CP Industries Holdings, Inc.

Financial Statements

As of and for the Years Ended
March 31, 2021 and 2020

AN INDEPENDENT MEMBER OF BDO ALLIANCE USA

URISH POPECK & CO., LLC
Accountants and Consultants

CP Industries Holdings, Inc.

Contents

Independent Auditor's Report

To the Stockholder
CP Industries Holdings, Inc.
McKeesport, Pennsylvania

We have audited the accompanying financial statements of CP Industries Holdings, Inc. (a Pennsylvania corporation), which comprise the balance sheets as of March 31, 2021 and 2020, and the related statements of operations and comprehensive income (loss), changes in accumulated other comprehensive income (loss) by component, changes in stockholder's equity (deficit) 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 financial statements referred to above present fairly, in all material respects, the financial position of CP Industries Holdings, Inc. as of March 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that CP Industries Holdings, Inc. will continue as a going concern. As described in Note 1 to the financial statements, CP Industries Holdings, Inc. has suffered recurring net losses, has an accumulated deficit and negative stockholder's equity and is in violation of certain bank debt covenants at March 31, 2021, and has substantially drawn all available borrowings on its revolving line of credit. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Urish Popeck + Co., LLC

June 16, 2021
Pittsburgh, PA

CP Industries Holdings, Inc.

Balance Sheets

March 31,		**2021**		2020
Assets				
Current Assets				
Cash	**$**	**38,313**	$	17,254
Accounts receivable - net		**1,606,505**		1,760,406
Receivable from related parties - Note 11		**10,616**		411,929
Inventories - net - Note 2		**14,986,467**		14,775,551
Prepaid expenses and other current assets		**1,557,171**		2,453,427
Total Current Assets		**18,199,072**		19,418,567
Property, Plant and Equipment - net of accumulated depreciation - Note 3		**10,180,897**		10,909,918
Other Assets				
Goodwill - Note 1		**-**		9,596,757
Other assets - related party - Note 11		**480,000**		1,797,974
Total Other Assets		**480,000**		11,394,731
Total Assets	**$**	**28,859,969**	$	41,723,216

The accompanying notes are an integral part of these financial statements.

CP Industries Holdings, Inc.

Balance Sheets

March 31,		2021		2020
Liabilities and Stockholder's Equity (Deficit)				
Current Liabilities				
Revolving line of credit - Note 4	$	**4,418,556**	$	4,559,690
Current portion of long-term debt - Note 4		**3,724,127**		2,395,390
Accounts payable		**2,893,284**		3,148,393
Accounts payable - related parties - Note 11		**10,920**		498,067
Contract liabilities		**4,530,819**		2,495,018
Accrued pension - current portion - Note 6		**540,001**		588,273
Post-retirement obligation - current portion - Note 7		**14,104**		16,980
Accrued expenses and other current liabilities		**324,555**		469,743
Total Current Liabilities		**16,456,366**		14,171,554
Long-term Liabilities				
Long-term debt - Note 4		**-**		7,420
Accrued pension - Note 6		**2,084,937**		2,579,642
Post-retirement obligation - Note 7		**150,745**		170,761
Deferred tax liability - Note 8		**-**		444,000
Royalty expense payable - related party - Note 9		**4,150,710**		4,415,256
Notes payable - related parties - Note 5		**21,142,400**		21,142,400
Accrued interest - related parties - Note 5		**4,330,033**		4,032,540
Total Long-term Liabilities		**31,858,825**		32,792,019
Total Liabilities		**48,315,191**		46,963,573
Stockholder's Equity (Deficit)				
Common stock, $.01 par value, 1,000 shares authorized, 100 shares issued and outstanding		**1**		1
Paid-in capital		**8,999,999**		8,999,999
Accumulated deficit		**(27,138,004)**		(12,056,705)
Accumulated other comprehensive loss		**(1,317,218)**		(2,183,652)
Total Stockholder's Equity (Deficit)		**(19,455,222)**		(5,240,357)
Total Liabilities and Stockholder's Equity (Deficit)	$	**28,859,969**	$	41,723,216

The accompanying notes are an integral part of these financial statements.

CP Industries Holdings, Inc.

Statements of Operations and Comprehensive Income (Loss)

For the Years Ended March 31,		**2021**		2020
Net Sales	**$**	**11,992,302**	$	17,953,464
Cost of Goods Sold		**14,447,917**		16,392,660
Gross profit (loss)		**(2,455,615)**		1,560,804
Selling, General and Administrative Expenses		**2,383,381**		2,290,857
Goodwill Impairment Charge - Note 1		**9,596,757**		-
Royalty Expense - Note 9		**297,070**		469,404
Loss from operations		**(14,732,823)**		(1,199,457)
Other Expense				
Other expense		**(298,976)**		(155,144)
Interest expense		**(551,180)**		(1,168,339)
Total Other Expense		**(850,156)**		(1,323,483)
Loss Before Income Taxes		**(15,582,979)**		(2,522,940)
Provision (Benefit) for Income Taxes - Note 8		**(501,680)**		64,669
Net Loss		**(15,081,299)**		(2,587,609)
Other Comprehensive Income (Loss)				
Pension adjustment		**895,277**		(850,490)
Post-retirement plan adjustment		**(28,843)**		(92,913)
Comprehensive Income (Loss)	**$**	**(14,214,865)**	$	(3,531,012)

The accompanying notes are an integral part of these financial statements.

