



# WestBond Enterprises Corporation

## Management Discussion and Analysis

dated June 29, 2023, to accompany the consolidated financial statements for the year ended March 31, 2023

**Caution Regarding Forward Looking Statements – *There are many risk factors and uncertainties that may affect the company's actual results, performance, achievements, or developments. Consequently, all forward-looking statements in this report are qualified by this cautionary statement and the company cannot assure investors that actual results, performance, achievements, or developments that the company anticipates will be realized. Forward-looking statements are based on the beliefs of management and reflect management's current plans, expectations, estimates, projections, beliefs and opinions and the company does not undertake any obligation to update forward-looking statements should the assumptions related to these expectations, plans, estimates, projections, beliefs, and opinions change, except as required by law. The forward-looking statements contained in this MD&A speak only as of the date of this MD&A.***

### Description of Our Business

We, WestBond Enterprises Corporation (“WestBond” or the “company”), are a paper manufacturer and converter that manufactures disposable paper products for many market segments. We initially grew to become one of Canada’s leading manufacturers of medical disposables and later expanded our product offering to take advantage of high-volume opportunities in personal hygiene products for away-from-home markets. We sell mainly to major medical and industrial distributors in Canada and the United States and we also sell to larger end-users on a direct basis.

Our product lines include clinical products such as examination table paper, sheets, pillowcases and gowns. The personal hygiene product line consists of hand towels and bathroom tissue in jumbo roll format as well as conventional formats. Our third major product line is patient wipes and underlays for long-term care facilities (nursing homes). We are expanding into a fourth product line, table top products, which include high quality air-laid paper napkins.

Our goal for the personal hygiene line is to increase sales by supplying a comprehensive paper product line directly to medium sized janitorial contractors providing public washroom maintenance services and to small and medium sized distributors who sell to the janitorial market. Our most significant competitors in the personal hygiene product line use wholesale master distributors who sell to smaller distributors that sell to smaller contractors. By selling direct to the smaller distributors, we eliminate the “middle-man” and are able to offer more competitive pricing. Also, unlike our most significant competitors, we will configure our products to customers’ specifications. Our current focus for expansion in this market is Canada and western USA. We will also pursue opportunities to supply these products directly to smaller hotel, motel and restaurant chains.

Our goal for the clinical and long-term care lines is to increase sales by continuing to provide quality products at competitive prices. Our focus for the clinical line is Canada. Long-term care products are sold in Canada and the USA and its territories.

We sell a full range of air-laid napkins (table top) to major food service distributors in Canada and the United States. Sales of these high-quality air-laid products are expanding quickly, though temporarily interrupted by the covid-19 pandemic shut-downs.

Our plant equipment enables us to provide a comprehensive range of products for each of our product lines and allows us to utilize a wide variety of paper supplies, enabling us to take advantage of good raw material pricing opportunities.

We started production on our binder bonded air-laid paper making machine in August 2015. The machine can produce air-laid paper at a significantly lower cost than current purchase prices. We use 25% - 30% of the production capacity of the machine for our own finished products and are selling production from surplus capacity to other paper converters.

We started up a wet-wipe production line in August 2020 and commenced sales of disinfectant wipes to government distribution centres, nursing home suppliers and janitorial supply distributors.

**Personal Hygiene Products** – We started this product line during 2002. Our decision to expand into personal disposables such as hand towels and bathroom tissue was based on demands by existing distributors who wanted to increase their purchasing ability with us. We evaluated this potential and determined that there was a high demand for these types of products. In addition, we soon learned that small to medium size distributors who sell to the janitorial market were not being serviced well by other paper converters.

The personal hygiene paper products include roll towels, jumbo roll bathroom tissue, conventional high-sheet-count bathroom tissue and a specialty line of roll towels and bathroom tissue. This specialty line provides us with high margin products that few converters are able to produce. We manufacture our products in 1 and 2 ply formats. In 2015, we introduced a premium line of air-laid roll towels to the market. We sell these products to Canadian and US distributors and janitorial contractors in large order quantities.

**Clinical Products** – Historically, this product line represented the company's core business. Basically, all paper products that are used by clinics, physicians, chiropractors and physiotherapists form this product category. The equipment that was originally installed to manufacture these paper products is very flexible, reliable and high speed. This allows us to develop new products that could be in demand in the future.

