

ELGI COMPRESSORS USA, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2025 AND 2024

ELGI COMPRESSORS USA, INC.
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Elgi Compressors USA, Inc, which comprise the consolidated balance sheets as of March 31, 2025 and 2024, and the related consolidated statements of operations, stockholder's equity and cash flows for the years ended March 31, 2025 and 2024, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Elgi Compressors USA, Inc. and its subsidiaries as of March 31, 2025 and 2024, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Elgi Compressors USA, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Elgi Compressors USA, Inc.'s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

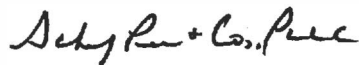
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Elgi Compressors USA, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Elgi Compressors USA, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters identified during the audit.



Charlotte, North Carolina
May 16, 2025

ELGI COMPRESSORS USA, INC.
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2025 AND 2024

	2025	2024
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 3,128,762	\$ 1,699,605
Accounts receivable, net of allowance	17,266,929	20,075,402
Inventory	23,936,898	27,156,699
Prepaid expenses and other current assets	120,629	232,061
Total current assets	44,453,218	49,163,767
PROPERTY AND EQUIPMENT - net of		
accumulated depreciation	3,860,647	4,438,515
OTHER ASSETS		
Notes receivable from related party	1,681,165	2,680,763
Goodwill	7,338,586	7,338,586
Intangible assets - net of amortization	2,272,337	2,866,676
Equity method investments	1,353,649	1,615,062
Deferred income tax assets	1,228,299	96,000
Right-of-use asset	5,198,255	3,208,108
Other assets	144,464	143,465
	19,216,755	17,948,660
	\$ 67,530,620	\$ 71,550,942
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 3,375,639	\$ 3,031,774
Operating lease liability - current	1,358,653	1,299,290
Lines of credit	11,450,000	11,950,000
Due to Rotair	1,862,107	3,397,642
Due to ELGI Equipments Ltd	17,721,917	17,658,874
Accrued expenses	4,161,850	4,020,396
Deferred Revenue	292,147	-
Total current liabilities	40,222,313	41,357,976
NON-CURRENT DEBT		
Long-term debt finance lease liabilities	1,057,048	1,700,568
Long-term operating lease liabilities	3,973,460	2,109,459
	5,030,508	3,810,027
COMMITMENTS AND CONTINGENCIES		
	-	-
STOCKHOLDER'S EQUITY		
Additional paid-in capital	16,380,783	16,380,783
Retained earnings	5,897,016	10,002,156
	22,277,799	26,382,939
	\$ 67,530,620	\$ 71,550,942

See Notes to Consolidated Financial Statements

ELGI COMPRESSORS USA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED MARCH 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
REVENUE	\$ 88,528,278	\$ 89,817,582
COST OF SALES	<u>53,604,622</u>	<u>54,591,018</u>
GROSS PROFIT	34,923,656	35,226,564
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>39,617,095</u>	<u>38,668,755</u>
OPERATING (LOSS)	(4,693,439)	(3,442,191)
OTHER (EXPENSE)	<u>(732,028)</u>	<u>(752,853)</u>
NET (LOSS) BEFORE INCOME TAXES	(5,425,467)	(4,195,044)
INCOME TAX (BENEFIT)	<u>(1,394,830)</u>	<u>(1,072,094)</u>
NET LOSS BEFORE EQUITY METHOD INVESTMENTS	(4,030,637)	(3,122,950)
(LOSS) INCOME ON EQUITY METHOD INVESTMENTS	<u>(74,503)</u>	<u>91,035</u>
NET LOSS	<u>\$ (4,105,140)</u>	<u>\$ (3,031,915)</u>

