principal and interest, \$8,143, at a rate of 5.663%, secured by general security agreement, maturing March 2024.	-	94,726
Non-revolving loan payable (\$172,944 USD) in monthly blended installments of principal and interest, \$9,883 USD, at a rate of 4.1%, secured by general security agreement, maturing April 2024.	9,528	161,609
Promissory notes	-	500,000
Contingent purchase consideration	-	636,993
Non-revolving loan payable in monthly installments of principal, \$19,565 at a rate of prime + 1%, secured by general security agreement, maturing March 2027.	1,193,450	901,629
Non-revolving loan payable in monthly blended installments of principal and interest, \$15,148, at a rate of 3.640%, secured by general security agreement, maturing March 2026.	364,168	515,871
Deferred financing fees	(64,260)	(87,370)
	1,502,886	2,723,457
Current portion	(426,685)	(2,723,457)
	1,076,201	-

Principal repayments required on bank debt in the next five years and thereafter are as follows:

	\$
2025	449,794
2026	413,021
2027	704,330
Net loan re-payments	1,567,145

Long-term debt excluding the promissory notes and contingent purchase consideration totaling \$1,567,145 (\$1,673,834 in 2023) are subject to certain covenants, including a debt service covenant which the Company was in compliance as at March 31, 2024. In fiscal year 2023, the company was not in compliance and as a result, \$1,673,834 was included in the current portion of long-term debt.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 7. Lease Obligation

The Company's leases are for factory equipment and plant. The leases are typically 5 to 7 years in length and are subject to a range of interest rates from 4 to 8 percent per annum. During Quarter 2 of Fiscal 2023, the Company entered into a 5 year office lease agreement with a related party. The office lease has been recorded as a right of use asset and lease liability on the consolidated statement of financial position. Subsequent to year-end, the Company entered into a new two year lease agreement to replace the existing building lease.

The following table presents the Company's lease obligations as at March 31, 2024:

	Factory Equipment Leases	Building Lease	Total
Fiscal 2025	493,764	634,352	1,128,116
Fiscal 2026	433,419	609,750	1,043,169
Fiscal 2027	394,910	152,438	547,348
Fiscal 2028	399,488	-	399,488
Total future minimum lease payments	1,721,581	1,396,540	3,118,121
Imputed interest	(209,456)	(55,699)	(265,155)
Total lease liabilities	1,512,125	1,340,841	2,852,966
Less: current portion	(493,764)	(634,352)	(1,128,116)
Non-current portion	1,018,361	706,489	1,724,850

The following table presents the Company's lease obligations as at March 31, 2023:

	Factory Equipment Leases	Building Lease	Total
Fiscal 2024	461,531	633,697	1,095,228
Fiscal 2025	336,786	634,352	971,138
Fiscal 2026	258,976	609,750	868,726
Fiscal 2027	267,191	152,438	419,628
Thereafter	350,423	-	350,423
Total future minimum lease payments	1,674,906	2,030,236	3,705,142
Imputed interest	(205,310)	(114,414)	(319,724)
Total lease liabilities	1,469,596	1,915,822	3,385,418
Less: current portion	(1,469,596)	(574,981)	(2,044,577)
Non-current portion	-	1,340,841	1,340,841

Interest expense on lease obligations for the year ended March 31, 2024 was \$141,915 (2023 - \$115,110). Variable lease payments for operating costs not included in the measurement of lease obligations for the year ended March 31, 2024 was \$10,632 (2023- \$8,485).

Expenses relating to short-term leases and leases of low value assets for the year ended March 31, 2024 were \$9,375 (2023 - \$8,485). Total cash outflow for leases was \$1,160,404 (2023 - \$1,154,097), including \$1,020,157 (2023 - \$1,038,987) of principal payments on lease obligations.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 7. Lease Obligation - Cont'd.

The following table presents the future contractual cash flows for short-term leases at March 31, 2024:

	\$
2025	10,632
2026	10,632
2027	10,632
2028	5,358

Included in the factory equipment leases are \$1,114,878 of leases subject to certain covenants, including a debt service covenant which the Company was in compliance as at March 31, 2024. In fiscal year 2023, the company was not in compliance and as a result, \$1,438,654 was included in the current portion of long-term debt.

### 8. Government assistance

The Company's Summit Aerospace USA Inc. division accepted a loan of \$720,000 USD (\$899,712CAD) from the Pennsylvania Industrial Development Authority (PIDA) as partial financing towards the manufacturing facility in Pocono Summit, PA purchased in May 2013. The loan carries a 15-year term, maturing in May 2029, with level monthly payments of principal and interest at a fixed rate of 1.5%. The loan is secured by the related land and building.

The Company records the government loan at its estimated fair value at the date in which the payments are recorded. The estimated fair value of the loan payable is determined by discounting future cash flows associated with the loan at a discount rate which represents the estimated borrowing rate to the Company. The difference between the face value of the loan and the estimated fair value is deemed to be government assistance. The loan payable is accreted to the face value over the term of the loan and is recognized as accretion expense.

	Loan present value	Deferred Government Assistance	Repayable Government Assistance
	(audited)	(audited)	(audited)
	\$	\$	\$
Opening Balance	399,086	37,029	436,115
Loan adjustment for exchange	323	224	547
Repayments	(68,221)	-	(68,221)
Accretion	10,612	(10,612)	-
March 31, 2024	341,800	26,641	368,441
Current Portion	(69,156)	(12,669)	(81,825)
Balance	272,644	13,972	286,616

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 8. Government assistance - Cont'd.

Total future minimum loan payments, of obligations under government assistance for the next five years are as follows:

	\$
2025	69,158
2026	70,288
2027	71,260
2028	72,337
2029	73,429
2030 and thereafter	<u>11,969</u>
Net loan re-payments	<u>368,441</u>

The company did not record any government assistance in fiscal 2024.

During fiscal 2021 the Company accepted short term, interest free loans in the amount of \$120,000 under the Canada Emergency Business Account ("CEBA"). The forgivable portions total \$40,000 was recorded as income (Specialty Structures Division) during fiscal 2021. The repayable portions of both loans totaling \$80,000 were repaid prior to the January 18, 2024 deadline to qualify for the loan forgiveness.