Products in this group are sheets, examination table paper, pillowcases, gowns, and drapes. The equipment is able to convert roll format as well as sheet format products in many case pack and roll length configurations.

**Wipe Products** – The products that comprise this category were originally part of the Clinical Product Line. Sales in this area have increased to the point that we now dedicate four entire production lines to these items. The products include patient wipes and underlays, primarily for use in nursing homes. All dry wipes are made with high quality air-laid paper which results in soft absorbent wipes which are used as disposable wash cloths and perineal wipes.

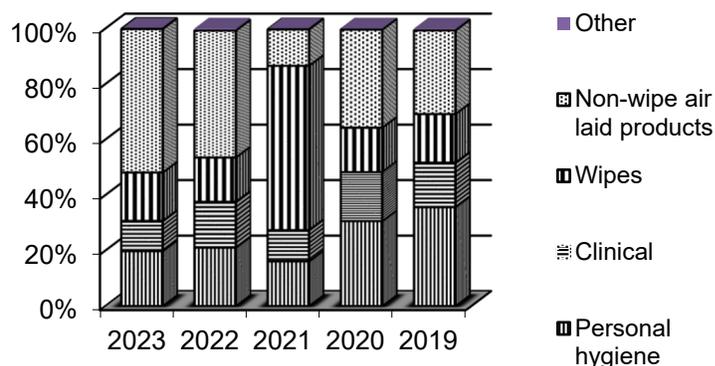
Products are available in 1/4-fold, 1/8-fold, and roll formats in a variety of widths and perforation lengths. The long-term care market is growing and we continue to develop new products for major Canadian and US distributors.

Our disinfectant wet-wipes, marketed under the brand name "ViroBan Plus" are also included in this category.

**Non-Wipe Air-laid Products**– This product line includes bulk air-laid parent rolls sold to other paper converters and our own line of high-quality air-laid napkins for use in restaurants. These napkins replace costly linen napkins and also out-perform conventional paper napkins, reducing operating costs of many restaurants. These products are sold through major food service distributors. We are now supplying air laid napkins to a major, high profile national restaurant chain with a customized product. The addition of our own air-laid paper making machine is allowing us to grow this business substantially.

These four product groups represent WestBond's ability to adapt to market demands and develop product lines to satisfy these markets.

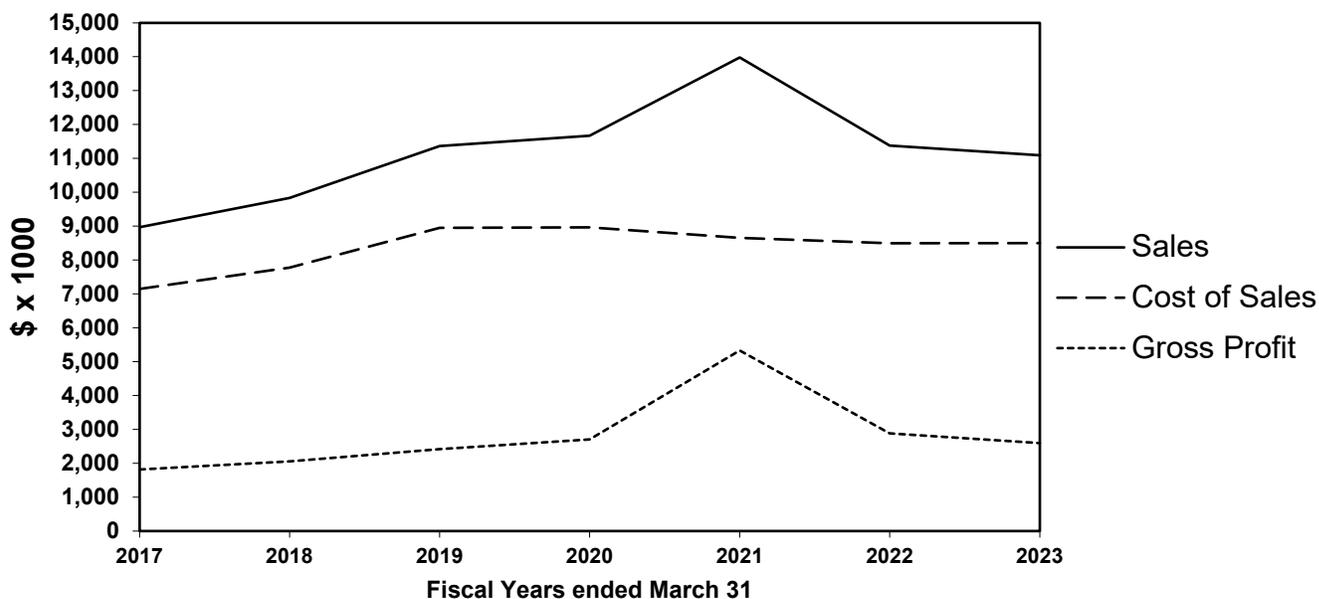
The following chart shows the portion of total sales that each of the product categories contributed during the years ended March 31, 2019 through 2023.



