



WestBond Enterprises Corporation

Consolidated Financial Statements

Years ended March 31, 2024 and 2023

WestBond Enterprises Corporation

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Independent auditor's report

To the Shareholders of Westbond Enterprises Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Westbond Enterprises Corporation and its subsidiary (together, the Company) as at March 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at March 31, 2024 and 2023;
- the consolidated statements of (loss) profit and comprehensive (loss) profit for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or



regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Frans Minnaar.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 26, 2024

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

	Notes	March 31 2024 \$	March 31 2023 \$
ASSETS			
Non-Current Assets			
Plant and equipment	5	7,598,240	8,192,735
Right-of use-assets	6	1,548,220	1,825,989
Deferred tax asset	9	63,242	41,777
		9,209,702	10,060,501
Current Assets			
Inventory	7	2,138,782	1,809,934
Trade and other receivables		1,095,619	1,082,042
Income tax recoverable		42,903	-
Prepaid expenses		96,164	394,758
Cash and cash equivalents		111,001	73,471
		3,484,469	3,360,205
		12,694,171	13,420,706
Total Assets			
EQUITY AND LIABILITIES			
Equity			
Common shares issued and outstanding	8	4,206,910	4,206,910
Stock options	8	65,800	81,200
Contributed surplus		326,989	311,589
Retained earnings		3,020,954	3,231,637
Equity attributable to common shareholders		7,620,653	7,831,336
Liabilities			
Non-Current Liabilities			
Lease liability	12	1,512,412	1,794,257
Deferred tax liability	9	1,882,362	2,041,727
		3,394,774	3,835,984
Current Liabilities			
Revolving bank loans	10	670,000	12,351
Term bank loans	11	-	297,783
Lease liability	12	281,845	264,215
Income tax payable		-	322,449
Trade and other payables	13	726,899	856,588
		1,678,744	1,753,386
Total Liabilities		5,073,518	5,589,370
Total Equity and Liabilities		12,694,171	13,420,706

APPROVED BY THE BOARD OF DIRECTORS

"Gennaro Magistrale"

Director

"J. Douglas Seppala"

Director

WestBond Enterprises Corporation
Consolidated Statements of (Loss) Profit and Comprehensive (Loss) Profit
(Canadian Dollars)

	Notes	<u>Years ended March 31</u>	
		<u>2024</u>	<u>2023</u>
		\$	\$
Sales	14	9,219,948	11,089,793
Cost of sales	15	<u>8,417,184</u>	<u>9,151,176</u>
Gross Profit		802,764	1,938,617
Selling and distribution expenses	16	155,042	147,205
General and administrative expenses	17	<u>796,062</u>	<u>859,977</u>
Operating (Loss) Profit		(148,340)	931,435
Foreign exchange (gain) loss		5,750	(5,765)
Interest expense on bank loans		61,751	45,914
Interest expense on lease liability		85,463	96,596
Loss (gain) on disposal of equipment		-	(37,494)
Unrealized gain on interest rate swap		<u>-</u>	<u>(3,914)</u>
(Loss) Profit Before Tax		(301,304)	836,098
Income tax (recovery) expense	9	<u>(90,621)</u>	<u>261,548</u>
(Loss) Profit and Comprehensive (Loss) Profit for the year		<u>(210,683)</u>	<u>574,550</u>
Weighted average shares outstanding		<u>35,625,800</u>	<u>35,625,800</u>
(Loss) Earnings per share, basic		<u>(0.006)</u>	<u>0.016</u>
Dilutive effect of stock options outstanding		-	-
Fully diluted weighted average shares outstanding		<u>35,625,800</u>	<u>35,625,800</u>
(Loss) Earnings per share, fully diluted		<u>(0.006)</u>	<u>0.016</u>

