

WESTBOND

ENTERPRISES CORPORATION



2004 ANNUAL REPORT

WestBond Enterprises Corporation 2004 Annual Report

WestBond is committed to product excellence and aggressive expansion in the paper product markets it serves.

A leader in the development of paper and poly disposables for personal hygiene, healthcare, industrial, airline and other uses, WestBond will continue to evolve and adapt its products to meet the needs of the market.

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WestBond Enterprises Corporation continued to increase shareholder value by ending the year posting its

President's Message

The past 12 months have posed quite a challenge to the Company as many capital projects were undertaken in order to complete the product lines and provide the necessary capacity to satisfy increasing customer demands. These projects are almost complete at this time and the fiscal year ended on a very positive note as sales increased to over \$5 million (38% increase). As a result, WestBond posted its eighth consecutive annual profit which totaled \$307,365 (56% increase) or \$0.03 per share.

Sales increased in most categories, with the relatively new personal hygiene line posting the largest increase. Sales to medical distributors also continue to provide positive cash flow for the Company. The clinical product line has potential for higher growth and this potential will receive more focus this coming year. Long-term care products increased at a high rate this year as more institutions realized the cost benefits of using paper disposables. Airline products also increased as WestBond temporarily shipped to Air Canada when the carrier was unable to secure products from its contracted supplier.

The year was highlighted with increased sales, rising share prices and a strong Canadian dollar. In the last quarter, our paper supply was sourced exclusively in the U.S. to take advantage of the savings. As pulp prices rise, so too will the cost of paper. This is a normal cycle and all paper converters will be affected. The Company can offset some of these increases by passing on price increases to customers.

Once the capital projects are completed, WestBond will have the capacity to produce 1.2 million cases of finished product annually. This translates to \$30 million in sales capacity. Currently, the Company is utilizing only 15% of this capacity. Accordingly, the future outlook is very positive as we direct our resources to increasing sales and profits. We expect continued strong growth for the upcoming year which should reward our shareholders for their past and future support.

On behalf of the Board of Directors



President
July 2004

WestBond Enterprises Corporation

Management Discussion and Analysis

dated July 26, 2004, to accompany the consolidated financial statements for the year ended March 31, 2004

Caution Regarding Forward Looking Statements - *This discussion includes statements about our expectations for the future. We believe that our expectations are reasonable; however, actual outcomes may differ materially from our expectations due to changes in operating performance, availability of and prices for raw materials, unexpected competition, and other technical, market and economic factors.*

Description of Our Business

We, WestBond Enterprises Corporation (“WestBond” or the “Company”), are a paper converter that supplies disposable paper products to many market segments. We initially grew to become one of Canada’s leading manufacturers of medical disposables. In 1998 we expanded into products for use on airplanes and, in 2002, we again expanded our product offering to take advantage of high volume opportunities in personal hygiene products for away from home markets. We sell mainly to major medical and industrial distributors in Canada and the United States and we also sell to larger end-users on a direct basis.

Our product lines include clinical products such as examination table paper, dental bibs, sheets, pillowcases and gowns. The personal hygiene product line consists of hand towels, bathroom tissue in jumbo roll format as well as conventional formats. In addition to these two large markets, we also produce patient wipes and underlays for long-term care facilities (nursing homes), and airline towels and pillowcases.

One of our products, Bio-Mitt Plus, is patented and unique in nature and is sold to North American and European distributors. This product is indicative of WestBond’s ability to develop new products and quickly meet the demands of the very high volume and competitive paper industry.

Personal Hygiene Products - WestBond started this product line during 2002. The decision by management to expand into personal disposables such as hand towels and bathroom tissue was based on demands by existing medical distributors who wanted to increase their purchasing ability with the Company. We evaluated this potential and determined that the medical industry had a high demand for these types of products. In addition, we soon learned that small to medium size distributors who sell to the janitorial market were not being serviced well by other paper converters. We have made major capital expenditures to manufacture this product line, which we expect will soon surpass sales volumes to the health care industry.

The personal hygiene paper products include roll and folded towels, jumbo roll bathroom tissue, conventional high sheet-count bathroom tissue and a limited line of table napkins. We manufacture these products in 1 and 2 ply formats. We sell these products to Canadian and U.S. distributors in large order quantities.

Clinical Products - Traditionally, this product line represented the Company’s core business. Basically, all paper products that are used by clinics, physicians, dentists, chiropractors and physiotherapists form this product category. The equipment that was originally installed to manufacture these paper products is very flexible, reliable and high speed. This will allow us to develop new products that could be in demand in the future.

Products in this group are sheets, examination table paper, pillowcases, dental bibs, aprons, gowns, and drapes. The equipment is able to convert roll format as well as sheet format products in many case pack and roll length configurations.

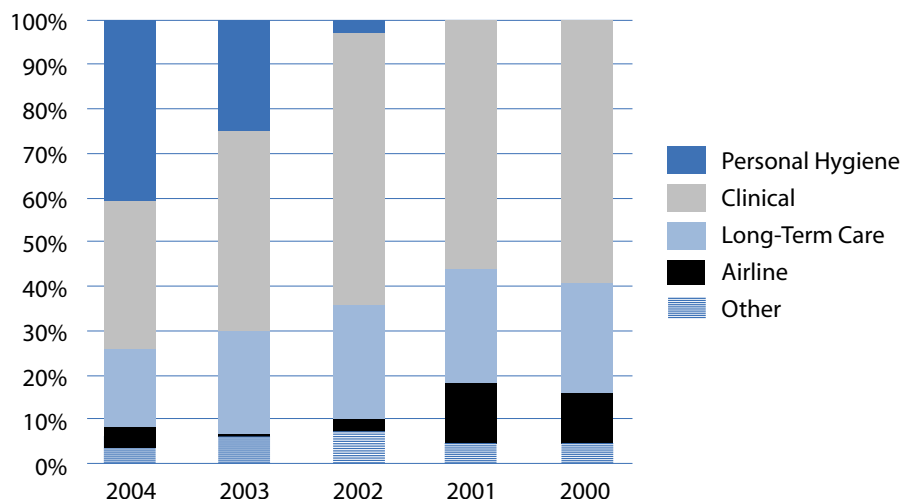
Long-Term Care Products - The products that comprise this category were originally part of the Clinical Product Line. In the past 4 years, sales in this area have increased to the point that we now dedicate two entire production lines to these items. The products include patient wipes, mitts and underlays. All products are made with very high quality air laid paper which results in very soft, very absorbent wipes which are used as disposable wash cloths and perineal wipes.

