

WESTECH ADVANCED MATERIALS LTD.

Financial Statements (unaudited)
for the Year Ended March 31, 2017
and Review Engagement Report

WESTECH ADVANCED MATERIALS LTD.
FINANCIAL STATEMENTS
MARCH 31, 2017
(unaudited)

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CHARTERED
PROFESSIONAL
ACCOUNTANTS

DURWARD JONES BARKWELL
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

REVIEW ENGAGEMENT REPORT

To the Directors of Westech Advanced Materials Ltd.:

We have reviewed the balance sheet of Westech Advanced Materials Ltd. as at March 31, 2017 and the statements of income and retained earnings and of cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

May 17, 2017

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WESTECH ADVANCED MATERIALS LTD.

STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED MARCH 31, 2017

(unaudited)

	2017 (12 months)	2016 (10 months)
SALES	\$ 8,511,867	\$ 6,334,653
COST OF GOODS SOLD	6,994,293	5,325,308
GROSS PROFIT	1,517,574	1,009,345
GENERAL AND ADMINISTRATIVE EXPENSES		
Advertising and promotion	5,816	6,150
Bank charges and interest	7,337	1,906
Computer maintenance	15,342	1,622
Depreciation	234,167	271,439
Freight and delivery	141,714	27,838
Insurance	26,947	14,713
Interest on related party loans	19,051	621
Office	23,462	10,120
Professional fees	80,724	41,532
Rent	36,000	27,001
Repairs and maintenance	3,483	1,397
Salaries and benefits	327,096	253,154
Travel	52,392	55,403
Utilities and telecommunications	9,257	7,469
Vehicle	23,833	14,713
	1,006,621	735,078
INCOME FROM OPERATIONS	510,953	274,267
GAIN (LOSS) ON FOREIGN EXCHANGE	171,487	(213,671)
INCOME BEFORE INCOME TAXES	682,440	60,596
INCOME TAXES		
Current	178,431	47,400
Future	(13,981)	(16,019)
	164,450	31,381
NET INCOME	517,990	29,215
RETAINED EARNINGS, BEGINNING OF YEAR	29,215	-
RETAINED EARNINGS, END OF YEAR	\$ 547,205	\$ 29,215

WESTECH ADVANCED MATERIALS LTD.

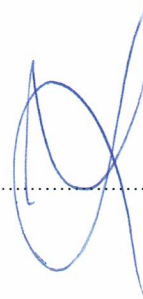
BALANCE SHEET
MARCH 31, 2017
(unaudited)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash	\$ 338,647	\$ 131,523
Accounts receivable (Note 2)	1,814,752	1,856,508
Inventory	705,386	267,353
	2,858,785	2,255,384
Future income tax asset	30,000	16,018
Computer equipment (Note 3)	1,341	-
Intangibles (Note 4)	2,687,769	2,921,488
Goodwill	3,344,727	3,344,727
	\$ 8,922,622	\$ 8,537,617
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities, government remittances \$3,004 (2016 - \$8,807)	\$ 1,197,842	\$ 341,513
Income taxes payable	112,931	41,700
Due to related parties (Note 5)	209,120	1,594,236
	1,519,893	1,977,449
Commitment (Note 7)		
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	6,175,717	6,175,717
Currency translation adjustment	679,807	355,236
Retained earnings	547,205	29,215
	7,402,729	6,560,168
	\$ 8,922,622	\$ 8,537,617

Approved by the Board:

..... Director

..... Director



WESTECH ADVANCED MATERIALS LTD.