### Discussion of Operations and Financial Condition

You should refer to our consolidated financial statements for the year ended March 31, 2023 while you read this discussion. Those financial statements provide significant, material information that is not meant to be, nor is it included in this discussion. This discussion is meant to provide information not included in the financial statements and an explanation of some of the financial statement information.

We realized a profit of \$574,550 during the year ended March 31, 2023, compared to \$693,220 for the year ended March 31, 2022. Our gross profit margin realized during 2023 was 24.8% compared to 25.3% for 2022. Our gross profit margins were lower in 2023 than in 2022 due to higher cost of sales in comparison to the sales revenue.



## Selected Annual Information (Unaudited)

We have summarized selected financial information from the company's consolidated financial statements, which are prepared in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS).

Operating Results	Years ended March 31					
	2023		2022		2021	
	\$	% of sales	\$	% of sales	\$	% of sales
Sales	11,089,793	100.0	11,378,650	100.0	13,979,808	100.0
Cost of sales	8,344,232	75.2	8,495,751	74.7	8,651,691	61.9
Gross profit	2,745,561	24.8	2,882,899	25.3	5,328,117	38.1
Selling and distribution expenses	954,149	8.6	926,463	8.1	828,144	5.9
General and administrative expenses	859,977	7.8	855,885	7.5	864,985	6.2
Other expenses and (income)	95,337	0.9	141,452	1.3	(16,667)	-0.1
Profit before tax	836,098	8.0	959,099	8.4	3,651,655	26.1
Income tax expense	261,548	2.2	265,879	2.3	1,008,658	7.2
Profit and comprehensive income	574,550	5.8	693,220	6.1	2,642,997	18.9
Earnings per share, basic	0.016		0.019		0.074	
Earnings per share, fully diluted	0.016		0.019		0.074	
Cash dividends paid per common share	0.015		0.025		0.02	

Financial Position	March 31		
	2023	2022	2021
	\$	\$	\$
Non-Current Assets	10,060,501	10,725,450	11,419,763
Current Assets	3,360,205	3,537,346	4,129,973
Total assets	13,420,706	14,262,796	15,549,736
Non-Current Liabilities	3,835,984	4,525,979	5,324,736
Current liabilities	1,753,386	1,945,644	2,236,402
Shareholders' equity	7,831,336	7,791,173	7,988,598

### Sales

Sales were \$11,089,793 for the year ended March 31, 2023, a 2.54% decrease over the year ended March 31, 2022. The table below summarizes the sales of the company for the last five fiscal years.

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
Personal hygiene products	2,193,970	2,394,594	2,250,890	3,570,404	4,046,919
Clinical products	1,208,190	1,880,769	1,574,748	2,061,075	1,823,461
Wipe products	1,933,302	1,815,722	8,276,885	1,868,135	1,992,870
Non-clinical air-laid products	5,734,615	5,201,305	1,827,960	4,118,076	3,419,296
Other products	19,716	86,260	49,325	50,202	80,616
Total sales	11,089,793	11,378,650	13,979,808	11,667,892	11,363,162
Change over previous year	-2.5%	-18.6%	19.8%	2.7%	15.6%

Sales were exceptional for the year ended March 31, 2021 due to a government supply contract for wet-wipe products that was not renewed. As a supplier of clinical and personal hygiene products, essential services, we have remained in operation during the covid-19 pandemic shut-downs, which started in March

2020. Compared to the previous year, sales of personal hygiene and clinical products have decreased while sales of wipe products and airlaid have increased. Shipped sales were lower than previous year because we experienced a labour shortage, and weather and mechanical-related work stoppages. At the time of writing this report, our labour situation has significantly improved and we are almost back to pre-covid staffing levels. This will help reduce our \$1.1 million backlog of unshipped orders.

