

XYZ97785961 XYZ69008593 Inc.  
To the Shareholders/Board of Directors of ABC35766442 XYZ27501825 Inc.

Date: Apr 19, 2023

### **Review Engagement Financial Statements**

We have audited the accompanying financial statements of [Company Name], which comprise the balance sheet as of [date], and the related statements of income, changes in equity, and cash flows for the year then ended, and notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with [applicable auditing standards], which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABC35766442 XYZ27501825 Inc. and the results of its operations and its cash flows for the year then ended in accordance with applicable financial reporting framework.

A handwritten signature in black ink, appearing to read "John Smith". The signature is fluid and cursive, with the first name "John" being more prominent than the last name "Smith".

XYZ97785961 XYZ69008593 Inc.  
Licenses public Accountants

Apr 19, 2023  
Toronto, ON

Combined Statement of Balance Sheets

ABC35766442 XYZ27501825 Inc.

	Jan 31	Jan 31
	2023	2022
Current Assets		
Cash and Cash Equivalents	\$26,364	\$82,585
Term Deposits	\$52,533	\$17,000
Accounts Receivable	\$25,977	\$86,349
Inventory	\$14,884	\$19,022
Harminized Sales Tax Receivable	\$22,033	\$33,641
Prepaid Expenses	\$92,939	\$7,599
Deposits	\$4,813	\$35,252
Marketable Securities	\$36,899	\$56,994
Investments	\$49,194	\$66,952
Income tax receivable	\$45,946	\$91,217
Restricted Cash	\$56,667	\$78,642
Interest Receivable	\$19,790	\$60,761
Mortgage Receivable	\$77,040	\$34,843
Dividends Receivable from join venture investments	\$65,941	\$68,630
Loans from related parties	\$23,838	\$27,714
	\$614,858	\$767,201
Non Current Assets		
Property and Equipment (Net of Accumulated Depreciation)	\$94,910	\$33,806
Due from Related Parties	\$77,237	\$25,182
Due from Shareholders	\$7,906	\$100
Due from Directors	\$22,428	\$67,378
Deposits	\$96,130	\$3,145
Investments	\$52,607	\$32,631
Cash surrender value of Life Insurance	\$53,103	\$30,205
Goodwill	\$82,629	\$57,739
Intangible assets	\$16,347	\$5,423
	\$503,297	\$255,609

	\$1,118,155	\$1,022,810
Current Liabilities		
Bank Indebtedness	\$12,543	\$16,854
Short term debt	\$30,130	\$35,927
Accounts Payable and Accrued Liabilities	\$41,980	\$36,630
Income tax payable	\$95,043	\$60,489
Deposits received	\$4,219	\$90,440
Current portion of long term debt	\$82,274	\$98,155
Current portion of obligations under capital lease	\$60,851	\$2,106
Government remittances payable	\$43,905	\$7,317
	\$370,945	\$347,918
Non Current Liabilities		
Deferred income	\$64,778	\$65,832
Government Loan	\$5,680	\$86,396
Long Term Debt	\$84,008	\$43,554
Obligations under Capital Lease	\$93,966	\$83,344
Due to Shareholders	\$65,299	\$5,066
Due to Directors	\$13,557	\$3,054
Due to Related Parties	\$32,052	\$45,429
	\$359,340	\$332,675
Shareholders Equity		
Share Capital	\$78,520	\$9,406
Preference shares	-\$551,975	\$69,789
Retained Earnings	\$861,325	\$332,811
	\$1,118,155	\$1,092,599

Combined Statement of Income		Jan 31	Jan 31
		2023	2022
ABC35766442 XYZ27501825 Inc.			
Income			
Total Sales			
Category 37649	\$1,706,230.00	\$1,061,820.00	
Category 792	\$72,255.70	\$91,976.30	
Total Sales	\$1,778,485.70	\$1,153,796.30	
Cost of Sales	\$711,394.28	\$1,015,340.74	
Gross Profit	\$1,067,091.42	\$138,455.56	
Expenses			
Selling and recruitment	\$9,510	\$5,544	
Sales and Wages	\$1,063	\$7,280	
Equipment rentals	\$6,788	\$3,127	
Occupancy	\$2,227	\$3,249	
Office and General	\$2,126	\$3,136	
Interest and bank charges	\$3,657	\$1,167	
Software	\$4,734	\$3,604	
Vehicle	\$1,161	\$4,124	
Professional fees	\$1,970	\$6,369	
Depreciation	\$9,331	\$2,981	
Interest on long term debt	\$9,510	\$6,732	
General and administrative	\$3,458	\$6,060	
Loss (gain) on foreign exchange	\$4,475	\$6,912	
	\$60,010	\$60,285	
Income before other income and income taxes	\$1,007,081.42	\$78,170.56	

Other income	\$388	\$9,650
Income before taxes	\$1,006,693	\$68,521
Income taxes	\$251,673	\$17,130
Net income	\$755,020	\$51,390
Dividends paid	\$226,506	\$15,417

ABC35766442 XYZ27501825 Inc.