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

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

	Common Shares	Stock Options	Contributed Surplus	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance as at March 31, 2022	4,206,910	98,700	294,089	3,191,474	7,791,173
Dividends paid, \$0.005 per share	-	-	-	(534,387)	(534,387)
Forfeiture of Stock options		(17,500)	17,500		
Profit for the year	-	-	-	574,550	574,550
Balance as at March 31, 2023	4,206,910	81,200	311,589	3,231,637	7,831,336
Forfeiture of stock options		(15,400)	15,400		
(Loss) Profit for the year	-	-	-	(210,683)	(210,683)
Balance as at March 31, 2024	4,206,910	65,800	326,989	3,020,954	7,620,653

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

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

	Notes	Years ended March 31	
		2024	2023
		\$	\$
Operating Activities			
(Loss) Profit		(210,683)	574,550
Adjustments to reconcile (loss) profit to cash flows from operating activities			
- depreciation of plant and office equipment		994,773	880,865
- depreciation of right-of-use assets		277,769	277,010
- expected credit loss on trades receivable		(20,000)	50,000
- loss (gain) on disposal of equipment		-	(37,494)
- unrealized gain on interest rate swap		-	(3,914)
- interest expense on bank loans		61,751	45,914
- interest expense on lease liability		85,463	96,596
- income tax expense (recovery)		(90,621)	261,548
- income tax recovered (paid)		(455,561)	78,235
Cash flows from operating activities before changes in non-cash working capital		642,891	2,223,310
(Increase) decrease in			
- inventory		(328,848)	112,714
- trade and other receivables		6,423	(10,865)
- prepaid expenses		298,593	(323,774)
(Decrease) in			
- trade and other payables		(126,245)	(68,105)
Net Cash Flows from Operating Activities		492,814	1,933,280
Investing Activities			
Purchase of plant and equipment	18	(410,498)	(432,339)
Financing Activities			
Increase (decrease) in revolving bank loans		657,649	(74,186)
Repayment of term bank loans		(297,783)	(714,109)
Interest paid on bank loans		(61,751)	(45,914)
Interest portion of lease payments		(78,686)	(88,821)
Principal portion of lease payments		(264,215)	(238,123)
Dividends paid		-	(534,387)
Net Cash Flows used in Financing Activities		(44,786)	(1,695,540)
Net Increase (Decrease) in Cash and Cash Equivalents		37,530	(194,599)
Cash and Cash Equivalents at the Beginning of the Year		73,471	268,070
Cash and Cash Equivalents at the End of the Year		111,001	73,471

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

WestBond Enterprises Corporation
Notes to the Consolidated Financial Statements
March 31, 2024 and 2023
(Canadian Dollars)

1. GENERAL INFORMATION

WestBond Enterprises Corporation and its wholly owned subsidiary, WestBond Industries Inc., (together, the company) are a paper manufacturer and converter that manufactures disposable 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 7403 Progress Way, Unit 101, Delta, British Columbia.

The consolidated financial statements of the company for the year ended March 31, 2024 were authorized for issue by resolution of the directors on June 20, 2024.

2. BASIS OF PREPARATION

The consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention.

3. MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

New Accounting Pronouncements

Amendment to IAS 12

This amendment clarifies how companies account for deferred taxes on transactions such as leases and decommissioning obligations with a focus on reducing diversity in practice. They narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

Amendment to IAS 1

This amendment made to IAS 1 Presentation of Financial Statements in 2023 requires entities to disclose their material accounting policy information, instead of significant accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

Accounting Policies

The material accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Classification of shipping cost in Cost of Sales – comparative figures

Starting April 1, 2023, in order to achieve better categorization and measurement of cost of sales, the company presents "Shipping costs" as part of Cost of sales in the Statement of (loss) profit and comprehensive (loss) profit. For equitable comparison in these consolidated financial statements, all related amounts reported from previous periods were reclassified to reflect a similar presentation. The adjusted presentation (involving 2023 shipping cost to the amount of \$806,944) had no impact on Operating Profit or Net Profit and Comprehensive Profit for the comparative year and had no impact on the statement of financial position.