### 9. Property, plant and equipment, right of use assets

	Factory equipment	Computer equipment	Furniture	Vehicles	Lease improvements	Building	Land	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost, balance								
<b>March 31, 2022</b>	<b>12,526,285</b>	<b>1,159,535</b>	<b>202,313</b>	<b>421,086</b>	<b>1,847,198</b>	<b>3,865,061</b>	<b>124,557</b>	<b>20,146,035</b>
Additions	912,983	10,888	-	-	465,812	68,008	-	1,457,691
Disposals	(15,000)	-	-	-	-	-	-	(15,000)
<b>March 31, 2023</b>	<b>13,424,268</b>	<b>1,170,423</b>	<b>202,313</b>	<b>421,086</b>	<b>2,313,010</b>	<b>3,933,069</b>	<b>124,557</b>	<b>21,588,726</b>
Additions	495,822	8,927	-	12,000	33,598	-	-	550,347
Disposals	(117,895)	(213,778)	-	(9,562)	-	-	-	(341,235)
<b>March 31, 2024</b>	<b>13,802,194</b>	<b>965,572</b>	<b>202,313</b>	<b>423,524</b>	<b>2,346,608</b>	<b>3,933,069</b>	<b>124,557</b>	<b>21,797,837</b>
Depreciation, balance								
<b>March 31, 2022</b>	<b>(10,485,495)</b>	<b>(1,134,447)</b>	<b>(202,313)</b>	<b>(416,881)</b>	<b>(1,463,237)</b>	<b>(967,635)</b>	<b>-</b>	<b>(14,670,008)</b>
Depreciation	(495,824)	(15,751)	-	(3,733)	(119,592)	(675,661)	-	(1,310,561)
Disposal	5,250	-	-	-	-	-	-	5,250
<b>March 31, 2023</b>	<b>(10,976,069)</b>	<b>(1,150,198)</b>	<b>(202,313)</b>	<b>(420,614)</b>	<b>(1,582,829)</b>	<b>(1,643,296)</b>	<b>-</b>	<b>(15,975,320)</b>
Depreciation	(487,809)	(11,966)	-	(2,473)	(154,809)	(660,452)	-	(1,317,509)
Disposal	77,952	213,778	-	9,562	-	-	-	301,292
<b>March 31, 2024</b>	<b>(11,385,926)</b>	<b>(948,386)</b>	<b>(202,313)</b>	<b>(413,526)</b>	<b>(1,737,638)</b>	<b>(2,303,748)</b>	<b>-</b>	<b>(16,991,538)</b>
Carrying amount,								
<b>March 31, 2024</b>	<b>2,416,268</b>	<b>17,186</b>	<b>(0)</b>	<b>9,999</b>	<b>608,970</b>	<b>1,629,321</b>	<b>124,557</b>	<b>4,806,300</b>
<b>March 31, 2023</b>	<b>2,448,199</b>	<b>20,224</b>	<b>(0)</b>	<b>471</b>	<b>730,182</b>	<b>2,289,773</b>	<b>124,557</b>	<b>5,613,405</b>

Included in factory equipment are right of use assets with a cost of \$3,088,301 and accumulated amortization of \$863,613 (2023 - cost of \$2,991,661 and accumulated amortization of \$969,309) and included in building are right of use assets with a cost of \$2,925,285 and accumulated depreciation of \$1,616,841 (2023 - cost of \$2,925,285 and accumulated amortization of \$1,022,716). Some equipment with a value of \$165,014 was fully amortized prior to its disposal and some equipment with a value of \$176,221 and accumulated depreciation of \$136,277 was disposed of during the year. Refer to Note 7 for a breakdown of the Company's lease obligations.



# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 10. Intangibles

	Brand	Goodwill	Software \$	Customer Relationship and Non-compete \$	Total \$
Cost, balance					
<b>March 31, 2022</b>	<b>655,000</b>	<b>853,302</b>	<b>192,175</b>	<b>1,929,270</b>	<b>3,629,747</b>
Additions			257,544		257,545
Impairment		(666,486)			(666,485)
Disposals				(1,313,270)	(1,313,269)
<b>March 31, 2023</b>	<b>655,000</b>	<b>186,816</b>	<b>449,719</b>	<b>616,000</b>	<b>1,907,538</b>
Additions	-	-	18,590	-	18,590
Impairment	(89,249)	(186,816)		(83,935)	(360,000)
Disposals	-	-	(104,758)	-	(104,758)
<b>March 31, 2024</b>	<b>565,751</b>	<b>-</b>	<b>363,551</b>	<b>532,065</b>	<b>1,461,367</b>
Accumulated Depreciation, balance					
<b>March 31, 2022</b>	<b>-</b>	<b>-</b>	<b>(171,822)</b>	<b>(1,313,270)</b>	<b>(1,485,092)</b>
Depreciation	(65,500)	-	(180,622)	(61,600)	(307,722)
Disposals				1,313,270	1,313,270
<b>March 31, 2023</b>	<b>(65,500)</b>	<b>-</b>	<b>(352,444)</b>	<b>(61,600)</b>	<b>(479,544)</b>
Depreciation	(65,500)	-	(67,886)	(61,600)	(194,986)
Disposals	-	-	104,759	-	104,759
<b>March 31, 2024</b>	<b>(131,000)</b>	<b>-</b>	<b>(315,325)</b>	<b>(123,200)</b>	<b>(569,526)</b>
Carrying amount,					
<b>March 31, 2024</b>	<b>434,751</b>	<b>-</b>	<b>48,226</b>	<b>408,865</b>	<b>891,842</b>
<b>March 31, 2023</b>	<b>589,500</b>	<b>186,816</b>	<b>97,275</b>	<b>554,400</b>	<b>1,427,994</b>

Some intangible items were fully amortized in the prior fiscal year and removed during the current fiscal year. Software with a cost of \$104,759 (FY23 \$104,759). As of March 31, 2023 all of the intangibles and goodwill are attributed to the Applied electronics business segment.

The company has five Cash Generating Units: Triodetic, Spotton, Elmira Stove Works, Hypernetics and Summit Aerospace USA. Elmira Stove Works manufactures custom vintage-inspired kitchen appliances for the North American consumer market. The goodwill carrying value is allocated to the Elmira Stove Works CGU, and the Applied Electronics operating segment (see Note 15).

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 10. Intangibles - Cont'd.

Management reviewed the recoverable amount of goodwill and intangible assets for the CGU. The recoverable amount was assessed by reference to the value in use ("VIU") calculation. The recoverable value was assessed by reference to discounted cash flow projections reflecting management's assessment of projected operating results for a five-year period, including projected revenue growth rates of 5% reflecting growth from improved productivity and a revised pricing strategy. The applied discount rate (WACC) of 27.11% per annum was influenced by interest rates, equity, and size risk premium rates. Cash flows beyond that five-year period have been extrapolated using a steady 2% terminal growth rate. Future estimated growth rates were validated by reviewing reasonableness of pricing, independent market and industry data, and sales achieved to date.

Management determined that an impairment charge was required to write off goodwill of \$186,816 with an additional impact on intangible assets of \$89,249 on Brand and \$83,935 on Customer Relationship for a combined \$360,000 impairment. The recoverable amount was assessed by a value in use assessment as the fair value less costs of disposal calculation was expected to provide similar results when using a discounted cash flow model. The recoverable amount of the CGU amounted to \$2,469,398 as at March 31, 2024.