Products are available in 1/4 fold, 1/8 fold, and roll formats, in a variety of widths and perforation lengths. The Company’s Bio-Mitt Plus is a key product to this mix. Bio-Mitt Plus combines the wiping ability of an

air laid wipe with a built-in waterproof mitten that protects the hand from contamination. The long-term care market is growing tremendously and we continue to develop new products for major Canadian and U.S. distributors.

These three product groups represent WestBond's ability to adapt to market demands and develop product lines to satisfy these markets. Another market that WestBond supplies is the airline industry. We produce in-flight paper disposables such as pillowcases and lavatory hand towels.

The following chart shows the portion of total sales that each of the product categories contributed during the years ended March 31, 2000 through 2004.



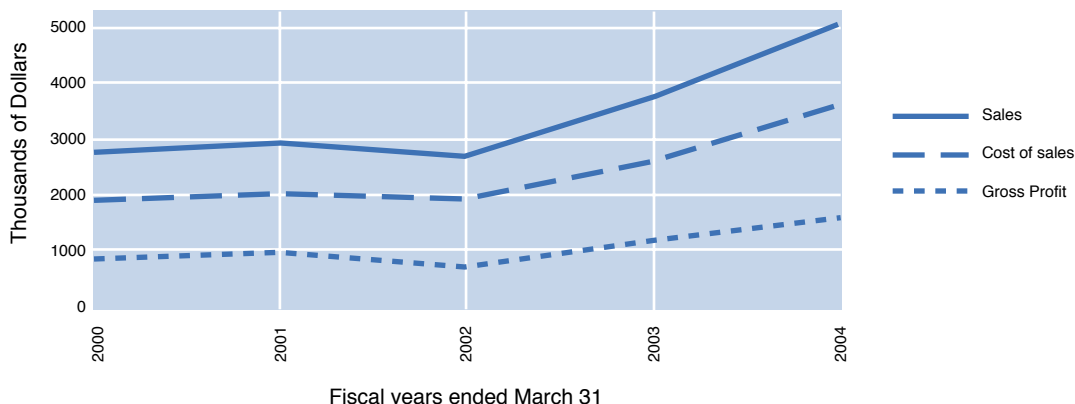
Discussion of Operations and Financial Condition

You should refer to our consolidated financial statements for the year ended March 31, 2004 while you read this discussion. Those financial statements provide significant, material information that is not meant to be, nor is it, included in this discussion. This discussion is meant to provide information not included in the financial statements and an explanation of some of the financial statement information.

Our net income for the year ended March 31, 2004 was 56% more than for the year ended March 31, 2003. The more profitable results for 2004 are due mainly to increased sales, which were 38% higher in 2004 than 2003. This follows an equivalent increase in sales of 38% in 2003 over 2002. Sales have generally increased from one year to the next over the past five years, except for a decrease in the year ended March 31, 2002 caused by the loss of a supply contract with Canadian Airlines International. Increased sales are mainly attributable to higher unit volumes and the introduction of new products.

Our gross profit margin realized during 2004 was 31%, compared to 32% for 2003. Over the last five years, our gross profit margin has ranged from 28% to 32%, and averaged 30%.

Sales, Cost of Sales and Gross Profit



Selected Annual Information
(Unaudited)

We have summarized selected financial information from the Company's consolidated financial statements, which are prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles.

Operating Results	Years ended March 31,		
	2004 \$	2003 \$	2002 \$
Sales	5,069,320	3,663,261	2,651,412
Cost of sales	3,515,964	2,496,425	1,913,863
Gross profit	1,553,356	1,166,836	737,549
Selling and marketing expenses	443,587	288,629	178,035
General and administrative expenses	626,528	564,952	453,600
Net income before tax	483,241	313,255	105,914
Future income tax expense	175,876	115,939	54,614
Net income	307,365	197,316	51,300
Net income per share, basic and diluted	0.03	0.02	0.01
Cash dividends declared per common share	nil	nil	nil

Financial Position	March 31,		
	2004 \$	2003 \$	2002 \$
Current assets	1,306,768	1,109,307	695,014
Other assets	2,138,389	1,460,028	1,213,858
Total assets	3,445,157	2,569,335	1,908,872
Current liabilities	1,032,775	887,136	530,793
Long-term liabilities	664,254	261,618	154,814
Shareholders' equity	1,748,128	1,420,581	1,223,265

Sales

Sales were \$5,069,320 for the year ended March 31, 2004. This represents a 38% increase over the year ended March 31, 2003. The increased sales are attributable mainly to the personal hygiene products.

The table below summarizes the sales of the Company for the last five fiscal years.