CP Industries Holdings, Inc.

Statements of Changes in Accumulated Other Comprehensive Income (Loss) by Component

For the Years Ended March 31, 2021 and 2020	Pension	Other Post-retirement Benefits	Total
Balance - April 1, 2019	$ (1,846,947)	$ 606,698	$ (1,240,249)
Other comprehensive income (loss) before reclassifications	(696,409)	(41,418)	(737,827)
Amounts reclassified from accumulated other comprehensive income (loss) - Notes 6 and 7	(154,081)	(51,495)	(205,576)
Comprehensive income (loss)	(850,490)	(92,913)	(943,403)
Balance - March 31, 2020	(2,697,437)	513,785	(2,183,652)
Other comprehensive income (loss) before reclassifications	(1,318)	13,173	11,855
Amounts reclassified from accumulated other comprehensive income (loss) - Notes 6 and 7	896,595	(42,016)	854,579
Comprehensive income (loss)	895,277	(28,843)	866,434
Balance - March 31, 2021	$ (1,802,160)	$ 484,942	$ (1,317,218)

The accompanying notes are an integral part of these financial statements.

CP Industries Holdings, Inc.

Statements of Changes in Stockholder's Equity (Deficit)

For the Years Ended March 31, 2021 and 2020	Common Stock	Paid-in Capital	Accumulated Equity (Deficit)	Accumulated Other Comprehensive Loss	Total Stockholder's Equity (Deficit)
Balance - April 1, 2019	$ 1	$ 8,999,999	$ (9,469,096)	$ (1,240,249)	$ (1,709,345)
Net loss	-	-	(2,587,609)	-	(2,587,609)
Pension adjustment	-	-	-	(850,490)	(850,490)
Post-retirement plan adjustment	-	-	-	(92,913)	(92,913)
Balance - March 31, 2020	1	8,999,999	(12,056,705)	(2,183,652)	(5,240,357)
Net loss	-	-	(15,081,299)	-	(15,081,299)
Pension adjustment	-	-	-	895,277	895,277
Post-retirement plan adjustment	-	-	-	(28,843)	(28,843)
Balance - March 31, 2021	1	$ 8,999,999	$ (27,138,004)	$ (1,317,218)	$ (19,455,222)

The accompanying notes are an integral part of these financial statements.

CP Industries Holdings, Inc.

Statements of Cash Flows

For the Years Ended March 31,	**2021**	2020
Cash Provided by (Used for) Operating Activities		
Net loss	**$ (15,081,299)**	$ (2,587,609)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities		
Depreciation and amortization	**1,342,665**	1,979,827
Goodwill impairment charge	**9,596,757**	-
Inventory reserve for slow-moving inventory	**291,371**	-
Deferred income taxes	**(444,000)**	37,000
Changes in		
Accounts receivable	**153,901**	616,320
Accounts receivable - related parties	**401,313**	1,618
Prepaid expenses	**896,256**	(1,029,274)
Inventories	**(502,287)**	2,559,659
Accounts payable	**(255,109)**	(336,626)
Accounts payable - related parties	**(487,147)**	217,950
Accrued expenses	**152,305**	305,919
Contract liabilities	**2,035,801**	(83,451)
Accrued pension and post retirement	**300,565**	21,755
Royalty expense payable	**(264,546)**	469,404
Other assets - related party	**1,317,974**	-
Net Cash Provided by (Used for) Operating Activities	**(545,480)**	2,172,492
Cash Used for Investing Activities		
Acquisitions of property, plant and equipment	**(605,507)**	(1,123,904)
Net Cash Used for Investing Activities	**(605,507)**	(1,123,904)
Cash Provided by (Used for) Financing Activities		
Net (payments) borrowings under revolving line of credit	**(141,134)**	161,345
Proceeds from long-term debt - PPP loan	**2,269,800**	-
Payments made on long-term debt	**(772,500)**	(1,030,000)
Payment of capital lease obligations and vendor notes payable	**(184,120)**	(181,847)
Net Cash Provided by (Used for) Financing Activities	**1,172,046**	(1,050,502)
Increase (decrease) in Cash	**21,059**	(1,914)
Cash - beginning of year	**17,254**	19,168
Cash - end of year	**$ 38,313**	$ 17,254
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	**$ 550,286**	$ 543,341

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Organization and Nature of Business

CP Industries Holdings, Inc. (CPI) is a wholly owned subsidiary of EKC Hungary Korlátolt Felelösségü Társaság (EKC Hungary), which is a wholly owned subsidiary of Everest Kanto Cylinder Ltd. (EKCL). CPI is located in McKeesport, Pennsylvania and specializes in manufacturing various size and diameter seamless pressure vessels for above ground storage and transportation of various highly pressurized gases. CPI's products are sold to customers such as industrial gas producers and suppliers, the natural gas alternative fuel industry, chemical and petrochemical processing facilities, prime contractors to the U.S. Department of Defense, NASA, public utilities and gas transportation companies.