Consolidation

These consolidated financial statements consolidate the accounts of WestBond Enterprises Corporation and its wholly owned subsidiary, WestBond Industries Inc. All intercompany transactions,

WestBond Enterprises Corporation
Notes to the Consolidated Financial Statements
March 31, 2024 and 2023
(Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (continued)

balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Functional and Presentation Currency and Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is the currency of the primary economic environment in which the company operates (the “functional currency”). Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the consolidated statements of comprehensive income.

Plant and Equipment

Plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, if appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statements of comprehensive income during the period in which they are incurred.

Depreciation is charged to profit using the straight-line method in amounts sufficient to depreciate the costs of the assets over their estimated useful lives as follows:

Factory equipment	- 1 to 25 years
Leasehold improvements	- 15 to 25 years
Office equipment	- 3 to 15 years

The company allocates the cost initially recognized in respect of an item of plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the plant and equipment are reviewed annually and adjusted if appropriate. Depreciation is not charged on assets until they are available for use in the location and condition necessary to be capable of operating in the manner intended by management.

Plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit or CGU). The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use (which is the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. When events or circumstances warrant, impairment losses are evaluated for potential reversals.

Right-of-Use Assets

“Right-of-use” assets, representing the right to use an underlying leased asset, and a lease liability, representing the obligation to make lease payments, are recognized at the inception of a lease. 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

WestBond Enterprises Corporation
Notes to the Consolidated Financial Statements
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(Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (continued)

the lease. Other operating payments associated with leased premises are recorded in the period in which the expenses occur. The company elected not to apply the standard to short-term leases and leases for which the underlying asset is of low value.

Inventory

Inventory is measured at the lower of cost and net realizable value. Raw materials inventory costs include all costs incurred to bring the materials to their current state and location, including the purchase price, duties, non-refundable taxes and freight. Finished goods inventory includes, in addition to the cost of the raw materials incorporated into their manufacture, the costs of labour incurred directly in their manufacture and an allocation of indirect variable overhead, fixed overhead and depreciation on plant and equipment and right-of-use assets. Costs are assigned to inventory on a first-in, first-out basis. Overhead related to raw materials manufactured by the company is allocated to the cost of those raw materials based on the practical capacity of the manufacturing plant. The allocation of the remaining overhead is based on the proportionate costs of the direct materials and labour costs included in finished goods inventory to the total materials and labour costs incurred during the period.

Financial Instruments

Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- (i) **Financial Assets at Amortized Cost:** Financial assets are initially measured at fair value and classified as subsequently measured at amortized cost or fair value on the basis of the business model for managing the financial asset and the contractual cash flow characteristics of the financial assets. A financial asset is subsequently measured at amortized cost only if it is held in a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. The company's trade and other receivables are in this category and are subsequently measured at amortized cost using the effective interest method less a provision for impairment. Gains or losses on financial assets in this category are recognized in profit or loss when the financial asset is derecognized, impaired or reclassified.
- (ii) **Financial Assets at Fair Value:** Financial assets not meeting the criteria for subsequent measurement at amortized cost are initially and subsequently measured at fair value. The company's cash and cash equivalents are in this category. Gains or losses arising from changes in fair value are recognized in profit or loss unless the financial asset is an equity instrument that is not held for trading and the company has made an irrevocable election at initial recognition to present subsequent changes in its fair value in other comprehensive income. The entity does not have any financial assets that are designated as being recorded through other comprehensive income (FVOCI).
- (iii) **Financial Liabilities at Amortized Cost:** Financial liabilities at amortized cost include trade and other payables and loans. Trade and other payables are initially recognized at the amount required to

WestBond Enterprises Corporation
Notes to the Consolidated Financial Statements
March 31, 2024 and 2023
(Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (continued)

be paid, less a discount to reduce the payables to fair value. Subsequently, payables are measured at amortized cost using the effective interest method. Loans are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

- (iv) Financial Liabilities at Fair Value through Profit or Loss: A financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The company's interest rate swap contract is classified in this category.