	2004 \$	2003 \$	2002 \$	2001 \$	2000 \$
Product sales					
Personal hygiene products	1,928,733	918,877	84,726	-	-
Clinical products	1,709,997	1,665,870	1,552,503	1,567,805	1,579,778
Long-term care products	977,938	860,593	736,412	735,836	693,624
Airline products	209,334	1,740	86,132	471,124	368,189
Other products	243,318	216,181	191,639	135,497	117,419
Total sales	5,069,320	3,663,261	2,651,412	2,910,262	2,759,010

We saw growth in all product categories during the year ended March 31, 2004. The growth is caused by increased sales volumes, new customers and new products. There were no significant price increases during the year.

Sales of personal hygiene products during 2004 were more than double the volume for 2003. This growth was driven by new customers and increased demand from established customers. We purchased a second jumbo roll winder during 2004 to accommodate the demand for jumbo roll products. We purchased a toilet paper winder in 2003 to add conventional size toilet paper rolls to our personal hygiene product line. Start-up of this machine, which we originally anticipated for September 2003, is now slated for August 2004. We delayed the start-up to install the second jumbo roll winder and to refurbish and modernize the conventional roll winder. We expect that sales will increase gradually by up to \$120,000 per month within twelve months after we start-up the conventional roll toilet paper winder.

Sales volumes of clinical and long-term care products also improved in 2004 over 2003. We expect slight improvements in these product sales during the 2005 fiscal year as well. We continue to identify new markets and design custom products to meet customer demands.

The decrease in sales of clinical products during 2001 and 2002 was due to aggressive price competition that we do not take part in. It is our policy not to match cut-rate pricing, which is generally only made available by competitors selling low quality product at unsustainable prices. Our experience is that our customers eventually return to our quality products, which are consistently priced. The airline products were sold primarily to Canadian Airlines International. Air Canada chose not to renew this contract; however, we have been selling lavatory hand towels to them on a temporary basis during 2004.

The recent fluctuations in the US and Canadian dollar exchange rate have had a negative effect on our sales figures. This effect has been offset by a corresponding reduction in the cost of paper purchased from the United States. Generally, our US dollar paper purchases are higher than our US dollar sales volumes. As a result, increases in the value of the Canadian dollar, as compared to the US dollar, tend to increase our profit margins.

Cost of Sales

The following table shows the components of cost of sales. During the fiscal year ended March 31, 2004, cost of sales was 69.4% of sales, as compared to 68.1% in 2003, 72.2% in 2002, 68.7% in 2001 and 69.6% in 2000.

	2004	2003	2002	2001	2000
	\$	\$	\$	\$	\$
Cost of Sales					
Materials	2,627,649	1,800,893	1,322,128	1,415,499	1,360,178
Labour	395,811	287,115	216,142	247,500	270,523
Variable overhead	177,544	146,105	134,622	110,272	88,625
Fixed overhead	205,765	167,043	158,022	156,065	140,407
Depreciation	109,195	95,269	82,949	69,688	59,398
Total cost of sales	<u>3,515,964</u>	<u>2,496,425</u>	<u>1,913,863</u>	<u>1,999,024</u>	<u>1,919,131</u>

Materials are the most significant component of cost of sales. Bulk paper is our main materials cost. Over the last five years, materials costs averaged 50.0% of sales, and ranged from 48.6% to 51.8%, depending on the product mix. Personal hygiene products and examination table paper have a high materials component and a low labour component. By comparison, gowns, drapes, mitts, sheets and pillowcases have a higher labour component and a relatively lower materials component. Also, our margins are lower for the personal hygiene products, where most of the recent growth occurred, than for the other product lines.

Materials prices are starting to show increases during the 2005 fiscal year. While we may increase prices to our customers during the year to compensate, we feel that it is more important to continue expanding our customer base and plan to hold off raising our prices for several months or more. As a result, our gross margins may suffer slightly, as a percentage of sales, but we anticipate that increased sales volumes will more than compensate with higher, total gross profit. Some paper cost reductions were realized during

the years ended March 31, 2004 and 2003, both as a result of devaluations of the US dollar and to good pricing received on some types of paper. During 2002, paper purchased from the United States was more expensive due to a weakened Canadian dollar.

Paper supplies are starting to show some scarcity, especially for toilet tissue. This is a common cycle in this industry and should resolve itself over the next few months. We are expanding our range of paper suppliers in an attempt to ensure an uninterrupted supply of paper; however, the inability to obtain paper at our current input prices may result in lost product sales or in higher materials costs.

Labour in cost of sales averaged 8.3% of sales over the last five years, and improved steadily from 9.8% in the 2000 fiscal year to 7.8% in 2003 and 2004. The fluctuations are due to production efficiencies and to changes in the product mix. We expect further efficiencies can still be realized in the future from longer production runs and from planned improvements to the factory equipment.

Variable overhead normally fluctuates slightly from one period to the next. Continuing increased scheduled maintenance activities commenced during the year ended March 31, 2001 account for almost all of the increases in variable overhead from one year to the next. These activities have improved production efficiencies and we plan to continue them.

Higher rent added \$27,101 to fixed overhead in 2004 over 2003, \$6,852 in 2003 over 2002 and 2001 and \$15,502 in 2001 over 2000. A scheduled rent increase went into effect in July 2003 and we also rented additional warehouse space, which increased fixed overhead for 2004 and later years. Other fluctuations in fixed overhead are due to differences in insurance premiums, which increased by \$11,636 in 2004 over 2003. Increases in depreciation expense are the result of bringing new equipment into use.

Selling Expenses

Shipping costs are higher in 2004 than in 2003 as a result of the Company paying freight for more customers, higher freight rates and greater shipping distances. Sales commissions increased slightly, as a percentage of sales, as a result of commissions paid on the personal hygiene products. We expect commissions to increase in line with increased sales of these products.