Liquidity and Going Concern

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the years ended March 31, 2021 and 2020, the Company incurred net losses of $15,081,299 and $2,587,609, has an accumulated deficit of $27,138,004, has negative stockholder's equity, is in violation of its debt covenants at March 31, 2021, and has substantially drawn all available borrowings on its revolving line of credit. The Company currently plans to fund its operations and current obligations through increasing net sales and improving its gross profit. If the Company is unable to increase sales, improve gross profit, return to profitability and generate cash flows from operations sufficient to support its obligations the Company may seek additional funding from EKCL. The success of management's plans cannot be assured at this time.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that may result from the outcome of this uncertainty.

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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (cont.)

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause further business slowdowns or shutdowns, depress demand for the Company's products, and adversely impact the Company's results of operations. During the year ended March 31, 2021, the Company faced increasing uncertainties around our estimates. The Company expects the uncertainties around its accounting estimates to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic. The Company's estimates may change as new events occur and additional information emerges.

Labor Concentration

Approximately 62% of the Company's employees are members of a union subject to a collective bargaining agreement. In November 2020, the union agreement was extended on a three-year contract, and is set to expire in November 2023. The Company expects the agreement will be renewed in the normal course of business.

Cash

Substantially all of the Company's cash is with one financial institution located in southwestern Pennsylvania.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts was approximately $112,000 at March 31, 2021 and March 31, 2020.

Inventories

Inventories are stated at the lower of cost or net realizable value. The Company uses the specific identification method of accounting for the cost of raw material pipe inventory, the first-in, first-out method of accounting for the cost of component parts, and average cost for composite raw material.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost including expenditures for additions and major improvements. Maintenance and repairs which are not considered to extend the useful life of assets are charged to operations as incurred. The cost of assets sold or retired and related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in other income (expense) for the year.

For financial reporting, depreciation of property, plant and equipment is computed on the straight-line method at rates calculated to amortize cost over the estimated useful lives of the assets.

1. Summary of Significant Accounting Policies (cont.)

Long lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third party independent appraisals, as considered necessary. Management has determined that no impairment existed at March 31, 2021 and 2020 based upon its undiscounted cash flows assessment.

Intangible Assets

Goodwill is not amortized but is tested for impairment on at least an annual basis. Impairment testing is required more frequently if impairment indicators arise. In conducting its impairment testing, the Company determines if qualitative or quantitative factors are to be used to evaluate the potential impairment in the carrying value of the Company's goodwill.

During the year ended March 31, 2021, management concluded that goodwill had no value and recorded an impairment charge of $9,596,757. This amount is reflected as a component of the Company's loss from operations.

Deferred financing costs are deducted directly from the carrying value of the associated debt and are being amortized over the term of the debt using the straight-line method, which approximates the effective interest method (Note 4).

Research and Development

The Company expenses research and development costs as incurred. Total research and development expense was $89,065 for 2021 and $93,800 for 2020 included in other operating expenses.

Tax Status

The Company provides for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred taxes are also provided for operating losses that are available to offset future taxable income and credits that are available to offset future federal income taxes. A valuation allowance is established for any deferred tax asset for which realization is not considered likely.

1. Summary of Significant Accounting Policies (cont.)

The Company utilizes a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with the asset and liability method. The first step is to evaluate the tax position for recognition by determining whether evidence indicates that it is more likely than not that a position will be sustained if examined by a taxing authority. The second step is to measure the tax benefit as the largest amount that is 50% likely of being realized upon settlement with a taxing authority. There were no amounts recorded at March 31, 2021 and 2020 related to uncertain tax positions.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. There were no interest and penalties recognized in the statements of operations during 2021 or 2020.

Revenue Recognition and Customer Concentration

On April 1, 2019, the Company adopted FASB ASU No. 2014-09, Revenue from Contracts with Customers (ASC Topic 606) using the modified retrospective method applied to those contracts that were not completed as of April 1, 2019. Results for reporting periods beginning after April 1, 2019 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 605, Revenue Recognition. ASC Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price.

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenues are derived primarily through sale of products, which include steel and composite pressure vessels. Customers are generally billed 15% to 30% upfront with the remainder billed as the Company satisfies the performance obligations. Net payment terms typically range from 30 to 60 days from the invoice date. Upfront advances and deposits are recorded as contract liabilities until the performance obligation is satisfied. In addition, the Company recognizes revenue from long-term fixed-price production contracts. Billings under certain fixed-price contracts may be based upon the achievement of specified milestones, while some arrangements may require advance customer payment. The contracts do not include significant financing components since the contracts typically span less than one year.