In 2019, prior to covid-19, we committed to a disinfectant wipe production line because of the then existing market demands for these products. Most of our health care, janitorial and industrial customers carry these products. Covid-19 accelerated the demand for our ViroBan Plus disinfectant wipes which were introduced in late August 2020. We decided to support a government stockpiling contract for these wipes from August 2020 to January 2021. This contract was completed in January 2021 and sales continue at lower volumes with our regular distributors. Since then, demand for air laid food service products and personal wipes has increased significantly. We are now supplying air laid napkins to a major, high profile national restaurant chain with a customized product.

### Cost of Sales

The following table shows the components of cost of sales over the last five years.

	2023		2022		2021		2020		2019	
	\$	% sales								
Materials	4,829,167	43.5	5,141,268	45.2	5,287,611	37.9	5,882,856	50.4	5,870,295	51.7
Production labour	994,806	9.0	1,027,892	9.0	1,102,209	7.9	962,145	8.2	975,466	8.6
Factory overhead labour	483,711	4.4	472,864	4.2	589,335	4.2	463,599	4.0	468,567	4.1
Variable overhead	610,035	5.5	610,368	5.4	490,470	3.5	508,374	4.4	436,285	3.8
Fixed overhead	295,365	2.7	253,418	2.2	234,051	1.7	216,610	1.9	522,804	4.6
Depreciation of										
- plant equipment	872,975	7.9	731,768	6.4	689,841	4.9	673,109	5.7	675,919	6.0
- right-of-use assets	258,173	2.3	258,173	2.3	258,174	1.8	258,881	2.2	-	-
<b>Total cost of sales</b>	<b>8,344,232</b>	<b>75.2</b>	<b>8,495,751</b>	<b>74.7</b>	<b>8,651,691</b>	<b>61.9</b>	<b>8,965,574</b>	<b>76.8</b>	<b>8,949,336</b>	<b>78.8</b>

Materials are the most significant component of cost of sales. Bulk paper and pulp are our main materials cost. All of our products have a high materials component and a low labour component. Materials costs were higher in 2022 and 2023 as a percentage of sales due to higher costs of raw materials compared to the previous year.

Unfavourable paper yields, the amount of product that a certain weight of paper produces, increased materials costs by a factor of 3.2% of sales in 2023, 2.9% of sales in 2022, 0.6% in 2021, 1.5% in 2020, and 2.4% in 2019. During part of the 2023, 2022 and 2020 fiscal years, and most of the 2019 fiscal year, we had difficulty purchasing paper in optimum grades and sizes, which meant we had to substitute more costly grades than standard, resulting in higher paper usage which caused higher than normal waste.

Paper prices have increased in all fiscal years since 2019. Paper prices can be volatile, additionally, our paper and pulp purchases are denominated in US dollars, which can fluctuate significantly. Our prices to our customers have been set to allow for paper cost increases of up to 10%.

Production labour in cost of sales averaged 9.0% in 2023 (same as in 2022), compared to 7.9% during 2021, 8.2% during 2020, and 8.6% during 2019. Production labour remained the same as a proportion of sales in 2023 due to a lower labour cost because of shortage of workers, offset by wage rate increases for most production employees and overtime pay made necessary by the labour shortage. The decrease from 2018 to 2021 is from improved operating efficiencies and, higher margins in 2021 and 2022 from our wet wipe product sales. The labour market near our factory has been tight during the last few years and it has taken extra time to find and train new machine operators. We increased our wage rates in 2023 in order to attract more employees.