General and Administrative Expenses

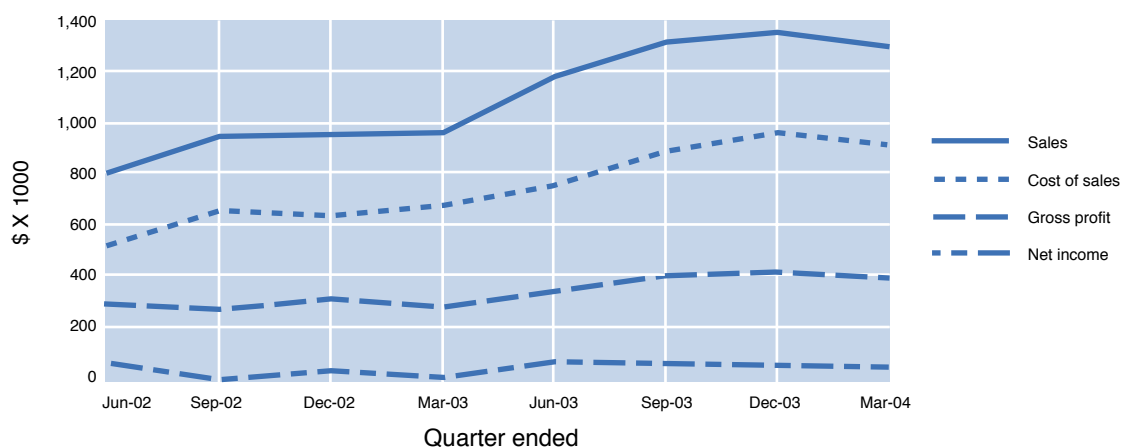
All categories of general and administrative expenses were higher in 2004 than 2003, with the exception of interest on other debt and professional fees. Administration and office expenses increased for a variety of reasons, such as increased stock exchange listing and filing fees, entertainment expenses, car allowances and bad debts. The increase in corporate promotion expense was due to engaging an additional investor relations consultant. Interest expense on long-term debt increased because of additional term loans. Interest on other debt was lower due to lower average bank indebtedness. Professional fees were high in 2003 due to legal fees incurred to raise the Company to Tier 1 status on the TSX Venture Exchange, and in connection with the new term loan received during 2003 and with the adoption of a shareholder rights plan. Higher administrative salaries are due to part-time staff working more and to higher salaries paid to employees during 2004.

Our professional fees during the year ended March 31, 2004 include \$13,465 paid to McCullough O'Connor Irwin, a law firm in which J. Douglas Seppala, one of our directors, is a partner. The payments represent fees for legal services required by the Company at rates normally charged to arm's length parties.

Summary of Quarterly Results (Unaudited)

	Quarters ended			
	March 31, 2004 \$	Dec. 31, 2003 \$	Sept. 30, 2003 \$	June 30, 2003 \$
Sales	1,273,917	1,349,691	1,305,502	1,140,210
Cost of sales	887,094	936,003	901,600	791,267
Gross profit	386,823	413,688	403,902	348,943
Selling and marketing expenses	116,888	123,061	111,689	91,949
General and administrative expenses	160,899	163,571	164,607	137,451
Net income before tax	109,036	127,056	127,606	119,543
Future income tax expense	39,491	47,485	45,788	43,112
Net income	69,545	79,571	81,818	76,431
Net income per share, basic and diluted	0.007	0.008	0.008	0.008

	Quarters ended			
	March 31, 2003 \$	Dec. 31, 2002 \$	Sept. 30, 2002 \$	June 30, 2002 \$
Sales	962,293	955,960	946,220	798,788
Cost of sales	687,327	631,456	676,405	501,237
Gross profit	274,966	324,504	269,815	297,551
Selling and marketing expenses	79,106	73,389	82,046	54,088
General and administrative expenses	157,237	131,075	153,480	123,160
Net income before tax	38,623	120,040	34,289	120,303
Future income tax expense	14,266	44,030	14,370	43,273
Net income	24,357	76,010	19,919	77,030
Net income per share, basic and diluted	0.003	0.008	0.002	0.008



Our quarterly sales trend shows increases each period, with the exception of the most recent quarter, ended March 31, 2004. The increases in sales are, for the most part, due to higher volumes in all product categories, and most significantly in the personal hygiene product line. The decrease during the most recent quarter was caused by medical product line customers placing larger orders at the end of the previous quarter and at the beginning of the following quarter, causing the two quarters on either side to be relatively higher. These anomalies occur occasionally and are not a cause for concern. Our sales for the first quarter of the 2005 fiscal year are at approximately the same level as the third quarter of the 2004 fiscal year.

Slight variations in cost of sales, as a percentage of sales, occur on a regular basis. These are caused by fluctuations in the product mix, production efficiencies and prices for raw materials. Selling and marketing expenses are trending upwards, as a percentage of sales, due to increasing freight costs and commissions on the personal hygiene product line. General and administrative expenses are also increasing, but at a much lower rate than sales.

Liquidity and Capital Resources

Our operating cash flows were \$612,288 during the year ended March 31, 2004, an average of \$51,024 per month, compared to \$34,982 per month during 2003, before accounting for fluctuations in non-cash working capital. We used \$205,703 of this cash flow on term loan repayments. We continue to re-invest most of the surplus cash flow in new equipment to continue to expand the Company's product lines and improve efficiency.

We also have a revolving bank loan facility of \$650,000, of which \$325,000 was used at March 31, 2004. The loan outstanding at any time may not be greater than the total of 75% of Canadian accounts receivable, 50% of US 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 \$300,000 are not included in the calculation.

We use the revolving bank loan facility primarily to finance operating working capital. Inventory and accounts receivable levels normally fluctuate by as much as \$150,000 and accounts payable by an additional \$150,000. We purchase our paper supplies in relatively large quantities and often have large shipments to customers on credit, which are the main reasons for these fluctuations. Accounts receivable and accounts payable levels have increased overall in 2004 as a result of higher sales and production volumes.