See Notes to Consolidated Financial Statements

ELGI COMPRESSORS USA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
YEARS ENDED MARCH 31, 2025 AND 2024

	<u>Common Stock Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
Balance - March 31, 2023	1,000	\$ -	\$ 16,380,783	\$ 13,034,071	\$ 29,414,854
Net loss	-	-	-	(3,031,915)	(3,031,915)
Balance - March 31, 2024	1,000	-	16,380,783	10,002,156	26,382,939
Net loss	-	-	-	(4,105,140)	(4,105,140)
Balance - March 31, 2025	<u>1,000</u>	<u>\$ -</u>	<u>\$ 16,380,783</u>	<u>\$ 5,897,016</u>	<u>\$ 22,277,799</u>

ELGI COMPRESSORS USA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2025 AND 2024

	2025	2024
Net loss	\$ (4,105,140)	\$ (3,031,915)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,848,550	1,798,920
Gain on sale of fixed assets	(176,834)	(95,537)
Loss (Income) from equity method investments	74,503	(91,035)
Increase in deferred taxes	(1,132,299)	(1,045,000)
Unrealized foreign currency loss (gain)	60,968	(81,119)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	3,747,103	(1,664,575)
Decrease (increase) in inventory	3,219,801	(3,275,444)
Increase in deferred revenue	292,147	-
Decrease in other assets	110,433	264,485
Increase in accounts payable	343,865	373,154
Increase in accrued expenses and other liabilities	(1,167)	(337,153)
Total adjustments	8,387,069	(4,153,304)
Net cash provided by (used in) operating activities	4,291,929	(7,185,219)
Cash flows from investing activities:		
Purchase of property and equipment and intangibles	(725,792)	(2,099,624)
Distributions from / (Investments in) equity method investees	186,910	174,800
Proceeds from sale of property and equipment	226,294	103,337
Net cash (used in) investing activities	(312,598)	(1,821,487)
Cash flows from financing activities:		
Principal payments on finance lease obligations	(617,032)	(542,525)
Proceeds from finance lease obligations	49,350	1,646,508
Net (payments) borrowings on lines of credit	(500,000)	4,650,000
Net (payments) borrowings on related party debt	(1,472,492)	2,166,685
Net cash (used in) provided by financing activities	(2,540,174)	7,920,668
NET INCREASE (DECREASE) IN CASH	1,429,157	(1,086,038)
CASH - Beginning of period	1,699,605	2,785,643
CASH - End of period	\$ 3,128,762	\$ 1,699,605

See Notes to Consolidated Financial Statements

ELGI COMPRESSORS USA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2025 AND 2024

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.

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

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 August 15, 2024 the joint venture with G3 was divested.

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 Gentex, 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. On July 18, 2024 the joint venture with CS Industrial Services LLC was divested.

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. Payments received prior to the completion of work are recorded as deferred revenue. 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.

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

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.

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

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, 2025 and 2024.

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, 2025 and 2024.

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 9).

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 2020 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 notes receivable with ELGI Compressors of Brazil and Elgi Compressors Europe (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, 2025 and 2024.

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, 2025 and 2024.

There were no significant transfers into or between Level 1, Level 2 and Level 3 financial instruments during the years ended March 31, 2025 and 2024.

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. 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). 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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Trade	\$ 19,520,134	\$ 20,259,327
Employees	<u>22,284</u>	<u>69,518</u>
	19,542,418	20,328,845
Less: allowance for doubtful accounts	<u>(2,275,489)</u>	<u>(253,443)</u>
	<u>\$ 17,266,929</u>	<u>\$ 20,075,402</u>

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.

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 were due in five annual installments beginning October 2017.

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.

During the year ended March 31, 2024, the full principal balance of the notes was paid, while \$1,001,967 of accrued interest remained outstanding. The accrued interest was paid during the year ended March 31, 2025. Interest income was \$20,969 for the year ended March 31, 2024.

During the year ended March 31, 2024, the Company loaned a related party Elgi Compressors Europe \$1,650,000. At March 31, 2025 and 2024, the balance of note receivable including interest of \$31,165 and \$28,796, respectively, is outstanding. Interest income on this note was \$123,675 and \$28,796 for the years ended March 31, 2025, and 2024, respectively.