Total factory overhead labour increased in 2023 due to the hiring of a production supervisor, a maintenance staff reallocated to full-time supervision, training of new staff and a general increase in wage rates. Factory overhead labour increased in 2021 as a percentage of sales due to higher wage rates and decreased in

2020 and 2019 due to increased sales volumes. Variable overhead normally fluctuates slightly from one period to the next. Variable overhead incurred in 2023, 2022, 2020 and 2019, is higher than previous years due to increased electricity and gas to operate the air-laid paper machine. Gas and electricity costs decreased in 2021 due to lower air-laid production. Variable overhead also increased in 2023, 2022, 2021 and 2020 due to higher waste disposal costs.

Fixed overhead and depreciation changed significantly in 2020 due to the adoption of *IFRS 16 Leases*. We were required to capitalize our premises lease and separate the minimum payments into principal and interest, increasing depreciation expense and reducing rent expense. Depreciation increased by \$258,880 and rent decreased by \$317,382.

Fixed Overhead in 2023 includes \$42,396 in higher rent, while insurance premiums remained the same. Fixed overhead in 2022 includes \$14,056 in higher insurance premiums offset by \$5,311 in lower rent. Fixed overhead in 2021 includes \$17,035 in higher insurance premiums. Fixed overhead in 2020 includes \$11,189 in higher insurance premiums. Fixed overhead in 2019 includes \$10,863 in higher insurance premiums offset by \$2,972 in lower rent. Increases in depreciation expense are the result of bringing new equipment into use, disposal of equipment not in use, and the revision of the estimates of useful life of some equipment. The slight decrease in 2019 are due to revised estimates of the useful lives of some of the equipment.

### **Selling and Distribution Expenses**

Selling and distribution expenses were higher in 2023 than in 2022 because of a general increase in freight and shipping costs. Supply chain issues in 2023 caused freight rates to increase.

### **General and Administrative Expenses**

General and administrative expenses decreased in 2023 over 2022 due to a staff member on maternity leave, staff vacations taken, offset by higher rates of pay.

We only deal with customers that we consider creditworthy and believe that we are not subject to significant risk due to bad debts. Nevertheless, during the year ended March 31, 2019, one of our customers entered into creditor protection proceedings. In 2021 the customer successfully refinanced its operations and paid 50% of the receivable. The remaining 50% was being paid in monthly instalments. The customer paid their outstanding balance in February 2023, with a resulting bad debt of \$1,727. We regularly monitor our receivables aging and discuss overdue accounts with senior-level customer personnel to encourage more prompt payment and to evaluate future creditworthiness. At March 31, 2023, trade and other receivables include \$237,883 that is more than 30 days past due, not including the receivables written off. A majority of the outstanding balance is from a long-time customer who accounts for more than 10% of our annual sales. We believe that we will eventually receive full payment of these amounts. We have provided for an expected credit loss (ECL) adjustment of \$50,000 as at March 31, 2023.

During the year ended March 31, 2023 professional fees include \$19,072 paid to DuMoulin Black LLP, a law firm with which J. Douglas Seppala, one of our directors, is associated. The payments represent fees for legal services provided to the company at rates normally charged to arm's length parties. During the year ended March 31, 2023, the company incurred total compensation, comprising short-term employee benefits (including wages, salaries, bonuses, stock options, taxes and perquisites), of \$418,318 to key management personnel, comprising the chief executive and chief financial officer and the directors of the company. \$392,099 of the compensation is included in general and administrative salaries and employee benefits, \$21,526 is included in administration and office and \$4,693 is included in other selling and distribution expenses.

### **Other Income and Expenses**

We are exposed to fluctuations in the US/Cdn dollar exchange rates as portions of our cash, trade and other receivables, prepaid expenses and trade and other payables are denominated in US dollars. While the amounts of exposure change on a daily basis, in 2023 we generally had more US dollar financial assets than US dollar liabilities. Over the past year, our exposure ranged from US\$555,687 net assets to \$4,790 net liabilities and averaged US\$231,121 net assets (calculated on a monthly basis) and, at March 31, 2023, net assets were US\$136,517. Each change of 1% (e.g., a change from US\$1.00 = Cdn\$1.35 to Cdn\$1.25) in the value of the US dollar in relation to the Cdn dollar results in a gain or loss (before income tax), with a corresponding effect on cash flows, of Cdn\$1,365 on an exposure of US\$136,517. The US dollar financial assets generally result from sales to US customers and prepayments to international suppliers. The US

dollar financial liabilities generally result from purchases of raw materials from US and international suppliers.