The Company borrowed \$750,000 through term loans during the year ended March 31, 2004, including \$245,000 which we used to repay another term loan that carried a higher interest rate and less favourable terms. We used the remaining \$505,000 to augment the personal hygiene product line equipment. The total principal outstanding on all term loans was \$791,111 at March 31, 2004. Principal repayments are currently \$20,654 per month, but they reduce to \$12,471 per month in December 2004.

Substantially all of the Company's assets are pledged as collateral for the revolving bank loan facility and the term loans.

We currently plan to spend approximately \$250,000 on equipment expansions and improvements during the year ending March 31, 2005. We will finance these additions from operating cash flows. We may acquire additional equipment, if worthy new product opportunities arise. Financing for additional equipment would be available through operating cash flow and additional term loans.

Our current equipment has the capacity to produce approximately 1,200,000 cases of product annually, which would sell for about \$30,000,000. By comparison, we produced 185,000 cases during the year ended March 31, 2004, which represents 15% of current capacity. We would have to increase our warehouse space to accommodate the additional inventory required to support such volumes. At year-end, the Company had nineteen full-time employees and six part-time employees. Employment levels will increase as sales and production volumes increase.

Share Capital

The Company has only one class of share capital, common shares without par value. The Company also has a stock option plan and a shareholder rights plan.

	Amount at March 31, 2004	Amount at July 26, 2004
Authorized common shares	50,000,000	500,000,000
Issued common shares	9,613,800	10,003,800
Shares issuable on exercise of outstanding stock options	1,175,000	1,420,000
Shares available for future stock option grants	638,167	3,167

The stock option plan permits the directors of the Company to grant incentive options to the employees, directors, officers and consultants of the Company. The maximum number of shares issuable under the stock option plan is 1,900,000 (of which 476,833 have been issued on the exercise of stock options).

The shareholder rights plan (the "Plan") is meant to protect the Company's shareholders from unfair, abusive or coercive takeover strategies. The Plan will remain in effect until April 29, 2006. The Plan, in effect, allows holders of common shares to purchase additional common shares from the Company at a 50% discount to the prevailing market price on the occurrence of certain triggering events, including acquisition by a person or group of persons of 20% or more of the shares of the Company in a transaction not approved by the board of directors of the Company. The rights under the Plan are not exercisable by the acquiring person or group of persons. The rights under the Plan are not triggered by purchases of shares made pursuant to a take-over bid that is made to all shareholders on identical terms by way of a take-over bid circular prepared in compliance with applicable securities laws, and certain other conditions set out in the agreement signed to implement the Plan.

New Accounting Policy

Stock Options

A new accounting policy applied to stock options granted during the Company's fiscal year ended March 31, 2003 and later. Under the policy, the Company recognized compensation expense for the fair value of stock options granted to non-employees. The policy did not require compensation expense to be recognized for stock options granted to employees and directors for their services in those capacities. Effective for the year ending March 31, 2005, the policy requires the Company to recognize compensation expense for all stock option grants, including those to employees and directors. The Company will account for this change in accounting policy retroactively, by restating the deficits at March 31, 2004 and 2003, and increasing compensation expense by \$33,897 for the year ended March 31, 2004 and \$14,206 for the year ended March 31, 2003. Total shareholders' equity will not change as the stock option compensation expense is considered a contribution to capital.

Other Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.

WESTBOND ENTERPRISES CORPORATION

Management's Report on the Financial Statements

The accompanying consolidated financial statements of WestBond Enterprises Corporation have been prepared by and are the responsibility of the company's management. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and contain estimates based on management's judgment. Management maintains a system of internal controls adequate to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Audit Committee comprises three directors, none of whom are officers or employees of the company. The Audit Committee meets with management and the company's auditors, PricewaterhouseCoopers LLP, to review the financial statements before they are presented to the Board of Directors for approval.

PricewaterhouseCoopers LLP have examined these consolidated financial statements and their report follows.



President



Secretary/Treasurer

July 7, 2004

Auditors' Report To the Shareholders of WestBond Enterprises Corporation

We have audited the consolidated balance sheets of WestBond Enterprises Corporation as at March 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Vancouver, British Columbia

June 3, 2004


(except as to note 14, which is at July 7, 2004)

WESTBOND ENTERPRISES CORPORATION
Consolidated Balance Sheets
(Canadian Dollars)

	March 31, 2004	March 31, 2003
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	41,274	10,593
Accounts receivable	659,243	454,967
Inventory (note 5)	574,594	621,217
Prepaid expenses	31,657	22,530
TOTAL CURRENT ASSETS	1,306,768	1,109,307
PLANT AND EQUIPMENT (note 6)	2,138,389	1,435,925
FUTURE INCOME TAX ASSETS (note 13)	-	24,103
TOTAL ASSETS	3,445,157	2,569,335
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (note 7)	325,000	341,370
Accounts payable and accrued liabilities	501,145	387,570
Current portion of term loans (note 8)	206,630	158,196
TOTAL CURRENT LIABILITIES	1,032,775	887,136
TERM LOANS (note 8)	512,481	261,618
FUTURE INCOME TAX LIABILITIES (note 13)	151,773	-
TOTAL LIABILITIES	1,697,029	1,148,754
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (notes 9 and 14)		
Authorized -50,000,000 common shares without par value		
Issued and outstanding - 9,613,800 (2003 - 9,526,967) shares	1,980,336	1,967,516
STOCK OPTIONS	7,362	-
DEFICIT	(239,570)	(546,935)
TOTAL SHAREHOLDERS' EQUITY	1,748,128	1,420,581
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,445,157	2,569,335