Note 4 - Inventory:

Inventory consisted of the following as of March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Equipment	\$ 12,368,825	\$ 15,739,557
Parts	12,123,629	11,840,677
Work in progress	<u>660,276</u>	<u>595,077</u>
	25,152,730	28,175,311
Less: inventory reserve	<u>(1,215,832)</u>	<u>(1,018,612)</u>
	<u>\$ 23,936,898</u>	<u>\$ 27,156,699</u>

Note 5 - Property and Equipment:

Property and equipment consisted of the following as of March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Land	\$ 362,755	\$ 362,755
Buildings	1,649,591	1,666,870
Automotive equipment	3,194,365	3,608,538
Machinery and equipment	1,366,735	1,287,710
Office furniture and equipment	2,486,354	2,197,971
Leasehold improvements	<u>664,007</u>	<u>449,571</u>
	9,723,807	9,573,415
Less: accumulated depreciation	<u>(5,863,160)</u>	<u>(5,134,900)</u>
	<u>\$ 3,860,647</u>	<u>\$ 4,438,515</u>

Finance lease assets with a cost of \$2,991,946 and \$3,293,430 and net book value of \$1,491,420 and \$2,048,737 are included in property and equipment for years ended March 31, 2025 and 2024, respectively. See Note 14 for additional details.

Depreciation expense was \$1,254,211 and \$1,191,231 for the years ended March 31, 2025 and 2024, 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:

	<u>Goodwill</u>	<u>Customer Relationships</u>	<u>Non-Compete Agreements</u>	<u>Trade Names</u>	<u>Other</u>
Amortization period in years	n/a	10	5	20	3-20
Balance March 31, 2023	7,338,586	1,742,324	59,225	1,633,861	8,894
Additions	-	-	-	11,990	41,806
Amortization	-	(392,814)	(38,422)	(181,117)	(19,071)
Balance March 31, 2024	7,338,586	1,349,510	20,803	1,464,734	31,629
Amortization	-	(392,814)	(20,803)	(169,127)	(11,595)
Balance March 31, 2025	<u>\$ 7,338,586</u>	<u>\$ 956,696</u>	<u>\$ -</u>	<u>\$ 1,295,607</u>	<u>\$ 20,034</u>

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

Amortization expense was \$594,339 and \$631,424 for the years ended March 31, 2025 and 2024, respectively. At March 31, 2025, estimated future amortization of separately identifiable intangible assets for each of the next five years is: 2026 - \$573,537; 2027 - \$564,764; 2028 - \$341,015; 2029 - \$169,947; 2030 - \$169,947; thereafter - \$453,127.

Note 7 - Accrued Expenses and Other Current Liabilities:

Accrued expenses and other current liabilities consisted of the following as of March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Accrued compensation	\$ 2,217,456	\$ 2,423,310
Accrued interest	70,009	108,487
Finance lease liabilities - current	690,213	620,040
Accrued other expenses	<u>1,184,172</u>	<u>868,559</u>
	<u>\$ 4,161,850</u>	<u>\$ 4,020,396</u>

Note 8 - Lines of Credit:

On February 18, 2014, the Company entered into a revolving note pursuant to its Loan and Security Agreement 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 the Secured Overnight Financing Rate three-month term plus 1.85 percent.

The interest rate was 6.3 and 7.3 percent as of March 31, 2025 and 2024, respectively. 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, 2025 and 2024 was \$11,450,000 and \$11,950,000, respectively.