STATEMENT OF CASH FLOWS
 YEAR ENDED MARCH 31, 2017
 (unaudited)

	2017 (12 months)	2016 (10 months)
OPERATING ACTIVITIES		
Net income	\$ 517,990	\$ 29,215
Items not affecting cash:		
Depreciation	234,167	271,439
Future income tax	(13,981)	(16,019)
	<u>738,176</u>	<u>284,635</u>
Changes in non-cash operating assets and liabilities		
Accounts receivable	272,620	(1,897,391)
Inventory	(542,238)	(273,241)
Accounts payable and accrued liabilities	1,038,349	349,031
Income taxes	71,231	41,641
	<u>1,578,138</u>	<u>(1,495,325)</u>
INVESTING ACTIVITIES		
Business acquisition	-	(3,472,947)
Purchase of computer equipment	(1,788)	-
	<u>(1,788)</u>	<u>(3,472,947)</u>
FINANCING ACTIVITIES		
Advances from (repayments to) related parties	(1,399,306)	1,629,344
Issuance of share capital	-	3,472,947
Foreign exchange gain (loss) on cash held in foreign currency	30,080	(2,496)
	<u>(1,369,226)</u>	<u>5,099,795</u>
INCREASE IN CASH	207,124	131,523
CASH, BEGINNING OF YEAR	131,523	-
CASH, END OF YEAR	\$ 338,647	\$ 131,523

WESTECH ADVANCED MATERIALS LTD.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises.

The financial statements are presented in Canadian dollars. The functional currency of the Company is U.S. dollars.

Nature of business

The Company was incorporated on May 29, 2015 under the laws of British Columbia and is in the business of distributing industrial fabrics.

Revenue recognition

Revenue is recognized upon shipment, when significant risks and rewards of ownership are transferred, and when collection is reasonably assured.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

During the year, the total cost of inventory expensed in cost of sales amounted to \$6,681,104 (2016 - \$4,978,709).

Computer equipment

Computer equipment is recorded at acquisition cost. Depreciation on the equipment is calculated using the diminishing-balance method at the following rate:

Computer equipment	50%
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Depreciation in the year of acquisition is recorded at one half of the normal rates.

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Intangibles

Intangible assets are recorded at cost. Depreciation on the intangibles is calculated using the diminishing-balance method at the following rates:

Business name	8%
Customer relations	8%

In the year of acquisition, depreciation is calculated at one-half of the normal rates.

Goodwill

Goodwill represents the excess of the acquisition cost over the fair market value of identifiable net assets acquired at the date of acquisition. Goodwill is not amortized. Goodwill is tested for impairment whenever events or changes in circumstances indicate that the fair value of the reporting unit to which the goodwill is assigned may be less than its carrying amount. The fair value of the reporting unit is calculated on a discounted basis.

WESTECH ADVANCED MATERIALS LTD.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

Financial instruments

(a) Measurement of financial instruments

The Company initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributed to the instrument.

The Company subsequently measures all its financial assets and financial liabilities at amortized cost, except for equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

Future income taxes

The Company applies the future income taxes method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the difference between the carrying amounts of existing assets and liabilities and their respective tax bases. Any change in the net amount of future income tax assets and liabilities is included in income. Future income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable income for the years in which the assets and liabilities will be recovered. Future income tax assets are recognized when it is more likely than not that they will be realized.

Translation of foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated at the rate prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing at the dates the assets were acquired or the liabilities incurred. Revenue and expenses are translated at the exchange rate prevailing at the time except for depreciation and amortization which are translated at the rates prevailing at the dates the related assets were acquired. The resulting foreign exchange differences are deferred and classified as cumulative foreign currency translation adjustments in shareholders' equity.

WESTECH ADVANCED MATERIALS LTD.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as revenue recognition, allowance for doubtful account receivable, inventory obsolescence and future income taxes.

2. ACCOUNTS RECEIVABLE

	2017	2016
Trade accounts receivable	\$ 2,131,107	\$ 1,856,508
Allowance for doubtful accounts	2,131,107 (316,355)	1,856,508 -
	<u>\$ 1,814,752</u>	<u>\$ 1,856,508</u>

3. COMPUTER EQUIPMENT

	Annual Depreciation Rates	2017		2016	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Computer equipment	50%	\$ 1,788	\$ 447	\$ -	\$ -
Net book value			<u>\$ 1,341</u>		<u>\$ -</u>

4. INTANGIBLES

	Annual Depreciation Rates	2017		2016	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Business name	8%	\$ 370,591	\$ 58,060	\$ 370,591	\$ 30,883
Customer relations	8%	2,816,488	441,250	2,816,488	234,708
		<u>3,187,079</u>	<u>499,310</u>	<u>3,187,079</u>	<u>265,591</u>
Net book value			<u>\$ 2,687,769</u>		<u>\$ 2,921,488</u>

WESTECH ADVANCED MATERIALS LTD.

