ELGI COMPRESSORS USA, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

ELGI COMPRESSORS USA, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
ELGI Compressors USA, Inc.
Charlotte, North Carolina

We have audited the accompanying consolidated financial statements of ELGI Compressors USA, Inc., which comprise the consolidated balance sheets as of March 31, 2023 and 2022, and the consolidated statements of operations, stockholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ELGI Compressors USA, Inc. as of March 31, 2023 and 2022, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sobery Perr - Co, PLLC

Charlotte, North Carolina
May 16, 2023

ELGI COMPRESSORS USA, INC.
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	$ 2,785,643	$ 2,073,919
Accounts receivable, net of allowance for doubtful accounts	19,052,243	14,377,235
Inventory	23,881,255	19,141,246
Prepaid expenses and other current assets	404,932	271,932
Total current assets	46,124,073	35,864,332
PROPERTY AND EQUIPMENT - net of accumulated depreciation	3,591,718	3,396,728
OTHER ASSETS		
Notes receivable from related party	1,958,228	2,720,115
Goodwill	7,338,586	7,338,586
Intangible assets - net of amortization	3,444,304	4,118,848
Equity method investments	1,698,827	1,465,295
Deferred income tax	-	1,166,000
Right-of-use assets	3,432,006	3,263,121
Other assets	235,079	156,040
Assets held for sale	-	3,057,634
	18,107,030	23,285,639
	$ 67,822,821	$ 62,546,699
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 2,658,622	$ 4,545,957
Current portion of long-term debt	-	1,500,000
Operating lease liability - current	1,116,208	1,022,014
Lines of credit	7,300,000	9,450,000
Due to Rotair	3,670,756	3,311,966
Due to ELGI Equipments Ltd	15,219,075	17,296,127
Accrued expenses	4,187,446	3,091,014
Total current liabilities	34,152,107	40,217,078
NON-CURRENT DEBT		
Defered tax liabilities	949,000	-
Long-term debt - net of current portion	-	3,326,475
Long-term debt finance lease liabilities	766,747	805,600
Long-term operating lease liabilities	2,540,113	2,452,861
	4,255,860	6,584,936
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDER'S EQUITY		
Additional paid-in capital	16,380,783	16,380,783
Retained earnings	13,034,071	(636,098)
	29,414,854	15,744,685
	$ 67,822,821	$ 62,546,699

See Notes to Consolidated Financial Statements

ELGI COMPRESSORS USA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
REVENUE	$104,591,490	$ 79,153,320
COST OF SALES	65,806,005	51,183,956
GROSS PROFIT	38,785,485	27,969,364
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	31,996,822	25,523,819
	6,788,663	2,445,545
OTHER INCOME AND EXPENSE	11,890,648	190,645
NET INCOME BEFORE INCOME TAXES	18,679,311	2,636,190
INCOME TAX EXPENSE	4,867,674	620,009
NET INCOME BEFORE EQUITY METHOD INVESTMENTS	13,811,637	2,016,181
LOSS ON EQUITY METHOD INVESTMENTS	(141,468)	(236,633)
NET INCOME	$ 13,670,169	$ 1,779,548

ELGI COMPRESSORS USA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
YEARS ENDED MARCH 31, 2023 AND 2022

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholder's Equity
Balance - March 31, 2021	1,000	$ -	$ 16,380,783	$ (2,415,646)	$ 13,965,137
Net income	-	-	-	1,779,548	1,779,548
Balance - March 31, 2022	1,000	-	16,380,783	(636,098)	15,744,685
Net income	-	-	-	13,670,169	13,670,169
Balance - March 31, 2023	1,000	$ -	$ 16,380,783	$ 13,034,071	$ 29,414,854

See Notes to Consolidated Financial Statements

ELGI COMPRESSORS USA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
Net income	$ 13,670,169	$ 1,779,548
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,670,117	1,564,960
Gain on sale of fixed assets	(13,168,230)	(254,325)
Loss from equity method investments	141,468	236,633
Decrease in deferred taxes	2,115,000	545,000
Unrealized foreign currency gain	171,564	(409,348)
Changes in operating assets and liabilities:		
Increase in receivables	(4,084,685)	(3,305,989)
Increase in inventory	(4,740,009)	(7,304,013)
(Increase) decrease in other assets	(212,039)	157,800
(Decrease) increase in accounts payable	(1,887,334)	1,243,497
Increase in accrued expenses and other liabilities	1,032,172	1,125,689
Total adjustments	(18,961,976)	(6,400,096)
Net cash used in operating activities	(5,291,807)	(4,620,548)
Cash flows from investing activities:		
Purchase of property and equipment	(1,253,971)	(960,239)
Investments in equity method investees	(375,000)	(702,750)
Proceeds from sale of property and equipment	16,297,797	334,538
Net cash provided by (used in) investing activities	14,668,826	(1,328,451)
Cash flows from financing activities:		
Principal payments on finance lease obligations	(437,554)	(428,084)
Proceeds from finance lease obligations	475,521	730,831
Net payments on lines of credit	(2,150,000)	(800,000)
Principal payments on long-term debt	(4,835,000)	(1,200,000)
Net (payments) borrowings on related party debt	(1,718,262)	5,877,969
Net cash (used in) provided by financing activities	(8,665,295)	4,180,716
NET INCREASE (DECREASE) IN CASH	711,724	(1,768,283)
CASH - Beginning of period	2,073,919	3,842,202
CASH - End of period	$ 2,785,643	$ 2,073,919

See Notes to Consolidated Financial Statements

ELGI COMPRESSORS USA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2023 AND 2022

Note 1 - Summary of Significant Accounting Policies:

Organization and principles of consolidation:

ELGI Compressors USA, Inc. (the "Company"), a wholly-owned subsidiary of ELGI Equipments Ltd, was originally formed as ELGI USA LLC on June 8, 2012. Effective January 18, 2013, the Company re-incorporated in the state of Delaware as ELGI Compressors USA, Inc. ELGI Equipments Ltd manufactures, distributes and services air compressors worldwide. ELGI Compressors USA, Inc. is a distributor of air compressor products in the United States.

