

XYZ13369622 XYZ54075930 Inc.

Date:

Apr 19, 2023

To the Shareholders/Board of Directors of ABC24658086 XYZ64670674 Inc.

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 ABC24658086 XYZ64670674 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".

XYZ13369622 XYZ54075930 Inc.
Licenses public Accountants

Apr 19, 2023
Toronto, ON

Combined Statement of Balance Sheets		
ABC24658086 XYZ64670674 Inc.	31-Dec-2023	31-Dec-2022
Current Assets		
Cash and Cash Equivalents	\$33,784	\$35,470
Term Deposits	\$94,375	\$91,541
Accounts Receivable	\$97,301	\$77,896
Inventory	\$15,158	\$45,558
Harminized Sales Tax Receivable	\$8,241	\$59,724
Prepaid Expenses	\$31,200	\$25,325
Deposits	\$29,284	\$1,781
Marketable Securities	\$13,911	\$19,427
Investments	\$52,715	\$56,133
Income tax receivable	\$33,314	\$32,023
Restricted Cash	\$55,401	\$24,567
Interest Receivable	\$37,445	\$68,962
Mortgage Receivable	\$94,110	\$98,173
Dividends Receivable from join venture investments	\$69,572	\$20,103
Loans from related parties	\$1,360	\$4,569
	\$667,171	\$661,252
Non Current Assets		
Property and Equipment (Net of Accumulated Depreciation)	\$83,551	\$28,273
Due from Related Parties	\$480	\$29,148
Due from Shareholders	\$75,952	\$85,561
Due from Directors	\$49,380	\$79,354
Deposits	\$49,915	\$47,880
Investments	\$26,113	\$63,498
Cash surrender value of Life Insurance	\$23,130	\$83,784
Goodwill	\$6,081	\$74,381
Intangible assets	\$68,721	\$22,080
	\$383,323	\$513,959

	\$1,050,494	\$1,175,211
Current Liabilities		
Bank Indebtedness	\$98,273	\$72,697
Short term debt	\$10,624	\$30,889
Accounts Payable and Accrued Liabilities	\$49,382	\$7,351
Income tax payable	\$45,596	\$92,994
Deposits received	\$8,447	\$97,678
Current portion of long term debt	\$87,727	\$89,554
Current portion of obligations under capital lease	\$26,106	\$70,454
Government remittances payable	\$66,737	\$27,307
	\$392,892	\$488,924
Non Current Liabilities		
Deferred income	\$88,697	\$57,181
Government Loan	\$76,314	\$98,261
Long Term Debt	\$82,987	\$43,530
Obligations under Capital Lease	\$55,422	\$67,093
Due to Shareholders	\$68,009	\$20,187
Due to Directors	\$82,628	\$3,129
Due to Related Parties	\$29,002	\$83,689
	\$483,059	\$373,070
Shareholders Equity		
Share Capital	\$2,589	\$92,937
Preference shares	-\$820,335	\$89,738
Retained Earnings	\$992,289	\$220,280
	\$1,050,494	\$1,264,949

Combined Statement of Income		31-Dec-2023	31-Dec-2022
ABC24658086 XYZ64670674 Inc.			
Income			
Category 49957		\$2,635,820	\$1,141,310
Category 45327		\$68,225	\$41,765
Total Sales		\$2,704,045	\$1,183,075
Cost of Sales		\$1,162,739	\$981,952
Gross Profit		\$1,541,306	\$201,123
Expenses			
Selling and recruitment		\$8,691	\$703
Sales and Wages		\$1,558	\$3,507
Equipment rentals		\$8,818	\$9,712
Occupancy		\$1,424	\$2,673
Office and General		\$4,228	\$2,757
Interest and bank charges		\$2,448	\$8,556
Software		\$9,910	\$9,777
Vehicle		\$4,376	\$1,279
Professional fees		\$8,457	\$3,924
Depreciation		\$4,250	\$6,144
Interest on long term debt		\$3,125	\$2,464
General and administrative		\$6,155	\$7,817
Loss (gain) on foreign exchange		\$6,913	\$9,843
		\$70,353	\$69,156
Income before other income and income taxes		\$1,470,953	\$131,967

Other income	\$459	\$4,952
Income before taxes	\$1,470,494	\$127,015
Income taxes	\$367,623	\$31,754
Net income	\$1,102,870	\$95,261
Dividends paid	\$330,861	\$28,578

ABC24658086 XYZ64670674 Inc.

