BONAL INTERNATIONAL INC®

# 2025

# Annual Report

# 2025

# Annual Report

# Bonal International, Inc. and Subsidiary

## Letter from the Chairman

**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 | 2025 | 2024 | 2023 |
|---|---|---|---|
| **Total Revenues** | 1,736,386 | 1,640,819 | $1,777,283 |
| **Gross Profit** | 1,327,395 | 1,208,028 | 1,264,245 |
| **Net Income** | 143,177 | 6,934 | 51,321 |
| **Total Assets** | 2,093,836 | 1,948,641 | 1,965,113 |
| **Working Capital** | 1,649,477 | 1,495,277 | 1,462,019 |
| **Earnings per Share** | 0.08 | 0.00 | 0.03 |
| **Stockholders' Equity** | 1,780,929 | 1,637,752 | 1,630,818 |
| **Trading Activity Hi/Low** | 0.80 / 0.58 | 1.45 / 0.60 | 2.00 / 1.35 |
| **Dividend Paid per Share** | 0.00 | 0.00 | 0.05 |

## Fiscal 2025 Quarters Ended

| | June 30 | September 30 | December 30 | March 31 |
|---|---|---|---|---|
| **Total Revenues** | 374,479 | 415,267 | 402,992 | 543,648 |
| **Gross Profit** | 284,969 | 316,733 | 321,422 | 404,271 |
| **Net Income** | 8,311 | 26,846 | 9,867 | 98,153 |

## Fiscal 2024 Quarters Ended

| | June 30 | September 30 | December 30 | March 31 |
|---|---|---|---|---|
| **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 |

## Sales Breakdown for Fiscal Year 2025

| Equipment and Service Revenue | Rental Revenue |
|---|---|
| $1,502,926 | $233,460 |

March 31, 2025

Dear Shareholders,

Fiscal year 2025 was a good year as Bonal has taken new strides into a bright future. This year was the first full year under the leadership of Torsten Warnatsch, Bonal's new president. His leadership and efforts provided Bonal with a financially solid year. Bonal was profitable in all four quarters leading to an increase in net income to $143,177, the best in four years. Revenue increased 5.8 percent to $1,736,386, our fourth quarter was the best fourth quarter in seven years, and shareholder's equity increased 8.7 percent to a record $1,780,929.

Fiscal year 2025 was a step into the future as Bonal's focus shifted our opportunities for growth. In 2024, the Company focused on expanding our network of domestic agents to increase visibility throughout the United States. In 2025, Bonal's strategy shifted to concentrate on developing our network of international agents. In a groundbreaking development, Bonal signed DME as an international distributor for Bonal. DME is a huge international parts and equipment supplier that serves the mold making and die casting industries. This agreement will vastly expand the visibility and presence of our patented Meta-Lax equipment to industries across the globe. Additionally, Bonal established a sales representative in Ontario, Canada, and signed an agent in Birmingham, England to represent Bonal in England. Continuing our focus on international developments, Mr. Warnatsch was invited, on behalf on Bonal, to participate in a 5-day trade mission to Mexico sponsored by the Michigan Economic Development Corp. This unique opportunity gave Mr. Warnatsch several contacts within key Mexican organizations in the machining and welding industries representing potential agents for Bonal.

Throughout the year, Bonal's current customers continued to show strong support for our Meta-Lax stress relief process and equipment. Our customers consistently supported us both by making additional purchases and by providing referrals. Collectively, our current customers contributed to 50 percent of our sales by volume, up from 43 percent last year. Toyota, Tesla, Komatsu Mining, BAE, and Baker-Hughes were among these customers. Other familiar companies that acquired Meta-Lax equipment in fiscal year 2025 and joined our worldwide customer base included: Joby Aviation, a prominent helicopter manufacturer; LeBus, a huge oil field parts supplier; and Linde Welding, a top-tier supplier of weld gases and supplies.

As fiscal year 2026 begins, Bonal's products, which continue to bring higher quality and efficiency to metalworking markets, will be more easily accessed worldwide. As our products gain this new visibility and our customers remain loyal, fiscal year 2026 should be an exciting year.

Thank you for your continued support.