The accompanying consolidated financial statements include the accounts of ELGI Compressors USA, Inc. and its subsidiaries. All material inter-company balances and transactions have been eliminated in consolidation.

On December 1, 2012, the Company acquired all of the outstanding stock in Patton's, Inc. including its wholly-owned subsidiary, Patton's Medical, LLC. Patton's, Inc. was incorporated in North Carolina in April 1959. Patton's, Inc. is a distributor of products for compressed air systems, mainly to industrial purchasers located along the Eastern Seaboard between Alabama and Virginia. Patton's, Inc. is headquartered in Charlotte, NC with facilities in the following locations: Greensboro, NC, Hickory, NC, Raleigh, NC, Wilmington, NC, Lithonia (Atlanta), GA, Charleston, SC, Florence, SC, Greenville, SC, Birmingham, AL and Richmond, VA.

Patton's Medical, LLC, was formed in North Carolina in August 2008. Patton's Medical, LLC markets and sells compressed air systems and vacuum pumps for medical applications under the trade name "Patton's Medical" throughout the United States. The Company is based in Charlotte, NC.

On May 1, 2019, the Company acquired the Master Service Distribution Agreement between FTG Equipment Solutions and Rotair S.P.A., a subsidiary of Elgi Equipments Ltd, making the Company the new exclusive dealer for Rotair branded portable air compressors and parts in the United States.

On June 1, 2019, the Company entered into a Limited Liability Company Operating Agreement with Evergreen Compressed Air and Vacuum LLC ("Evergreen"). Evergreen was formed in the state of Washington in October 2018 and is a distributor of products for compressed air systems mainly in the state of Washington. The Company has a 50 percent ownership interest in Evergreen, which is reported on the equity method.

On December 16, 2019, the Company acquired all of the outstanding stock in Michigan Air Solutions LLC. Michigan Air Solutions LLC was incorporated in Michigan in March 2009. Michigan Air Solutions LLC is a distributor of products for compressed air systems, mainly to industrial purchasers located in Michigan. Their headquarters is in Grand Rapids, Michigan with a second location in Wixom, Michigan.

<u>Note 1 - Summary of Significant Accounting Policies (continued):</u>

On May 22, 2020, the Company entered into a Limited Liability Company Operating Agreement with Compressed Air Solutions of Texas, LLC (“Compressed Air”). Compressed Air was formed in the state of North Carolina in March 2020 and is a distributor of products for compressed air systems mainly in the state of Texas. The Company has a 50 percent ownership interest in Compressed Air, which is reported on the equity method.

On September 1, 2020, the Company entered into a Limited Liability Company Operating Agreement with PLA Holding Company, LLC (“PLA”). PLA was formed in the state of North Carolina in August of 2020 and is a distributor of products for compressed air systems mainly in the state of California. The Company has a 50 percent ownership interest in PLA, which is reported on the equity method. PLA is the sole member of Pattons of California, LLC, a California company.

On October 14, 2020, the Company entered into a Limited Liability Company Operating Agreement with G3 Industrial Solutions, LLC (“G3”). G3 was formed in the state of North Carolina in September of 2020 and is a distributor of products for compressed air systems mainly in the states of Kansas and Missouri. The Company had a 50 percent ownership interest in G3, which is reported on the equity method. On November 10, 2020, G3 entered into an Ownership Interest Purchase Agreement between G3, Chad Gooding and Luke Johnson which gave Gooding the option to acquire additional shares of G3 in which he assigned that option to Johnson. Johnson exercised that option, which reduced the Company’s ownership to 33.33 percent.

On July 7, 2021, the Company entered into a Limited Liability Company Operating Agreement with Gentex Air Solutions, LLC (“Gentex”). Gentex was formed in the state of North Carolina in April 2021 and is a distributor of products for compressed air systems mainly in the state of Texas. The Company has a 33.33 percent ownership interest in Compressed Air, which is reported on the equity method.

On March 9, 2023, the Company entered into a Limited Liability Company Operating Agreement with CS Industrial Services LLC (“CS”). CS was formed in the state of North Carolina in March 2023 and is a distributor of products for compressed air systems mainly in the state of New York. The Company has a 33.33 percent ownership interest in Compressed Air, which is reported on the equity method.

Cash and cash equivalents:

The Company considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents. Amounts invested may exceed federally insured limits at any given time. Due to the strong credit rating of the financial institutions, management believes there is no significant credit risk related to these accounts and the Company has not experienced any losses on these accounts.

Note 1 - Summary of Significant Accounting Policies (continued):

Accounts receivable and revenue recognition:

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606 "Revenue from Contracts with Customers" on April 1, 2018 using the modified retrospective method. ASC 606 prescribes a five-step model that includes: (1) identify the contract; (2) identify the performance obligations; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) performance obligations are satisfied. Based on the manner in which the Company has historically recognized revenue, the adoption of ASC 606 did not have a material impact on the amount or timing of revenue recognition, and the Company recognized no cumulative effect adjustment upon adoption.

The company recognizes revenue on equipment sales when equipment is shipped. Service revenue is recognized when the service is completed. The Company considers freight arrangements with customers to be a separate performance obligation and the corresponding revenue is recognized when goods are transferred to common carriers. The Company extends credit on a net 30-day term to its customers in the normal course of business and performs ongoing credit evaluations of its customers. Management provides for the possible inability to collect accounts receivable by recording an allowance for doubtful accounts. Accounts are charged to the allowance as they are deemed uncollectible based upon a periodic review of the accounts which, when realized, have been within management's expectations.