Financial liabilities in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statements of comprehensive income. Gains and losses arising from changes in fair value are presented in the consolidated statements of comprehensive income within other gains and losses in the period in which they arise.

Impairment of financial assets

At each reporting date the company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the company recognizes an impairment loss. The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within 90 days of deposit.

Stock-Based Compensation Plan

The company has a stock-based compensation plan that permits the directors of the company to grant incentive stock options to its employees, directors and consultants. At the directors' discretion, stock options may vest in blocks over a designated period of time. Each vesting block in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each block is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense for options granted to employees and directors, or the cost of goods or services acquired in exchange for options granted to non-employees, is recognized over each block's vesting period by reflecting a contribution to shareholders' equity based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Income Tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of (loss) Profit and comprehensive (loss) income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable or refundable on the taxable profit or loss for the year, using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or refundable in respect of previous years.

WestBond Enterprises Corporation
Notes to the Consolidated Financial Statements
March 31, 2024 and 2023
(Canadian Dollars)

3. MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (continued)

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

Revenue

The company sells goods that it has manufactured to its customers based on contracts comprising a purchase order from the customer and an order confirmation sent to the customer that sets the prices for the goods ordered. Revenue from contracts with customers is recognized when the goods are shipped, which is when control of the products transfers to the customer and the company has no remaining performance obligations, provided it is probable that the company will collect the selling price for the goods.

Earnings Per Share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of stock options and warrants and that the assumed proceeds are used to purchase common shares at the average market price during the period. The excess, if any, over the number of shares assumed issued and the number of shares assumed purchased is added to the basic weighted average number of shares outstanding to determine the diluted number of common shares outstanding. If the average market price during the period is less than the exercise price of the stock options or warrants, no dilution will occur.

Judgments and Estimates

The preparation of consolidated financial statements requires the company's management to make judgments, assumptions and estimates that affect the amounts reported in the consolidated financial statements and the disclosures in the notes to the consolidated financial statements. Actual results may differ from these estimates. Significant judgments and estimates are made in the determination of the net realizable value of inventories and the useful lives of plant and equipment.

The company adjusts inventory values so that the carrying value does not exceed the net realizable value. This requires the use of estimates of the inventory that will be sold, the prices at which it will be sold, and an assessment of expected orders from customers. The estimates also reflect changes in products and changes in demand due to obsolescence and competition.

The company bases the amount of depreciation charged against plant and equipment on estimates of the expected useful life of each component of plant and equipment. The estimates consider normal wear and tear, obsolescence and continued usefulness to the company.

4. FINANCIAL INSTRUMENTS

The company has various financial instruments including trade and other receivables, cash and cash equivalents, revolving bank loans, and trade and other payables. Cash and cash equivalents are considered to be held for trading and are measured at fair value. Trade and other receivables are carried at amortized cost.

WestBond Enterprises Corporation
Notes to the Consolidated Financial Statements
March 31, 2024 and 2023
(Canadian Dollars)

4. FINANCIAL INSTRUMENTS (continued)

IFRS establishes a fair value hierarchy that requires the company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The company primarily applies the market approach for recurring fair value measurements. There are three input levels that may be used to measure fair value:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Cash and cash equivalents, trade and other receivables, and trade and other payables are financial instruments whose fair value approximates their carrying value due to their short-term maturity.

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, 2024 the company recognized impairment of nil (2023 – loss of \$514) on trade receivables and provided for an expected credit loss (ECL) adjustment of \$30,000 (2023 - \$50,000). At March 31, 2024 \$94,392 (2023 – \$87,234) of trade and other receivables were between 31 and 60 days past due and \$191,324 (2023 – \$150,649) were more than 60 days past due. At March 31, 2024 the amount of \$410,028 was due from two customers (2023 – \$421,495, one customer) who represented more than 10% of trade and other receivables. These two customers represented 36% of the trade and other receivables (2023 – 37%). One customer is a long-standing customer who consistently makes regular payments; and the other customer places large orders and has paid before their invoices are 60 days overdue.