Note 9 - Income Taxes:

Significant components of the income tax provision are summarized as follows for the years ended March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Current provision:		
Federal	\$ (233,031)	\$ -
State	(56,593)	-
Deferred provision:		
Federal	(808,943)	(794,234)
State	<u>(296,263)</u>	<u>(277,860)</u>
Total income tax benefit	<u>\$ (1,394,830)</u>	<u>\$ (1,072,094)</u>

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, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Federal statutory rate	21.0%	21.0%
Equity method investments	0.4%	-0.6%
Permanent differences	-0.4%	0.0%
State income taxes net of federal benefit	4.7%	5.2%
	<u>25.7%</u>	<u>25.6%</u>

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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Accounts receivable	\$ 603,700	\$ 44,700
Inventory	41,000	41,000
Prepaid expenses	(32,000)	(50,600)
Net operating loss	2,067,400	1,705,900
Property and equipment	(589,200)	(721,300)
Right of use assets	(1,379,100)	(851,100)
Operating lease liabilities	1,414,600	904,300
Note receivable	(8,300)	(265,800)
Goodwill and intangibles	<u>(889,801)</u>	<u>(711,100)</u>
Total net deferred tax assets	<u>\$ 1,228,299</u>	<u>\$ 96,000</u>

Note 10 - Related Parties:

During the years ended March 31, 2025 and 2024, the Company purchased approximately \$14,948,676 and \$12,852,000, respectively, of inventory from its parent company, ELGI Equipments Ltd. At March 31, 2025 and 2024, the balance payable to ELGI Equipments Ltd was \$17,721,917 and \$17,658,874, respectively.

During the years ended March 31, 2025 and 2024, the Company purchased approximately \$6,382,026 and \$18,244,000, respectively, of inventory from Rotair S.P.A. At March 31, 2025 and 2024, the balance payable to Rotair S.P.A. was \$1,862,107 and \$3,397,642, respectively.

During the years ended March 31, 2025 and 2024, the Company sold \$1,277,212 and \$544,405, respectively, to Evergreen Compressed Air, LLC. At March 31, 2025 and 2024, the balance receivable from Evergreen Compressed Air, LLC was \$444,626 and \$144,107, respectively.

During the years ended March 31, 2025 and 2024, the Company sold approximately \$864,923 and \$1,252,050, respectively to Compressed Air Solutions of Texas, LLC. At March 31, 2025 and 2024, the balance receivable from Compressed Air of Solutions of Texas, LLC was \$270,858 and \$167,660 respectively.

During the years ended March 31, 2025 and 2024, the Company sold approximately \$645,424 and \$1,362,353, respectively to Pattons of California, LLC. At March 31, 2025 and 2024, the balance receivable from Pattons of California, LLC was \$698,219 and \$1,035,175, respectively.

During the years ended March 31, 2025 and 2024, the Company sold approximately \$1,832,525 and \$968,459, respectively, to G3 Industrial Solutions, LLC. At March 31, 2025 and 2024, the balance receivable from G3 Industrial Solutions, LLC was \$753,313 and \$218,000, respectively.

During the years ended March 31, 2025 and 2024, the Company sold approximately \$1,105,896 and \$743,033, respectively, to Gentex Air Solutions, LLC. At March 31, 2025 and 2024, the balance receivable from Gentex Air Solutions, LLC was \$277,775 and \$485,635, respectively.

During the years ended March 31, 2025 and 2024, the Company sold approximately \$534,240 and \$172,184, respectively, to CS Industrial Services LLC. At March 31, 2025 and 2024, the balance receivable from CS Industrial Services LLC was \$47,815 and \$26,182, respectively.

During the years ended March 31, 2025 and 2024, the Company has loans receivable from a subsidiaries of ELGI Equipments Ltd. See Note 3 for further information.

Note 11 - 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's contribution to the plan for the years ended March 31, 2025 and 2024 was \$660,664 and \$629,571, respectively.

