2015

Fiscal Year
2nd Quarter Ended
September 30, 2014

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Bonal International, Inc. and Subsidiary

Consolidated Balance Sheet

Assets	September 30, 2014 (Unaudited)	March 31, 2014
Current Assets		
Cash and cash equivalents	$ 1,041,891	$ 1,017,253
Accounts receivable	8,159	91,569
Inventory	470,759	397,678
Prepaid expenses and other current assets:		
Prepaid expenses	17,750	19,251
Deferred tax asset (Note 3)	41,700	41,700
Other current assets	30,447	63,220
Total current assets	1,610,706	1,630,671
Property and Equipment - Net (Note 2)	22,756	26,914
Other Assets		
Cash surrender value of life insurance	24,763	24,763
Total assets	**$ 1,658,225**	**$ 1,682,348**
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 75,583	$ 43,326
Accrued and other current liabilities:		
Accrued compensation	94,134	115,636
Dividends payable	-	87,396
Deferred compensation	9,600	30,531
Customer deposits and advances	32,000	29,230
Accrued federal income tax	30,747	-
Other accrued liabilities	9,007	19,923
Total current liabilites	251,071	326,042
Other Long-Term Liabilities		
Deferred tax liablity > 1 Year	8,000	8,000
Stockholders' Equity (Note 6)	1,399,154	1,348,306
Total liabilities and stockholders' equity	**$ 1,658,225**	**$ 1,682,348**

See Notes to Consolidated Financial Statements

Bonal International, Inc. and Subsidiary

Consolidated Statement of Operations

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Net Sales	$ 434,857	$ 581,325	$ 1,053,002	$ 1,100,402
Cost of Sales	108,254	136,264	247,012	278,621
Gross Profit	326,604	445,061	805,989	821,781
General and Administrative Expenses	286,715	286,388	610,148	584,890
Operating Income	39,889	158,673	195,841	236,891
Nonoperating Income				
Interest income	339	198	674	283
Other income	62	4,277	729	3,518
Total nonoperating income	401	4,475	1,403	3,801
Income - Before income taxes	40,290	163,148	197,244	240,692
Income Tax Expense (Estimated)	12,100	49,000	59,000	72,000
Net Income	**$ 28,190**	**$ 114,148**	**$ 138,244**	**$ 168,692**
Per-Share Data - Net income	$ 0.02	$ 0.07	$ 0.08	$ 0.10
Average Number of Shares Used in per Share Computation	1,747,922	1,747,922	1,747,922	1,747,922

See Notes to Consolidated Financial Statements

Bonal International, Inc. and Subsidiary

Consolidated Statement of Stockholders' Equity

(Unaudited)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance - March 31, 2011	**8,740**	**-**	**688,212**	**912,771**	**1,609,723**
Net Income	-	-	-	329,352	329,352
Dividends Paid ($0.14 per share)	-	-	-	(244,709)	(244,709)
Balance - March 31, 2012	**8,740**	**-**	**688,212**	**997,414**	**1,694,366**
Net Income	-	-	-	220,182	220,182
Dividends Paid ($0.30 per share)	-	-	-	(524,377)	(524,377)
Balance - March 31, 2013	**8,740**	**-**	**688,212**	**693,219**	**1,390,171**
Net Income	-	-	-	132,927	132,927
Dividends ($0.10 per share)	-	-	-	(174,792)	(174,792)
Balance - March 31, 2014	**8,740**	**-**	**688,212**	**651,354**	**1,348,306**
Net Income (Year to Date Sept. 30, 2014)	-	-	-	138,244	138,244
Dividends Paid ($0.05 per share)	-	-	-	(87,396)	(87,396)
Balance - September 30, 2014	$ **8,740**	$ **-**	$ **688,212**	$ **702,202**	$ **1,399,154**

See Notes to Consolidated Financial Statements

Bonal International, Inc. and Subsidiary

Consolidated Statement of Cash Flows

(Unaudited)