1. Summary of Significant Accounting Policies (cont.)

Transfer of control is assessed based on the use of the product distributed and rights to payment for performance under the contract terms. Transfer of control and revenue recognition for the sale of the Company's products occur upon shipment or delivery of the product, which is when title, ownership and risk of loss pass to the customer and is based on the applicable shipping terms. The shipping terms depend on the customer contract. The long-term fixed-price production contracts are recognized over time. Where a performance obligation is satisfied over time, the related revenue is also recognized over time using the method deemed most appropriate to reflect the measure of progress and transfer of control. The recognition of revenues for long-term fixed-price production contracts is upon the satisfaction of certain production milestones specified in the contract, which is an output method. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

During the years ended March 31, 2021 and March 31, 2020, revenues recognized as of a point in time were $11,417,865 and $13,952,410, respectively, and revenues recognized over time were $574,437 and $4,001,054, respectively.

The Company recognizes revenue for variable consideration when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company estimates the amount of revenue to be recognized on variable consideration using the expected value (i.e., the sum of a probability-weighted amount) or the most likely amount method, whichever is expected to better predict the amount. During the years ended March 31, 2021 and March 31, 2020, there was no variable consideration.

Contract balances are created from the timing of revenue recognition, billings and cash collections which results in trade accounts receivable, contract assets and contract liabilities on the balance sheets. Trade accounts receivable include billed and unbilled amounts currently due from customers and represent unconditional rights to receive consideration. The amounts due are stated at their net estimated realizable value. Contract assets include unbilled amounts typically resulting from sales under fixed-price contracts when the revenue recognized exceeds the amount billed to the customer and the right to payment is conditional on something other than the passage of time. Amounts may not exceed their net realizable value. If the Company receives advances or deposits from customers, a contract liability is recorded. Additionally, a contract liability arises if items of variable consideration result in less revenue being recorded than what is billed. Contract assets and contract liabilities are generally classified as current.

Contract costs are the incremental costs of obtaining contracts as selling, general and administrative expenses when incurred if the amortization period of the asset that otherwise would have been recognized is one year or less.

Contracts generally include an assurance type warranty clause to guarantee that the services comply with agreed specifications and free from defects. The warranty period typically is 12 months or less from the date of service. Warranty expenses were not material for the years ended March 31, 2021 and 2020.

1. Summary of Significant Accounting Policies (cont.)

The adoption of ASC Topic 606 did not result in a significant impact to the Company's balance sheet, results of operations, or cash flows.

Two customers comprise approximately 40% of total accounts receivable at March 31, 2021 and two customers comprise approximately 37% of total accounts receivable at March 31, 2020. The Company also has five customers that together comprise approximately 40% of its sales in 2021 and 54% of its sales in 2020. Two customers comprise approximately 27% of 2021 sales and two customers comprise approximately 34% of 2020 sales.

Shipping and Handling

Shipping and handling fees billed to customers are classified in the statements of operations in net sales. The associated shipping and handling costs are classified in cost of revenues. Shipping and other transportation costs billed to customers of approximately $126,000 in 2021 and $208,000 in 2020 are included in net sales, whereas shipping and handling costs incurred are recorded in cost of sales. The Company's policy elections related to shipping and handling and taxes have not changed with the adoption of ASC Topic 606.

Defined Benefit and Post-Retirement Benefit Plans

The Company records annual amounts relating to its pension and post-retirement plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates and healthcare cost trend rates. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income and amortized to net periodic cost over future periods using the corridor method. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions. The Company recognizes the over-funded and under-funded status of defined benefit pension and other post-retirement plans as assets or liabilities in its balance sheets. The Company uses a March 31 measurement date for its defined benefit pension and other post-retirement plans.

Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring and non-recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

1. Summary of Significant Accounting Policies (cont.)

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 - Observable inputs such as quoted prices in active markets for identical investments that the Company has the ability to access.

- Level 2 - Inputs include:
  a. Quoted prices for similar assets or liabilities in active markets;
  b. Quoted prices for identical or similar assets or liabilities in inactive markets;
  c. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly;
  d. Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

- Level 3 - Unobservable inputs in which there is little or no market activity for the asset or liability, which require the reporting entity to develop its own estimates and assumptions relating to the pricing of the asset or liability including assumptions regarding risk.

Recent Accounting Pronouncements

In February 2016, the FASB issued guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. Lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the timing and impact of these new standards on its financial statements.

Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the date of the independent auditor's report, the day the financial statements were approved and authorized for issue.