The company's revolving bank loan is at interest rates that fluctuate with market interest rates. The term loan credit facility which was used for the purchase of binder bonded air laid paper making machine, was repaid on August 31, 2023. This loan is fully repaid.

The company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financial activities. The company had cash and cash equivalents at March 31 2024 in the amount of \$111,001 (2023 -\$73,471) in order to meet short-term business requirements. Working capital as at March 31, 2024 was positive \$1,805,725 (2023 - \$1,606,819).

The projected cash flows for the 12 months following the balance sheet date are sufficient to cover operating expenses and other cash outflow obligations as they fall due.

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, in this reporting period, the company has more US dollar financial liabilities than US dollar assets. Over the past year, the exposure ranged from US\$149,218 net assets to \$330,424 net liabilities and averaged US\$38,006 net liabilities (calculated on a monthly basis) and, at March 31, 2024, net assets were US\$149,218. 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\$1,492 on an exposure of US\$149,218. During the year ended March 31, 2024 the company realized foreign exchange loss of \$5,750 (2023 –gain of \$5,765).

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4. FINANCIAL INSTRUMENTS (continued)

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.

5. PLANT AND EQUIPMENT

	Factory equipment \$	Leasehold improvements \$	Office equipment \$	Total \$
At March 31, 2022				
Cost	15,513,148	229,449	143,011	15,885,608
Accumulated depreciation	(7,119,686)	(63,970)	(108,405)	(7,292,061)
Net book value	8,393,462	165,479	34,606	8,593,547
Additions	484,409	-	19,875	504,284
Disposals - cost	(72,490)	(1,669)	-	(74,159)
Disposals – accumulated depreciation	72,490	1,669	-	74,159
Depreciation	(858,136)	(14,839)	(7,890)	(880,865)
At March 31, 2023				
Cost	15,925,067	227,780	162,886	16,315,733
Accumulated depreciation	(7,905,331)	(77,140)	(116,295)	(8,098,766)
Loss due to Disposals	(24,232)			(24,232)
Net book value	7,995,504	150,640	46,591	8,192,735
Additions	357,134	37,094	12,091	406,319
Disposals - cost	-	-	-	-
Disposals – accumulated depreciation	-	-	-	-
Depreciation	(967,740)	(14,699)	(12,334)	(994,773)
At March 31, 2024				
Cost	16,322,721	266,542	170,306	16,759,569
Accumulated depreciation	(8,939,193)	(93,508)	(128,628)	(9,161,329)
Net book value	7,383,528	173,034	41,678	7,598,240

Included in factory equipment at March 31, 2024 is equipment costing \$578,951 (2023 - \$392,516) that was under construction or refurbishment or had not otherwise been made available for use. Substantially all of the plant and equipment has been pledged as collateral for the company's bank loans (notes 10 and 11).

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6. RIGHT-OF-USE ASSETS

The company has leased premises until October 31, 2029. The value recorded for the right-of-use assets at April 1, 2019 is the future minimum lease payments discounted at the rate of 4.45%. Depreciation of the right-of-use assets is on the straight-line basis over the term of the lease.

	2024	2023
	\$	\$
Cost	2,934,789	2,934,789
Accumulated depreciation	1,386,569	1,108,800
Net book value	<u>1,548,220</u>	<u>1,825,989</u>

7. INVENTORY

	2024	2023
	\$	\$
Raw materials	1,831,290	1,652,116
Finished goods	307,492	157,818
Total inventory	<u>2,138,782</u>	<u>1,809,934</u>

All of the inventory has been pledged as collateral for the company's bank loans (notes 10 and 11).

8. SHARE CAPITAL

Authorized

The company is authorized to issue an unlimited number of common shares without par value.

