WESTBOND ENTERPRISES CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

(Unaudited – See Notice to Reader)

WestBond Enterprises Corporation
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WestBond Enterprises Corporation

Notice to Reader

The accompanying interim consolidated financial statements of WestBond Enterprises Corporation for the three and nine month periods ended December 31, 2018 and 2017 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	December 31 2018 $	March 31 2018 $
ASSETS			
Non-Current Assets			
Plant and equipment		7,932,863	8,168,099
Lease deposits		18,012	18,012
Deferred tax asset		-	5,594
		7,950,875	8,191,705
Current Assets			
Inventory		1,142,217	991,503
Trade and other receivables		1,503,720	1,117,994
Prepaid expenses		81,695	56,414
Cash and cash equivalents		494,694	402,293
		3,222,326	2,568,204
Total Assets		11,173,201	10,759,909
EQUITY AND LIABILITIES			
Equity			
Common shares issued and outstanding		3,883,225	3,883,225
Stock options	4	88,985	88,985
Contributed surplus		294,089	294,089
Retained earnings	4	1,050,442	902,943
Equity attributable to common shareholders		5,316,741	5,169,242
Liabilities			
Non-Current Liabilities			
Term bank loans	5	2,619,040	3,154,756
Unrealized loss on interest rate swaps		13,042	14,495
Deferred operating lease liability		187,350	163,693
Deferred tax liability		874,659	760,986
		3,694,091	4,093,930
Current Liabilities			
Term bank loans		714,288	714,288
Trade and other payables		1,448,081	782,449
		2,162,369	1,496,737
Total Liabilities		5,856,460	5,590,667
Total Equity and Liabilities		11,173,201	10,759,909

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 December 31		Nine months ended December 31	
		2018	2017	2018	2017
		$	$	$	$
Sales		2,787,587	2,617,300	8,377,998	7,425,835
Cost of sales	6	2,227,385	1,954,459	6,632,966	5,857,121
Gross Profit		560,202	662,841	1,745,032	1,568,714
Selling and distribution expenses	7	223,930	232,299	676,140	628,305
General and administrative expenses	8	168,184	174,280	510,153	483,746
Operating Profit		168,088	256,262	558,739	456,663
Foreign exchange loss (gain)		21,773	4,546	19,409	(10,700)
Proceeds from business interruption insurance claim		-	-	-	(61,808)
Interest expense		33,617	45,035	105,687	141,857
Unrealized loss (gain) on interest rate swaps		(596)	-	(1,453)	-
Profit Before Tax		113,294	206,681	435,096	387,314
Income tax expense		31,504	82,340	119,267	130,516
Profit and Comprehensive Income		81,790	124,341	315,829	256,798
Weighted average shares outstanding		33,665,800	33,665,800	33,665,800	33,665,800
Earnings per share, basic and fully diluted		0.002	0.004	0.009	0.008

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, 2017	3,883,225	96,200	286,874	604,855	4,871,154
Profit for the period	-	-	-	256,798	256,798
Balance as at December 31, 2017	3,883,225	96,200	286,874	861,653	5,127,952
Balance as at March 31, 2018	3,883,225	88,985	294,089	902,943	5,169,242
Dividends paid	-	-	-	(168,330)	(168,330)
Profit for the period	-	-	-	315,829	315,829
Balance as at December 31, 2018	3,883,225	88,985	294,089	1,050,442	5,316,741