### 11. Due to related parties

	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Due to senior officers	3,663,669	3,815,593
Dividends payable	60,000	60,000
Due to Targa Group Inc.	247,672	247,672
Due to Tidal Quality Management Inc.	398,388	398,388
Due to Targa Group Inc, line of credit interest	242,598	242,598
Due to Targa Group Inc, demand loan interest	201,393	201,393
	<b>4,813,720</b>	4,965,643
Less: current portion	(50,000)	(50,000)
	<b>4,763,720</b>	4,915,643

Targa Group Inc. and Tidal Quality Management Inc. are companies under common control.

As at March 31, 2024, a balance of \$3,663,669 (\$2,528,036 principal and \$1,135,634 interest); March 31, 2023 - \$3,815,593 (\$2,579,959 principal and \$1,235,634 interest in 2023) remained owing to senior officers of the Company. The parties agreed to discontinue interest payments accruing on balances as of April 1, 2016. During the year payments in the amount of \$151,924 were repaid to senior officers. As of March 31, 2024, \$50,000 was classified as current. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 11. Due to related parties - Cont'd.

On July 14, 2011, the board of directors of the Company declared a cash dividend of \$10.91405 per Class A preferred share (\$200,000 in the aggregate) payable on July 22, 2011, to the holders of record at the close of business on July 18, 2011. The Class A preferred shares are held by related parties and are entitled to annual cumulative dividends of 8% on the \$1,000 redemption amount of the Class A preferred share. An amount of \$60,000 (\$60,000 in 2023) of the dividend remains outstanding as at March 31, 2024. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

As at March 31, 2024, interest in the amount of \$247,672 (\$247,672 in 2023) on a loan from Targa remains outstanding. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

As at March 31, 2024, a balance of \$398,388 (\$215,500 rent arrears and \$182,888 interest); March 31, 2023 - \$398,388 (\$215,500 rent arrears and \$182,888 interest) remained owing to a related party controlled by Targa, Tidal Quality Management Corp. The party agreed to discontinue interest accruing on unpaid balances as at April 1, 2016. Until then the interest rate was at bank prime plus 2%. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

The Company has a revolving line of credit of up to \$1,000,000 with Targa. Under the loan agreements, all amounts advanced to the Company are payable on demand and bear interest at bank prime plus 2%. The Targa Credit Line is secured by a security interest granted over the assets of the Company. As at March 31, 2024, \$NIL (\$NIL in 2023) remained outstanding on the line of credit with accumulated interest of \$242,598 (\$242,598 in 2023) outstanding for a balance of \$242,598 (\$242,598 in 2023). The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Interest in the amount of \$66,581 (\$66,581 in 2023) remained outstanding on a demand loan with Targa. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments. Accumulated interest in the amount of \$134,812 (\$134,812 in 2023), on a loan from Targa remains outstanding as of March 31, 2024. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Rents paid to Tidal Quality Management Corp during the year ended March 31, 2024 totaled \$685,976 (2023 - \$668,843). The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties.

During the year two directors provided consulting services for consideration of \$36,300 (2023 - \$35,000) which has been recorded as an expense in the year.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 12. Trade and other payables

Trade and other payables are comprised of the following:

	March 31, 2024 (audited) \$	March 31, 2023 (audited) \$
Accounts payable	1,400,229	1,398,350
Accrued liabilities	462,770	252,090
Salaries and benefits payable	403,958	420,504
	<u>2,266,957</u>	<u>2,070,944</u>

### 13. Share capital

Authorized, unlimited number

Common shares

Class A preferred shares

Class A preferred shares entitled to a cumulative dividend, calculated on a redemption amount, payable in priority to dividends on common shares, redeemable at the option of the Company at any time at \$1000 per share plus 8% cumulative dividends, calculated on redemption amount, redeemable at the option of the Company at any time liquidation preference of the redemption value plus cumulative dividends (when and if declared) to common shares; non-voting. As of March 31, 2024, the accrued and unpaid dividends on Class A preferred shares were \$22,656,000 (\$21,190,000 in 2023).

*Stock option plans*

Stock options

Under the Company's Stock Option Plan, the Company is authorized to issue up to 12,000,000 stock options to its employees, officers, directors or consultants.

Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant and the maximum term of an option is ten years. Options are granted periodically and vest immediately on the date of grant.

Information related to the share options outstanding at March 31, 2024 is presented below:

	Number of shares #	Weighted average exercise prices \$
Options outstanding, beginning of year	880,000	0.11
Granted	0	0
Options outstanding, end of year	<u>880,000</u>	<u>0.11</u>

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 13. Share capital - Cont'd.

The following table summarizes information about stock options outstanding at March 31, 2024:

Options Outstanding				
Exercise Price	Number outstanding at March 31, 2024	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable at March 31, 2024
\$	#		\$	#
0.11	880,000	5.72	0.11	880,000

During the year ended March 31, 2020, 880,000 stock options were granted to employees and directors of the Company at an exercise price of \$0.11 with an expiry date of December 16, 2029.

Grant Date	Options Granted	Stock Price	Exercise Price	Expected Life	Volatility	Dividend Rate	Risk Free Rate	Per-Share Weighted Average Fair Value
		\$	\$					\$
December 16, 2019	880,000	0.08	0.11	5 years	214%	0%	1.67%	0.08

### 14. Basic and diluted earnings per common share

Net (loss) income attributable to common shares used in the numerator of basic and diluted earnings per share is calculated as follows:

For the years ended March 31, 2024 and 2023, diluted earnings per share equals basic earnings per share due to the anti-dilutive effect of options and convertible instruments.

	March 31, 2024 (audited) \$	March 31, 2023 (audited) \$
Net profit/(loss) from operations	1,071,906	(1,944,940)
Cumulative dividends on preferred shares - per annum	(1,466,000)	(1,466,000)
Net (loss) attributed to common shares (basic and diluted)	(394,094)	(3,410,940)
Basic and diluted weighted average shares outstanding	12,925,253	12,925,253
Basic and diluted (loss) per share from operations	-0.03	-0.26

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 15. Business segment information

The Company's chief decision maker, the CEO, tracks the Company's operations as two business segments - the design, development, manufacture, marketing and support of electronic product, and the specialty structural products. The Company determines the geographical location of revenue based on the location of its customers. Of the total balance of \$4,806,300 (2023 - \$5,613,405) in property, plant and equipment, \$3,917,598 (2023 - \$5,110,144) is located in Canada and \$888,702 (2023 - \$503,261) in the United States. All the Company's intangible assets are primarily located in Canada.

#### Revenue by division

	Twelve months ending	
	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Applied Electronics	10,512,522	8,800,687
Specialty Structures	13,692,283	11,142,433
	<b>24,204,805</b>	19,943,120

#### Revenue by geographical location

	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Canada	9,810,267	9,012,997
United States	14,188,291	10,168,237
Other	206,247	761,886
	<b>24,204,805</b>	19,943,120

#### Net earnings (loss) before taxes by division

	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Applied Electronics	(754,021)	(2,425,021)
Specialty Structures	1,825,927	170,823
	<b>1,071,906</b>	(2,254,198)

#### Loss on impairment by division

	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Applied Electronics	360,000	666,486
Specialty Structures	0	0
	<b>360,000</b>	666,486

#### Product revenue concentration (customers with revenue in excess of 10%)

	Twelve months ending	
	March 31, 2024	March 31, 2023
	(audited)	(audited)
Number of customers	2	2
% of total revenue	11%, 15%	12%, 13%

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 15. Business segment information - Cont'd.

