



2024

Annual Report



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2024

Annual Report

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Bonal International, Inc. and Subsidiary

Financial Statements

Bonal International, Inc. (traded under the symbol “**BONL**”), through its wholly-owned subsidiary Bonal Technologies, Inc., is the world’s leading provider of sub-harmonic vibratory metal stress relief technology and the manufacturer of Meta-Lax® stress relieving equipment. Headquartered in Royal Oak, Michigan, Bonal also provides a complete variety of consulting, training, program design, and metal stress relief service to several industries including: automotive, aerospace, shipbuilding, machine tool, plastic molding, and die casting, and others. Bonal’s patented products and services are sold throughout the U.S. and in over 64 foreign countries.

Financial Highlights

Year Ending March 31	2024	2023	2022
Total Revenues	1,640,819	1,777,283	\$1,724,800
Gross Profit	1,208,028	1,264,245	1,313,804
Net Income	6,934	51,321	186,207
Total Assets	1,948,641	1,965,113	1,870,293
Working Capital	1,495,277	1,462,019	1,640,744
Earnings per Share	0.00	0.03	0.11
Stockholders’ Equity	1,637,752	1,630,818	1,666,893
Trading Activity Hi/Low	1.45 / 0.60	2.00 / 1.35	2.05 / 1.42
Dividend Paid per Share	0.00	0.05	0.05

Fiscal 2024 Quarters Ended

	June 30	September 30	December 30	March 31, 2021
Total Revenues	405,518	471,204	390,199	373,898
Gross Profit	283,170	345,129	285,908	293,821
Net Income	(19,792)	11,750	(18,235)	33,211

Fiscal 2023 Quarters Ended

	June 30	September 30	December 30	March 31, 2020
Total Revenues	482,360	411,078	384,626	499,219
Gross Profit	356,605	287,905	273,194	346,541
Net Income	19,202	1,824	(28,804)	59,099

Sales Breakdown for Fiscal Year 2024

Equipment and
Service Revenue
\$1,436,317

Rental
Revenue
\$204,502

March 31, 2024

Dear Shareholders,

Fiscal year 2024 was an exciting year of transition for Bonal International (and its wholly owned subsidiary Bonal Technologies, Inc.). Due to my retirement as president and CEO, the board of directors hired Torsten Warnatsch as the new president and CEO of Bonal towards the end of the first quarter. I will continue to serve as the chairman of the board. Mr. Warnatsch brings a wealth of executive leadership to Bonal. He was an instrumental leader in the expansion and growth of other corporations which, like Bonal, provide industry with unique and high-tech products.

The impact of Mr. Warnatsch's leadership was felt from the very beginning of his tenure. Immediately after taking over, Mr. Warnatsch began implementing several significant changes, internally and externally, to position Bonal for future growth. Among the first changes Mr. Warnatsch implemented was the use of descriptive short videos to provide targeted marketing tailored to specific industrial applications. He also implemented an online chat function enabling Bonal to communicate with people visiting our website. Another change was the expanded use of social media in our sales and marketing efforts. Through social media we now have an easier time reaching prospects and finding new leads. Additionally, Bonal's sales team has upgraded to new, more advanced, customer relationship management (CRM) software to enhance our ability to serve our current customers and new prospects.

Externally, Bonal also made impressive strides. To increase our corporate profile, Bonal decided to extend our reach through the formation of a domestic agent network which will help our efforts to sell and distribute the Meta-Lax product line across the country. As of March 31, 2024, Bonal has already signed four agents. The company has plans to increase the size and scope of our agent network to maximize both our national and international reach.

During fiscal year 2024, Bonal was faced with numerous challenges. Inflation significantly affected our business. Prices dramatically increased for many internal components used in the Meta-Lax equipment. The price of some components increased by more than 50 percent. To minimize the impact of those increases, Bonal started purchasing certain components in bulk. This move increased Bonal's inventory but helped insulate the company from future radical price increases.