Interest on our revolving bank loan and term bank loan fluctuates with the prime rate of interest. We entered into an interest rate swap during the year ended March 31, 2018 that effectively fixes the rate of interest on the term bank loan at 3.88% until November 22, 2022, which eliminates cash flow risk from the term loan interest. Fair value gains or losses remained unrealized as long as the swap contract was held to maturity, at which point its fair value is zero. At the expiration of the swap agreement, the balance of \$535,700 was converted into a term loan payable monthly until August 2023 at a fixed interest rate of 6.159%. The term loan is payable at \$61,500 per month.

Interest expense on the lease liabilities recognized on adoption of *IFRS-16\_Leases*, calculated at 4.45% per annum, was \$96,596 during 2023 and \$106,621 during 2022.

## **Liquidity and Capital Resources**

Our operating cash flows were \$2,223,310 during the year ended March 31, 2023, an average of \$185,276 per month, compared to \$134,535 per month during 2022, before accounting for fluctuations in non-cash working capital. At March 31, 2023 we had cash of \$73,471 and working capital of \$1,656,819 compared to cash of \$268,070 and working capital of \$1,591,702 at March 31, 2022. The decrease is due to dividends, equipment purchases, and term loan interest and principal payments, offset by operating cash flows.

We paid our quarterly dividend in June, September, and December 2022 at the rate of \$0.005 per share and temporarily suspended it for the December 2022 quarter to ensure we can complete important, planned capital projects that will increase our product-line and subsequently, our sales. We intend to spend around \$300,000 on equipment over the next year, which we will finance from operating cash flows, supplemented by our revolving bank loan facility.

We plan to re-invest our surplus cash flow in new equipment to continue to expand the company's product lines, improve efficiency and to pay dividends.

We have a revolving bank loan facility of \$1,500,000. The loan outstanding at any time may not be greater than the total of 75% of accounts receivable and 50% of inventory, less accounts payable having priority over the bank, such as to governments and employees. Accounts receivable older than 90 days and inventory in excess of \$1,500,000 are not included in the calculation. Substantially all of our assets are pledged as collateral. The amount currently available based on the March 31, 2023 Consolidated Statement of Financial Position is \$1,230,784. \$12,351 was outstanding under this facility at March 31, 2023.

We use the revolving bank loan facility primarily to finance operating working capital. Inventory and accounts receivable levels normally fluctuate by as much as \$400,000 and accounts payable by an additional \$400,000. We purchase our paper supplies in relatively large quantities and often have large shipments to customers on credit, which are the main reasons for these fluctuations.

We also have a term loan which was used for the purchase of our binder bonded air-laid paper making machine. Repayment of the loan and interest is in monthly instalments of \$61,500 until August 22, 2023. A specific charge against the equipment purchased with the loan proceeds and a fixed and floating charge on substantially all of our assets are pledged as collateral.