Note 12 - Supplemental Cash Flow Information:

Supplemental cash flow information for the years ended March 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Interest paid	\$ 1,580,936	\$ 1,383,689
Income taxes paid	\$ -	\$ -

Note 13 - Other Income and Expense:

Other income and expense consisted of the following for the years ended March 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Interest Income	\$ 205,616	\$ 109,567
Foreign currency gain (loss)	(239,643)	(121,877)
Interest Expense	(1,590,252)	(1,444,239)
Gain on sale of fixed assets	109,879	95,537
Other	782,372	608,159
	<u>\$ (732,028)</u>	<u>\$ (752,853)</u>

Note 14 - 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	2025	2024
Operating lease ROU assets	Right-of-use assets	\$ 5,198,255	\$ 3,208,108
Finance lease assets	Property and equipment, net	1,491,420	2,048,736
Total lease assets		<u>\$ 6,689,675</u>	<u>\$ 5,256,844</u>

Liabilities	Classification		
Current			
Operating	Current portion of operating lease liability	\$ 1,358,653	\$ 1,299,290
Finance	Accrued expenses and other liabilities	690,213	620,040
Non-current			
Operating	Long-term operating lease liability	3,973,460	2,109,459
Finance	Long-term finance lease liability	1,057,048	1,700,568
Total lease liabilities		<u>\$ 7,079,374</u>	<u>\$ 5,729,357</u>

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, 2025 and 2024 was \$1,346,773 and \$1,343,367, respectively. Finance lease expense is recognized as depreciation and interest expense on the consolidated statement of operations and totaled \$606,667 and \$582,475, respectively, for the years ended March 31, 2025 and 2024.

Note 14 - Leases (continued):

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

	<u>Operating leases</u>	<u>Finance leases</u>
Weighted average remaining lease term	3.0 years	2.1 years
Weight average discount rate	6.0 percent	7.4 percent

Supplemental cash flow information related to operating leases for the years ended March 31, 2025 and 2024, respectively, as follows:

	<u>2025</u>	<u>2024</u>
Cash payments for operating leases	<u>\$ 1,412,523</u>	<u>\$ 1,357,639</u>
Operating lease assets obtained for lease	<u>\$ 3,223,751</u>	<u>\$ 960,870</u>

The following table summarizes the future minimum payments for operating and principal payments under finance leases due in each year ending March 31, 2025

<u>Year ending March 31,</u>	<u>Operating leases</u>	<u>Finance leases</u>
2026	\$ 1,358,653	\$ 690,213
2027	1,512,492	564,735
2028	1,398,007	470,709
2029	872,507	21,604
2030	175,365	-
Thereafter	<u>15,090</u>	<u>-</u>
	<u>\$ 5,332,114</u>	<u>\$ 1,747,261</u>

Note 15 - 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 16 - Subsequent Events:

The Company evaluated all events and transactions through May 16, 2025, the date these financial statements were issued.

An agreement was executed on April 11, 2025 for the sale of a joint venture, Compressed Air Solutions of Texas, LLC, for total consideration of \$154,486.



Scharf Pera

& Co., PLLC Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION

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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis 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 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 information 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, 2025