NOTES TO THE FINANCIAL STATEMENTS

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5. DUE TO RELATED PARTIES

	<u>2017</u>	<u>2016</u>
Bodam Corp. - non-interest bearing with no set terms of repayment.	\$ -	\$ 468,275
Westech Group Ltd. - \$66,610 of the balance bears interest at 4.95% per annum and \$142,510 of the balance bears interest at 5.90% per annum. There are no set terms of repayment.	209,120	174,660
Arvind Limited - non-interest bearing with no set terms of repayment.	-	951,301
	\$ 209,120	\$ 1,594,236

Bodam Corp. and Arvind Ltd. are the shareholders of this company. Westech Group Ltd. is a company under common control.

All transactions between related parties have taken place in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year the Company rented its premises from Westech Group Ltd. in the amount of \$36,000 (2016 - \$27,000).

During the year the Company purchased inventory from related parties in the amount of \$4,748,049 (2016 - \$4,653,721).

During the year the Company paid \$6,397 (2016 - \$nil) interest to Bodam Corp. and \$12,654 (2016 - \$621) interest to Westech Group Ltd.

During the year the Company had reimbursements from related parties in the amount of \$325,029 (2016 - \$95,838).

As at March 31, 2017, accounts receivable includes \$2,324 due from Bodam Corp., \$513 due from Westech Group Ltd. and \$156,012 due from Arvind Ltd.

As at March 31, 2017, accounts payable and accrued liabilities includes \$762 due to Bodam Corp., \$61,888 due to Westech Group Ltd. and \$1,295,566 due to Arvind Ltd.

WESTECH ADVANCED MATERIALS LTD.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(unaudited)

6. SHARE CAPITAL

	<u>2017</u>	<u>2016</u>
Authorized		
Unlimited class A common shares		
Unlimited class B common shares		
Issued		
2,717,447 class A common shares	\$ 2,702,770	\$ 2,702,770
2,828,363 class B common shares	<u>3,472,947</u>	<u>3,472,947</u>
	<u>\$ 6,175,717</u>	<u>\$ 6,175,717</u>

7. COMMITMENT

The Company has a property rental agreement with a company under common control which expires in July 2019. Annual payments are as follows:

2018	\$ 36,000
2019	<u>9,000</u>
	<u>\$ 45,000</u>

8. FINANCIAL RISK MANAGEMENT

The Company has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The majority of the Company's sales are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at March 31, 2017, the following amounts are held in U.S. currency denominated in Canadian dollars: cash of \$98,422 (2016 - \$3,415), trade accounts receivable of \$1,006,968 (2016 - \$1,677,027) trade accounts payable of \$478,818 (2016 - \$168,986) and due to related parties of \$66,610 (2016 - \$1,594,236). As at March 31, 2017, the following amounts are held in Euro currency denominated in Canadian dollars: cash of \$198,762 (2016 - \$84,291), trade accounts receivable of \$714,621 (2016 - \$172,127) trade accounts payable of \$623,144 (2016 - \$244) and due to related parties of \$142,510 (2016 - \$nil).

(b) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's main credit risks relate to its accounts receivable. The entity provides credit to its clients in the normal course of operations.

It is management's opinion that the Company is not exposed to significant interest, liquidity or market risks arising from its financial instruments.

9. COMPARATIVE FIGURES

WESTECH ADVANCED MATERIALS LTD.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(unaudited)

The prior year financial statements were reported on by another Chartered Professional Accounting Firm.

Certain of the prior year's figures have been reclassified to conform to the current year's financial statement presentation.

