



2015

**Fiscal Year
3rd Quarter Ended
December 31, 2014**

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Bonal International, Inc. and Subsidiary

Consolidated Balance Sheet

Assets	December 31, 2014 (Unaudited)	March 31, 2014
Current Assets		
Cash and cash equivalents	\$ 1,015,118	\$ 1,017,253
Accounts receivable	83,049	91,569
Inventory	478,735	397,678
Prepaid expenses and other current assets:		
Prepaid expenses	42,536	19,251
Deferred tax asset (Note 3)	41,700	41,700
Other current assets	28,404	63,220
Total current assets	<u>1,689,542</u>	<u>1,630,671</u>
 Property and Equipment - Net (Note 2)	 30,841	 26,914
 Other Assets		
Cash surrender value of life insurance	<u>-</u>	<u>24,763</u>
 Total assets	 <u><u>\$ 1,720,383</u></u>	 <u><u>\$ 1,682,348</u></u>
 Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 74,898	\$ 43,326
Accrued and other current liabilities:		
Accrued compensation	75,504	115,636
Dividends payable	-	87,396
Deferred compensation	1,800	30,531
Customer deposits and advances	36,800	29,230
Accrued federal income tax	46,180	-
Other accrued liabilities	6,969	19,923
Total current liabilities	<u>242,151</u>	<u>326,042</u>
 Other Long-Term Liabilities		
Deferred tax liability > 1 Year	8,000	8,000
 Stockholders' Equity (Note 6)	 <u>1,470,232</u>	 <u>1,348,306</u>
 Total liabilities and stockholders' equity	 <u><u>\$ 1,720,383</u></u>	 <u><u>\$ 1,682,348</u></u>

See Notes to Consolidated Financial Statements

Bonal International, Inc. and Subsidiary

Consolidated Statement of Operations

(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	2013	2014	2013
Net Sales	\$ 505,519	\$ 436,626	\$ 1,558,520	\$ 1,537,028
Cost of Sales	113,259	122,063	360,272	400,684
Gross Profit	392,260	314,563	1,198,248	1,136,344
General and Administrative Expenses	310,362	346,487	920,510	931,377
Operating Income (Loss)	81,898	(31,924)	277,738	204,967
Nonoperating Income				
Interest income	340	270	1,014	553
Key man insurance proceeds	100,237		100,237	
Other income		219	729	3,737
Total nonoperating income	100,577	489	101,980	4,290
Income (Loss) - Before income taxes	182,475	(31,435)	379,718	209,257
Income Tax Expense (Credit) (Estimated)	24,000	(9,000)	83,000	63,000
Net Income (Loss)	<u>\$ 158,475</u>	<u>\$ (22,435)</u>	<u>\$ 296,718</u>	<u>\$ 146,257</u>
Per-Share Data - Net income	\$ 0.09	\$ (0.01)	\$ 0.17	\$ 0.08
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 Dec. 31, 2014)	-	-	-	296,718	296,718
Dividends (\$0.10 per share)	-	-	-	(174,792)	(174,792)
Balance - December 31, 2014	\$ 8,740	\$ -	\$ 688,212	\$ 773,280	\$ 1,470,232

See Notes to Consolidated Financial Statements

Bonal International, Inc. and Subsidiary

Consolidated Statement of Cash Flows

(Unaudited)

	Nine Months Ended December 31,	
	2014	2013
Cash Flows from Operating Activities		
Net income	\$ 296,718	\$ 146,257
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	7,977	12,449
Deferred Compensation Expense	-	(23,031)
Net change in:		
Accounts receivable	8,520	162,415
Inventory	(81,057)	(3,533)
Prepaid expenses and other	36,294	(10,172)
Accounts payable	31,572	(68,116)
Accrued liabilities and other	(28,000)	(181,358)
Net cash provided by operating activities	272,024	34,911
Cash Flows from Investing Activities		
Purchase of property and equipment	(11,904)	(1,009)
Net cash used in investing activities	(11,904)	(1,009)
Cash Flows from Financing Activities		
Dividends paid	(262,255)	(87,396)
Net cash used in financing activities	(262,255)	(87,396)
Net Increase in Cash and Cash Equivalents	(2,135)	(53,494)
Cash and Cash Equivalents - Beginning of year	1,017,253	991,348
Cash and Cash Equivalents - End of period	<u><u>\$ 1,015,118</u></u>	<u><u>\$ 937,854</u></u>

See Notes to Consolidated Financial Statements

Bonal International, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(Unaudited)
December 31, 2014 and 2013

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 December 31, 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.

Bonal International, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Unaudited) December 31, 2014 and 2013

Note 2 – Property and Equipment

Major classes of property and equipment are as follows:

	<u>2014</u>	(Audited) <u>March 31, 2014</u>
Machinery and equipment	\$ 58,427	\$ 58,427
Displays	28,634	28,634
Transportation equipment	25,675	25,675
Office furniture and equipment	257,082	245,179
Leasehold improvements	<u>5,367</u>	<u>5,367</u>
Total cost	375,185	363,282
Accumulated depreciation	<u>(344,345)</u>	<u>(336,368)</u>
Net property and equipment	<u>\$ 30,840</u>	<u>\$ 26,914</u>

Depreciation expense was \$7,977 and \$12,449 for the nine months ended December 31, 2014, and 2013 respectively.

Note 3 – Income Taxes

The provision for income taxes consists of the following:

	<u>2014</u>	<u>2013</u>
Current expense	<u>\$ 83,000</u>	<u>\$ 63,000</u>
Net income tax expense	<u>\$ 83,000</u>	<u>\$ 63,000</u>

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 December 31, 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 \$50,605 for each of the periods ended December 31, 2014 and 2013.

Bonal International, Inc. and Subsidiary

Notes to Consolidated Financial Statements (Unaudited) December 31, 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 \$143,631 through December 31, 2014 with \$23,631 being disbursed during the nine months ending December 31, 2014.

Note 6 – Stockholders' Equity

The Company's stock at December 31, 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 December 31, 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 December 31, 2014 and 2013.
- Preferred stock, 200,000 authorized shares, with \$.01 par value.
There were no shares issued and outstanding at December 31, 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 nine months ending December 31, 2014 or December 31, 2013.