



WESTBOND ENTERPRISES CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2019 and 2018

(Unaudited – See Notice to Reader)

WestBond Enterprises Corporation
101 – 7403 Progress Way, Delta, BC Canada V4G 1E7
Tel: 604-940-3939 Fax: 604-940-9161
www.WestBond.ca info@WestBond.ca



WestBond Enterprises Corporation

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three and six month periods ended September 30, 2019 and 2018 have been prepared by and are the responsibility of the company's management. They are unaudited and have not been reviewed by independent auditors.

WestBond Enterprises Corporation
Consolidated Statements of Financial Position
Canadian Dollars
(Unaudited)

	Notes	September 30 2019 \$	April 1 2019 \$ Note 3	March 31 2019 \$
ASSETS				
Non-Current Assets				
Plant and equipment		7,809,475	7,818,316	7,818,316
Right-of-use assets	3	2,795,904	2,934,789	-
Lease deposits	3	-	-	18,012
Deferred tax asset		3,426	9,566	9,566
		<u>10,608,805</u>	<u>10,762,671</u>	<u>7,845,894</u>
Current Assets				
Inventory		1,313,315	1,244,081	1,244,081
Trade and other receivables		1,324,449	1,313,774	1,313,774
Prepaid expenses		111,956	57,604	57,604
Cash and cash equivalents		97,911	474,030	474,030
		<u>2,847,631</u>	<u>3,089,489</u>	<u>3,089,489</u>
Total Assets		<u><u>13,456,436</u></u>	<u><u>13,852,160</u></u>	<u><u>10,935,383</u></u>
EQUITY AND LIABILITIES				
Equity				
Common shares issued and outstanding		3,903,940	3,903,940	3,903,940
Stock options		81,770	81,770	81,770
Contributed surplus		294,089	294,089	294,089
Retained earnings	3, 6	1,305,992	1,213,860	1,071,338
Equity attributable to common shareholders		<u>5,585,791</u>	<u>5,493,659</u>	<u>5,351,137</u>
Liabilities				
Non-Current Liabilities				
Term bank loans		2,083,324	2,440,468	2,440,468
Unrealized loss on interest rate swaps		30,699	34,480	34,480
Lease liability	3	2,619,634	2,722,750	-
Deferred operating lease liability	3	-	-	195,235
Deferred tax liability	3	1,075,367	984,675	931,962
		<u>5,809,024</u>	<u>6,182,373</u>	<u>3,602,145</u>
Current Liabilities				
Term bank loans		714,288	714,288	714,288
Current portion of lease liability	3	200,986	194,027	-
Trade and other payables		1,146,347	1,267,813	1,267,813
		<u>2,061,621</u>	<u>2,176,128</u>	<u>1,982,101</u>
Total Liabilities		<u><u>7,870,645</u></u>	<u><u>8,358,501</u></u>	<u><u>5,584,246</u></u>
Total Equity and Liabilities		<u><u>13,456,436</u></u>	<u><u>13,852,160</u></u>	<u><u>10,935,383</u></u>
Commitments	7			

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

WestBond Enterprises Corporation
Consolidated Statements of Comprehensive Income
Canadian Dollars
(Unaudited)

	Notes	Three months ended		Six months ended	
		September 30		September 30	
		2019	2018	2019	2018
		\$	\$	\$	\$
Sales	8	3,007,023	2,725,671	5,753,067	5,590,411
Cost of sales	9	2,354,093	2,222,413	4,481,560	4,405,581
Gross Profit		652,930	503,258	1,271,507	1,184,830
Selling and distribution expenses	10	232,539	207,232	448,857	452,210
General and administrative expenses	11	178,560	170,455	349,875	341,969
Operating Profit		241,831	125,571	472,775	390,651
Foreign exchange loss (gain)		4,270	(3,366)	(3,551)	(2,364)
Interest expense on bank loans		28,587	35,371	58,383	72,070
Interest expense on lease liabilities		31,776	-	63,680	-
Unrealized (gain) loss on interest rate swaps		(8,355)	6,456	(3,781)	(857)
Profit Before Tax		185,553	87,110	358,044	321,802
Income tax expense		48,644	25,976	96,832	87,763
Profit and Comprehensive Income		136,909	61,134	261,212	234,039
Weighted average shares outstanding		33,665,800	33,665,880	33,665,800	33,665,800
Earnings per share, basic and fully diluted		0.004	0.002	0.008	0.007

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

WestBond Enterprises Corporation
Consolidated Statements of Changes in Equity
Canadian Dollars
(Unaudited)