Inventory:

Inventory is valued at the lower of cost or net realizable value. Cost of equipment held for resale is determined by specific identification of each unit. Value of parts held for resale is determined by using the first-in, first-out basis. Work in progress consists of parts and direct labor used on equipment being assembled or under repair. The Company records inventory reserves for obsolete and slow-moving items.

Property and equipment and Assets held for sale:

Purchases of property and equipment are stated at cost. Acquired machinery and equipment, and furniture are stated at fair market value. Depreciation is recorded on the straight-line basis and double declining balance methods over the estimated useful lives of 3 to 7 years for machinery and equipment, office furniture and fixtures, and automobiles, over the life of the lease for leasehold improvements and 20 years for buildings. Acquired assets in business combinations may be depreciated over shorter lives based on management's review of the lives remaining on an asset by asset basis. Maintenance and repair costs are expensed as incurred. Gains or losses on dispositions are reflected in income.

Assets held for sale is valued at the lower of book value or fair value and consists of land of $2,513,760 and buildings of $543,874 as of March 31, 2022 that the Company previously occupied in its Charlotte, North Carolina operations. During the year ended March 31, 2021, the Company moved into new leased facilities and began marketing this property for sale. The Company completed the sale during the year ended March 31, 2023 and has recorded $13,081,345 of gain on the disposition in other income on the consolidated statement of operations.

<u>Note 1 - Summary of Significant Accounting Policies – Property and equipment (continued):</u>

Assets held under finance leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease. Assets related to finance leases are reported as a component of property and equipment, current portion of the liability is recorded in accrued expenses, and the long-term portion of the liability is recognized in finance lease liabilities.

The Company recognizes losses related to the impairment of long-lived assets when the carrying amount is deemed to be not recoverable or exceeds its fair value. When facts and circumstances indicate that the carrying values of long-lived assets may be impaired, management of the Company evaluates recoverability by comparing the carrying value of the assets to projected future cash flows, in addition to other qualitative and quantitative analyses. To date, there have been no long-lived asset impairment losses.

Leases:

Effective April 1, 2019, the Company adopted FASB ASC 842, Leases. In accordance with ASC 842, the Company first determines if an arrangement contains a lease and the classification of that lease, if applicable, at inception. This standard requires the recognition of right-of-use ("ROU") assets and lease liabilities for the Company's operating leases. The Company has elected not to recognize a lease liability or ROU asset for leases with a term of 12 months or less and recognize lease payments for those short-term leases on a straight-line basis over the lease term in the Consolidated Statements of Operations. Operating leases are included in Operating Lease Right-of-use assets and Operating lease liabilities, current and long-term portion in the Consolidated Balance Sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments under the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The implicit rate within the Company's leases is generally not determinable and therefore the incremental borrowing rate at the lease commencement date is utilized to determine the present value of lease payments. Management determines the incremental borrowing rate for each lease using the Company's estimated borrowing rate and term to align with the terms of the lease. The ROU asset also includes any lease prepayments, offset by lease incentives.

Goodwill:

Goodwill is deemed to have an indefinite life and accordingly, is not subject to amortization. Goodwill is subject to annual impairment reviews, and, if conditions warrant, interim reviews based upon its estimated fair value. Impairment charges, if any, are recorded in the period in which the impairment is determined. The entire goodwill balance is expected to be deductible for tax purposes.

<u>Note 1 - Summary of Significant Accounting Policies – Goodwill (continued):</u>

The Company's accounting policy is to perform an annual goodwill impairment test in the fourth quarter or more frequently whenever events or circumstances indicate that goodwill or the carrying value of intangible assets may not be recoverable. On a quarterly basis, the company monitors the key drivers of fair value to detect the existence of indicators or changes that would warrant an interim impairment test for goodwill and intangible assets. Goodwill impairment testing was performed using the discounted cash flow method ("DCF").

The evaluation of goodwill impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. No impairment was recorded for the years ended March 31, 2023 and 2022.

Intangible assets:

Intangible assets include customer relationships, non-compete agreements, patents and certain trade names, all of which are amortized over their estimated useful lives. The fair market value of the customer relationships was determined by discounting the expected future cash flows from the acquired customers. The value of the non-compete agreements were estimated based on the percentage of discounted cash flows expected to be lost if the agreement was not in place. The value of the trade names was estimated by discounting the future cash flows estimated to be attributable to the trade names.

The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. No impairment was recorded for the years ended March 31, 2023 and 2022.

Income taxes:

The Company accounts for income taxes under FASB ASC Topic 740 "Income Taxes". Under FASB ASC Topic 740-10-30, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. 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 removed or settled (see Note 10).

Note 1 - Summary of Significant Accounting Policies – Income taxes (continued):

The Company regularly assesses the likelihood that its deferred tax assets will be realized from recoverable income taxes or recovered from future taxable income. To the extent that the Company believes any amounts are not more likely than not to be realized through the reversal of the deferred tax liabilities and future income, the Company records a valuation allowance to reduce its deferred tax assets. In the event the Company determines that all or part of the net deferred tax assets are not realizable in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination is made. Similarly, if the Company subsequently realizes deferred tax assets that were previously determined to be unrealizable, the respective valuation allowance would be reversed, resulting in an adjustment to earnings in the period such determination is made.

FASB ASC Topic 740, "Income Taxes", clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the balance sheet. It also provides guidance on derecognition, measurement and classification of amounts related to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim period disclosures and transition relating to the adoption of new accounting standards. Under FASB ASC 740-10, the recognition for uncertain tax positions should be based on a more likely than not threshold that the tax position will be sustained upon audit. Tax years after 2018 remain subject to examination by federal and state taxing authorities.