#### Assets by division

	<b>March 31, 2024</b>	March 31, 2023
	<b>(audited)</b>	(audited)
	\$	\$
Applied Electronics	<b>9,458,465</b>	9,750,341
Specialty Structures	<b>5,526,162</b>	6,377,483

#### Intangibles by division

	<b>March 31, 2024</b>	March 31, 2023
	<b>(audited)</b>	(audited)
	\$	\$
Applied Electronics	<b>891,842</b>	1,427,993
Specialty Structures	<b>0</b>	0

### 16. Income taxes

Deferred income taxes reflect the impact of loss carry-forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts are measured by tax laws. The temporary differences and loss carry-forwards that gave rise to significant portions of the deferred tax asset, which have not been recognized, are as follows:

	<b>2024</b>	2023
Accounting depreciation in excess of tax	<b>160,000</b>	(497,000)
Intangible assets	<b>(739,000)</b>	(1,106,000)
Research and development expenses not deducted for tax	<b>14,957,000</b>	15,338,000
Losses available to offset future income taxes	<b>8,668,000</b>	10,440,000
Capital losses	<b>363,000</b>	363,000
Capital leases	<b>20,000</b>	216,000
Accruals	<b>2,385,000</b>	2,471,000
Other	<b>425,000</b>	361,000

The Company has claimed less research and development expenses for income tax purposes than has been reflected in the financial statements. These unclaimed expenses total approximately 14,957,000 (2023 -\$15,337,537) for Canadian federal and provincial tax purposes. These are available without expiry to reduce future years' taxable income.

As at March 31, 2024, the Company has approximately \$33,000 (2023 - \$33,000) of investment tax credits, relating primarily to research and development, available to reduce future year's Canadian federal income taxes. These potential benefits expire as follows:

	\$
2029	12,000
2030	16,000
2031	5,000
	<b>33,000</b>

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 16. Income taxes - Cont'd.

The provision for income taxes in the statement of comprehensive income differs from the amount computed by applying the Canadian statutory rate to the loss before income taxes for the following reasons:

	2024	2023
	\$	\$
Expected income tax expense (benefit)	267,976	(559,353)
Changes in unrealized deferred tax assets	(346,101)	52,643
Future tax rate change	(16,089)	885
True up on current taxes	(1,214)	(51,093)
True up on future taxes	(794)	6,999
Permanent differences	96,600	177,687
Foreign rate differential	(378)	2,813
Deductible temporary differences previously unrecognized	-	60,161
Other	-	-
Income Tax Expense	-	(309,258)
Current Income Tax Expense	-	30,742
Future Tax Expense	-	(340,000)
Income Tax Expense	-	(309,258)

The Company has non-capital losses available to reduce future years' Canadian federal taxable income totaling approximately \$7,806,000 (2023 - 10,062,000). These potential benefits expire as follows:

	\$
2031	399,000
2032	513,000
2033	523,000
2034	582,000
2035	1,370,000
2036	1,556,000
2037	409,000
2038	398,000
2039	16,000
2040	269,000
2041	151,000
2042	79,000
2043	1,188,000
2044	353,000
	<b>7,806,000</b>

The Company has U.S. losses of approximately \$862,000 (2023 - \$362,000), which begin to expire in 2036 and \$100,000 of losses that never expire.



# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 17. Guarantees, commitments and contingencies

#### *Guarantees*

The Company has entered into agreements that contain features which meet the definition of a guarantee. The pronouncements define a guarantee to be a contract that contingently requires the Company to make payments (either in cash, financial instruments, other assets, common shares of the Company or through the provision of services) to a third party based on changes in an underlying economic characteristic (such as interest rates or market value) that is related to an asset, a liability or an equity security of the other party.

#### *Leases*

See note 7 for lease commitments.

#### *Product warranties*

As part of the normal sale of product, the Company provides its customers with standard one-year product warranties. The Company currently has parts only warranty obligations that are included with the normal sale of the product. A warranty provision of \$35,417 has been recognized (\$35,417 in 2023).

#### *Bank facilities*

The Company has in place a credit facility of up to \$4,000,000 CAD through its bank based on acceptable trade receivables and inventory, subject to interest on balance outstanding of prime plus 0.75%. The total amount available to the Company as at March 31, 2024 was \$3,387,562 CAD of which \$2,358,016 was in use leaving \$1,029,546 CAD available. The Company through its bank has in place a credit facility of up to \$3,500,000 CAD for the issuance of standby letters of credit and/or letters of guarantee insured by Export Development Corporation ("EDC") Performance Security Guarantee of which \$824,381 CAD was in use at March 31, 2024. The Company has in place a credit facility of up to \$2,000,000 CAD to assist with financing of new and used equipment. As at March 31, 2024 \$1,323,013 CAD was in use leaving \$676,987 CAD available (Note 7 Lease obligations). The company has in place a credit facility of up to \$1,193,450 CAD through its bank to fund the Elmira purchase consideration of which \$1,193,450 was used as disclosed in note 6.

The credit facilities referenced above are subject to certain covenants, including a debt service covenant which the Company was in compliance as at March 31, 2024. Refer to Note 6 and Note 7 for details.

#### *Contractual obligations*

The following table provides a summary of the Company's obligations outstanding as at March 31, 2024:

Payments due by period

	Total	Current	2024	2025	2026	2027	Thereafter
	\$	\$	\$	\$	\$	\$	\$
Bank indebtedness	1,879,537	1,879,537					
Accounts payable and accrued liabilities	2,266,957	2,266,957					
Due to related parties - convertible debentures	247,672		247,672				
Due to related parties - other	4,122,057	50,000	4,072,057				
Due to related parties - line of credit	242,598		242,598				
Due to related parties - demand loan	201,393		201,393				
Due to related parties - lease payments	1,565,374	781,711	783,663				
Lease commitments	1,536,260	428,803	370,682	356,731	376,873	3,170	
Long-term debt	1,871,327	491,513	473,951	766,338	63,099	64,207	12,220
	13,933,175	5,898,521	6,392,016	1,123,069	439,972	67,377	12,220

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 18. Financial instruments

#### *Fair value hierarchy*

Financial instruments recorded at fair value on the Statements of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash is classified as a Level 1 financial instrument. During the year, there has been no significant transfer of amounts between Level 1 and Level 2. There are no items classified in Level 2 or 3.

The Company has exposure to credit risk, market risk and liquidity risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls, sound business practices and on occasion derivative financial instruments.