2. Inventories

Inventories consist of the following at March 31:

	2021	2020
Raw materials	$ 5,223,155	$ 5,581,238
Work-in-process	10,389,693	9,529,323
	15,612,848	15,110,561
Less: Inventory obsolescence reserve	(626,381)	(335,010)
	$ 14,986,467	$ 14,775,551

3. Property, Plant and Equipment

Property, plant and equipment consists of the following at March 31:

	2021	2020
Land	$ 873,300	$ 873,300
Buildings and improvement	8,106,494	8,106,495
Machinery and equipment	27,391,138	27,023,813
Furniture and fixtures	593,613	530,574
Software	196,831	196,831
Construction in progress	1,603,672	1,433,718
	38,765,048	38,164,731
Less: accumulated depreciation	(28,584,151)	(27,254,813)
Property, Plant and Equipment - Net of Accumulated Depreciation	$10,180,897	$ 10,909,918

Depreciation and amortization expense amounted to approximately $1,335,000 for 2021 and $1,972,000 for 2020.

The Company entered into capital lease agreements for machinery and equipment during 2018. Amortization of assets held under capital lease is included with depreciation expense. The total amount of machinery and equipment under capital lease was approximately $77,000 at March 31, 2021 and 2020 and accumulated depreciation on these assets was approximately $25,000 at March 31, 2021 and 2020.

4. Notes Payable and Borrowings – Third Parties

Revolving line of credit, term debt, notes payable, and capital lease obligations consist of the following at March 31:

	2021	2020
Revolving line of credit	$ 4,418,556	$ 4,559,690
Term loan	$ 479,167	$ 666,667
Delayed draw term loan	975,000	1,560,000
PPP Loan	2,269,800	-
Note payable - vendor	-	172,989
Capital leases - collateralized by equipment with a net book value of approximately $52,000	7,620	18,751
	3,731,587	2,418,407
Less: Current portion	(3,724,128)	(2,395,390)
	7,459	23,017
Less: Unamortized deferred loan costs	(7,459)	(15,597)
Long-term Debt	$ -	$ 7,420

The Company has a credit agreement (as amended) with Citizens Bank of Pennsylvania (Credit Agreement) that includes a revolving line of credit (Revolver), a Term Loan, and a Delayed Draw Term Loan. The borrowings under the Credit Agreement are collateralized by substantially all assets of the Company, as well as the shares of the Company, which were pledged by EKC Hungary.

Borrowings of $3,900,000 were issued under the amended Credit Agreement as a Term Loan Commitment (Term Loan). Payments on the Term Loan are due monthly in equal installments of $65,000 plus interest and maturing on March 1, 2022, at which point all remaining principal and interest are due in full.

Also as part of the amended Credit Agreement, the Company has a Delayed Draw Term Loan Commitment that was used to fund future accrued royalty payments to EKC Hungary. The commitment period ended on November 30, 2017 and monthly payments of approximately $21,000 plus interest commenced on December 1, 2017 and continue through the maturity of the Delayed Draw Term Loan. Terms of the loan expire on November 30, 2022.

In May of 2020, the Company entered into the eighth amendment to the credit agreement. Among other things, the eighth amendment suspends the April through June 2020 required principal payments under the Term Loan and Delayed Draw Term Loan to be paid in full at maturity, if not sooner.

4. Notes Payable and Borrowings – Third Parties (cont.)

In January of 2021, the Company entered into the ninth amendment to the credit agreement. The amendment restates the definition of "expiration date" to mean March 31, 2021 and the "forbearance agreement" to mean that certain Forbearance and Ninth Amendment to Credit Agreement, dated as of January 27, 2021, by and among the Borrower, the Pledgor and the Bank.

The revolving line of credit under the amended Credit Agreement provides the Company with working capital and it is also used for general corporate and business expenses. The maturity date of the Revolver is July 31, 2021 with maximum borrowings of $5,000,000. Commitment fees are equal to 0.25% of the average daily value of the unused Revolver.

The Term Loan, Delayed Draw Term Loan and revolving line of credit bear interest at varying rates ranging from 2.25% - 3.0% based on quarterly leverage ratios plus the one-month LIBOR rate (approximately 0.88% at March 31, 2021). The effective interest rate on the Term Loan, Delayed Draw Term Loan and revolving line of credit was 3.11% at March 31, 2021.

The Credit Agreement also contains a Letter of Credit Subfacility with a maximum outstanding amount of $1,000,000. There were no letters of credit outstanding as of March 31, 2021 or 2020.

The Credit Agreement limits (i) under certain circumstances the Company's ability to incur additional indebtedness and (ii) sell material assets or merge with another business. In addition, the Bank Credit Agreement requires the Company to maintain a specified maximum leverage ratio of 3.00 to 1.00 and a minimum fixed charge coverage ratio of less than 1.10 to 1.00. At March 31, 2021, the Company was in violation of the leverage and fixed charge coverage covenants and, as a result, is in technical default of the Credit Agreement. A waiver from the bank has not yet been received. Accordingly, the revolving line of credit, Term Loan and Delayed Draw Term Loan outstanding balances have all been classified as current liabilities in the March 31, 2021 balance sheet.