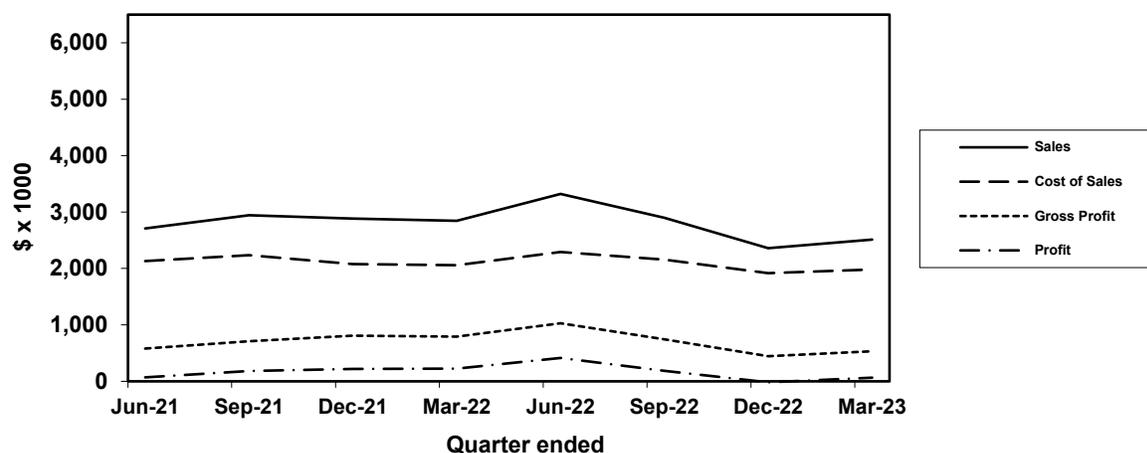
We have covenanted with the bank to maintain our consolidated ratio of current assets to current liabilities at 1.20:1 or higher, our consolidated ratio of debt (including deferred tax liability) to shareholders' equity at 2.00 or lower and our consolidated ratio of net income before extraordinary and other non-recurring items plus interest, income tax, depreciation and amortization (EBITDA) to interest expense plus the current portion of long term debt and capital leases at 1.25:1 or higher. We are in compliance with all of these covenants at March 31, 2023 and do not anticipate difficulty maintaining this compliance during the forthcoming year. If we are not compliant with these covenants, and are unable to obtain a waiver from the bank, the loan will become payable on demand.

We intend to spend around \$300,000 for production equipment additions and improvements during the next year, which we will finance from operating cash flows.

## Summary of Quarterly Results (Unaudited)

The following table summarises the results of operations for the past eight quarters. We have extracted the data from our consolidated financial statements, which are prepared in Canadian dollars and in accordance with International Financial Reporting Standards.

Cdn\$ x 1,000	Quarters ended							
	Mar 31 2023	Dec 31 2022	Sep 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021
Sales	2,510	2,360	2,898	3,321	2,845	2,883	2,942	2,708
Cost of sales	1,980	1,916	2,156	2,293	2,056	2,076	2,233	2,130
Gross profit	530	444	742	1,028	789	807	709	578
Selling and distribution expenses	225	224	251	255	236	234	225	232
General and administrative expenses	269	193	202	196	203	235	207	211
Operating profit (loss)	36	27	289	577	350	338	277	135
Other expenses (income)	2	45	37	11	39	41	30	31
Profit (loss) before tax	34	(18)	252	566	311	297	247	104
Income tax expense (recovery)	40	1	69	152	88	78	65	34
Profit (net loss)	(6)	(19)	183	414	223	219	182	70
Earnings (loss) per share, basic and fully diluted - Cdn\$	-	(0.001)	0.005	0.012	0.006	-	0.005	0.002
Dividends paid per share - Cdn\$	-	-	0.005	0.005	0.005	-	-	0.02
<b>Sales - % change over previous quarter</b>	6.4	-18.6	-12.7	16.8	-1.3	-2.00	8.60	4.20
<b>Costs, expenses and net income - % of Sales</b>								
Cost of sales	78.8	81.2	74.4	69.0	72.3	72.0	75.9	78.6
Selling and distribution expenses	9.0	9.5	8.6	7.7	8.3	8.1	7.6	8.6
General and administrative expenses	10.7	8.2	7.0	5.9	7.1	8.2	7.0	7.8
Other expenses (income)	0.1	1.9	1.3	0.3	1.4	1.4	1.0	1.2
Income tax expense	1.6	0.0	2.4	4.6	3.1	2.7	2.3	1.2
Profit/Loss	-0.2	-0.8	6.3	12.5	7.8	7.6	6.2	2.6



Sales for the three months ended March 31, 2023 were 11.8% lower than for the same period last year but 6.4% higher than the previous quarter ended December 31, 2022. Compared to the previous quarter, we were able to produce and ship more products because we hired additional employees and had less weather and mechanical -related work stoppages. The cost of sales has been 2.3% less when compared to the level of sales over the previous quarter. Materials costs were lower, offset by an increase in depreciation cost mostly due to the disposal of plant equipment, and an increase in labour costs because of new hires as stated above. Selling and distribution costs between quarter three and quarter four have been consistent. The increase in general and administrative expense is mainly because of a return of an employee from maternity leave, an additional pay week in quarter four and an expected credit loss adjustment, offset by a decrease in office expenses. Compared to the previous quarter, quarter four has a foreign exchange loss, a gain on disposal of equipment, a reduction in interest on bank loans and lease liabilities.