APPROVED BY THE BOARD OF DIRECTORS:


 Director


 Director

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

WESTBOND ENTERPRISES CORPORATION
Consolidated Statements of Operations and Deficit
(Canadian Dollars)

	Year ended March 31,	
	2004	2003
	\$	\$
SALES	5,069,320	3,663,261
COST OF SALES		
Materials	2,627,649	1,800,893
Labour	395,811	287,115
Variable overhead	177,544	146,105
Fixed overhead	205,765	167,043
Depreciation	109,195	95,269
Total cost of sales	3,515,964	2,496,425
GROSS PROFIT	1,553,356	1,166,836
EXPENSES		
Selling and marketing		
Shipping	314,324	209,635
Salaries, commissions and employee benefits	108,211	69,695
Other	21,052	9,299
Total selling and marketing expenses	443,587	288,629
General and administrative		
Administration and office	92,828	91,018
Corporate promotion	81,657	61,353
Interest on term loans	48,101	25,064
Interest on other debt	16,692	18,404
Professional fees	34,704	41,166
Salaries and employee benefits	352,546	327,947
Total general and administrative expenses	626,528	564,952
INCOME FOR THE YEAR BEFORE FUTURE INCOME TAX EXPENSE	483,241	313,255
FUTURE INCOME TAX EXPENSE (note 13)	175,876	115,939
NET INCOME FOR THE YEAR	307,365	197,316
DEFICIT - BEGINNING OF YEAR	(546,935)	(744,251)
DEFICIT - END OF YEAR	(239,570)	(546,935)
Weighted average number of shares outstanding	9,545,903	9,526,967
NET INCOME PER SHARE, basic and diluted	0.03	0.02

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

WESTBOND ENTERPRISES CORPORATION
Consolidated Statements of Cash Flows
(Canadian Dollars)

	Year ended March 31,	
	2004	2003
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	307,365	197,316
Adjustments to reconcile net income to cash flows from operating activities		
- depreciation	121,685	106,527
- future income tax expense	175,876	115,939
- consultant stock option expense	7,362	-
	<hr/>	<hr/>
Cash flows from operating activities before net change in non-cash working capital	612,288	419,782
Net change in non-cash working capital related to operating activities	(53,205)	(258,742)
	<hr/>	<hr/>
TOTAL OPERATING ACTIVITIES	559,083	161,040
CASH FLOW FROM INVESTING ACTIVITY		
Purchase of plant and equipment	(824,149)	(468,636)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Term loan proceeds	750,000	300,000
Repayment of term loans	(450,703)	(133,196)
(Decrease) increase in bank indebtedness	(16,370)	150,871
Issue of shares on exercise of stock options	12,820	-
	<hr/>	<hr/>
TOTAL FINANCING ACTIVITIES	295,747	317,675
	<hr/>	<hr/>
INCREASE IN CASH AND CASH EQUIVALENTS	30,681	10,079
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	10,593	514
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS - END OF YEAR	41,274	10,593
	<hr/>	<hr/>
INTEREST PAID	64,544	42,356
	<hr/>	<hr/>

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

WESTBOND ENTERPRISES CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2004 and 2003
(Canadian Dollars)

1. NATURE OF OPERATIONS

The company is a paper converter that manufactures disposable products for medical, hygienic and industrial uses.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, WestBond Industries Inc.

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 ninety days of deposit.

Inventory

Raw materials inventory is valued at the lower of cost and replacement cost. Finished goods inventory is valued at the lower of cost and net realizable value. Inventory cost is determined on a first-in, first-out basis.

Plant and Equipment

Plant and equipment are carried at cost less accumulated depreciation. Depreciation is charged to earnings using the straight-line method in amounts sufficient to depreciate the costs of the assets over their estimated useful lives as follows:

Factory equipment	- 5 to 20 years
Leasehold improvements	- 10 years
Office equipment	- 3 to 10 years.

Depreciation is not charged on assets not in service. The company reviews plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed by comparing the carrying amount to the estimated future cash flows the assets are expected to generate. When the carrying amount exceeds estimated future cash flows, the assets are written down to fair value.

Stock-Based Compensation Plan

The company has a stock-based compensation plan, which is described in note 9. Effective April 1, 2002, the company adopted the new accounting standard for stock-based compensation and other stock-based payments made in exchange for goods and services. The standard sets out a fair-value based method of accounting that is required for certain, but not all, stock-based transactions. The fair value method must be applied to all stock-based payments to non-employees. However, the new standard permits the company to continue its existing policy until March 31, 2004 that no compensation cost is recorded on the granting of stock options to employees and directors if the exercise price is equal to or greater than the market price at the date of the grant. Pro-forma disclosure is made of the compensation expense and the resulting net income or loss and earnings or loss per share that would have been recognized if the fair value of the options granted and vested had been recognized as an expense. Upon exercise, the transaction is recorded as an issuance of share capital for cash at the exercise price. Compensation expense and surplus are recognized in the period in which the options vest for the fair value of stock options granted to non-employees. Upon exercise, the transaction is recorded as an issuance of share capital for cash at the exercise price plus the surplus related to the option. Effective April 1, 2004, the company will account for both non-employee and employee stock options using the fair value method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Revenue is recognized in the period during which title to the goods sold passes to the purchaser, which is generally when the goods are shipped. Revenue is reported net of estimated returns, discounts and rebates.

Income Taxes

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

Net Income Per Share

Basic net income per share is calculated using the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of stock options and that the assumed proceeds from the exercise of stock options 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, no dilution will occur.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the company's management to make estimates and assumptions 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.

3. FINANCIAL INSTRUMENTS

The company has various financial instruments including cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and term loans. The fair values of these financial instruments approximate their carrying values.