In April 2020, the Company entered into a loan agreement with a financial institution, as lender, pursuant to which the financial institution is to provide a loan in the aggregate amount of $1,134,900 on the terms and conditions contained in the loan agreements, including such terms and conditions related to the forgiveness of the loans and the guaranty by the U.S. Small Business Administration ("SBA"), an agency of the Government of the United States, under the Paycheck Protection Program. Interest on the loans is charged at 1% and principal and interest payments are to begin seen months from the date of the loan. The indebtedness evidenced by these notes may be forgiven, pursuant to and subjected to, the terms of the Paycheck Protection Program (15 U.S. C. § 636(a)(36)), and the guidance issued in relation thereto by SBA and/or the U.S. Department of Treasury. In March 2021, the Company obtained a second draw of the loan in the aggregate amount of $1,134,900 on the terms and conditions contained in the loan agreements, including such terms and conditions related to the forgiveness of the loans and guaranty by the SBA under the Paycheck Protections Program. The Company is yet to be forgiven for the loan.

4. Notes Payable and Borrowings – Third Parties (cont.)

The Company has capital leases with financial institutions for certain machinery and equipment. Interest rates range from 0% to 4.5% with various maturity dates between 2020 and 2022. The capital leases are either guaranteed by the Company or by the underlying machinery and equipment.

Approximate future aggregate maturities of term debt (including the revolving line of credit), notes payable and capital lease obligations are presented in the table below. The maturities are stated at the total cash the Company is obligated to pay and not stated net of deferred loan costs.

Year Ending March 31,	Amount
2022	8,150,143
2023	-
	$ 8,150,143

5. Notes Payable – Related Parties

The Company has a note payable agreement (as amended) with EKC International FZE, a wholly owned subsidiary of EKCL, which matures on March 31, 2022. The note payable is unsecured and bears interest at the three-month LIBOR rate (0.18% at March 31, 2021) plus 1%. The outstanding borrowings and accrued interest are due on maturity. This note is subordinated to the Citizens Bank Credit Agreement (Note 4). The effective interest rate on the related party note payable was 2.25% at March 31, 2021.

The Company has accrued interest payable on the notes payable - related parties outstanding of approximately $4,330,000 at March 31, 2021 and $4,033,000 at March 31, 2020 which are included in accrued interest - related parties in the accompanying balance sheets. The Company incurred interest expense of approximately $332,000 in 2021 and $694,000 in 2020 on the notes payable.

6. Retirement Plans

The Company has a noncontributory defined benefit pension plan covering all union employees hired prior to June 1, 2006. The benefits are based on years of service and the applicable compensation levels under the plan. The Company's funding policy is to fund pension cost as determined by actuarial valuation. Contributions are intended to provide not only for benefits attributable to service to date but also for those expected to be earned in the future. The Company uses a March 31 measurement date for its plan.

6. Retirement Plans (cont.)

The following table sets forth the funded status as of March 31:

		2021		2020
Projected and accumulated benefit obligation	**$**	**(6,574,506)**	$	(6,740,671)
Fair value of pension plan assets		**3,949,568**		3,572,756
Under-funded status at end of year	**$**	**(2,624,938)**	$	(3,167,915)

The following are the weighted-average assumptions used to determine the benefit obligation and net periodic pension cost at March 31:

	2021	2020
Discount rate	**2.25%**	2.90%
Expected rate of return	**5.00%**	5.00%

Other required disclosures consisted of the following:

		2021		2020
Components of pension expense				
Service costs	**$**	**51,426**	$	45,835
Interest cost on projected benefit obligation		**189,031**		238,783
Return on plan assets		**(784,753)**		115,115
Amortization of actuarial loss		**896,595**		(154,081)
Net pension expense of defined benefit pension	**$**	**352,299**	$	245,652
Benefits paid	**$**	**407,940**	$	476,992
Contributions	**$**	**-**	$	159,442

6. Retirement Plans (cont.)

The following table sets forth the reconciliation of items not yet reflected in net periodic pension cost and components of other changes recognized in other comprehensive income and accumulated other comprehensive income, which consist of actuarial gains:

	March 31, 2020	Amounts Arising During Fiscal Year	March 31, 2021
Comprehensive loss	$ (2,697,437)	$ 895,277	$ (1,802,160)

The Company is required to make contributions of approximately $588,273 to the plan in fiscal year 2022. Additional cash contributions may also be made at the discretion of the Company's management. The increase in benefit obligation is due to the reduction in discount rate and investment experience less favorable than expected.