## Share Capital and Outstanding share data

The company has only one class of share capital, common shares without par value. The company also has a stock option plan.

	<u>June 29, 2023</u>
Authorized common shares without par value	Unlimited
Issued common shares	35,625,800
Shares issuable on exercise of outstanding stock options	1,160,000
Shares available for future stock option grants	2,402,580

The stock option plan permits the directors of the company to grant incentive options to the employees, directors, officers and consultants of the company.

## Related Party Transactions

During the year ended March 31, 2023:

The company incurred total compensation, comprising short-term employee benefits (including wages, salaries, bonuses, stock options, taxes and perquisites), of \$418,318 (2022 – \$467,931) to directors and officers of the company; and

The company incurred \$19,071.18 (2022 – \$11,376) of legal fees in the normal course of operations with a firm with which a director of the company was associated.

## Changes in accounting policies including first-time adoption

The company notes that there were no changes to significant accounting policies for the financial year ended March 31, 2023 and no significant accounting policies were adopted during the period.

The company's significant accounting policies are disclosed in Note 3 of the company's consolidated financial statements.

## Financial Instruments and risk management

The company has various financial instruments including trade and other receivables, cash and cash equivalents, revolving bank loans, term bank loans, trade and other payables and interest rate swaps. Cash and cash equivalents are at fair value. Interest rate swaps are carried at fair value. Trade and other receivables and all non-interest rate swap financial liabilities are carried at amortized cost.

Cash and cash equivalents are held with a major financial institution. Trade and other receivables are the result of sales to a relatively wide customer base, primarily in North America. The company only deals with customers that it considers creditworthy. During the year ended March 31, 2023 the company recognized impairment losses of \$514 (2022 – gain of \$1,522) on trade receivables and provided for an expected credit loss (ECL) adjustment of \$50,000 as at March 31, 2023. At March 31, 2023 \$87,234 (2022 – \$26,588) of trade and other receivables were between 31 and 60 days past due and \$150,649 (2022 – \$59,623) were more than 60 days past due, not including the receivables written off. At March 31, 2023 the amount of \$421,495 was due from one customer (2022 – \$630,797, three customers) who represented more than

10% of trade and other receivables. This one customer represented 37% of the trade and other receivables (2022 – 57%). The customer is a long standing customer who consistently makes regular payments.

The company's revolving bank loan and term bank loan are at interest rates that fluctuate with market interest rates. The company had entered into an interest rate swap that effectively fixed the rate of interest on the term bank loan at 3.88% until November 22, 2022, which eliminated cash flow risk from the term loan interest. Changes in the fair value of the interest rate swap were reflected in profit.

Portions of the company's cash and cash equivalents, trade and other receivables, prepaid expenses and trade and other payables are denominated in US dollars; accordingly, the company is exposed to fluctuations in the US/Cdn dollar exchange rates. While the amounts of exposure change on a daily basis, the company generally has more US dollar financial assets than US dollar liabilities. Over the past year, the exposure ranged from US\$555,687 net assets to \$4,790 net liabilities and averaged US\$231,121 net assets (calculated on a monthly basis) and, at March 31, 2023, net assets were US\$136,517. Each change of 1% (e.g., a change from US\$1.00 = Cdn\$1.35 to Cdn\$1.25) in the value of the US dollar in relation to the Cdn dollar results in a gain or loss (before income tax), with a corresponding effect on cash flows, of Cdn\$1,365 on an exposure of US\$136,517. During the year ended March 31, 2023 the company realized foreign exchange gains of \$5,765 (2022 –loss of \$3,875). The US dollar financial assets generally result from sales to US customers and prepayments to international suppliers. The US dollar financial liabilities generally result from purchases of raw materials from US and international suppliers.

### **Off-balance sheet arrangements**

As at March 31, 2023 and the date of this MD&A, the company did not have any off-balance sheet arrangements.

### **Other Information**

Additional information relating to the company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the company's web-site at [www.westbond.ca](http://www.westbond.ca).