#### *Credit risk*

Credit risk arises from cash held with banks, the mortgage receivable and credit exposure to customers, and others from outstanding trade receivables and unbilled revenue. The objective of managing counterparty credit risk is to prevent losses on financial assets, specifically cash, trade receivables and unbilled revenue. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

#### *Mortgage receivable*

Credit risk arises from the potential of not collecting the amount owing. The Company mitigates the risk via the security held and by monitoring the collection of amounts owing.

#### *Cash*

Cash consists of bank deposits. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested in highly rated financial institutions.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 18. Financial instruments - Cont'd.

#### *Accounts receivable*

Accounts receivable consists primarily of trade receivables. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company.

This risk is mitigated through established credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. The carrying amount of trade receivables are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the statement of comprehensive earnings. When a receivable balance is considered uncollectible, it is written off against the allowance for trade receivables.

Maximum credit risk is limited to the balance in cash, trade receivables and unbilled revenue totaling \$4,847,964 (\$4,598,829 in 2023). As at March 31, 2024, trade receivables were comprised of two companies totaling 21% and 20% respectively (two companies totaling 21% and 23% respectively in 2023). As at March 31, 2024, the Company's ageing of accounts receivable was approximately 87% (90% - 2023) under sixty days, 12% (3% in 2023); over 60 - 90 days and 1% (7% March 31, 2023) over 90 days and the allowance for doubtful accounts was \$31,231 (\$NIL in 2023).

#### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognized assets and liabilities or future cash flows or the Company's results of operations.

#### *Interest risk*

The Company is financed through loans from related parties and bank loans, which bear interest at rates tied to the Canadian bank prime rate. The Company's exposure to interest rate risk relates primarily to variable interest rates on the Company's credit facilities as disclosed in note 18.

#### *Foreign currency risk*

There is a risk to the Company's earnings that arises from fluctuations in foreign exchange rates, and the degree of volatility of these rates. The Company's financial results are reported in Canadian dollars. The Company is exposed to foreign exchange fluctuations against the Canadian dollar as sales are primarily denominated in U.S. dollars and other foreign currencies, while expenditures are primarily denominated in Canadian dollars. The Company did not use derivative financial instruments to manage this risk. For the year ended March 31, 2024, the Company had a foreign exchange loss of \$198,487 (gain of \$96,163 in 2023). A 10% change in the value of the U.S. dollar against the Canadian dollar would have an approximate foreign exchange gain or loss of \$178,039 and \$245,356 for the fiscal years ended March 31, 2024 and 2023, respectively.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 18. Financial instruments - Cont'd.

Assets and liabilities denominated in U.S. dollars are as follows:

#### US MONETARY

	<b>March 31, 2024</b>	March 31, 2023
	<b>(audited)</b>	(audited)
	\$	\$
Cash	309,986	1,295,206
Trade receivables	1,056,363	810,709
Unbilled revenue	640,807	838,859
Prepaid expenses and other receivables	24,208	50,180
Trade and other payables	404,817	(373,224)
Long-term debt	976,266	(620,890)
	<b>3,412,447</b>	<b>2,000,840</b>

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains a positive working capital position. The Company aims to maintain a current ratio, defined as current assets over current liabilities, of at least 1:1.

The Company generally makes semi-monthly payments to vendors. As at March 31, 2024, 87% of the Company's undisputed accounts payable were current. The vast majority of accounts payable fall due for payment within forty-five days.

#### Fair values

The carrying amounts for cash, trade accounts receivable, and accounts payable and accrued liabilities approximate fair value due to the short maturity of these instruments or the terms of the instrument. The carrying amount for the long-term debt approximated fair value as the interest rate was reflective of rates currently available for similar debt. The fair value of the mortgage receivable approximates the carrying value as the interest rate is reflective of current rates.

### 19. Key Management Personnel Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company is the Company CEO. The CEO controls approximately 34.4% of the outstanding shares of the Company. Compensation provided to key management is as follows:

	<b>2024</b>	2023
	<b>\$</b>	\$
Wages and Consulting Fees	<b>256,979</b>	259,379
Health benefits	<b>6,979</b>	15,906
	<b>263,958</b>	<b>275,285</b>

If terminated for other than just cause, the chief executive officer is entitled to up to eighteen months prior written notice or payment thereof in lieu at the rate in effect at the time of termination.

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

### 20. Revenue

The Company derives its revenue principally from the provision of customized electronics and specialty structure services under fixed price contracts. Revenue is generally recorded as the work progresses using the percentage of completion method. The contract period for the electronics contracts is generally short with the performance obligation provided over time and billed on completion and delivery. The contract period for the Specialty Structures contracts can extend beyond a year with progress billings incorporated into the terms of the customer contract. Payment is generally due on issuance of the invoice. The company also receives deposits related to revenue recorded at a point in time. Deferred revenue is generally comprised of progress billings related to the Specialty Structures and Applied Electronics contracts.

The following table presents the changes in deferred revenue:

	\$
Opening balance, March 31, 2023	1,547,343
Revenue Recognized	(1,518,214)
Amounts invoiced and deferred as at March 31, 2024	376,908
Balance, March 31, 2024	406,038

### 21. Personnel expenses

The following table presents the personnel expenses of the Company:

	2024	2023
	\$	\$
Salaries including bonuses	6,719,939	6,664,459
Benefits	914,216	864,225
Commissions	346,653	252,307
	<b>7,980,808</b>	<b>7,780,991</b>

### 22. Depreciation

The following table presents the depreciation expenses by function:

	2024	2023
	\$	\$
Cost of goods sold	1,106,955	1,125,580
Selling and marketing	292,702	270,864
Engineering and design	111,166	97,834
General and administrative	1,426	1,249
	<b>1,512,249</b>	<b>1,495,527</b>

# Plaintree Systems Inc.

## Notes to the consolidated financial statements

March 31, 2024 and March 31, 2023

(In Canadian dollars)

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### 23. Gain on loan derecognition

During the fiscal year 2024, the Company derecognized a loan payable amounting to \$257,601 (representing the amount of the unpaid Contingent Purchase Consideration as per Note 6 – Long Term Debt) due to ongoing litigation. The legal claim against the Company is equal to \$400,000. Based on legal opinions and management's assessment, it is probable that the Company will be successful in negating the payment obligation, and therefore no provision has been recognized in the financial statements. The derecognition resulted in a gain of \$257,601, which has been recognized under 'Other Income' in the income statement. The gain was calculated as the carrying amount of the loan at the date of derecognition. Management believes that the risk of an adverse outcome is minimal; however, should the litigation outcome be unfavorable, the Company may be required to recognize the liability again in future periods.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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## **PLAINTREE SYSTEMS INC.**

***For the three and twelve months ended March 31, 2024 and March 31, 2023***

**Date: July 26, 2024**

The following discussion and analysis is the responsibility of management and has been reviewed by the Audit Committee of Plaintiff Systems Inc ("Plaintree" or the "Company") and approved by the Board of Directors of Plaintiff. The Board of Directors carries out its responsibilities for the financial statements and management's discussion and analysis principally through the Audit Committee, which is comprised exclusively of independent directors.