Statement of Cashflows

	Jan 31	Jan 31
	2023	2022
Operating Activities		
Net Income	\$755,020	\$51,390
Adjustment for items which does not affect cash		
Amortization	\$9,331	\$2,981
	\$764,351	\$54,371
Change in non-cash working capital items		
Accounts receivable	\$60,372	-\$69,823
Inventory	\$4,138	\$28,701
HST receivable	\$11,608	\$42,025
Prepaid expenses	-\$85,340	\$26,333
Deposits	\$30,439	\$44,769
Income tax receivable	\$45,271	-\$63,733
Accounts payables	\$5,350	\$28,273
Income tax payable	\$34,554	\$2,580
Deposits Received	-\$86,221	\$37,296
Operating Loan	-\$5,797	-\$38,335
	\$778,725	\$92,457
Financing Activities		
Repayment of long term loan	\$0	-\$35,116
Proceeds of long term debt	\$40,454	\$0
Purchase of new Property Plant and Equipment	-\$70,435	\$0
Proceeds from sale of PP&E	\$0	\$0
Dividends Paid	\$226,506	\$15,417

		\$196,525	-\$19,699
Investing Activities			
Due to Shareholders		\$60,233	-\$4,277
Due to Directors		\$10,503	-\$4,733
Due to Related Parties		-\$13,377	\$41,279
Due from Related Parties		-\$52,055	-\$16,244
Due from Shareholders		-\$7,806	\$4,865
Due from Directors		\$44,950	-\$60,650
		\$42,448	-\$39,760
Increase/ (decrease) in cash		\$1,017,698	\$32,999
Cash at beginning of year		\$82,585	\$49,586
Cash at end of year		\$1,100,283	\$82,585



ABC35766442 XYZ27501825 Inc.

Notes to Financial Statements

Year ended:

Jan 31, 2023

Nature of Operations

ABC35766442 XYZ27501825 Inc. is into Software Development

### **1. Significant accounting policies**

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises. The significant accounting policies are detailed as follows:

#### **(a) Cash**

Cash consists of balances with financial institutions

#### **(b) Inventory**

Inventory is measured as lower of cost and net realizable value

#### **(c) Property, plant and equipment**

Property plant and equipment are recorded at cost. The company provides for amortization by using the straight line method

### **2. Cash and bank debt**

HFT BANK has provided the Company with committed revolving facility loan which bears a floating interest at HFT BANK's prime rate

The revolving credit facility is secured by general security agreement issued by the company under the common control, representing a first charge on all present and after acquired personal property. The total carrying amount of assets pledged as collateral under the GSA is \$591020

<b>3. Inventory</b>	Jan 31	Jan 31
	2023	2022
finished Goods	\$6,623	\$9,273
Raw Material	\$6,110	\$9,501
Packaging and Labels	\$2,151	\$247
	\$14,884	\$19,022

#### **4. Related party balances and transactions**

The following table summarizes the amounts due from and to related parties. Related parties are controlled by one or more directors of the Company

(a) Due from related parties	Jan 31	Jan 31
	2023	2022
HFT International Inc	\$38,541	\$10,715
ASD International Inc	\$38,696	\$14,467
	\$77,237	\$25,182
 (b) Due from Shareholders	 Jan 31	 Jan 31
	2023	2022
Shareholder 1	\$3,720	\$43
Shareholder 2	\$4,186	\$57
	\$7,906	\$100
 (c) Due from Directors	 	 
Director 1	\$9,151	\$31,735
Director 2	\$13,277	\$35,643
	\$22,428	\$67,378

(d) Due to related parties	Jan 31	Jan 31
	2023	2022
HFT International Inc	\$65,776	\$58,341
ASD International Inc	\$28,190	\$25,003
	\$93,966	\$83,344
(e) Due from Shareholders	Jan 31	Jan 31
	2023	2022
Shareholder 1	\$3,976	\$60,477
Shareholder 2	\$1,704	\$25,919
	\$5,680	\$86,396
(f) Due from Directors		
Director 1	\$9,936	\$33,453
Director 2	\$12,492	\$33,925
	\$22,428	\$67,378

#### 5. Property, plant and equipment

	Jan 31, 2023		
	Cost	Depreciation	Net Book Value
F&F	\$31,272	\$2,799	\$28,473
L H	\$20,848	\$1,866	\$18,982
Machi	\$20,848	\$1,866	\$18,982
L&B	\$31,272	\$2,799	\$28,473
	\$104,241	\$9,331	\$94,910

#### 6. Long Term Debt

Jan 31	Jan 31
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	2023	2022
HFT BANK Term Loan payable monthly with interest rate of 0.83%	\$57,035	\$48,606
HFT BANK Term Loan payable monthly with interest rate of 5.42%	\$109,247	\$93,103

These term loans are secured by charge on all assets of the company. We note that the company is in compliance of all financial covenants stipulated by the the lender

<b>7. Share Capital</b>	Jan 31	Jan 31
<b>Issued</b>	2023	2022
Common Shares - shareholder 1	\$31,918	\$4,411
Common Shares - shareholder 2	\$46,602	\$4,995
	\$78,520	\$9,406

#### **9. The entity's ability to continue as a going concern - CoVid 19**

It is the management's view that there is not a material uncertainty related to the effect of CoVid 19 that may cast significant doubt on the company's ability to continue as a going concern

#### **10. Commitments**

The Company has leased premises under various operating leases at annual base rentals as follows:

Feb 1, 2024	\$2,338
Jan 31, 2025	\$2,455
Jan 31, 2026	\$2,578
Jan 31, 2027	\$2,707
	\$10,079

#### **10. Financial Instruments**

(a) Foreign exchange risk

Company is exposed to foreign exchange risk in US Dollars.

(b) Currency Risk

Company is exposed to currency risk baed on Canadian Dollar's fluctuation with US Dollars

(c) Credit Risk

No change in Credit Risk versus prior year. We do note an one of the key customers - DFD Ltd.- who has filed for Bankruptcy