Use of accounting 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 certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Foreign currency transactions:

All assets and liabilities related to foreign transactions are translated into U.S. dollars using the exchange rates in effect at the balance sheet date and statement of operations items are translated using the average exchange rates throughout the period. The gain or loss related to conversion rates on the note receivable with ELGI Compressors of Brazil (see Note 3) is included in other income and expense in the consolidated statements of operations.

Note 1 - Summary of Significant Accounting Policies (continued):

Fair value of financial instruments:

The Company determines the fair value of certain assets and liabilities based on assumptions that market participants would use in pricing the assets or liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, or the "exit price." The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and gives precedence to observable inputs in determining fair value. An instrument's level within the hierarchy is based on the lowest level of any significant input to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The following is a discussion of the levels established for each input.

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. The Company does not have any Level 2 financial instruments as of March 31, 2023 and 2022.

Level 3: Unobservable inputs for the asset or liability. These are inputs for which there is no market data available or observable inputs that are adjusted using Level 3 assumptions. The Company does not have any Level 3 financial instruments as of March 31, 2023 and 2022.

There were no significant transfers into or between Level 1, Level 2 and Level 3 financial instruments during the years ended March 31, 2023 and 2022.

The Company's financial instruments include cash, accounts receivable, notes receivable, inventory, other assets, accounts payable, accrued liabilities and long-term debt. The carrying amounts of these financial instruments approximate fair value due to their short maturities.

Note 1 - Summary of Significant Accounting Policies – (continued):

Debt issuance costs:

The Company accounts for debt issuance costs in accordance with FASB ASC 835-30-45 which requires unamortized loan fees to be reported as a direct deduction from the face amount of the related debt. Loan fees are recorded as a reduction to long-term debt and the current portion of long-term debt on the consolidated balance sheets as of March 31, 2023 and 2022. Costs paid to lenders to obtain financing are amortized to interest expense over the term of the related financing, using the effective interest method (unless the financing is a line of credit in which the straight-line method is used). Net unamortized debt issuance costs were $0 and $8,525 as of March 31, 2023 and 2022, respectively. Interest expense recorded for the amortization of these costs is included in other income and expense on the consolidated statements of operations.

Derivatives:

Derivatives are recorded at their fair value as of the balance sheet date. If a derivative qualifies for "hedge accounting" under generally accepted accounting principles in the United States ("U.S. GAAP") and has been designated as a hedge by management, then the Company records the "effectively hedged" portion, as defined by U.S. GAAP, of changes in such derivatives' fair value in accumulated other comprehensive loss, which is a component of stockholder's equity. On the consolidated statements of cash flows, cash flows from derivative instruments accounted for as cash flow hedges are classified in the same category as the cash flows from the items being hedged.

Freight costs:

Shipping and handling costs for freight expense on goods shipped are included in cost of sales. Shipping and handling costs for freight expense on goods received are capitalized to inventory where they are relieved to cost of sales when the product is sold.

Accrued paid time off:

Company employees accrue paid time off during the year based on the number of years that they have worked for the Company. Upon termination, no unused paid time off gets paid to these employees and as such, no liability is reflected in the Company's financial statements.

Note 2 - Accounts Receivable:

Accounts receivable consisted of the following as of March 31, 2023 and 2022:

	2023	2022
Trade	$ 19,031,995	$ 14,432,049
Employees	49,276	86
	19,081,271	14,432,135
Less: allowance for doubtful accounts	(29,028)	(54,900)
	$ 19,052,243	$ 14,377,235

Note 3 - Notes Receivable:

In February 2016, the Company entered into loan agreements with ELGI Compressors of Brazil for 4,030,000 Brazilian Real, equivalent to approximately $1,990,289 United States Dollars ("USD") at the time of the loans. The loan agreements call for interest to be accrued at eighteen percent, on a monthly basis. Principal payments were to be paid to the Company in five annual installments beginning in August 2017 and concluding with a final payment in August 2021 when the note matures. As of March 31, 2023, principal payments in the amount of $1,320,441 were made.

During the year ended March 31, 2016, there were two additional advances on this note receivable. In April 2016, the Company advanced ELGI Compressors of Brazil 1,759,000 Brazilian Real, equivalent to approximately $500,000 USD at the time of the advance with interest to be charged at eighteen percent. Subsequently, the interest rate was set at 3 percent starting in 2018. Principal payments are due in five annual installments beginning October 2017. No payments had been received as of March 31, 2023.

In December 2016, the Company advanced ELGI Compressors of Brazil 1,646,500 Brazilian Real, equivalent to approximately $500,000 USD at the time of the advance with interest to be charged at five percent. Subsequently, the interest rate was set at 3 percent starting in 2018. Principal payments were to be due in five annual installments beginning August 2017. No payments had been received as of March 31, 2023.

At March 31, 2023 and 2022, the balance of the notes receivable as converted into USD and including interest is $1,958,228 and $2,720,115, respectively. Interest income was $39,501 and $51,672 for the years ended March 31, 2023 and 2022, respectively. The Company expects to refinance these notes receivable and therefore the entire balance has been reported as a long-term asset on the consolidated balance sheets.