The following discussion of the financial condition, changes in financial condition and results of operations of Plaintiff is for the three and twelve months ended March 31, 2024 and 2023. Historical results of operations, percentage relationships and any trends that may be inferred there from are not necessarily indicative of the operating results of any future periods. Unless otherwise stated all amounts are in Canadian dollars following the requirements of the International Financial Reporting Standards ("IFRS"). The information contained herein is dated as of July 26, 2024, and is current to that date, unless otherwise stated. Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made in the annual filings. Our Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company and have reviewed this MD&A and the accompanying financial statements.

W. David Watson II, President and Chief Executive Officer, and Robert Turley, Chief Financial Officer, in accordance with National Instrument 52-109 ("NI52-109"), have both certified that they have reviewed the annual financial statements and this MD&A ("the annual Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the annual Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the annual Filings; and (b) the annual financial statements together with the other financial information included in the annual Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the dates and for the periods presented in the annual Filings.

Investors should be aware that the inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost-effective basis, Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### ***Caution Regarding Forward Looking Information***

*This MD&A of the Company contains certain statements that, to the extent not based on historical events, are forward-looking statements based on certain assumptions and reflect Plaintiff's current expectations. Forward-looking statements include, without limitation, statements evaluating market and general economic conditions, and statements regarding growth strategy and future-oriented project revenue, costs and expenditures. Actual results could differ materially from those projected and should not be relied upon as a prediction of future events. A variety of inherent risks, uncertainties and factors, many of which are beyond Plaintiff's control, affect the operations, performance and results of Plaintiff and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. Some of these risks, uncertainties and factors include the impact or unanticipated impact of: companies evaluating Plaintiff's products delaying purchase decisions; current, pending and proposed legislative or regulatory developments in the*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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*jurisdictions where Plaintiff operates; change in tax laws; political conditions and developments; intensifying competition from established competitors and new entrants in the industry; technological change; currency value fluctuation; general economic conditions worldwide, including in China; Plaintiff's success in developing and introducing new products and services, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels; supply and/or staffing issues in relation to ongoing COVID concerns; and Plaintiff's success in integrating acquired businesses. This list is not exhaustive of the factors that may affect any of Plaintiff's forward-looking statements. Plaintiff undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise. Readers are cautioned not to put undue reliance on forward-looking statements. Readers should also carefully review the risks concerning the business of the Company and the industries in which it operates generally described in the documents filed from time to time with Canadian securities regulatory authorities.*



**Overview**

Plaintree Systems Inc. ("Plaintree" or the "Company") was incorporated in Canada under the Canada Business Corporation Act and is publicly traded on the Canadian Securities Exchange ("CSE") under "NPT". Plaintree is a diversified company with proprietary technologies and manufacturing capabilities in structural design and aerospace. The Company operates an Applied Electronics division, consisting of the Hypernetics division, Summit Aerospace USA Inc. ("Summit Aerospace") and the Elmira Stove Works business, and a Specialty Structures division consisting of the Triodetic business, Spotton Corporation. The Hypernetics business manufactures avionic components for various applications including aircraft antiskid braking, aircraft indicators, solenoids and permanent magnet alternators. The Triodetic business is a design/build manufacturer of steel, aluminum, and stainless steel specialty structures such as commercial domes, free form structures, barrel vaults, space frames, and industrial dome coverings. Summit Aerospace specializes in the high-end machining of super-alloys for the aircraft and helicopter markets. Spotton's business involves the design and manufacture of high-end custom hydraulic and pneumatic cylinders for the industrial, automation and oil and gas markets. The Elmira Stove Works business manufactures custom vintage-inspired kitchen appliances for the North American consumer market.

The address of the Company's registered office and principal place of business is 10 Didak Drive, Arnprior, Ontario.

**Control Activities**

The Company's Chief Executive Officer and Chief Financial Officer exercise reasonable diligence around the controls and procedures designed to provide reasonable assurance that financial information disclosed is recorded, processed and disclosed reliability.

### Selected Annual Financial Information

Company's consolidated financial statements are stated in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS"). The following table sets forth selected financial information from the Company's interim financial statements:

	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Revenue	24,205	19,943
Net earnings (loss) and comprehensive earnings (loss)	1,072	(1,945)
Net earnings (loss) attributed to common shareholders	(394)	(3,411)
Basic and diluted earnings (loss) per share	(0.03)	(0.26)

(\$000s, except per share amounts)

	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Total assets	14,985	16,128
Total liabilities	14,091	16,306
Long-term liabilities	7,851	6,612
Cash dividends declared per share	nil	nil

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS

**Results from Operations**

(\$000s)

	Twelve months ended		Change from
	March 31, 2024	March 31, 2023	
	(audited)	(audited)	
	\$	\$	\$
Revenue	24,205	19,943	4,262
Cost of sales	16,562	15,802	760
Gross margin	7,643	4,141	3,502
	32%	21%	
Operating expenses:			
Research and development	1,767	1,593	174
Finance and administration	2,228	2,003	225
Sales and marketing	1,906	1,884	22
Bad debts	28	-	28
Loss on disposal of assets	40	10	30
Interest expense	302	335	(33)
Loss/(Gain) on foreign exchange	198	(96)	294
Loss on Impairment	360	666	(306)
Gain on loan derecognition	(258)	-	(258)
	6,571	6,395	175
Net earnings (loss) and comprehensive earnings (loss)	1,072	(2,254)	3,326

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Business segment information

The Company's chief decision maker, the CEO, tracks the Company's operations as two business segments - the design, development, manufacture, marketing and support of applied electronic products, and the specialty structural products. The Company determines the geographical location of revenue based on the location of its customers. Of the total balance of \$4,806,300 (March 31, 2023 - \$5,613,405) in property, plant and equipment and Right of Use Asset, building \$3,917,598 (March 31, 2023 - \$5,110,145) is located in Canada and \$888,702 (March 31, 2023 - \$503,261) in the United States. All the Company's intangible assets are primarily located in Canada.

### Revenue by division

	Twelve months ending	
	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Applied Electronics	10,512,522	8,800,687
Specialty Structures	13,692,283	11,142,433
	<b>24,204,805</b>	19,943,120

### Revenue by geographical location

	Twelve months ending	
	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Canada	9,810,267	9,012,997
United States	14,188,291	10,168,237
Other	206,247	761,886
	<b>24,204,805</b>	19,943,120

### Net earnings (loss) before taxes by division

	Twelve months ending	
	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Applied Electronics	(754,021)	(2,425,021)
Specialty Structures	1,825,930	170,823
	<b>1,071,909</b>	(2,254,198)

### Loss on impairment by division

	Twelve months ending	
	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Applied Electronics	360,000	666,486
Specialty Structures	0	0
	<b>360,000</b>	666,486

### Product revenue concentration (customers with revenue in excess of 10%)

	Twelve months ending	
	March 31, 2024	March 31, 2023
	(audited)	(audited)
Number of customers	2	2
% of total revenue	11%, 15%	12%, 13%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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*Assets by division*

	<b>March 31, 2024</b>	March 31, 2023
	<b>(audited)</b>	(audited)
	\$	\$
Applied Electronics	<b>9,458,465</b>	9,750,341
Specialty Structures	<b>5,526,162</b>	6,377,483

*Intangibles by division*

	<b>March 31, 2024</b>	March 31, 2023
	<b>(audited)</b>	(audited)
	\$	\$
Applied Electronics	<b>891,842</b>	1,427,993
Specialty Structures	<b>0</b>	0

**Revenues**

Total product revenue from ongoing operations for fiscal 2024 was \$24,204,805 compared to \$19,943,120 for the first twelve months of fiscal 2023.