Statement of Cashflows

	31-Dec-2023	31-Dec-2022
Operating Activities		
Net Income	\$1,102,870	\$95,261
Adjustment for items which does not affect cash		
Amortization	\$4,250	\$6,144
	\$1,107,120	\$101,405
Change in non-cash working capital items		
Accounts receivable	-\$19,405	-\$15,683
Inventory	\$30,400	\$14,397
HST receivable	\$51,483	-\$54,073
Prepaid expenses	-\$5,875	\$54,776
Deposits	-\$27,503	-\$72,986
Income tax receivable	-\$1,291	\$13,775
Accounts payables	\$42,031	\$2,757
Income tax payable	-\$47,398	\$80,096
Deposits Received	-\$89,231	\$54,270
Operating Loan	-\$20,265	\$17,075
	\$1,020,066	\$195,809
Financing Activities		
Repayment of long term loan	\$0	-\$36,607
Proceeds of long term debt	\$39,457	\$39,353
Purchase of new Property Plant and Equipment	-\$59,528	\$0
Proceeds from sale of PP&E	\$0	\$24,174
Dividends Paid	\$330,861	\$28,578

		\$310,790	\$55,498
Investing Activities			
Due to Shareholders		\$47,822	\$11,018
Due to Directors		\$79,499	-\$3,230
Due to Related Parties		-\$54,687	\$78,295
Due from Related Parties		\$28,668	-\$22,989
Due from Shareholders		\$9,609	-\$81,249
Due from Directors		\$29,974	-\$74,116
		\$140,885	-\$92,271
Increase/ (decrease) in cash		\$1,471,741	\$159,036
Cash at beginning of year		\$35,470	-\$123,566
Cash at end of year		\$1,507,211	\$35,470

ABC24658086 XYZ64670674 Inc.

Notes to Financial Statements

Year ended:

Jan 31, 2023

Nature of Operations

ABC24658086 XYZ64670674 Inc. is into Tire Valve Manufacturing

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 \$665811

3. Inventory	31-Dec-2023	31-Dec-2022
finished Goods	\$7,299	\$19,795
Raw Material	\$6,101	\$19,635
Packaging and Labels	\$1,758	\$6,128
	\$15,158	\$45,558

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	31-Dec-2023	31-Dec-2022
JEI International Inc	\$210	\$12,213
ERW International Inc	\$270	\$16,935
	\$480	\$29,148
 (b) Due from Shareholders	 Jan 31	 Jan 31
	2023	2022
Shareholder 1	\$36,115	\$39,529
Shareholder 2	\$39,837	\$46,032
	\$75,952	\$85,561
 (c) Due from Directors		
Director 1	\$24,567	\$34,559
Director 2	\$24,813	\$44,795
	\$49,380	\$79,354

(d) Due to related parties	31-Dec-2023	31-Dec-2022
JEI International Inc	\$38,795	\$46,965
ERW International Inc	\$16,627	\$20,128
	\$55,422	\$67,093
(e) Due from Shareholders	31-Dec-2023	31-Dec-2022
Shareholder 1	\$53,420	\$68,783
Shareholder 2	\$22,894	\$29,478
	\$76,314	\$98,261
(f) Due from Directors		
Director 1	\$24,196	\$36,304
Director 2	\$25,184	\$43,050
	\$49,380	\$79,354

5. Property, plant and equipment

	31-Dec-2023		
	Cost	Depreciation	Net Book Value
F&F	\$26,340	\$1,275	\$25,065
L H	\$17,560	\$850	\$16,710
Machi	\$17,560	\$850	\$16,710
L&B	\$26,340	\$1,275	\$25,065
	\$87,801	\$4,250	\$83,551

6. Long Term Debt

31-Dec-2023 31-Dec-2022

	2023	2022
HFT BANK Term Loan payable monthly with interest rate of 5.03%	\$58,555	\$45,648
HFT BANK Term Loan payable monthly with interest rate of 6.89%	\$112,159	\$87,436

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

7. Share Capital	31-Dec-2023	31-Dec-2022
Issued		
Common Shares - shareholder 1	\$1,039	\$38,011
Common Shares - shareholder 2	\$1,550	\$54,926
	\$2,589	\$92,937

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	\$1,495
Jan 31, 2025	\$1,570
Jan 31, 2026	\$1,648
Jan 31, 2027	\$1,731
	\$6,444

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