Issued

	<u>Common Shares Issued</u>	
	<u>Number</u>	<u>Ascribed Value</u>
		\$
Outstanding at March 31, 2023 and 2024	35,625,800	4,206,910

Stock Option Plan

The company has a stock option plan that permits the directors of the company to grant incentive stock options to the employees, directors, officers and consultants of the company. The maximum number of shares issuable under the plan is 10% of the outstanding common shares of the company at the time of the grant, less any stock options previously granted and still outstanding. Options granted under the plan expire after a maximum of 10 years. The option exercise price is generally set as the market price at the time of granting; however, a discount from the market price is permitted under the plan, subject to the policies of the TSX Venture Exchange.

During the year ended March 31, 2021 stock options were granted under the stock option plan to purchase a total of 1,520,000 common shares at \$0.55 per share until October 5, 2025. The options were fully vested on granting. The fair value of \$106,400 ascribed to the stock options was estimated using

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the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.35%, a dividend yield of 14.55%, an expected option life of 5 years and expected volatility of 54%. The expected volatility was estimated using 5 years of historical data. Options to purchase 110,000 shares were exercised during the year ended March 31, 2021, no activity was recorded in the year ended March 31, 2022, options to purchase 250,000 shares expired without being exercised during the year-ended March 31, 2023, and options to purchase 220,000 shares expired without being exercised during the year ended March 31, 2024. The options on the remaining 940,000 shares were outstanding at March 31, 2024 with a weighted average remaining life of 1.5 years.

9. INCOME TAX

The components of the company's deferred income tax asset and liability are the tax effects of temporary differences in the tax and accounting bases of:

	March 31 2024	March 31 2023
	\$	\$
Operating losses carried forward	63,242	41,777
Allowable capital losses carried forward	31,036	31,036
	94,278	72,813
Valuation allowance	(31,036)	(31,036)
Net deferred tax asset	63,242	41,777
Plant and equipment	1,948,791	2,104,497
Right-of-use assets	418,020	493,017
Lease liabilities	(484,449)	(555,787)
Net deferred tax liability	1,882,362	2,041,727

The income tax expense shown on the consolidated statements of comprehensive income differs from the amounts obtained by applying combined Canadian and British Columbia statutory rates to profit or loss before tax as follows.

	2024	2023
Combined statutory rate	27.00%	27.00%
	\$	\$
Income tax expense based on the statutory rates	(81,351)	225,747
Tax effect of expenses that are not deductible for income tax purposes	(9,270)	36,330
(Decrease) increase in valuation allowance	-	(528)
Income tax expense (recovery) for the year	(90,621)	261,549
Current portion	90,209	408,470
Deferred portion	(180,830)	(146,921)

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10. REVOLVING BANK LOANS

The company has a \$1,500,000 revolving bank loan facility. 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. Loans outstanding under the facility bear interest at bank prime rate plus 0.5% per annum and are payable on demand. A fixed and floating charge on substantially all of the company's assets has been pledged as collateral. \$670,000 was outstanding under this facility at March 31, 2024 (2023 – 12,351).

The company has covenanted with the bank to maintain various financial ratios and was in compliance with these covenants at March 31, 2024.

11. TERM BANK LOANS

The company had a term bank loan facility used for the purchase of certain production equipment. The company had entered into an interest rate swap with an effective date of December 22, 2017 and a maturity date of November 22, 2022. 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 final payment of the loan was made on August 31, 2023. There is no outstanding balance as at March 31, 2024.

A specific charge against the equipment purchased with the loan proceeds and a fixed and floating charge on substantially all of the company's assets has been pledged as collateral. The covenants applicable to the revolving bank loans (note 10) also apply to the term loan facility. The company has covenanted with the bank to maintain various financial ratios and was in compliance with these covenants at March 31, 2024.

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12. LEASE LIABILITY

The company has leased premises until October 31, 2029. Future minimum lease payments have been discounted at the rate of 4.45% as follows:

Years ending March 31	Principal Portion	Interest Portion	Total
	\$	\$	\$
2025	281,845	74,205	356,050
2026	302,390	61,188	363,578
2027	316,114	47,464	363,578
2028	335,806	33,149	368,955
2029	358,872	17,610	376,482
2030	199,230	2,373	201,603

Operating costs and property taxes for the premises, currently estimated at \$237,384 per year, are payable in addition to the minimum lease payments.