4. CONCENTRATION OF CREDIT RISK

The company does not believe it is subject to any significant concentration of credit risk. Cash and cash equivalents are held with a major financial institution. Accounts receivable 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.

5. INVENTORY

	2004	2003
	\$	\$
Raw materials	391,792	363,331
Finished goods	182,802	257,886
Total inventory	574,594	621,217

WESTBOND ENTERPRISES CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2004 and 2003
(Canadian Dollars)

6. PLANT AND EQUIPMENT

	2004			2003		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$	\$	\$
Factory equipment	2,780,826	696,285	2,084,541	1,971,102	598,148	1,372,954
Leasehold improvements	22,403	10,241	12,162	22,403	7,997	14,406
Office equipment	92,820	51,134	41,686	87,209	38,644	48,565
Total plant and equipment	2,896,049	757,660	2,138,389	2,080,714	644,789	1,435,925

Included in factory equipment are assets costing \$544,139 (2003 - \$283,080) that had not been put into use at year-end.

7. BANK INDEBTEDNESS

The company has a \$650,000 (2003 - \$325,000) revolving bank loan facility. The loan outstanding at any time may not be greater than the total of 75% of Canadian accounts receivable, 50% of US accounts receivable and 50% of inventory, less accounts payable having priority to the bank, such as to governments and employees. Accounts receivable older than 90 days and inventory in excess of \$300,000 are not included in the calculation. The loan outstanding under the facility bears interest at bank prime rate plus 1.5% (2003 - prime rate plus 1.5%) per annum and is payable on demand. A fixed and floating charge on substantially all of the company's assets has been pledged as collateral.

8. TERM LOANS

Final due date	Monthly principal repayment	2004		2003		Interest rate
		\$		\$		
September 26, 2004	\$3,183	19,118	57,314		Prime plus 2%	
November 15, 2004	\$5,000	37,500	97,500		Prime plus 2%	
August 15, 2007	-	-	265,000		Prime plus 2.25%	
August 8, 2008	\$5,834	309,162	-		Prime plus 1.5%	
August 22, 2008	\$6,637	353,331	-		Prime plus 1.5%	
Total		719,111	419,814			
Current portion		206,630	158,196			
Long-term portion		512,481	261,618			

A fixed and floating charge on substantially all of the company's assets has been pledged as collateral for the term loans.

9. SHARE CAPITAL

Authorized and Issued Share Capital

The company is authorized to issue 50,000,000 common shares without par value.

9. SHARE CAPITAL (continued)

	Number of Common Shares	Ascribed Value \$
Outstanding at March 31, 2002 and March 31, 2003	9,526,967	1,967,516
Issued during the year ended March 31, 2004 on the exercise of stock options	86,833	12,820
Outstanding at March 31, 2004	<u>9,613,800</u>	<u>1,980,336</u>

Stock Option Plan

The company has adopted 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 1,900,000. Options granted under the plan generally have a term of three to five years and vest as to 12-1/2% or 25% upon granting and 12-1/2% every three months after that. 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.

Stock options were granted and forfeited as follows:

	Number of shares subject to option	Weighted average exercise price
Outstanding at March 31, 2002	900,000	\$0.150
Year ended March 31, 2003		
Options forfeited	(430,000)	\$0.150
Options granted	430,000	\$0.120
Outstanding at March 31, 2003	900,000	\$0.136
Year ended March 31, 2004		
Options granted	200,000	\$0.150
Options granted	175,000	\$0.300
Options forfeited	(13,167)	\$0.120
Options exercised	(86,833)	\$0.148
Outstanding at March 31, 2004	<u>1,175,000</u>	<u>\$0.162</u>

The weighted average grant date fair value of options granted during the year ended March 31, 2004 was \$0.154 per share (2003 - \$0.081 per share).

WESTBOND ENTERPRISES CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2004 and 2003
(Canadian Dollors)

9. SHARE CAPITAL (continued)

The options outstanding at March 31, 2004, expire as follows:

Expiry date	Total number of shares subject to option	Weighted average remaining contractual life	Weighted average exercise price	Number of shares subject to options that are vested	Weighted average exercise price
June 3, 2004	390,000	0.2 years	\$0.150	390,000	\$0.150
December 18, 2006	175,000	2.7 years	\$0.300	43,750	\$0.300
December 12, 2007	410,000	3.7 years	\$0.120	358,750	\$0.120
May 6, 2008	200,000	4.1 years	\$0.150	125,000	\$0.150
	<u>1,175,000</u>	<u>2.5 years</u>	<u>\$0.162</u>	<u>917,500</u>	<u>\$0.145</u>

The company applies the intrinsic value based method of accounting for stock-based compensation awards granted to employees and directors. Accordingly, no compensation expense has been recognized for stock options granted to employees and directors. Had compensation expense been determined based on the fair value at the grant date for stock options granted after March 31, 2002, consistent with the fair value based method of accounting for stock based compensation, the company's net income and net income per share would have been reduced to the pro forma amounts indicated below. The effect of stock options granted before April 1, 2002 is not reflected in the pro forma amounts.

		Year end March 31,	
		2004	2003
		\$	\$
Net income	As reported	307,365	197,316
	Pro forma	273,468	183,110
Net income per share, basic and diluted	As reported	0.03	0.02
	Pro forma	0.03	0.02

The fair value of the options granted during the year ended March 31, 2004 was estimated using the Black-Scholes option pricing model, assuming risk-free interest rates of 3.74% to 4.08% (2003 - 4.08%), a dividend yield of 0% (2003 - 0%), expected option lives of 3 to 4 years (2003 - 4 years) and volatilities of 106% to 110% (2003 - 106%). The fair value of the options granted is charged to pro forma earnings based on the vesting schedule, typically over 18 months.