Note 4 - Inventory:

Inventory consisted of the following as of March 31, 2023 and 2022:

	2023	2022
Equipment	$ 15,086,240	$ 12,418,263
Parts	9,704,971	7,254,812
Work in progress	216,117	239,359
	25,007,328	19,912,434
Less: inventory reserve	(1,126,073)	(771,188)
	$ 23,881,255	$ 19,141,246

Note 5 - Property and Equipment:

Property and equipment consisted of the following as of March 31, 2023 and 2022:

	2023	2022
Land	$ 378,820	$ 378,820
Buildings	1,545,197	1,533,034
Automotive equipment	2,498,548	2,305,169
Machinery and equipment	1,157,657	579,700
Office furniture and equipment	1,990,668	1,914,368
Leasehold improvements	522,435	488,102
	8,093,325	7,199,193
Less: accumulated depreciation	(4,501,607)	(3,802,465)
	$ 3,591,718	$ 3,396,728

Finance lease assets with a cost of $2,421,393 and $2,086,581 and net book value of $1,000,906 and $1,042,587 are included in property and equipment for years ended March 31, 2023 and 2022, respectively. See Note 15 for additional details.

Depreciation expense was $987,048 and $850,588 for the years ended March 31, 2023 and 2022, respectively.

Note 6 - Goodwill and Other Intangible Assets:

Goodwill and other intangible assets have been recognized in connection with the acquisition of Patton's, Inc., Patton's Medical, LLC, the Rotair Master Distributor Agreement and Michigan Air Solutions LLC. Substantially all of the balance is expected to be fully deductible for income tax purposes over 15 years. Changes in the carrying amount of goodwill and other intangible assets were as follows:

	Goodwill	Customer Relationships	Non-Compete Agreements	Trade Names	Patents
Amortization period in years	n/a	8-10	5	20	20
Balance March 31, 2021	$ 7,338,586	$ 2,711,445	$ 136,025	$1,972,115	$ 10,534
Amortization	-	(502,925)	(38,400)	(169,127)	(820)
Balance March 31, 2022	7,338,586	2,208,520	97,625	1,802,988	9,714
Amortization	-	(466,196)	(38,400)	(169,127)	(820)
Balance March 31, 2023	$ 7,338,586	$ 1,742,324	$ 59,225	$1,633,861	$ 8,894

Impairment charges totaling approximately $4.1 million reduced goodwill and other intangible assets during the year ended March 31, 2015.

Amortization expense was $674,543 and $711,271 for the years ended March 31, 2023 and 2022, respectively. At March 31, 2023, estimated future amortization of separately identifiable intangible assets for each of the next five years is: 2024 - $674,543; 2025 - $656,968; 2026 - $636,143; 2027 - $513,683; 2028 - $169,947; thereafter - $793,020.

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Note 7 - Accrued Expenses and Other Current Liabilities:

Accrued expenses and other current liabilities consisted of the following as of March 31, 2023 and 2022:

	2023	2022
Accrued compensation	$ 2,327,070	$ 1,800,801
Accrued interest	47,937	15,947
Finance lease liabilities - current portion	449,877	350,451
Accrued other expenses	1,362,562	923,815
	$ 4,187,446	$ 3,091,014

Note 8 - Lines of Credit:

On February 18, 2014, the Company entered into a revolving note pursuant to its Loan and Security Agreement (see Note 9) for up to $3,000,000. Borrowings on the note bear interest at either a 30 day LIBOR plus 1.85 percent or a base rate that is the greatest of the U.S. Prime Rate, Fed Funds Rate plus 0.5 percent or 30 day LIBOR plus 1.00 percent.

The revolving note was amended in February 2016, effective November 30, 2015 to allow up to $8,000,000 in borrowings and again in December 2019 to allow up to $14,000,000 in borrowings. Borrowings on the note bear interest at either 30 day LIBOR plus 1.85 percent or a base rate that is the greatest of the U.S. Prime Rate, Fed Funds Rate plus 0.85 percent. The interest rate was 6.88 percent as of March 31, 2023. These lines of credit are subject to various requirements and covenants.

The lines of credit are secured by substantially all assets of the Company. The outstanding balance as of March 31, 2023 and 2022 was $7,300,000 and $9,450,000, respectively.

Note 9 - Long-term Debt:

Long-term debt consisted of the following as of March 31, 2023 and 2022:

	2023	2022
Term loan with financial institution dated Dec 10, 2019; interest accrues at the 90 day LIBOR rate plus 1.78 percent; secured by substantially all assets of the Company	$ -	$ 4,835,000
	-	4,835,000
Less: debt issuance costs	-	(8,525)
	-	4,826,475
Less: current portion	-	(1,500,000)
	$ -	$ 3,326,475

The term note was amended on December 10, 2019 to provide a new term loan of $6,200,000 to fund the purchase of Michigan Air Solutions LLC. Borrowings on the note bear interest at 90 day LIBOR plus 1.78 percent. At March 31, 2022, interest on the loan was 2.0 percent. The loan was paid in full during the year ended March 31, 2023.

Note 10 - Income Taxes:

Significant components of the income tax provision are summarized as follows for the years ended March 31, 2023 and 2022:

	2023	2022
Current provision:		
Federal	$ 3,418,461	$ 314,187
State	1,230,213	94,822
Deferred provision:		
Federal	173,000	162,000
State	46,000	49,000
Total income tax expense (benefit)	$ 4,867,674	$ 620,009

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate on income before income taxes for the years ended March 31, 2023 and 2022 is as follows:

	2023	2022
Federal statutory rate	21.0%	21.0%
Equity method investments	-0.2%	-2.4%
Permanent differences	0.0%	-0.6%
State income taxes net of federal benefit	5.3%	5.5%
	26.1%	23.5%

Note 10 - Income Taxes (continued):

The Company provides for income taxes using the liability method in accordance with FASB ASC Topic 740 "Income Taxes". Deferred income taxes arise from the differences in the recognition of income and expenses for tax purposes. Deferred tax assets and liabilities are comprised of the following at March 31, 2023 and 2022:

	2023	2022
Accounts receivable	$ 7,700	$ 14,600
Inventory	41,000	35,700
Prepaid expenses	(107,200)	(72,100)
Unrealized gain on notes receivable	311,500	266,300
Net operating loss	-	1,921,800
Property and equipment	(513,100)	(475,200)
Right of use assets	(910,500)	(865,700)
Operating lease liabilities	970,000	921,900
Accrued expenses	15,900	15,300
Note receivable	(236,300)	(225,900)
Goodwill and intangibles	(528,000)	(370,700)
Total net deferred tax (liabilities) assets	$ (949,000)	$ 1,166,000

Note 11 - Related Parties:

During the years ended March 31, 2023 and 2022, the Company purchased approximately $18,895,942 and $14,348,000, respectively, of inventory from its parent company, ELGI Equipments Ltd. At March 31, 2023 and 2022, the balance payable to ELGI Equipments Ltd was $15,219,075 and $17,296,127, respectively.