The following tables set forth the fair value of the plan assets as of March 31:

2021	Level 2	Total
Pooled separate account	$ 3,949,568	$ 3,949,568
Total	$ 3,949,568	$ 3,949,568

2020	Level 2	Total
Pooled separate account	$ 3,572,755	$ 3,572,755
Total	$ 3,572,755	$ 3,572,755

The pooled separate account represents an insurance contract under which plan assets are administered through pooled funds. The pooled separate account portfolio may include investments in money market instruments, mutual funds common stocks and government and corporate bonds and notes. At March 31, 2021 substantially all investments in the pooled separate account were invested in twenty-one diversified mutual funds. Net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares outstanding as provided by the investment account manager and therefore the pooled separate account is classified in Level 2 of the fair value hierarchy. There are no unfunded commitments or redemption restrictions relating to the pooled separate accounts.

6. Retirement Plans (cont.)

The Company's asset allocation by asset category is as follows at March 31, 2021:

	2021	2020
Investments in pooled separate account		
Equity	**30%**	32%
Balanced	**7%**	9%
Income	**63%**	59%

Mutual funds, equity securities, government bonds, and corporate bonds are traded in active markets and valued based on their quoted fair value by independent pricing vendors (Level 2 inputs under the fair value hierarchy).

The overall investment policy for the plan assets is to produce a total return commensurate with the portfolio's risk, the constraints of funding on-going plan benefit and expense requirements and the current opportunities in the investment market.

The Company's expected rate of return on plan assets is determined by the plan's historical returns and the targeted mix of investments.

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Year Ending March 31,	Amount
2022	$ 402,000
2023	402,000
2024	409,000
2025	396,000
2026	382,000
2027-2031	1,897,000

The Company also has two 401(k) savings plans which cover substantially all union and non-union employees. For both plans, the Company matches a percentage of the employees' contributions up to a maximum level. The matching contributions to the plans were approximately $70,100 for 2021 and $62,500 for 2020. There were no discretionary contributions made to the non-union employees' plan in 2021 or 2020.

7. Other Post-Retirement Benefit Plan

The Company has a post-retirement plan to provide certain post-retirement benefits for those employees identified in the current collective bargaining agreement. The Company uses a March 31 measurement date for its plan.

The following table sets forth the reconciliation of items not yet reflected in net periodic post-retirement benefit cost and components of other changes recognized in other comprehensive income and accumulated other comprehensive loss:

	Net (Gain) Loss	Net Prior Service Cost	Total
Balance - April 1, 2019	$ 414,843	$ 191,855	$ 606,698
Actuarial loss	41,418	-	41,418
Amount reclassified from accumulated other comprehensive loss			
Amortization of :			
Actuarial (gain)	(41,859)	-	(41,859)
Prior service credit	-	(9,636)	(9,636)
	(41,859)	(9,636)	(51,495)
Balance - March 31, 2020	414,402	182,219	596,621
Actuarial loss	13,173	-	13,173
Amount reclassified from accumulated other comprehensive loss			
Amortization of :			
Actuarial (gain)	(32,380)	-	(32,380)
Prior service credit	-	(9,636)	(9,636)
	(32,380)	(9,636)	(42,016)
Balance, March 31, 2021	**$ 395,195**	**$ 172,583**	**$ 567,778**

7. Other Post-Retirement Benefit Plan (cont.)

The following is the weighted-average assumption used to determine benefit obligations and net periodic post-retirement benefit cost at March 31:

	2021	2020
Discount rate	**2.25%**	2.60%

Other information concerning the plan is as follows at March 31:

	2021	2020
Components of benefit gain		
Service costs	**$ 775**	$ 95
Interest cost on projected benefit obligation	**4,642**	5,307
Return on plan assets	**(32,380)**	(41,859)
Amortization of prior service cost	**(9,636)**	(9,636)
Net gain of other post-retirement plan	**$ (36,599)**	$ (46,093)
Benefits paid	**$ 15,136**	$ 18,361
Employer contribution	**$ 15,136**	$ 18,361

The benefits are not salary based. In general, for measurement purposes, an 10% annual rate of increase in the per capita cost of covered health benefits was assumed as of the measurement date decreasing to 7% over the following eight-year period and remaining at that level until 2030.

The Company expects to contribute approximately $15,000 to the plan in fiscal year 2022, which approximates estimated benefits.

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

Year Ending March 31,	Amount
2022	$ 14,104
2023	15,686
2024	19,000
2025	16,928
2026	16,655
2027-2031	57,107

8. Income Taxes

The provision for (benefit from) income taxes consisted of the following at March 31:

	2021	2020
Currently payable	$ -	$ 27,669
Deferred income taxes		
Net operating losses	(1,655,000)	(204,000)
Temporary differences	(2,489,067)	(830,000)
Valuation allowance	3,642,387	1,071,000
Provision for (benefit from) income taxes	$ (501,680)	$ 64,669

The Company had the following deferred tax assets and liabilities at March 31:

	2021	2020
Non-current deferred tax assets (liabilities)		
Bad debt	$ 33,000	$ 33,000
Inventories	532,000	445,000
Non-deductible accruals	2,487,000	2,534,000
Property and equipment	(690,000)	(714,000)
Net operatig losses	4,000,000	2,345,000
Pension and post-retirement benefits	806,000	970,000
Goodwill	370,000	(2,219,000)
Non-current asset	7,538,000	3,394,000
Less: valuation allowance	(7,538,000)	(3,838,000)
Net non-current liability	$ -	$ (444,000)

8. Income Taxes (cont.)

At March 31, 2021, the Company has approximately $16,303,000 of federal and $7,367,000 of state net operating loss carryforwards. Approximately $9,020,000 of federal net operating loss carryforwards expire at various dates through 2035, while the remaining federal net operating loss carryforwards have no expiration. The state net operating loss carryforwards expire at various dates through 2039.