Consistent with prior years, current Bonal customers and their referrals were our best source of revenue, accounting for an astounding 43 percent of sales. Sales statistics continue to show that our industry-leading technology, the Model 2800 state-of-the-art computerized system, accounted for 56 percent of sales by volume, up an additional four percent from its strong showing last year. Notable customers that purchased additional Meta-Lax equipment this year included Baker-Hughes, Howmet and Jasper Electric. Popular companies that acquired their first Meta-Lax system included Komatsu Mining Equipment and Britt Aerospace.

Ultimately, the struggles of domestic inflation took their toll as revenue was off by 7.7 percent for the year. Nevertheless, Bonal was still able to post a small net income, while simultaneously navigating the supply chain problems and building towards a stronger future. Fiscal year 2024 represents the 19th profitable year over the past 20 years.

Bonal International, Inc. and Subsidiary

Fiscal year 2024 was a year of transition where Bonal took several important steps toward expansion and growth. These steps included adding domestic sales agents, expanding our targeted marketing efforts, and increasing our social media presence. Further, Bonal continued to see strong customer support, increased popularity of our state-of-the-art automatic Meta-Lax stress relief system, and the ongoing dedication of our loyal staff. Both the strategic changes and the continued successes of fiscal year 2024 form the basis of an exciting future for Bonal International.

Thank you for your continued support.

Sincerely,



Thomas E. Hebel

Chairman

Independent Accountant's Review Report

Board of Directors and Stockholders Bonal International,
Inc. and Subsidiary

We have reviewed the accompanying consolidated financial statements of Bonal International, Inc. and Subsidiary (the Company), which comprise the consolidated balance sheet as of March 31, 2024 and 2023, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended March 31, 2024, 2023, and 2022, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Bonal International, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Cohen & Company Ltd.

St. Clair Shores, Michigan June 28, 2024

COHEN & COMPANY, LTD.

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Registered with the Public Company Accounting Oversight Board

Bonal International, Inc. and Subsidiary

Consolidated Balance Sheet

	March 31,	
	2024	2023
Assets		
Current Assets		
Cash	\$ 872,501	\$ 706,665
Accounts receivable-trade, net of allowance for credit losses of \$2,175 and \$3,000, respectively	152,999	250,112
Inventories, net	619,113	657,718
Prepaid expenses and other current assets:		
Prepaid expenses	38,258	34,734
Refundable income taxes	35,900	
Other current assets	41,894	75,525
Total current assets	1,760,665	1,724,754
Property and Equipment, Net	17,932	20,181
Deferred Tax Asset	52,000	30,100
Other Assets		
Operating lease right-of-use assets	118,044	190,078
Total assets	<u>\$ 1,948,641</u>	<u>\$ 1,965,113</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 51,944	\$ 20,304
Accrued and other current liabilities:		
Accrued compensation	58,419	86,681
Customer deposits and advances	47,369	23,000
Accrued income tax liabilities		7,000
Other accrued liabilities	32,324	4,917
Current portion of lease liabilities	75,332	120,833
Total current liabilities	265,388	262,735
Long-Term Liabilities		
Operating lease liabilities	45,501	71,560
Stockholders' Equity	1,637,752	1,630,818
Total liabilities and stockholders' equity	<u>\$ 1,948,641</u>	<u>\$ 1,965,113</u>

Consolidated Statement of Operations

	Year Ended March 31,		
	2024	2023	2022
Net Sales			
Contract revenue	\$ 1,436,317	\$ 1,610,118	\$ 1,504,580
Rental revenue	<u>204,502</u>	<u>167,165</u>	<u>220,220</u>
Total net sales	1,640,819	1,777,283	1,724,800
Cost of Sales	<u>432,791</u>	<u>513,038</u>	<u>410,996</u>
Gross Profit	1,208,028	1,264,245	1,313,804
General and Administrative Expenses	<u>1,244,010</u>	<u>1,208,430</u>	<u>1,086,572</u>
Operating Income (Loss)	<u>(35,982)</u>	<u>55,815</u>	<u>227,232</u>
Nonoperating Income (Expense)			
Interest income	5,611	1,570	1,244
Interest expense	(496)	(2,315)	
Other expense	<u>(1,949)</u>	<u>(1,561)</u>	<u>(487)</u>
Total nonoperating income (expense)	<u>3,166</u>	<u>(2,306)</u>	<u>757</u>
Income (Loss) - Before income taxes	(32,816)	53,509	227,989
Income Tax Expense (Benefit)	<u>(39,750)</u>	<u>2,188</u>	<u>41,782</u>
Net Income	<u><u>\$ 6,934</u></u>	<u><u>\$ 51,321</u></u>	<u><u>\$ 186,207</u></u>
Per-Share Data - Net Income	\$ 0.00	\$ 0.03	\$ 0.11
Average Number of Shares Used in per Share Computation	1,747,922	1,747,922	1,747,922