Plaintree has two diversified business divisions: Specialty Structures and Applied Electronics.

Plaintree's Applied Electronics Division revenues from operations increased in fiscal 2024 to \$10,512,522 compared to \$8,800,687 in fiscal 2023.

Plaintree's Specialty Structures Division revenues from operations increased to \$13,692,283 in fiscal 2024 from \$11,142,433 in fiscal 2023.

**Gross Margin**

Total gross margin increased during fiscal 2024, at 32% compared to 21% for fiscal 2023. Included in fiscal 2023 cost of goods sold are expenses related to operations to relocate and establish the production processes of the Elmira Stove Works business which were not repeated in fiscal 2024.

**Operating Expenses**

**Research and development expenses**

Research and development expenses were \$1,767,010 and \$1,592,531 for fiscals 2024 and 2023, respectively. Research and development expenditures consist primarily of development engineering and personnel expenses.

### **Finance and administration expenses**

Finance and administration expenses were \$2,227,864 and \$2,003,020 for fiscals 2024 and 2023, respectively. Finance and administration expenses consist primarily of costs associated with managing the Company's finances, which include financial staff, legal and audit activities.

### **Sales and marketing expenses**

Sales and marketing expenses were \$1,906,358 and \$1,884,343 for fiscals 2024 and 2023. These expenses consist primarily of personnel and related costs associated with Company's sales and marketing departments, which include sales commissions, advertising, travel, trade shows and other promotional activities.

### **Bad debts**

An allowance for doubtful accounts has been created for an account has been setup in the amount of \$27,638 (\$NIL – 2023) for potentially uncollectable amounts. This relates to a tenant subletting office space who is more than three months in arrears.

### **Loss on Disposal**

Various production equipment were disposed of during fiscal 2024 resulting in a write-off of the remaining net book value associated with the equipment in the amount of \$39,944 (\$NIL – 2023).

### **Loss on impairment**

Loss on impairment consists of a write-down of Goodwill, Brands and Customer Relationships related to the Elmira Stove Works acquisition. Loss on impairment amounted to \$360,000 and \$666,486 for fiscals 2024 and 2023 respectively. Management determined that an impairment charge was required to write off goodwill of \$186,816 with a further impact on intangible assets of \$89,249 to Brands and \$83,935 to Customer Relationships. The recoverable amount was assessed by a value in use assessment as the fair value less costs of disposal calculation was expected to provide similar results when using a discounted cash flow model. The recoverable amount of the CGU amounted to \$2,470,456 as at March 31, 2024.

### **Interest expense**

Interest expense consists of interest incurred on bank debt. Interest expenses amounted to \$301,956 and \$335,449 for fiscals 2024 and 2023 respectively. The majority of the Company's debt accrues interest at variable rates based on the Company's bank prime lending rate of interest.

### **Loss (Gain) on foreign exchange**

The Company reported a loss on foreign exchange of \$197,670 and a gain of (96,163) in fiscals 2024 and 2023, respectively. The gain/loss on foreign exchange represents the gain/loss, realized or unrealized, of transactions and year-end foreign balances that are completed in currencies other than the Company's reporting currency.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Net (loss) earnings, Comprehensive earnings and Net earnings Attributable to Common Shareholders**

Net loss and comprehensive loss for fiscal 2024 was \$(394,094) and Net loss and comprehensive loss for fiscal 2023 was \$(3,410,940). Net income attributed to common shareholders is calculated by reducing net income by the \$1,466,000 cumulative dividends that accrue annually on the Class A preferred shares. The cumulative dividends accrue at 8% per annum on the face value of the \$18,325,000 for the Class A preferred shares and as March 31, 2024 the accrued and unpaid dividends on the Class A preferred shares were \$22,656,000 (March 31, 2023 - \$21,190,000).

**Quarterly Results**

The following table sets out selected unaudited consolidated financial information for the last eight quarters in fiscals 2024 and 2023:

**Quarters ended** (unaudited, in \$000s except per share data)

	Mar-31 2024 Q4 2024	Dec-31 2023 Q3 2024	Sep-30 2023 Q2 2024	Jun-30 2023 Q1 2024	Mar-31 2023 Q4 2023	Dec-31 2022 Q3 2023	Sept 30 2022 Q2 2023	Jun 30 2022 Q1 2023
Revenue	\$ 6,417	\$ 4,857	\$ 5,178	\$ 7,753	\$ 3,397	\$ 6,238	\$ 4,861	\$ 5,447
Net earnings (loss) and total comprehensive earnings (loss)	625	(174)	(44)	665	(3335)	831	220	339
Net (loss) earnings attributed to common shareholders	258	(540)	(410)	298	(3,701)	465	(147)	(28)
Basic and diluted (loss) earnings per share	0.02	(0.04)	(0.06)	0.02	(0.29)	0.04	(0.01)	(0.00)

## Liquidity and Capital Resources

	March 31, 2024 (audited)	March 31, 2023 (audited)	Change
	\$	\$	\$
Cash	(1,880)	(1,097)	(783)
Working Capital	3,047	(886)	3,933

	March 31, 2024 (audited)	March 31, 2023 (audited)	Change
	\$	\$	\$
Net cash provided by (used in) :			
Operating activities	1,581	(595)	2,176
Investing activities	(569)	(543)	(26)
Financing activities	(1,795)	(1,870)	75

### Cash

As at March 31, 2024, the Company had a cash balance of \$(1,879,537) a decrease of \$(782,807) from cash balance of \$(1,096,730) in March 31, 2023.

### Working Capital

Working capital represents current assets less current liabilities. As at March 31, 2024, the Company had working capital of \$3,047,327 compared to a working capital of \$(885,625) at March 31, 2023. In fiscal 2023 the Company was offside on its bank covenant ratios resulting the reclassification of \$3,112,488 of long term debt to current debt, this was not applicable at March 31, 2024.

### Operating activities

Cash provided by operating activities during the first twelve months of fiscal 2024 was \$1,581,147 representing an increase of \$2,176,069 from cash provided of \$(594,923) for the respective period during fiscal 2023. Cash provided during the period related to improved operations, deferred revenue and general working capital improvements.