The Company's 2018 through 2020 tax years remain subject to examination by the Internal Revenue Service for federal tax purposes and the State of Pennsylvania.

Due to the uncertainty of future taxable earnings, the Company believes that it is more likely than not the deferred tax assets will be not be recognized and, therefore, a full valuation allowance is required to offset the deferred income tax assets. The change in valuation allowance was $4,144,000 and 1,071,000 for 2021 and 2020, respectively.

At March 31, 2021, the difference between the Company's effective rate and the federal statutory rates is due to permanent differences and the valuation allowance.

9. Trade Name License Agreement

The Company maintains a trade name licensing agreement (the Agreement) with EKC Hungary, a related party, under which the Company obtained the non-exclusive rights to use certain trade names and custom computer software. Under the Agreement, the Company is required to pay in quarterly installments, royalties in the amount of 3% of net sales through April 18, 2020. The Company accrued for but did not make any royalty payments to EKC Hungary in 2020 and 2019. The Company does not expect to make any royalty payments during fiscal year 2021 and, accordingly, has recorded all accrued royalties as a long-term liability in the 2020 balance sheet.

10. Operating Lease Commitments

The Company leases certain manufacturing equipment and vehicles under operating lease agreements. Total rent expense was approximately $78,000 for 2021 and 2020. Future minimum operating lease payments are as follows:

Year Ending March 31,	Amount
2022	$ 64,287
2023	65,325
2024	54,408
	$ 184,020

11. Related Party Transactions

EKC Europe GmbH, a related party and wholly owned subsidiary of EKC International FZE, provided engineering research and development services to the Company totaling approximately $33,000 in 2021 and $69,000 in 2020 which are included in selling, general and administrative expenses.

The Company previously prepaid EKCL for the purchase of certain raw material pipe which the Company has not received. The prepaid inventory has been classified within other assets in the accompanying balance sheets. Based on representation received from EKCL in May 2019, the Company anticipated $1,200,000 to be settled in cash prior to March 31, 2020. However, this was not finalized and no clear timeline had been established. Therefore, this amount has been classified as a non-current asset at March 31, 2021 and 2020. During the year ended March 31, 2021, the Company received payment of $1,318,000. Total prepaid inventory amounts to approximately $480,000 at March 31, 2021 and approximately $1,798,000 at March 31, 2020.

At March 31, 2021 and 2020, there are certain amounts included in receivables from related parties arising from transactions between the Company and EKC and its subsidiaries. These transactions and balances are in the normal course of business operations and are classified as a current asset at March 31, 2021 because they are anticipated to be paid within 12 months from the balance sheet date. The accounts payable - related parties is the result of the pipe purchases and services noted above.

12. Major Supplier

The Company purchased approximately 83% of its steel inventory from three suppliers in 2021 and 87% of its steel inventory from three suppliers in 2020. Company management believes there are adequate alternative suppliers available and that the loss of a major supplier would not materially interrupt business operations. At March 31, 2021 and 2020, accounts payable due one of these suppliers was approximately $468,000.

On March 23, 2018, a 25% tariff on steel imports from certain countries into the United States was imposed by the United States Department of Commerce. Purchases from two of the Company's three largest steel vendors are subject to this tariff. The Company has applied to the Department of Commerce to be exempted from the tariffs and has received exemptions on certain raw materials. Other applications are still pending decisions from the Department of Commerce. As of March 31, 2021 and 2020, the Company has paid approximately $142,000 and $194,000 in tariffs to the Department of Commerce, respectively.

13. Commitments and Contingencies

Litigation, Claims and Assessments

The Company may be party to lawsuits and other legal matters arising in the normal course of business. Management is not aware of any legal proceedings that could have a material adverse effect on the Company's financial position, results of operations, or cash flows.

13. Commitments and Contingencies (cont.)

Environmental

Due to the nature of its industry, the Company is exposed to environmental risks. The Company has various policies and procedures to avoid environmental contamination and to mitigate the risks of environmental contamination. The Company conducts periodic reviews to identify changes in its environmental risk profile. Liabilities are accrued when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated. The Company is not aware of any environmental claims existing at March 31, 2021. However, there can be no assurance that current regulatory requirements will not change or unknown past noncompliance with environmental laws will not be discovered on the Company's properties.