Bonal International, Inc. and Subsidiary

Consolidated Statement of Stockholders' Equity

	Class A Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance - April 1, 2021	\$ 8,740	\$ 688,212	\$ 871,130	\$ 1,568,082
Net Income			186,207	186,207
Dividends (\$0.05 per share)			(87,396)	(87,396)
Balance - March 31, 2022	8,740	688,212	969,941	1,666,893
Net Income			51,321	51,321
Dividends (\$0.05 per share)			(87,396)	(87,396)
Balance - March 31, 2023	8,740	688,212	933,866	1,630,818
Net Income			6,934	6,934
Balance - March 31, 2024	\$ 8,740	\$ 688,212	\$ 940,800	\$ 1,637,75

Bonal International, Inc. and Subsidiary

Consolidated Statement of Cash Flows

	Year Ended March 31,		
	2024	2023	2022
Cash Flow Provided by (Used in) Operating Activities			
Net income	\$ 6,934	\$ 51,321	\$ 186,207
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	9,511	10,130	8,517
Loss on disposal of property and equipment	461		307
Operating lease expense	72,034	70,201	
Deferred income taxes	(21,900)	(23,600)	3,200
Net change in:			
Accounts receivable-trade, net	97,113	(227,529)	45,411
Inventories, net	38,605	37,170	(180,935)
Prepaid expenses and other current assets	30,107	(41,675)	7,782
Refundable income taxes	(35,900)		4,114
Accounts payable	31,640	5,431	(9,177)
Accrued expenses and other current liabilities	16,514	(66,929)	79,202
Operating lease liabilities	(71,560)	(67,886)	
Net cash provided by (used in) operating activities	173,559	(253,366)	144,628
Cash Flow Used in Investing Activity			
Purchase of property and equipment	(7,723)	(10,662)	(1,665)
Cash Flow Used in Financing Activity			
Dividends paid		(87,396)	(87,396)
Net Increase (Decrease) in Cash	165,836	(351,424)	55,567
Cash - Beginning of year	706,665	1,058,089	1,002,522
Cash - End of year	<u>\$ 872,501</u>	<u>\$ 706,665</u>	<u>\$ 1,058,089</u>
Supplemental Financial Information			
Income taxes paid		<u>\$ 57,500</u>	
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	<u>\$ 75,602</u>	<u>\$ 73,761</u>	
Non-Cash Investing and Financing Transaction			
Right-of-use assets obtained in exchange for operating lease liabilities		<u>\$ 260,279</u>	

Note 1 - Nature of Business and Summary of Significant Financial Accounting Policies

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Bonal International, Inc. and its wholly - owned subsidiary, Bonal Technologies, Inc. (collectively, the Company). All material intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Nature of Business - Headquartered in Royal Oak, Michigan, Bonal Technologies, Inc. provides a complete variety of consulting, training, program design, and metal stress relief services to several industries including: automotive, aerospace, mining, petroleum, shipbuilding, welding, machine tooling, plastic molding, racing, engine building, armament, and die casting. The Company's patented technology and its Meta-Lax Stress Relief product line, having three distinct control consoles, are sold throughout the United States and in over 64 countries.

Basis of Accounting - The Company maintains its books on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Concentrations of Credit Risk - The Company primarily deposits cash with financial institutions and at times throughout the year may maintain balances that exceed federally insured limits of \$250,000, per depositor, per insured institution. The Company has not experienced any losses in such accounts, and management believes the Company is not exposed to any unusual credit risk regarding cash balances.