Shareholder Rights Plan

During the year ended March 31, 2004, the company adopted a shareholder rights plan (the "Plan") to protect its shareholders from unfair, abusive or coercive takeover strategies. The Plan will remain in effect until April 29, 2006. The Plan, in effect, allows holders of common shares to purchase additional common shares from the company at a 50% discount to the prevailing market price on the occurrence of certain triggering events, including acquisition by a person or group of persons of 20% or more of the shares of the company in a transaction not approved by the board of directors of the company. The rights under the Plan are not exercisable by the acquiring person or group of persons. The rights under the Plan are not triggered by purchases of shares made pursuant to a take-over bid that is made to all shareholders on identical terms by way of a take-over circular prepared in compliance with applicable securities laws, and certain other conditions set out in the agreement signed to implement the Plan.

10. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2004, the company incurred \$13,465 (2003- \$23,098) of legal fees in the normal course of operations with a firm with which a director of the company is associated. The fees are included in professional fees. At March 31, 2004, accounts payable and accrued liabilities include \$611 (March 31, 2003 - \$2,449) due to the firm.

11. SEGMENTED INFORMATION

The company operates in one industry, the disposable paper and polyethylene industry. During the year ended March 31, 2004 the company had export sales to Germany of \$48,735 (2003 - \$48,735) and the United States of \$569,452 (2003 - \$207,010). The company did not have any customers during the year ended March 31, 2004 (2003, two customers - \$882,127) who represented more than 10% of total sales each.

12. LEASE COMMITMENT

The company has entered into an operating lease agreement for premises which expires in June 2009. Future minimum lease payments are as follows:

Year ending March 31, 2005	\$ 139,771
2006	139,771
2007	139,771
2008	146,878
2009	149,247
2010	37,312

13. INCOME TAXES

The components of the company's future income tax (liabilities) assets are the tax effects of temporary differences in the tax and accounting bases of:

	2004	2003
	\$	\$
Plant and equipment	(185,197)	(86,930)
Non-capital losses carried forward	28,735	105,740
Other tax deductions carried forward	4,689	5,293
Total future income tax (liabilities) assets	(151,773)	24,103

The income tax expense shown on the statement of operations and deficit differs from the amounts obtained by applying combined Canadian and British Columbia statutory rates to the net income before taxes as follows:

	2004	2003
Combined statutory rate	35.62%	35.62%
	\$	\$
Income tax expense based on the statutory rates	172,131	111,581
Tax effect of expenses that are not deductible for income tax purposes	3,745	4,358
Income tax expense for the year	175,876	115,939

WESTBOND ENTERPRISES CORPORATION
Notes to the Consolidated Financial Statements
March 31, 2004 and 2003
(Canadian Dollars)

13. INCOME TAXES (continued)

The company has non-capital losses available to reduce future taxable income of \$80,671 which expire as follows.

March 31, 2007	4,642
2009	62,960
2010	13,069
	<u>\$ 80,671</u>

The value of these losses is offset against future income tax liabilities.

14. SUBSEQUENT EVENTS

Subsequent to March 31, 2004:

- a. the authorized capital of the company was increased to 500,000,000 common shares without par value;
- b. options to purchase 390,000 shares at \$0.15 per share until June 3, 2004 were exercised; and
- c. options to purchase 635,000 shares at \$0.27 per share until July 7, 2009 were granted.

Directors & Officers

Gennaro Magistrale
President & Director

Mr. Magistrale has over 25 years of experience managing the manufacturing, marketing and distribution of paper products. Mr. Magistrale is one of the original principals responsible for the successful start up and subsequent growth of WestBond.

Owen Granger
Secretary/Treasurer
& Director

Mr. Granger is a Certified Management Accountant who has a comprehensive background in accounting, financial analysis, cash management and financial and securities reporting for public enterprises. Mr. Granger is also an original principal involved with the successful growth of WestBond since its inception.

J. Douglas Seppala
Director

Mr. Seppala is a partner in the Vancouver law firm of McCullough O'Connor Irwin. Mr. Seppala practices Corporate and Securities Law and was instrumental in the process of establishing WestBond as a public company.

Frank D. Barker
Director

Mr. Barker is a partner and founder of Kinetic Capital Partners, which sources, structures and manages investments for private equity funds whose principal equity backer, Bartrac Holdings Ltd., is a private investment and holding company that formed part of the control block in Finning Tractor until 1986 and Whistler Mountain until 1997. Before founding Kinetic Capital Partners, Mr. Barker was Vice-President of finance for Bartrac Holdings Ltd.

Dan Dawson
Director

Mr. Dawson is President of the Dawson Group of Companies, developers of residential communities in the lower mainland of British Columbia.

Corporate Information

Head Office &
Production Facilities

WestBond Enterprises Corporation
7871 - 82nd Street
Delta, British Columbia
Canada V4G 1L9
Telephone: (604) 940-3939
Facsimile: (604) 940-9161

Solicitors & Registered Office

McCullough O'Connor Irwin
1100 - 888 Dunsmuir Street
Vancouver, British Columbia
Canada V6C 3K4

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
Suite 700 - 250 Howe Street
Vancouver, British Columbia
Canada V6C 3S7

Registrar & Transfer Agent

Pacific Corporate Trust Company
10th Floor, 625 Howe Street
Vancouver, British Columbia
Canada V6C 3B8

Shares Listed

TSX Venture Exchange - Tier 1
Symbol: "WBE"

Authorized Capital

500,000,000 Common shares

Issued Capital

10,003,800 Common shares

Annual General Meeting

Will be held at 11:00 a.m.
Thursday, September 9th, 2004
7871 - 82nd Street
Delta, British Columbia
Canada V4G 1L9





WESTBOND

ENTERPRISES CORPORATION

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