During the years ended March 31, 2023 and 2022, the Company purchased approximately $16,084,000 and $11,750,000, respectively, of inventory from Rotair S.P.A. At March 31, 2023 and 2022, the balance payable to Rotair S.P.A. was $3,670,756 and $3,311,966, respectively.

During the years ended March 31, 2023 and 2022, the Company sold $398,116 and $492,737, respectively, to Evergreen Compressed Air, LLC. At March 31, 2023 and 2022, the balance receivable from Evergreen Compressed Air, LLC was $83,820 and $193,476, respectively.

During the years ended March 31, 2023 and 2022, the Company sold approximately $488,384 and $316,799, respectively to Compressed Air Solutions of Texas, LLC. At March 31, 2023 and 2022, the balance receivable from Compressed Air of Solutions of Texas, LLC was $13,395 and $21,875 respectively.

Note 11 - Related Parties (continued):

During the years ended March 31, 2023 and 2022, the Company sold approximately $1,017,772 and $1,582,810, respectively to Pattons of California, LLC. At March 31, 2023 and 2022, the balance receivable from Pattons of California, LLC was $824,021 and $857,199, respectively.

During the years ended March 31, 2023 and 2022, the Company sold approximately $1,100,378 and $728,922, respectively, to G3 Industrial Solutions, LLC. At March 31, 2023 and 2022, the balance receivable from G3 Industrial Solutions, LLC was $278,284 and $273,872, respectively.

During the years ended March 31, 2023 and 2022, the Company sold approximately $1,365,155 and $302,015, respectively, to Gentex Air Solutions, LLC. At March 31, 2023 and 2022, the balance receivable from Gentex Air Solutions, LLC was $279,159 and $107,978, respectively.

During the years ended March 31, 2023 and 2022, the Company has loans receivable from a subsidiary of ELGI Equipments Ltd. See Note 3 for further information.

Note 12 - Profit-Sharing Plan:

The Company has adopted a defined contribution profit sharing and 401(k) plan for its employees. Contributions are based upon a discretionary formula, which is determined annually by the Board of Directors. The annual contribution may not exceed 70 percent of eligible participants' total compensation. The Company matches 50 percent of an employee's contribution under the 401(k) provisions up to 6 percent of compensation for the year. The Company elected to stop the match on May 15, 2020 and reinstated this match on April 1, 2021. The Company's contribution to the plan for the years ended March 31, 2023 and 2022 was $536,535 and $506,808, respectively.

Note 13 - Supplemental Cash Flow Information:

Supplemental cash flow information for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022
Interest paid	$ 956,299	$ 708,515
Income taxes paid	$ 2,759,000	$ -

Note 14 - Other Income and Expense:

Other income and expense consisted of the following for the years ended March 31, 2023 and 2022:

	2023	2022
Interest income	$ 39,513	$ 52,377
Foreign currency gain (loss)	(374,013)	450,084
Interest expense	(988,290)	(707,558)
Gain on sale of fixed assets	13,168,230	254,325
Other	45,208	141,417
	$ 11,890,648	$ 190,645

Note 15 - Leases:

The Company determines whether an arrangement is a lease at inception and whether such leases are operating or financing leases. For each lease agreement, the Company determines its lease term as the non-cancellable period of the lease and includes options to extend or terminate the lease when it is reasonably certain that it will exercise that option. The Company uses these options in determining its right-of-use assets and lease liabilities. These lease agreements do not contain any material residual value guarantees or material restrictive covenants. As the Company's operating leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of the lease payments.

The following table discloses supplemental balance sheet information for the Company's leases.

Assets	Classification	2023	2022
Operating lease right of use assets	Operating lease right of use assets	$ 3,432,006	$ 3,263,121
Finance lease assets	Property and equipment, net	1,000,906	1,042,587
Total lease assets		$ 4,432,912	$ 4,305,708
Liabilities	**Classification**		
Current			
Operating	Current portion of operating lease liability	$ 1,116,208	$ 1,022,014
Finance	Accrued expenses and other liabilities	449,877	350,451
Non-current			
Operating	Long-term operating lease liability	2,540,113	2,452,861
Finance	Long-term finance lease liability	766,747	805,600
Total lease liabilities		$ 4,872,945	$ 4,630,926

Operating lease expense is recognized on a straight-line basis over the lease term. Total operating lease expenses, included in selling, general and administrative expenses, for the years ended March 31, 2023 and 2022 was $1,332,900 and $1,157,177, respectively. Finance lease expense is recognized as depreciation and interest expense on the consolidated statement of operations and totaled $480,338 and $116,612, respectively, for the years ended March 31, 2023 and 2022.