### Investing activities

Cash (used in) investing activities during fiscal 2024 was \$(568,937) representing a decrease of \$(25,739) in investing activities from cash (used in) investing activities of \$(543,198) in the respective period during fiscal 2023. Cash used in investing activities during fiscal 2024 relates primarily to the purchases of manufacturing equipment and website development.



### Financing activities

Cash (used in) financing activities during fiscal 2024 was \$(1,795,017) representing an increase of \$74,793 from cash (used in) of \$(1,869,810) during the respective period in fiscal 2023. Cash used in financing activities during fiscal 2024 relates primarily to the repayment of long-term debt and leases.

### Outlook

The Company has in place a credit facility of up to \$4,000,000 CAD through its bank based on acceptable trade receivables and inventory. The total amount available to the Company as at March 31, 2024 was \$3,387,562 CAD of which \$2,358,016 was in use leaving \$1,029,546 CAD available. The Company through its bank has in place a credit facility of up to \$3,500,000 CAD for the issuance of standby letters of credit and/or letters of guarantee insured by Export Development Corporation ("EDC") Performance Security Guarantee of which \$824,381 CAD was in use as at March 31, 2023. The Company has in place a credit facility of up to \$2,000,000 CAD to assist with financing of new and used equipment. As at March 31, 2024, \$1,323,013 CAD was in use leaving \$676,987 CAD available (Note 7 Lease obligations). The Company has in place a credit facility of up to \$1,193,450 CAD through its bank to fund the Elmira purchase consideration of which \$1,193,450 was used at March 31, 2024.

### Due to related parties

	March 31, 2024	March 31, 2023
	(audited)	(audited)
	\$	\$
Due to senior officers	3,663,669	3,815,593
Dividends payable	60,000	60,000
Due to Targa Group Inc.	247,672	247,672
Due to Tidal Quality Management Inc.	398,388	398,388
Due to Targa Group Inc, line of credit interest	242,598	242,598
Due to Targa Group Inc, demand loan interest	201,393	201,393
	<b>4,813,720</b>	4,965,643
Less: current portion	<b>(50,000)</b>	(50,000)
	<b>4,763,720</b>	4,915,643

Targa Group Inc. and Tidal Quality Management Inc. are companies under common control.

As at March 31, 2024, a balance of \$3,663,669 (\$2,528,035 principal and \$1,135,634 interest); March 31, 2023 - 3,815,593 (\$2,579,959 principal and \$1,235,634 interest) remained owing to senior officers of the Company. The parties agreed to discontinue interest payments accruing on balances as of April 1, 2016. During fiscal 2024 payments in the amount of \$151,924 were repaid to senior officers. As of March 31, 2024, \$50,000 was classified as current. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

On July 14, 2011, the board of directors of the Company declared a cash dividend of \$10.91405 per Class A preferred share (\$200,000 in the aggregate) payable on July 22, 2011, to the holders of record at the close of business on July 18, 2011. The Class A preferred shares are held by related parties and are entitled to annual cumulative dividends of 8% on the \$1,000 redemption amount of the Class A preferred share. An amount of \$60,000 (\$60,000 – March 31, 2023) of the dividend remains outstanding as at March 31, 2024. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

As at March 31, 2024, interest in the amount of \$247,672 (\$247,672 – March 31, 2023) on a loan from Targa remains outstanding. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

As at March 31, 2024, a balance of \$398,388 rent arrears consist of \$215,500 from March 31 2023 and \$182,888 interest); March 31, 2023 - \$398,388 (\$215,500 rent arrears and \$182,888 interest) remained owing to a related party controlled by Targa, Tidal Quality Management Corp. The party agreed to discontinue interest accruing on unpaid balances as at April 1, 2016. Until then the interest rate was at bank prime plus 2%. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

The Company has a revolving line of credit of up to \$1,000,000 with Targa. Under the loan agreements, all amounts advanced to the Company are payable on demand and bear interest at bank prime plus 2%. The Targa Credit Line is secured by a security interest granted over the assets of the Company. As at March 31, 2024, \$NIL (\$NIL – March 31, 2023) remained outstanding on the line of credit with accumulated interest of \$242,598 (\$242,598 – March 31, 2023) outstanding for a balance of \$242,598 (\$242,598 – March 31, 2023). The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Interest in the amount of \$66,581 (\$66,581 – March 31, 2023) remained outstanding on a demand loan with Targa. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments. Accumulated interest in the amount of \$134,812 (\$134,812 – March 31, 2023), on a loan from Targa remains outstanding as of March 31, 2024. The balance of the amount is classified as long-term, as the related party has agreed with third-party lenders to postpone repayments.

Rents in the form of lease payments paid to Tidal Quality Management Corporation during the twelve months ended March 31, 2024, totaled \$685,976 (\$668,843 – March 31, 2023). The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties.

### **Facilities**

The Company leases a 135,500 sq. /ft. building at 10 Didak Drive in Arnprior, Ontario and a sales office and showroom in Elmira, ON for the Elmira Stove Works Inc.

The Company along with its wholly-owned US subsidiary owns a 16,300 sq. ft. manufacturing facility in Pocono Summit, PA.

**Summary of Outstanding Share Data**

As at July 26, 2024 the following equity instruments of the Company were issued and outstanding:

Common Shares: 12,925,253

Class A Preferred Shares: \* 18,325

\* The Class A Preferred shares provide an 8% cumulative dividend based on a value of \$1,000 per share, are redeemable at the option of the Company at any time at \$1,000 per share plus accrued dividends and they are non-voting.

Convertible Debentures:\*\* \$nil principal value

\*\* The Company has issued various tranches of convertible debentures to related parties for total outstanding value at March 31, 2024 of \$247,672 in accrued interest only. Interest is convertible in cash only.

Options:\*\*\* 880,000

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com) or the Company's website at [www.plaintree.com](http://www.plaintree.com).

# Plaintree Systems Inc.

## Board of Directors

**Jerry S. Vickers, Board Chair**  
Financial/Business Consultant

**W. David Watson II**  
President & Chief Executive Officer

**Girvan L. Patterson, Audit Committee Chair**  
Business Consultant

**Sean T. Watson**  
V.P. Operations, Spotton Corporation

## Executives and Officers

**W. David Watson II**  
President & Chief Executive Officer

**Robert W. Turley**  
Chief Financial Officer

## Principal Office

10 Didak Drive  
Arnprior, ON, Canada K7S 0C3  
Telephone: (613) 623-3434  
Facsimile: (613) 623-9497

Website: <http://www.plaintree.com>

## Auditors

**Welch LLP**  
Ottawa, ON, Canada

## Transfer Agent

**Computershare Investor Services Inc**  
100 University Ave., 8<sup>th</sup> Floor  
Toronto, ON, Canada M5J 2Y1

## Corporate Secretary

**Gary Jessop**  
Partner  
Jessop & Proulx LLP  
Ottawa, ON, Canada

## Legal Counsel

**Jessop & Proulx LLP**  
Ottawa, ON, Canada

## Stock Exchange Listings

CSE: NPT