The Company had four customers that accounted for approximately 72% and three different customers that accounted for approximately 40% of accounts receivable-trade, net at March 31, 2024 and 2023, respectively. Due to the nature of the Company's business, the customers that comprise these concentrations change from year to year.

Use of Estimates - The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates, and such differences may be material.

Inventories - Inventories consist of raw materials, work in progress, and finished goods and are stated at the lower of cost, determined on the first-in, first-out (FIFO) method, or net realizable value. Finished goods include a rental fleet for units rented to customers on a short-term basis. At March 31, 2024 and 2023, approximately \$88,000 and \$82,000, respectively, relate to rental units within finished goods. A valuation allowance is provided for obsolete and slow-moving inventory to write down costs to net realizable value. The Company has recorded an obsolescence reserve as of March 31, 2024, and 2023, of approximately \$10,000.

Note 1 - Nature of Business and Summary of Significant Financial Accounting Policies (Continued)

Property and Equipment - Property and equipment are recorded at cost. Depreciation and amortization of property and equipment is provided by use of the straight-line and accelerated methods over the estimated useful lives of the assets as follows:

Machinery and equipment	7 - 10 years
Displays	5 years
Transportation equipment	5 years
Office furniture and equipment	3 - 10 years
Leasehold improvements	lease term

Leases - The Company determines if an arrangement is, or contains, a lease at the inception date. In evaluating contracts to determine if they qualify as a lease, the Company considers factors such as if the Company has obtained substantially all of the rights to the underlying asset through exclusivity, if the Company can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based primarily on the present value of lease payments over the lease term. In determining the discount rate used to measure the ROU assets and lease liabilities, the Company uses rates implicit in the lease, when available. If the rate implicit in the lease is not readily available, the Company has elected to use a risk-free rate for all classes of assets. The risk-free rate used is the "U.S. Treasury Bill Rate" in effect at the commencement of the lease for a similar term. The operating lease ROU assets also include any lease payments made at commencement and exclude lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

The Company elected to apply the short-term lease exemption. Under this exemption, ROU assets and lease liabilities are not recognized for leases with an initial term of 12 months or less. The Company does not currently have any material short-term lease arrangements.

The Company elected the practical expedient to account for lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. Payments for non-lease components, which are primarily comprised of common area maintenance, utilities, insurance, capital expenditures, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

Note 1 - Nature of Business and Summary of Significant Financial Accounting Policies (Continued)

Revenue Recognition - The Company's revenues primarily result from the sale of new and used metal stress relief products and accessories and related rental, servicing, repair, and training services. The issuance of a purchase order is generally the point at which a contract is identified for accounting and financial reporting purposes. The Company recognizes revenue for the sale of new and used units, and the related servicing, repair, and training services when the Company satisfies its performance obligation under the contract by transferring the promised product or service to the customer when the customer obtains control of the product or service. For products, this generally happens at the point of shipment. Products sold by the Company are delivered via shipment from the Company's facilities. For services, this happens upon completion of the service. The Company's contracts primarily consist of a single performance obligation.

The Company utilizes the following practical expedients and policy elections when recognizing revenue and related costs: (1) to apply certain practical expedients available with respect to disclosure requirements, (2) the transaction price is not adjusted for any significant financing component, as the expected time period between when the Company transfers the promised goods to the customer and payment is less than one year, (3) incremental costs of obtaining a contract are expensed when the amortization period is one year or less, (4) ASC 606 is applied to a portfolio of contracts (or performance obligations) with similar characteristics, (5) all shipping and handling activities are accounted for as activities to fulfill the promise to transfer the good, not as a separate performance obligation, and (6) the transaction price excludes tax amounts assessed by governmental authorities that are both (i) imposed on and concurrent with a specific to nonpublic companies with respect to disclosure requirements and (ii) collected from customers.

The Company provides a warranty for its products. Such warranties, however, are limited to standard contractually based periods and are not separately sold and are considered to be assurance-type warranties that are not separate performance obligations.

Rental revenues are recognized over the term of the lease agreement as the customer receives/consumes the benefit, typically monthly. Generally, rental customers are required to provide security deposits at the inception of the contract. Any remaining deposits are returned within 30 days of the end of the contract.