Note 15 - Leases (continued):

The weighted-average remaining lease term and discount rate for the Company's operating leases are as follows:

	Operating leases	Finance Leases
Weighted average remaining lease term	3.3 years	1.7 years
Weighted-average discount rate	3.0 percent	6.3 percent

Supplemental cash flow information related to operating leases for the years ended March 31, 2023 and 2022, respectively, as follows:

	2023	2022
Cash payments for operating leases	$ 1,060,273	$ 1,176,753

	2023	2022
New operating lease assets obtained in exchange for lease	$ 492,021	$ 410,537

The following table summarizes the future minimum payments for operating and principal payments under finance leases due in each year ending March 31,

Year ending March 31,	Operating leases	Finance leases
2024	$ 1,218,185	$ 449,877
2025	1,255,981	252,012
2026	882,865	345,691
2027	393,116	169,044
2028	128,501	-
	$ 3,878,648	$ 1,216,624

Note 16 - Legal Matters:

The Company is subject to various claims and legal proceedings in the ordinary course of its business activities. Management believes that any liability that ultimately results from the resolution of these matters will not have a material effect on the financial condition or results of operations of the Company.

Note 17 - COVID 19 and PPP loans:

During 2020, the Company applied for and received loan proceeds under the Paycheck Protection Program ("PPP"), established on March 27, 2020 by the Coronavirus Aid, Relief and Economic Security Act ("CARES"). The PPP loans were provided to assist businesses in keeping their workforce employed during the Coronavirus pandemic. These loans were available for full or partial forgiveness provided that the funds were used for qualifying costs including payroll, employee benefits and rent. The Company received loans totaling $2,526,530. The Company accounted for the transaction as a grant and offset selling, general and administrative expenses as incurred. As of March 31, 2021, the full balance of PPP funds received has been offset against these expenses. Further, the Company had received forgiveness of $2,050,530, as of March 31, 2021, and in April 2021, the Company received forgiveness for the remaining amount.

The Company has evaluated the impact of COVID-19 on the recoverability and carrying values of its assets, including property and equipment, intangible assets, trade receivables and inventory and has concluded that there are no material adjustments required in these financial statements.

Note 18 - Subsequent Events:

The Company evaluated all events and transactions through May 16, 2023, the date these financial statements were issued. During this period, there were no material recognizable or non-recognizable subsequent events.

Scharf Pera
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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION

Board of Directors
ELGI Compressors USA, Inc.
Charlotte, North Carolina

We have audited the consolidated financial statements of ELGI Compressors USA, Inc. and subsidiaries for the years ended March 31, 2023 and 2022 and our report thereon dated May 16, 2023, which expressed an unqualified opinion on those financial statements, appears on pages 2 and 3. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Supplemental Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements, rather than to present financial position and results of operations of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information in Supplemental Schedules I and II is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Scharf Pera & Co., PLLC

Charlotte, North Carolina
May 16, 2023

ELGI COMPRESSORS USA, INC.
SUPPLEMENTAL SCHEDULE I - CONSOLIDATING BALANCE SHEETS
MARCH 31, 2023

	ELGI Compr USA	Patton's, Inc.	Patton's Medical	Michigan Air	Eliminations	Consolidated
Assets						
Cash	$ 1,715,342	$ 351,432	$ 60,646	$ 658,224	$ -	$ 2,785,643
Accounts receivable, net	10,615,929	5,213,139	3,844,539	2,090,460	(2,711,824)	19,052,243
Intercompany receivables (payables)	(15,879,338)	26,329,490	(5,104,286)	(5,345,865)	-	-
Inventory	18,144,156	2,460,171	3,157,847	857,492	(738,411)	23,881,255
Other current assets	191,797	138,027	19,936	55,172	-	404,932
Total current assets	14,787,886	34,492,259	1,978,682	(1,684,517)	(3,450,235)	46,124,073
Property and equipment, net	560,237	2,617,109	105,621	308,751	-	3,591,718
Other assets						
Goodwill	730,882	4,267,993	-	2,339,711	-	7,338,586
Intangible assets, net	709,677	1,633,484	8,894	1,092,248	-	3,444,304
Equity method investments	1,698,827	-	-	-	-	1,698,827
Notes receivable from related party	1,958,228	-	-	-	-	1,958,228
Operating Lease ROU Assets, net	2,014,373	1,122,011	-	295,622	-	3,432,006
Other assets	174,228	36,671	-	24,180	-	235,079
Total other assets	7,286,215	7,060,159	8,894	3,751,761	-	18,107,030
	$ 22,634,338	$ 44,169,527	$ 2,093,197	$ 2,375,995	$ (3,450,235)	$ 67,822,821
Liabilities and Stockholder's Equity						
Current liabilities						
Current operating leases	$ 644,671	$ 391,439	$ -	$ 80,098	$ -	$ 1,116,208
Lines of credit	7,300,000	-	-	-	-	7,300,000
Accounts payable and other liabilities	475,874	3,785,913	356,766	751,895	(2,711,824)	2,658,622
Due to related parties	18,889,831	-	-	-	-	18,889,831
Accrued expenses	2,062,602	1,304,185	566,227	254,433	-	4,187,446
Total current liabilities	29,372,978	5,481,537	922,993	1,086,426	(2,711,824)	34,152,107
Long-term finance leases	108,240	592,892	-	65,615	-	766,747
Deferred tax liabilities	33,000	767,000	34,000	115,000	-	949,000
Long-term operating leases	1,501,768	808,614	-	229,732	-	2,540,113
Total noncurrent liabilities	1,643,008	2,168,506	34,000	410,347	-	4,255,860
Stockholder's equity						
Additional paid-in capital	(17,061,919)	33,442,702	-	-	-	16,380,783
Retained earnings	8,680,271	3,076,782	1,136,204	879,221	(738,411)	13,034,071
Total stockholder's equity	(8,381,648)	36,519,484	1,136,204	879,221	(738,411)	29,414,854
	$ 22,634,338	$ 44,169,527	$ 2,093,197	$ 2,375,995	$ (3,450,235)	$ 67,822,821