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 December 31		Nine months ended December 31	
		2018	**2017**	**2018**	**2017**
		$	**$**	**$**	**$**
Operating Activities					
Profit		81,790	124,341	315,829	256,798
Adjustments to reconcile profit to cash flows from operating activities					
- depreciation		175,172	177,707	517,932	532,487
- deferred operating lease liability		7,886	7,885	23,657	23,656
- unrealized loss (gain) on interest rate swaps		(596)	-	(1,453)	-
- interest expense		33,617	45,035	105,687	141,857
- income tax expense		31,504	82,340	119,267	130,516
- income tax refunded		-	3,213	-	4,807
Cash flows from operating activities before changes in non-cash working capital		329,373	440,521	1,080,919	1,090,121
(Increase) decrease in					
- inventory		(74,310)	(70,985)	(150,714)	62,039
- trade and other receivables		(180,585)	(149,485)	(385,726)	(393,774)
- prepaid expenses		9,863	21,805	(25,281)	(5,707)
Increase in					
- trade and other payables		280,815	270,281	682,592	301,843
Net Cash Flow from Operating Activities		365,156	512,137	1,201,790	1,054,522
Investing Activities					
Purchase of plant and equipment	8	(70,790)	(16,083)	(293,785)	(66,928)
Net Cash Flow from Investing Activities		(70,790)	(16,083)	(293,785)	(66,928)
Financing Activities					
Dividends paid		(84,165)	-	(168,330)	-
Repayment of term loans		(178,572)	(178,572)	(535,716)	(535,716)
Increase in revolving bank loans		-	(20,550)	-	-
Interest paid		(33,617)	(42,940)	(111,558)	(140,735)
Net Cash Flow from Financing Activities		(296,354)	(242,062)	(815,604)	(676,451)
Net (Decrease) Increase in Cash and Cash Equivalents		(1,988)	253,992	92,401	311,143
Cash and Cash Equivalents at the Beginning of the Period		496,682	181,828	402,293	124,677
Cash and Cash Equivalents at the End of the Period		494,694	435,820	494,694	435,820

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 nine month periods ended December 31, 2018 were approved and authorized for issue by resolution of the directors on February 27, 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, 2019 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, 2018.

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, 2018 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, 2018.

3. RELATED PARTY TRANSACTIONS

During the nine months ended December 31, 2018 the company incurred total compensation, comprising short-term employee benefits, of $294,472 (2017 – $276,506), to the directors and officers of the company and incurred $9,263 (2017 – $6,107) of legal fees in the normal course of operations with a firm in which a director of the company is a partner.

4. SUBSEQUENT EVENTS

Subsequent to December 31, 2018:

- an employee exercised his option to purchase 150,000 shares of the company at $0.09 per share and
- the company declared a dividend of $0.0025 per share payable on March 20, 2019 to shareholders of record on March 7, 2019,

5. TERM BANK LOAN

The final payment of the term bank loan was extended to August 22, 2020 during the nine months ended December 31, 2018.

WESTBOND ENTERPRISES CORPORATION

Notes to the Interim Consolidated Financial Statements
December 31, 2018 and 2017
Canadian Dollars
(unaudited)

	Three months ended December 31		Nine months ended December 31	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
6. COST OF SALES				
Materials	1,440,075	1,218,796	4,360,951	3,752,606
Production labour	251,277	237,519	716,904	643,273
Factory overhead labour	121,543	100,468	348,528	321,212
Variable overhead	109,601	89,531	305,678	230,104
Fixed overhead	131,727	133,546	390,579	386,810
Depreciation	173,162	174,599	510,326	523,116
	2,227,385	1,954,459	6,632,966	5,857,121
7. SELLING AND DISTRIBUTION EXPENSES				
Shipping	191,893	198,391	580,169	527,866
Wages, commissions and other employee benefits	26,225	28,034	82,760	85,004
Other	5,812	5,874	13,211	15,435
	223,930	232,299	676,140	628,305
8. GENERAL AND ADMINISTRATIVE EXPENSES				
Administration and office	39,852	44,463	114,566	116,939
Corporate promotion	5,597	3,536	11,052	9,453
Professional fees	13,687	14,794	45,308	41,085
Salaries and other employee benefits	109,048	111,487	339,227	316,269
	168,184	174,280	510,153	483,746
9. NON-CASH INVESTING ACTIVITIES				
Increase (decrease) in accounts payable related to purchase of plant and equipment	15,295	7,882	(11,089)	(5,895)