ELGI COMPRESSORS USA, INC.
SUPPLEMENTAL SCHEDULE I - CONSOLIDATING BALANCE SHEETS
MARCH 31, 2025

	ELGI Compr USA	Patton's, Inc.	Patton's Medical	Michigan Air	Eliminations	Consolidated
Assets						
Cash	\$ (22,354,875)	\$ 9,972,003	\$ 13,966,904	\$ 1,544,731	\$ -	\$ 3,128,762
Accounts receivable, net	24,694,216	3,381,877	4,890,327	1,895,363	(17,594,855)	17,266,929
Intercompany receivables (payables)	4,457,242	21,162,440	(18,152,861)	(7,466,821)	-	(0)
Inventory	17,130,935	3,078,371	3,581,396	980,591	(834,394)	23,936,898
Other current assets	31,046	64,054	1,448	24,080	-	120,629
Total current assets	23,958,564	37,658,744	4,287,214	(3,022,056)	(18,429,249)	44,453,218
Property and equipment, net	947,994	2,138,399	70,386	703,868	-	3,860,647
Other assets						
Goodwill	730,882	4,267,993	-	2,339,711	-	7,338,586
Intangible assets, net	356,335	1,295,522	15,965	604,515	-	2,272,337
Equity method investments	1,353,649	-	-	-	-	1,353,649
Notes receivable from related party	1,681,165	-	-	-	-	1,681,165
Deferred tax assets (liabilities)	(1,141,701)	1,780,000	(237,500)	827,500	-	1,228,299
Operating Lease ROU Assets, net	2,879,610	1,448,890	-	869,755	-	5,198,255
Other assets	88,167	36,671	-	19,626	-	144,464
Total other assets	5,948,108	8,829,075	(221,535)	4,661,107	-	19,216,755
	\$ 30,854,666	\$ 48,626,219	\$ 4,136,064	\$ 2,342,920	\$ (18,429,249)	\$ 67,530,620
Liabilities and Stockholder's Equity						
Current liabilities						
Current operating leases	\$ 770,064	\$ 379,104	\$ -	\$ 209,484	\$ -	\$ 1,358,653
Lines of credit	11,450,000	-	-	-	-	11,450,000
Accounts payable and other liabilities	840,611	15,863,583	1,894,448	2,371,851	(17,594,855)	3,375,639
Due to related parties	19,584,024	-	-	-	-	19,584,024
Accrued expenses	2,051,703	1,181,347	556,463	372,338	-	4,161,850
Deferred Revenue		211,557		80,590		292,147
Total current liabilities	34,696,403	17,635,591	2,450,911	3,034,263	(17,594,855)	40,222,313
Long-term finance leases	190,643	499,656	-	366,749	-	1,057,048
Long-term operating leases	2,177,411	1,103,250	-	692,799	-	3,973,460
Total noncurrent liabilities	2,368,054	1,602,906	-	1,059,548	-	5,030,508
Stockholder's equity						
Additional paid-in capital	(17,061,919)	33,442,702	-	-	-	16,380,783
Retained earnings	10,852,128	(4,054,981)	1,685,153	(1,750,890)	(834,394)	5,897,016
Total stockholder's equity	(6,209,792)	29,387,721	1,685,153	(1,750,890)	(834,394)	22,277,799
	\$ 30,854,666	\$ 48,626,219	\$ 4,136,064	\$ 2,342,920	\$ (18,429,249)	\$ 67,530,620

ELGI COMPRESSORS USA, INC.
SUPPLEMENTAL SCHEDULE I - CONSOLIDATING BALANCE SHEETS
MARCH 31, 2024

	ELGI ComprUSA	Patton's, Inc.	Patton's Medical	Michigan Air	Eliminations	Consolidated
Assets						
Cash	\$ (8,592,231)	\$ 2,401,460	\$ 2,779,653	\$ 110,723	\$ -	\$ 1,699,605
Accounts receivable, net	19,106,667	5,319,500	3,576,316	1,982,260	(9,909,340)	20,075,402
Intercompany receivables (payables)	(2,263,691)	25,504,150	(7,106,517)	(6,133,942)	-	-
Inventory	20,530,321	3,056,528	3,220,443	1,188,570	(839,163)	27,156,699
Other current assets	110,701	89,922	-	31,438	-	232,061
Total current assets	23,891,768	36,371,557	2,469,894	(2,820,950)	(10,748,503)	49,163,767
Property and equipment, net	734,979	2,755,039	72,743	875,753	-	4,438,515
Other assets						
Goodwill	730,882	4,267,993	-	2,339,711	-	7,338,586
Intangible assets, net	528,331	1,464,503	24,951	848,890	-	2,866,676
Equity method investments	1,615,062	-	-	-	-	1,615,062
Notes receivable from related party	2,680,763	-	-	-	-	2,680,763
Deferred tax assets (liabilities)	(678,000)	585,000	(52,000)	241,000	-	96,000
Operating Lease ROU Assets, net	1,390,183	746,452	-	1,071,472	-	3,208,108
Other assets	87,168	36,671	-	19,626	-	143,465
Total other assets	6,354,389	7,100,619	(27,049)	4,520,699	-	17,948,660
	\$ 30,981,137	\$ 46,227,216	\$ 2,515,590	\$ 2,575,501	\$ (10,748,503)	\$ 71,550,942
Liabilities and Stockholders Equity						
Current liabilities						
Current finance base liabilities	\$ 83,928	\$ 359,572	\$ -	\$ 176,540	\$ -	\$ 620,040
Current operating leases	685,758	418,544	-	194,988	-	1,299,290
Lines of credit	11,950,000	-	-	-	-	11,950,000
Accounts payable and other liabilities	1,333,878	10,220,839	701,772	684,623	(9,909,340)	3,031,774
Due to related parties	21,056,516	-	-	-	-	21,056,516
Accrued expenses	1,461,546	1,075,078	603,023	260,707	-	3,400,356
Total current liabilities	36,571,626	12,074,033	1,304,795	1,316,858	(9,909,340)	41,357,976
Long-term finance bases	289,727	962,501	-	448,340	-	1,700,568
Long-term operating leases	816,919	390,118	-	902,422	-	2,109,459
Total noncurrent liabilities	1,106,646	1,352,619	-	1,350,762	-	3,810,027
Stockholders equity						
Additional paid-in capital	(7,061,919)	33,442,702	-	-	-	16,380,783
Retained earnings	10,364,784	(642,138)	1,210,794	(2,121)	(839,163)	10,002,156
Total stockholders equity	(6,697,135)	32,800,564	1,210,794	(2,121)	(839,163)	26,382,939
	\$ 30,981,137	\$ 46,227,216	\$ 2,515,590	\$ 2,575,501	\$ (10,748,503)	\$ 71,550,942