ELGI COMPRESSORS USA, INC.
SUPPLEMENTAL SCHEDULE I - CONSOLIDATING BALANCE SHEETS
MARCH 31, 2022

	ELGI Compr USA	Patton's, Inc.	Patton's Medical	Michigan Air	Eliminations	Consolidated
Assets						
Cash	$ 912,497	$ 444,211	$ 107,594	$ 609,618	$ -	$ 2,073,919
Accounts receivable, net	20,992,401	4,021,097	3,999,259	1,438,469	(16,073,991)	14,377,235
Intercompany receivables (payables)	(18,697,668)	27,661,414	(4,224,651)	(4,739,094)	-	-
Inventory	13,384,548	3,091,581	2,595,024	785,297	(715,204)	19,141,246
Other current assets	124,675	95,092	13,300	38,864	-	271,932
Total current assets	16,716,454	35,313,392	2,490,525	(1,866,845)	(16,789,195)	35,864,332
Property and equipment, net	828,113	2,205,039	153,561	210,015	-	3,396,728
Other assets						
Goodwill	730,882	4,267,993	-	2,339,711	-	7,338,586
Intangible assets, net	891,023	1,875,913	9,714	1,342,198	-	4,118,848
Equity method investments	1,465,295	-	-	-	-	1,465,295
Notes receivable from related party	2,720,115	-	-	-	-	2,720,115
Deferred tax assets (liabilities)	(789,000)	2,270,000	(160,000)	(155,000)	-	1,166,000
Operating Lease ROU Assets, net	1,584,645	1,267,904	-	410,572	-	3,263,121
Other assets	78,155	66,755	-	11,130	-	156,040
Assets held for sale	-	3,057,634	-	-	-	3,057,634
Total other assets	6,681,115	12,806,199	(150,286)	3,948,611	-	23,285,639
	$ 24,225,682	$ 50,324,631	$ 2,493,802	$ 2,291,780	$ (16,789,195)	$ 62,546,699
Liabilities and Stockholder's Equity						
Current liabilities						
Current long-term debt	$ 1,500,000	$ -	$ -	$ -	$ -	$ 1,500,000
Current operating leases	577,895	422,282	-	21,839	-	1,022,014
Lines of credit	9,450,000	-	-	-	-	9,450,000
Accounts payable and other liabilities	1,101,687	16,955,746	1,944,511	618,006	(16,073,991)	4,545,957
Due to related parties	20,608,093	-	-	-	-	20,608,093
Accrued expenses	1,595,335	785,586	351,250	358,843	-	3,091,014
Total current liabilities	34,833,009	18,163,613	2,295,761	998,688	(16,073,991)	40,217,078
Long-term debt, net	3,494,375	584,458	-	53,243	-	4,132,075
Long-term operating leases	1,123,678	925,389	-	403,795	-	2,452,861
Total noncurrent liabilities	4,618,051	1,509,846	-	457,037	-	6,584,936
Stockholder's equity						
Additional paid-in capital	(17,061,919)	33,442,702	-	-	-	16,380,783
Retained earnings	1,836,541	(2,791,530)	198,041	836,054	(715,204)	(636,098)
Total stockholder's equity	(15,225,378)	30,651,172	198,041	836,054	(715,204)	15,744,685
	$ 24,225,682	$ 50,324,631	$ 2,493,802	$ 2,291,780	$ (16,789,195)	$ 62,546,699

ELGI COMPRESSORS USA, INC.
SUPPLEMENTAL SCHEDULE II
CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS
YEAR ENDED MARCH 31, 2023

	ELGI Compr USA	Patton's, Inc.	Patton's Medical	Michigan Air	Eliminations	Consolidated
Revenue	$ 58,559,833	$ 25,395,162	$ 18,414,970	$ 12,315,627	$ (10,094,102)	$ 104,591,490
Cost of sales	(39,498,435)	(15,842,610)	(12,508,119)	(8,027,739)	10,070,898	(65,806,005)
Gross profit	19,061,398	9,552,552	5,906,851	4,287,888	(23,204)	38,785,485
Selling, general and administrative expenses	(13,250,947)	(10,004,342)	(4,652,994)	(4,088,539)	-	(31,996,822)
Operating income	5,810,451	(451,790)	1,253,857	199,349	(23,204)	6,788,663
Other income and (expense)	(1,098,511)	13,112,171	23,315	(146,327)	-	11,890,648
Net income before income taxes	$ 4,711,940	$ 12,660,381	$ 1,277,172	$ 53,022	$ (23,204)	$ 18,679,311

ELGI COMPRESSORS USA, INC.
SUPPLEMENTAL SCHEDULE II
CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS
YEAR ENDED MARCH 31, 2022

	ELGI Compr USA	Patton's, Inc.	Patton's Medical	Michigan Air	Eliminations	Consolidated
Revenue	$ 41,686,872	$ 20,615,306	$ 14,904,513	$ 9,864,968	$ (7,918,339)	$ 79,153,320
Cost of sales	(29,255,320)	(12,690,152)	(10,645,551)	(6,190,252)	7,597,318	(51,183,956)
Gross profit	12,431,552	7,925,154	4,258,963	3,674,716	(321,021)	27,969,364
Selling, general and administrative expenses	(9,334,206)	(8,796,722)	(3,788,696)	(3,604,195)	-	(25,523,819)
Operating income	3,097,346	(871,568)	470,267	70,520	(321,021)	2,445,545
Other income and (expense)	131,661	143,476	26,092	(110,585)	-	190,645
Net income before income taxes	$ 3,229,007	$ (728,092)	$ 496,359	$ (40,065)	$ (321,021)	$ 2,636,190