	Common Shares	Stock Options	Contributed Surplus	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance as at March 31, 2018	3,883,225	88,985	294,089	902,943	5,169,242
Dividends paid	-	-	-	(84,165)	(84,165)
Profit for the period	-	-	-	234,039	234,039
Balance as at September 30, 2018	3,883,225	88,985	294,089	1,052,817	5,319,116
Balance as at March 31, 2019	3,903,940	81,770	294,089	1,071,338	5,351,137
Adjustment of opening balance on adoption of IFRS 16 (note 3)	-	-	-	142,522	142,522
Balance as at April 1, 2019	3,903,940	81,770	294,089	1,213,860	10,962,649
Dividends paid	-	-	-	(169,080)	(169,080)
Profit for the period	-	-	-	261,212	261,212
Balance as at September 30, 2019	3,903,940	81,770	294,089	1,305,992	11,054,781

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

WestBond Enterprises Corporation
Consolidated Statements of Cash Flows
Canadian Dollars
(Unaudited)

Notes	Three months ended		Six months ended	
	September 30		September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Operating Activities				
Profit	136,909	61,134	261,212	234,039
Adjustments to reconcile profit to cash flows from operating activities				
- depreciation of plant and office equipment	170,423	174,371	338,856	342,760
- depreciation of right-of-use assets	69,822	-	138,885	-
- deferred operating lease liability	-	7,885	-	15,771
- unrealized (gain) loss on interest rate swaps	(8,355)	6,456	(3,781)	(857)
- interest expense on bank loans	28,587	35,371	58,383	72,070
- interest expense on lease liabilities	31,776	-	63,680	-
- income tax expense	48,644	25,976	96,832	87,763
Cash flows from operating activities before changes in non-cash working capital	477,806	311,193	954,067	751,546
Decrease (increase) in				
- inventory	128,242	(130,222)	(69,234)	(76,404)
- trade and other receivables	(38,619)	(2,196)	(10,675)	(205,141)
- prepaid expenses	(80,503)	(51,448)	(54,352)	(35,144)
(Decrease) increase in				
- trade and other payables	(205,464)	175,929	(123,925)	401,777
Net Cash Flow from Operating Activities	281,462	303,256	695,881	836,634
Investing Activities				
Purchase of plant and equipment	12	(160,771)	(125,385)	(222,995)
Financing Activities				
Dividends paid	(84,540)	(84,165)	(169,080)	(84,165)
Repayment of term loans	(178,572)	(178,572)	(357,144)	(357,144)
Interest paid on bank loans	(27,884)	(35,371)	(57,638)	(77,941)
Interest portion of lease payments	(31,933)	-	(53,371)	-
Principal portion of lease payments	(42,831)	-	(96,157)	-
Net Cash Flow from Financing Activities	(365,760)	(298,108)	(733,390)	(519,250)
Net (Decrease) Increase in Cash and Cash Equivalents	(245,069)	(120,237)	(376,119)	94,389
Cash and Cash Equivalents at the Beginning of the Period	342,980	616,919	474,030	402,293
Cash and Cash Equivalents at the End of the Period	97,911	496,682	97,911	496,682

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

WESTBOND ENTERPRISES CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2019 and 2018

(Canadian Dollars)

(unaudited)

1. GENERAL INFORMATION

WestBond Enterprises Corporation and its wholly owned subsidiary, WestBond Industries Inc., (together, the company) are a paper manufacturer and converter that supplies disposable paper products for medical, hygienic and industrial uses. The company's manufacturing facilities are in Canada and its sales are primarily to Canada and the United States of America. The company is incorporated in British Columbia, Canada, and has its principal place of business at 101 – 7403 Progress Way, Delta, British Columbia.

The interim consolidated financial statements of the company for the three and six month periods ended September 30, 2019 were approved and authorized for issue by resolution of the directors on November 21, 2019.

2. BASIS OF PREPARATION AND INTERIM PERIOD REPORTING

The interim consolidated financial statements of the company have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting*, ("IAS 34"). The policies applied in these interim consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as of the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending March 31, 2020 could result in restatement of these interim consolidated financial statements. The interim consolidated financial statements have been prepared under the historical cost convention.

The same accounting policies and methods of computation were followed in the preparation of these interim consolidated financial statements as in the consolidated financial statements for the year ended March 31, 2019, except for the adoption of *IFRS 16, Leases*, on April 1, 2019.

The disclosure contained in these interim consolidated financial statements is condensed and includes only selected explanatory notes and does not duplicate or repeat disclosure reported in the consolidated financial statements for the year ended March 31, 2019 that has not changed materially since their date of issue. Accordingly, these interim consolidated financial statements should only be read in conjunction with the consolidated financial statements of the company for the year ended March 31, 2019.