Sincerely,

Thomas E. Hebel

Chairman

Cohen & Co

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, 2025 and 2024, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended March 31, 2025, 2024, and 2023, 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
July 14, 2025

## Bonal International, Inc. and Subsidiary

### Consolidated Balance Sheet

| | March 31, 2025 | | 2024 |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | $ 1,057,375 | | $ 872,501 |
| Accounts receivable-trade, net of allowance for credit losses of $2,175 for both years | 192,970 | | 152,999 |
| Inventories, net | 608,937 | | 619,113 |
| Prepaid expenses and other current assets: | | | |
| Prepaid expenses | 38,365 | | 38,258 |
| Refundable income taxes | 11,700 | | 35,900 |
| Other current assets | 35,464 | | 41,894 |
| Total current assets | 1,944,811 | | 1,760,665 |
| **Property and Equipment, Net** | 18,857 | | 17,932 |
| **Deferred Tax Asset** | 64,200 | | 52,000 |
| **Other Assets** | | | |
| Operating lease right-of-use assets | 44,491 | | 118,044 |
| Finance lease right-of-use assets - Net | 21,477 | | |
| Total assets | **$ 2,093,836** | | **$ 1,948,641** |
| **Liabilities and Stockholders' Equity** | | | |
| **Current Liabilities** | | | |
| Accounts payable | $ 80,143 | | $ 51,944 |
| Accrued and other current liabilities: | | | |
| Accrued compensation | 103,644 | | 58,419 |
| Customer deposits and advances | 59,770 | | 47,369 |
| Accrued income tax liabilities | 200 | | |
| Other accrued liabilities | 1,576 | | 32,324 |
| Current portion of operating lease liabilities | 45,501 | | 75,332 |
| Current portion of finance lease liabilities | 4,500 | | |
| Total current liabilities | 295,334 | | 265,388 |
| **Long-Term Liabilities** | | | |
| Operating lease liabilities | | | 45,501 |
| Finance lease liabilities | 17,573 | | |
| **Stockholders' Equity** | 1,780,929 | | 1,637,752 |
| Total liabilities and stockholders' equity | **$ 2,093,836** | | **$ 1,948,641** |

*See Independent Accountant's Review Report and notes to the consolidated financial statements.*

## Consolidated Statement of Operations

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2025 | 2024 | 2023 |
| **Net Sales** | | | |
| Contract revenue | $ 1,502,926 | $ 1,436,317 | $ 1,610,118 |
| Rental revenue | 233,460 | 204,502 | 167,165 |
| Total net sales | 1,736,386 | 1,640,819 | 1,777,283 |
| **Cost of Sales** | 408,991 | 432,791 | 513,038 |
| **Gross Profit** | 1,327,395 | 1,208,028 | 1,264,245 |
| **General and Administrative Expenses** | 1,200,247 | 1,244,010 | 1,208,430 |
| **Operating Income (Loss)** | 127,148 | (35,982) | 55,815 |
| **Nonoperating Income (Expense)** | | | |
| Interest income | 11,424 | 5,611 | 1,570 |
| Interest expense | (820) | (496) | (2,315) |
| Other expense | (2,052) | (1,949) | (1,561) |
| Total nonoperating income (expense) | 8,552 | 3,166 | (2,306) |
| **Income (Loss)** - Before income taxes | 135,700 | (32,816) | 53,509 |
| **Income Tax (Benefit) Expense** | (7,477) | (39,750) | 2,188 |
| **Net Income** | **$ 143,177** | **$ 6,934** | **$ 51,321** |
| **Per-Share Data** - Net Income | $ 0.08 | $ 0.00 | $ 0.03 |
| **Average Number of Shares Used in per Share Computation** | 1,747,922 | 1,747,922 | 1,747,922 |

*See Independent Accountant's Review Report and notes to the consolidated financial statements.*

## Consolidated Statement of Stockholders' Equity

| | Class A Common Stock | Additional Paid-in Capital | Retained Earnings | Total |
|---|---|---|---|---|
| **Balance** - April 1, 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** | **1,637,752** |
| Net Income | | | 143,177 | 143,177 |
| **Balance** - March 31, 2025 | $ **8,740** | $ **688,212** | $ **1,083,977** | $ **1,780,929** |

*See Independent Accountant's Review Report and notes to the consolidated financial statements.*