	Six Months Ended September 30,	
Cash Flows from Operating Activities	**2014**	**2013**
Net income	$ 138,244	$ 168,692
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	5,397	8,279
Deferred Compensation Expense	-	(15,000)
Net change in:		
Accounts receivable	83,410	116,123
Inventory	(73,081)	(11,871)
Prepaid expenses and other	34,274	(6,595)
Accounts payable	32,257	(44,303)
Accrued liabilities and other	(19,765)	(153,305)
Net cash provided by operating actvities	200,736	62,020
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,239)	(1,009)
Net cash used in investing activities	(1,239)	(1,009)
Cash Flows from Financing Activities		
Dividends paid	(174,859)	0
Net cash used in financing activities	(174,859)	0
Net Increase in Cash and Cash Equivalents	24,638	61,011
Cash and Cash Equivalents - Beginning of year	1,017,253	991,348
Cash and Cash Equivalents - End of period	**$ 1,041,891**	**$ 1,052,359**

See Notes to Consolidated Financial Statements

Note I – Nature of Business and Significant Financial Accounting Policies

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. Bonal Technologies, Inc. performs design, development, manufacturing, and marketing of metal stress-relieving equipment internationally.

Cash and Cash Equivalents – The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Trade and Accounts Receivable – The Company values its accounts receivable at invoice amounts. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management assesses the collectability of the accounts receivable balance and estimates the portion, if any, of the balance that will not be collected. Uncollectible amounts are written off in the period that such determination is made. The allowance for doubtful accounts as of September 30, 2014 and 2013 was $487.

Inventories – Inventories consist primarily of work in progress and are stated at the lower of cost, determined on the first-in, first-out (FIFO) method, or market.

Property and Equipment – Property and equipment are stated at cost. Depreciation and amortization are computed over the estimated useful lives of the assets, using accelerated methods for financial purposes.

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

Income Taxes – A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting.

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

Note 2 – Property and Equipment

Major classes of property and equipment are as follows:

	2014	(Audited) March 31, 2014
Machinery and equipment	$ 58,427	$ 58,427
Displays	28,634	28,634
Transportation equipment	25,675	25,675
Office furniture and equipment	246,418	245,179
Leasehold improvements	5,367	5,367
Total cost	364,522	363,282
Accumulated depreciation	(341,766)	(336,368)
Net property and equipment	$ 22,756	$ 26,914

Depreciation expense was $5,397 and $8,279 for the six months ended September 30, 2014, and 2013 respectively.

Note 3 – Income Taxes

The provision for income taxes consists of the following:

	2014	2013
Current expense	$ 70,500	$ 72,000
Net income tax expense	$ 70,500	$ 72,000

Deferred tax assets result primarily from differences in the period of deductibility of certain expenses. The deferred tax asset totaled $41,700 and $44,000 as of September 30, 2014 and 2013, respectively.

Note 4 – Lease Commitments

The Company leases office and manufacturing space under an operating lease agreement through September 30, 2015.

Rent expense for all leased property totaled $33,737 for each of the periods ended September 30, 2014 and 2013.

Note 5 – Deferred Compensation

During fiscal year 2008 the Company entered into an employment and deferred compensation agreement with the Company's president. The employment agreement covers the two-year period beginning April 1, 2008 through March 31, 2010 with provisions for renewal on a year-to-year basis and for early retirement. Additionally, the contract includes a provision for payments of approximately $30,000 per year for a non-compete over a five-year period subsequent to the officer's retirement. The cost of the deferred compensation was expensed over the two year term of the employment agreement. The deferred compensation was fully expensed as of the fiscal year ended March 31, 2010 and cash payments to the former president commenced April 1, 2010. Cash payments have totaled $135,831 through September 30, 2014 with $15,831 being disbursed during the six months ending September 30, 2014.

Note 6 – Stockholders' Equity

The Company's stock at September 30, 2014 and 2013 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 September 30, 2014 and 2013.

- Class B common, nonvoting stock, 5,000,000 authorized shares, with $.01 par value. There were no shares issued or outstanding at September 30, 2014 and 2013.

- Preferred stock, 200,000 authorized shares, with $.01 par value. There were no shares issued and outstanding at September 30, 2014 and 2013.

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. The Company made no contributions to the plan in the six months ending September 30, 2014 or September 30, 2013.