Income Taxes - Deferred tax assets and liabilities are recognized for the future tax benefits and consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes and discloses uncertain tax positions in accordance with GAAP. As of March 31, 2024 and 2023, and for the years ended March 31, 2024, 2023, and 2022, the Company did not have a liability for unrecognized tax benefits.

Note 1 - Nature of Business and Summary of Significant Financial Accounting Policies (Continued)

Earnings per Common Share - Earnings per common share are based on the number of common shares outstanding at the end of the year.

Subsequent Events - Management has evaluated subsequent events through June 28, 2024, the date the consolidated financial statements were available to be issued.

Note 2 - Summary of Significant Accounting Policies

Adoption of New Accounting Standard - Allowance for Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB Accounting Standards Codification [ASC] 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 are trade accounts receivable.

The Company adopted the standard effective April 1, 2023. The impact of adoption was not considered material to the consolidated financial statements and primarily resulted in new and enhanced disclosures only.

Accounts Receivable, Contract Assets, and Allowance for Credit Losses

The Company operates in the metal working industries and its accounts receivable and contract assets are primarily derived from wholesale customers. Since the Company's trade receivables and contract assets are largely similar, the Company evaluates its allowance for credit losses as one portfolio segment. Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The Company does not charge interest on unpaid accounts receivable balances. Accounts receivable are stated at amounts billed to the customer.

At each consolidated balance sheet date, the Company recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable or contract asset was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. Accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

Note 2 - Summary of Significant Accounting Policies (Continued)Accounts Receivable, Contract Assets, and Allowance for Credit Losses (continued)

The allowance estimate is derived from a review of the Company's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Company's portfolio segment has remained consistent since the Company's inception.

The Company writes off receivables and contract assets when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or as an offset to credit loss expense in the year of recovery, in accordance with the Company's accounting policy election. The total amount of write-offs was immaterial to the consolidated financial statements as a whole for the year ended March 31, 2024.

Prior to the adoption of ASC 326, the carrying amount of accounts receivable was reduced by a valuation allowance that reflected management's best estimate of the amounts that would not be collected. Management individually reviewed all overdue accounts receivable and based on an assessment of current creditworthiness, estimated the portion, if any, of the balance that would not be collected. Additionally, management estimated an allowance for the aggregate remaining accounts receivable based on historical collectability. Balances that were still outstanding after management had used reasonable efforts to collect were written off through a charge to the valuation allowance and a credit to accounts receivable.

The Company had accounts receivable-trade, net at April 1, 2022 was approximately \$23,000.

Note 3 - Inventories

Major classes of inventories are as follows:

	2024	2023
Raw materials	\$ 327,700	\$ 373,966
Work in process	95,362	101,587
Finished goods	<u>206,122</u>	<u>192,236</u>
Total	629,184	667,789
Reserve for obsolescence	<u>(10,071)</u>	<u>(10,071)</u>
Total Inventories, Net	<u>\$ 619,113</u>	<u>\$ 657,718</u>

Bonal International, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 4 - Property and Equipment

Major classes of property and equipment are as follows:

	2024	2023
Machinery and equipment	\$ 60,410	\$ 59,180
Displays	29,078	29,078
Transportation equipment	46,448	46,448
Office furniture and equipment	242,912	276,079
Leasehold improvements	13,968	13,968
Total cost	392,816	424,753
Accumulated depreciation and amortization	(374,884)	(404,572)
Property and equipment, Net	\$ 17,932	\$ 20,181

Note 5 - Income Taxes

The provision for (benefit from) income taxes consists of the following for the years ended:

	2024	2023	2022
Current expense (benefit)	\$ (17,850)	\$ 25,788	\$ 38,582
Deferred expense (benefit)	(21,900)	(23,600)	3,200
Net income tax expense (benefit)	\$ (39,750)	\$ 2,188	\$ 41,782

A reconciliation of the provision for income taxes to income taxes computed by applying the statutory United States federal tax rate to income before taxes is as follows:

	2024	2023	2022
Income tax expense -			
Computed at 21% of pretax income	\$ 12,250	\$ 34,082	\$ 47,791
State income tax expense (benefit)	(700)	800	1,014
Effect of nondeductible expense	651	651	651
Effect of tax credits			
and special deductions	(10,424)	(12,400)	(9,970)
Research and Development expense	(48,115)	(26,284)	-
Effect of adjustment			
of prior year estimates and other	6,588	5,339	2,296
Net income tax expense (benefit)	\$ (39,750)	\$ 2,188	\$ 41,782

Note 5 - Income Taxes (Continued)

At March 31, 2024 and 2023, gross deferred tax assets and gross deferred tax liabilities were comprised of the following:

	<u>2024</u>	<u>2023</u>
Gross deferred tax assets	\$ 55,400	\$ 35,700
Gross deferred tax liabilities	<u>(3,400)</u>	<u>(5,600)</u>
	<u>\$ 52,000</u>	<u>\$ 30,100</u>

Deferred tax assets result primarily from differences in the year of deductibility of certain expenses as well as capitalization of research and development expenses. Deferred tax liabilities result from different methods used for depreciation for financial reporting and income tax purposes. The Company had no valuation allowance on its deferred tax asset in either year.

Note 6 - CommitmentsLeases

The Company leases office and warehouse space under a long-term operating lease expiring in fiscal year 2026.

At March 31, 2024 and 2023, the weighted average remaining lease term of all operating leases was 1.58 and 2.58 years, respectively, and the weighted average discount rate was 2.63% for both years. Total operating lease expense for the years ended March 31, 2024 and 2023, was approximately \$76,000 for both years.

At March 31, 2024, future minimum lease payments are as follows:

	<u>Operating Lease</u>
2025	\$ 77,443
2026	<u>45,800</u>
Total undiscounted cash flows	123,243
Less: Present value discount	<u>(2,410)</u>
Total lease liabilities	<u>\$ 120,833</u>

Note 7 - Employment Agreement

The Company had an employment agreement with its former President and upon his retirement in October 2023, the Company entered into a consulting agreement for a five-year period beginning on November 1, 2023. In June 2023, the new President and CEO entered into an employment agreement with the Company which may be terminated at any time.

Note 8 - Stockholders' Equity

The Company's stock at March 31, 2024 and 2023, consists of the following:

- Class A common, voting stock, 5,000,000 authorized shares, with \$.005 par value.
A total of 1,747,922 shares were issued and outstanding at March 31, 2024 and 2023.
- Class B common, nonvoting stock, 5,000,000 authorized shares, with \$.01 par value.
There were no shares issued or outstanding at March 31, 2024 and 2023.
- Preferred stock, 200,000 authorized shares, with \$.01 par value.
There were no shares issued or outstanding at March 31, 2024 and 2023.

Note 9 - Employee Benefit Plan

The Company sponsors a 401(k) plan that provides retirement benefits for its employees according to the provisions of the plan document. There were no contributions made by the Company during the years ended March 31, 2024, 2023, and 2022.

Note 10 - Related Party Transactions

The Company utilizes services from multiple entities owned by shareholders of the Company. Amounts incurred and paid for related party services totaled approximately \$43,000, \$44,000, and \$36,000 for the years ended March 31, 2024, 2023, and 2022, respectively.

The Company provides compensation to members of its Board of Directors, who are also shareholders of the Company. Board member compensation totaled approximately \$48,300, \$47,400, and \$38,500 for the years ended March 31, 2024, 2023, and 2022, respectively. Included in accounts payable at March 31, 2024 and 2023, is approximately \$7,260 and \$3,000, respectively, due to related parties.

Bonal International, Inc. and Subsidiary

Trading Symbol: BONL

CUSIP Number: 097-770-200

Directors and Officers

① ④	Thomas E. Hebel Chairman	④	John A. Hebel Director and Secretary
① ④	Paul Y. Hebel Director and Vice Chairman	④	Betty Jean Hebel, Ph.D. Director
② ③ ④	Harold Y. Hebel Director, Treasure, and CFO		Torsten Warnatsch President and CEO
①	Executive Committee	③	Compensation Committee
②	Audit Committee	④	Nominating Committee

Corporate Headquarters

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Independent Accountants

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Transfer Agent

Pacific Stock Transfer Company
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