## Consolidated Statement of Cash Flows

| | Year Ended March 31, | | |
|---|---|---|---|
| | 2025 | 2024 | 2023 |
| **Cash Flow Provided by (Used in) Operating Activities** | | | |
| Net income | $ 143,177 | $ 6,934 | $ 51,321 |
| Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities: | | | |
| Depreciation and amortization | 11,847 | 9,511 | 10,130 |
| Loss on disposal of property and equipment | | 461 | |
| Operating lease expense | 73,553 | 72,034 | 70,201 |
| Finance lease expense | 2,625 | | |
| Deferred income taxes | (12,200) | (21,900) | (23,600) |
| Net change in: | | | |
| Accounts receivable-trade, net | (39,971) | 97,113 | (227,529) |
| Inventories, net | 10,176 | 38,605 | 37,170 |
| Prepaid expenses and other current assets | 6,323 | 30,107 | (41,675) |
| Refundable income taxes | 24,200 | (35,900) | |
| Accounts payable | 28,199 | 31,640 | 5,431 |
| Accrued expenses and other current liabilities | 27,078 | 16,514 | (66,929) |
| Operating lease liabilities | (75,332) | (71,560) | (67,886) |
| Finance lease liabilities | (2,029) | | |
| Net cash provided by (used in) operating activities | 197,646 | 173,559 | (253,366) |
| **Cash Flow Used in Investing Activity** | | | |
| Purchase of property and equipment | (12,772) | (7,723) | (10,662) |
| **Cash Flow Used in Financing Activity** | | | |
| Dividends paid | | | (87,396) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 184,874 | 165,836 | (351,424) |
| **Cash and Cash Equivalents - Beginning of year** | 872,501 | 706,665 | 1,058,089 |
| **Cash and Cash Equivalents - End of year** | **$ 1,057,375** | **$ 872,501** | **$ 706,665** |
| **Supplemental Financial Information** | | | |
| Income taxes paid | | | **$ 57,500** |
| Cash paid for amounts included in the measurement of lease liabilities | | | |
| Operating cash flows from operating leases | **$ 77,442** | **$ 75,602** | **$ 73,761** |
| Operating cash flows from finance leases (i.e. principal portion) | **$ 931** | | |
| **Non-Cash Investing and Financing Transaction** | | | |
| Right-of-use assets obtained in exchange for operating lease liabilities | | | **$ 260,279** |
| Right-of-use assets obtained in exchange for finance lease liabilities | **$ 24,102** | | |

*See Independent Accountant's Review Report and notes to the consolidated financial statements.*

## 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 three distinct product lines: (1) Meta-Lax Stress Relief, (2) Pulse Puddle Arc Welding (PPAW), and (3) Black Magic, 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).

**Cash and Cash Equivalents** - The Company considers all highly liquid investments with original maturities of six months or less to be cash equivalents. The Company maintains balances in various cash accounts which may, at times, exceed the amount of related federal insurance. The Company has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash. At March 31, 2025 and 2024, cash and cash equivalents consisted of the following:

| | 2025 | 2024 |
|---|---|---|
| Cash in financial institutions | $ 728,010 | $ 659,101 |
| Certificates of deposit | 329,365 | 213,400 |
| | $ 1,057,375 | $ 872,501 |

**Concentrations** - The Company had four customers that accounted for approximately 75% and four different customers that accounted for approximately 63% of accounts receivable-trade, net at March 31, 2025 and 2024, 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.

**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.

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

**Accounts Receivable, Contract Assets, and Allowance for Credit Losses (continued)** - 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.

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, 2025.

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 of approximately $250,112 at April 1, 2023.

**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, 2025 and 2024, approximately $83,000 and $88,000, 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, 2025 and 2024, 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 |

**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.

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

**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.

**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, 2025 and 2024, and for the years ended March 31, 2025, 2024, and 2023, 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 July 14, 2025, the date the consolidated financial statements were available to be issued.

## Note 2 - Inventories

Major classes of inventories are as follows:

| | 2025 | 2024 |
|---|---|---|
| Raw materials | $ 305,016 | $ 327,700 |
| Work in process | 162,995 | 95,362 |
| Finished goods | 150,997 | 206,122 |
| **Total** | **619,008** | **629,184** |
| Reserve for obsolescence | (10,071) | (10,071) |
| **Total Inventories, Net** | **$ 608,937** | **$ 619,113** |

## Note 3 - Property and Equipment

Major classes of property and equipment are as follows:

| | 2025 | 2024 |
|---|---|---|
| Machinery and equipment | $ 60,410 | $ 60,410 |
| Displays | 29,078 | 29,078 |
| Transportation equipment | 46,448 | 46,448 |
| Office furniture and equipment | 236,587 | 242,912 |
| Leasehold improvements | 18,823 | 13,968 |
| **Total cost** | **391,346** | **392,816** |
| Accumulated depreciation and amortization | (372,489) | (374,884) |
| **Property and equipment, Net** | **$ 18,857** | **$ 17,932** |

## Note 4 - Income Taxes

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

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Current expense (benefit) | $ 4,723 | $ (17,850) | $ 25,788 |
| Deferred (benefit) expense | (12,200) | (21,900) | (23,600) |
| Net income (benefit) tax expense | $ (7,477) | $ (39,750) | $ 2,188 |