ELGI COMPRESSORS USA, INC.
SUPPLEMENTAL SCHEDULE II
CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS
YEAR ENDED MARCH 31, 2025

	ELGI Compr USA	Patton's, Inc.	Patton's Medical	Michigan Air	Eliminations	Consolidated
Revenue	\$ 48,487,327	\$ 20,066,790	\$ 19,281,240	\$ 8,292,121	\$ (7,599,201)	\$ 88,528,278
Cost of sales	(31,096,791)	(12,516,887)	(12,279,007)	(5,315,908)	7,603,971	(53,604,622)
Gross profit	17,390,536	7,549,903	7,002,233	2,976,213	4,770	34,923,656
Selling, general and administrative expenses	(15,190,431)	(12,735,759)	(6,381,449)	(5,309,455)	-	(39,617,095)
Operating income	2,200,106	(5,185,856)	620,784	(2,333,242)	4,770	(4,693,439)
Other income and (expense)	(1,425,002)	577,931	21,309	93,734	-	(732,028)
Net income before income taxes	\$ 775,104	\$ (4,607,925)	\$ 642,093	\$ (2,239,509)	\$ 4,770	\$ (5,425,467)

ELGI COMPRESSORS USA, INC.
SUPPLEMENTAL SCHEDULE II
CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS
YEAR ENDED MARCH 31, 2024

	<u>ELGI ComprUSA</u>	<u>Patton's, Inc.</u>	<u>Patton's Medical</u>	<u>Michigan Air</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenue	\$ 54,065,454	\$ 20,600,405	\$ 15,299,576	\$ 8,071,695	\$ (8,219,548)	\$ 89,817,582
Cost of sales	(5,585,327)	(2,748,518)	(9,424,429)	(4,951,539)	8,118,795	(5,591,018)
Gross profit	18,480,127	7,851,887	5,875,147	3,120,156	(100,753)	35,226,564
Selling, general and administrative expenses	(15,095,707)	(3,244,545)	(5,793,601)	(4,534,902)	-	(38,668,755)
Operating income	3,384,420	(5,392,658)	81,546	(1,414,746)	(100,753)	(3,442,191)
Other income and (expense)	(1,192,704)	349,870	2,611	87,370		(752,853)
Net income before income taxes	\$ 2,191,716	\$ (5,042,788)	\$ 84,157	\$ (1,327,376)	\$ (100,753)	\$ (4,195,044)