During the year ended March 31, 2024 the company expensed \$220,824 (2023 – \$194,426) in additional lease payments for operating costs and property taxes on its lease for premises and \$3,892 (2023 – \$2,262) in lease payments for which the underlying assets are of low value.

13. TRADE AND OTHER PAYABLES

	2024	2023
	\$	\$
Payable to suppliers for trade purchases	344,970	470,505
Payable to employees for wages and expenses	187,217	231,660
Payable to governments for withholding and sales taxes	43,439	81,668
Accrued liabilities	151,273	72,755
	<u>726,899</u>	<u>856,588</u>

14. SALES REVENUE

	2024	2023
	\$	\$
Personal hygiene products	2,424,043	2,193,970
Clinical products	1,663,562	1,208,190
Wipes	2,193,446	1,933,302
Non-wipe air laid products	2,867,163	5,734,615
Other products	71,734	19,716
	<u>9,219,948</u>	<u>11,089,793</u>

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15. COST OF SALES

	2024	2023
	\$	\$
Materials	4,163,527	4,829,167
Production labour	970,608	994,806
Factory overhead labour	501,762	483,711
Variable overhead	427,290	610,035
Fixed overhead	321,932	295,365
Shipping	790,746	806,944
Depreciation of plant equipment	982,439	872,975
Depreciation of right-of-use assets	258,880	258,173
	<u>8,417,184</u>	<u>9,151,176</u>

16. SELLING AND DISTRIBUTION EXPENSES

	2024	2023
	\$	\$
Wages, commissions and other employee benefits	134,158	133,157
Other	20,884	14,048
	<u>155,042</u>	<u>147,205</u>

17. GENERAL AND ADMINISTRATIVE EXPENSES

	2024	2023
	\$	\$
Administration and office	133,002	142,382
Corporate promotion	8,130	8,839
Depreciation of right-of-use assets	18,889	18,837
Loss (gain) on change in ECL on trade receivables	(20,000)	50,514
Professional fees	88,123	89,322
Salaries and other employee benefits	567,918	550,083
	<u>796,062</u>	<u>859,977</u>

18. SUPPLEMENTARY CASH FLOW INFORMATION

During the year ended March 31, 2024 trade and other payables related to the purchase of plant and equipment decreased by \$2,053 (2023 – decreased by \$1,620).

19. SEGMENTED INFORMATION

The company operates in one industry, disposable paper products. The company's plant and equipment are located in Canada. During the year ended March 31, 2024 the company had domestic sales in Canada of \$7,627,158 (2023 – \$6,264,180) and export sales to the United States and its territories of \$1,592,790 (2023 – \$4,825,613). During the year ended March 31, 2024 the company had sales to one customer of \$1,922,144 (2023 – two customers, \$5,493,146), who represented more than 10% of sales.

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20. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2024:

- The company incurred total compensation, comprising short-term employee benefits (including wages, salaries, bonuses, stock options, taxes and perquisites), of \$412,766 (2023 – \$418,318) to directors and officers of the company; and
- The company incurred \$17,592 (2023 – \$19,071) of legal fees in the normal course of operations with a firm with which a director of the company was associated.

21. CAPITAL DISCLOSURES

The company manages share capital, warrants, stock options and retained earnings as capital. The company's objectives when managing capital are: to safeguard the ability of the company to continue as a going concern; to permit the company to continue expanding its operations, to the extent compatible and economically viable expansion opportunities are available; and to maximize shareholder returns. The company employs policies and processes for managing capital: to ensure that the covenants and terms under its revolving bank loans and term bank loans are complied with; to ensure that adequate prices are received for the company's production to maximize operating cash flows; and to maximize shareholder returns. The company was in compliance with the covenants and terms under its revolving bank loans and term bank loans during the years ended March 31, 2024 and 2023.