**Note 4 - Income Taxes (Continued)**

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:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Income tax expense - | | | |
| Computed at 21% of pretax income | $ 38,571 | $ 12,250 | $ 34,082 |
| State income tax expense (benefit) | 500 | (700) | 800 |
| Effect of nondeductible expense | 6,728 | 651 | 651 |
| Effect of tax credits | | | |
| and special deductions | (9,337) | (10,424) | (12,400) |
| Research and development expense | (58,994) | (48,115) | (26,284) |
| Effect of adjustment of prior year | | | |
| estimates and others | 15,055 | 6,588 | 5,339 |
| Net income tax (benefit) expense | $ (7,477) | $ (39,750) | $ 2,188 |

At March 31, 2025 and 2024, gross deferred tax assets and gross deferred tax liabilities were comprised of the following:

| | 2025 | 2024 |
|---|---|---|
| Gross deferred tax assets | $ 66,900 | $ 55,400 |
| Gross deferred tax liabilities | (2,700) | (3,400) |
| | $ 64,200 | $ 52,000 |

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 5 - Commitments**

Leases

The Company maintains operating and finance leases primarily for office and warehouse space and copy machine. These leases have remaining lease terms expiring through August 2029.

For the years ended March 31, 2025 and 2024, the Company's expenses relating to leases consist of the following:

| | 2025 | 2024 |
|---|---|---|
| Finance lease expense: | | |
| Amortization of ROU assets | $ 3,304 | |
| Interest on lease liabilities | 931 | |
| Total finance lease expense | $ 4,235 | $ |
| | | |
| Operating lease expense | $ 76,076 | $ 76,076 |

**Note 5 - Commitments (Continued)**

Leases (continued)

At March 31, 2025 and 2024, other information related to the Company's leases consisted of the following:

| | 2025 | 2024 |
|---|---|---|
| Weighted average remaining lease term: | | |
| Operating leases | 0.58 years | 1.58 years |
| Finance leases | 4.42 years | |
| Weighted average discount rate: | | |
| Operating leases | 2.63% | 2.63% |
| Finance leases | 6.00% | |

At March 31, 2025, future minimum lease payments under non-cancellable leases are as follows:

| | Operating Leases | Finance Leases |
|---|---|---|
| 2026 | $ 45,800 | $ 5,701 |
| 2027 | | 5,701 |
| 2028 | | 5,701 |
| 2029 | | 5,701 |
| 2030 | | 1,900 |
| Total undiscounted cash flows | 45,800 | 24,704 |
| Less: Present value discount | (299) | (2,631) |
| Total lease liabilities | $ 45,501 | $ 22,073 |

**Note 6 - Stockholders' Equity**

The Company's stock at March 31, 2025 and 2024, 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, 2025 and 2024.
- Class B common, nonvoting stock, 5,000,000 authorized shares, with $.01 par value. There were no shares issued or outstanding at March 31, 2025 and 2024.
- Preferred stock, 200,000 authorized shares, with $.01 par value. There were no shares issued or outstanding at March 31, 2025 and 2024.

**Note 7 - 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, 2025, 2024, and 2023.

**Note 8 - 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 $73,800, $43,000, and $44,000 for the years ended March 31, 2025, 2024, and 2023, respectively.

The Company provides compensation to members of its Board of Directors, who are also shareholders of the Company. Board member compensation totaled approximately $49,400, $48,300, and $47,400 for the years ended March 31, 2025, 2024, and 2023, respectively. Included in accounts payable at March 31, 2025 and 2024, is approximately $5,540 and $7,260, respectively, due to related parties.

**Trading Symbol:** BONL
**CUSIP Number:** 097-770-200

## Directors and Officers

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

## Corporate Headquarters

**Bonal International, Inc.**
1300 North Campbell Road
Royal Oak, Michigan 48067 USA

**Phone:** 248.582.0900
**Toll Free:** 800-Meta-Lax
**Fax:** 248.582.0901
**Email:** info@Bonal.com
**Website:** www.bonal.com

## Independent Accountants

**Cohen & Company, Ltd.**
21420 Greater Mack Ave.
St. Clair Shores, MI 48080

## Transfer Agent

**Pacific Stock Transfer Company**
6725 Via Austi Parkway, Suite 300
Las Vegas, NV 89119

1300 North Campbell Road
Royal Oak, Michigan 48067 USA
Phone: (248) 582-0900
Toll Free:  800-Meta-Lax
Fax: (248) 582-0901
info@Bonal.com
www.Bonal.com