3. NEW ACCOUNTING POLICY

The International Accounting Standards Board adopted *IFRS 16, Leases*, in January 2016, effective for financial years beginning on or after January 1, 2019. The new standard requires a lessee to recognize a "right-of-use" asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee recognizes depreciation of the right-of-use asset and interest on the lease liability and also classifies cash repayments of the lease liability into a principal portion and an interest portion. Assets and liabilities are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

The company adopted this standard as of its opening statement of financial position for the year ending March 31, 2020 on a retrospective basis without restatement of prior periods. As a result it recognized a right-of-use asset and a lease liability for its lease of premises and made the adjustments described in the following table. The lease liability recorded is the present value of the remaining lease payments discounted using the company's incremental borrowing rate at April 1, 2019 of 4.45%. The company elected not to apply the standard to short-term leases and leases for which the underlying asset is of low value.

WESTBOND ENTERPRISES CORPORATION

Notes to the Interim Consolidated Financial Statements

September 30, 2019 and 2018

(Canadian Dollars)

(unaudited)

3. NEW ACCOUNTING POLICY (continued)

	Non-Current Assets	Equity	Non-Current Liabilities	Current Liabilities
	\$	\$	\$	\$
Ending Statement of Financial Position at March 31, 2019	7,845,894	5,351,137	3,602,145	1,982,101
Reversal of deferred lease liability	-	195,235	(195,235)	-
Related increase in deferred tax liability	-	(52,713)	52,713	-
Recognition of right-of-use asset and related lease liability	2,934,789	-	2,740,762	194,027
Application of lease deposits to lease liability	(18,012)	-	(18,012)	-
Opening Statement of Financial Position at April 1, 2019	10,762,671	5,493,659	6,182,373	2,176,128

During the six months ended September 30, 2019 the company paid \$1,217 in lease payments for which the underlying assets are of low value.

4. TERM BANK LOANS

During the six months ended September 30, 2019 the final payment of the term bank loan was extended to August 22, 2023.

5. RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2019 the company incurred total compensation, comprising short-term employee benefits, of \$192,590 (2018 – \$200,585), to the directors and officers of the company and incurred \$5,883 (2018 – \$3,913) of legal fees in the normal course of operations with a firm in which a director of the company is a partner.

6. SUBSEQUENT EVENTS

Subsequent to September 30, 2019 the company declared a dividend of \$0.0025 per share payable on December 20, 2019 to shareholders of record on December 5, 2019.

7. COMMITMENTS

During the six months ended September 30, 2019 the company purchased the machinery and paid the commitments of US\$60,985 that were supported by irrevocable letters of credit issued under the revolving bank loan facility during the year ended March 31, 2019.

WESTBOND ENTERPRISES CORPORATION
Notes to the Interim Consolidated Financial Statements
September 30, 2019 and 2018
Canadian Dollars
(unaudited)

	Three months ended		Six months ended	
	September 30		September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
8. SALES				
Personal hygiene products	979,457	1,079,913	1,949,291	2,165,322
Clinical products	470,497	419,124	923,599	847,615
Long-term care products	500,760	422,402	954,967	1,122,347
Non-clinical air laid products	1,046,526	803,587	1,902,999	1,446,187
Other products	9,783	645	22,211	8,940
	<u>3,007,023</u>	<u>2,725,671</u>	<u>5,753,067</u>	<u>5,590,411</u>
9. COST OF SALES				
Materials	1,613,895	1,461,945	2,945,042	2,920,876
Production labour	235,655	235,463	499,257	465,627
Factory overhead labour	104,358	117,421	221,165	226,985
Variable overhead	110,265	103,942	249,450	196,077
Fixed overhead	56,356	131,757	102,194	258,852
Depreciation of plant equipment	168,490	171,885	335,011	337,164
Depreciation of right-of-use assets	65,074	-	129,441	-
	<u>2,354,093</u>	<u>2,222,413</u>	<u>4,481,560</u>	<u>4,405,581</u>
10. SELLING AND DISTRIBUTION EXPENSES				
Shipping	200,110	176,860	387,740	388,276
Wages, commissions and other employee benefits	27,236	26,951	54,081	56,535
Other	5,193	3,421	7,036	7,399
	<u>232,539</u>	<u>207,232</u>	<u>448,857</u>	<u>452,210</u>
11. GENERAL AND ADMINISTRATIVE EXPENSES				
Administration and office	33,438	36,985	60,745	74,714
Corporate promotion	3,754	4,393	4,789	5,455
Depreciation of right-of-use assets	4,748	-	9,444	-
Professional fees	15,743	16,810	30,743	31,621
Salaries and other employee benefits	120,877	112,267	244,154	230,179
	<u>178,560</u>	<u>170,455</u>	<u>349,875</u>	<u>341,969</u>
12. NON-CASH INVESTING ACTIVITIES				
(Decrease) increase in accounts payable related to purchase of plant and equipment	2,921	(49,207)	(8,595)	(26,384)