

Consolidated financial statements of

Unisync Corp.

September 30, 2019 and 2018

Unisync Corp.

September 30, 2019 and 2018

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Independent Auditors' Report

To the Shareholders of Unisync Corp.:

Opinion

We have audited the consolidated financial statements of Unisync Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and September 30, 2018, and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019 and September 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error,

design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ronald D. Miller.

Vancouver, British Columbia

December 18, 2019

MNP LLP

Chartered Professional Accountants

Unisync Corp.

Consolidated statements of income (loss)

Years ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

	2019	2018
	\$	\$
Revenue	77,992,964	76,835,677
Direct expenses (Note 16)	63,817,276	58,214,844
General and administrative expenses (Note 16)	15,813,328	8,721,352
Depreciation and amortization	1,722,679	949,595
	(3,360,319)	8,949,886
Interest expense	1,510,950	993,682
Share-based payment (Note 14)	437,134	341,275
Net income (loss) before income taxes	(5,308,403)	7,614,929
Income tax expense (recovery) (Note 15)	(1,303,515)	377,335
Net income (loss)	(4,004,888)	7,237,594
Attributable to		
Unisync Corp. shareholders	(4,080,141)	7,073,490
Minority partner	75,253	164,104
	(4,004,888)	7,237,594
Net income (loss) per share attributable to Unisync Corp. shareholders		
Basic	(0.23)	0.53
Diluted	(0.23)	0.52
Weighted average number of shares - basic (Note 14(e))	17,540,539	13,339,227
Weighted number of shares outstanding - diluted (Note 14(e))	17,957,828	13,518,468

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

Unisync Corp.

Consolidated statements of comprehensive income (loss)

Years ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

	2019	2018
	\$	\$
Net income (loss)	(4,004,888)	7,237,594
Items that may be reclassified subsequently to income or loss		
Other comprehensive income (loss), net of taxes		
Currency translation adjustment	(2,110)	-
Comprehensive income (loss)	(4,006,998)	7,237,594
Attributable to		
Unisync Corp. shareholders	(4,082,251)	7,073,490
Minority partner	75,253	164,104
	(4,006,998)	7,237,594

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

Unisync Corp.

Consolidated statements of financial position
As at September 30, 2019 and September 30, 2018
(Expressed in Canadian dollars)

	September 30, 2019	September 30, 2018
	\$	\$
Assets		
Current assets		
Cash	19,973	212,296
Restricted cash (Note 14 (d))	-	10,782,551
Trade and other receivables (Note 21 (b))	11,237,034	4,657,242
Inventory (Note 7)	44,088,559	21,635,292
Prepaid expenses and deposits	3,998,876	2,918,747
	59,344,442	40,206,128
Non-current assets		
Cash surrender value of life insurance policy	85,403	85,403
Property, plant and equipment (Note 8)	8,693,231	3,810,676
Deferred tax asset (Note 15)	672,548	920,377
Long-term prepaid expense	-	980,618
Intangible assets (Note 9)	9,811,371	1,195,458
Goodwill (Note 10)	6,384,797	3,233,942
	84,991,792	50,432,602
Liabilities		
Current liabilities		
Operating loan (Note 11)	24,512,679	11,969,946
Trade payables and accrued liabilities	6,263,600	5,229,700
Provision for income taxes (Note 15)	96,409	23,037
Deferred revenue	14,178,949	1,055,885
Current portion of term loans (Note 11)	1,143,000	1,567,294
Shareholder advances (Note 12)	1,836,800	-
	48,031,437	19,845,862
Non-current liabilities		
Term loans (Note 11)	5,527,398	-
Due to minority partner (Note 13)	1,500,000	1,500,000
	55,058,835	21,345,862
Commitments and contingencies (Note 17)		
Equity		
Subscription receipts, net of issue costs (note 14)	-	10,234,215
Share capital (Note 14)	26,441,993	11,704,143
Share-based payment reserve	1,688,744	1,251,610
Retained earnings	1,855,948	5,938,199
Equity attributable to Unisync Corp. shareholders	29,986,685	29,128,167
Deficit attributable to minority partner	(53,728)	(41,427)
	29,932,957	29,086,740
	84,991,792	50,432,602

Approved by the Board

(Signed) Douglas F. Good, Douglas F. Good, Director

(Signed) Bruce W. Aunger, Bruce W. Aunger, Director

Unisync Corp.

Consolidated statements of changes in equity

Years ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

	Subscription Receipts		Capital stock		Share-based payment reserve	Retained Earnings (Deficit)	Equity attributable to Unisync Corp. shareholders	Minority Interest	Total equity
	Receipts	Amount	Shares	Amount					
		\$		\$	\$	\$	\$	\$	\$
Balance,									
September 30, 2017	-	-	13,337,698	11,689,743	910,335	(1,135,291)	11,464,787	(10,965)	11,453,822
Subscription receipts issued									
for cash, net of issue costs	2,921,100	10,234,215	-	-	-	-	-	-	10,234,215
Shares issued on exercise of stock options (Note 14 (c))	-	-	6,000	14,400	-	-	14,400	-	14,400
Share-based payment	-	-	-	-	341,275	-	341,275	-	341,275
Distribution to minority partner	-	-	-	-	-	-	-	(194,566)	(194,566)
Net income and total comprehensive income	-	-	-	-	-	7,073,490	7,073,490	164,104	7,237,594
Balance,									
September 30, 2018	2,921,100	10,234,215	13,343,698	11,704,143	1,251,610	5,938,199	18,893,952	(41,427)	29,086,740
Subscription receipts converted to common shares (Note 14 (d))	(2,921,100)	(10,234,215)	2,921,100	10,234,215	-	-	10,234,215	-	-
Common shares issued to Utility shareholders (Note 6 (a))	-	-	1,272,727	4,263,635	-	-	4,263,635	-	4,263,635
Shares issued on exercise of stock options (Note 14 (c))	-	-	100,000	240,000	-	-	240,000	-	240,000
Share-based payment	-	-	-	-	437,134	-	437,134	-	437,134
Distribution to minority partner	-	-	-	-	-	-	-	(87,554)	(87,554)
Net income (loss)	-	-	-	-	-	(4,080,141)	(4,080,141)	75,253	(4,004,888)
Other comprehensive income (loss)	-	-	-	-	-	(2,110)	(2,110)	-	(2,110)
Balance,									
September 30, 2019	-	-	17,637,525	26,441,993	1,688,744	1,855,948	29,986,685	(53,728)	29,932,957

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

Unisync Corp.

Consolidated statements of cash flows

Years ended September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

	2019	2018
	\$	\$
Operating activities		
Net income (loss)	(4,004,888)	7,237,594
Adjustments for:		
Interest expense	1,510,950	993,682
Income tax expense (recovery)	(1,303,515)	377,335
Income taxes paid	(23,073)	(11,415)
Depreciation and amortization	1,722,679	949,595
Increase in cash surrender value of life insurance	-	(1,182)
Share-based payment	437,134	341,275
	(1,660,713)	9,886,884
Changes in non-cash working capital items		
Trade and other receivables	(3,482,309)	4,593,265
Inventory	(14,920,281)	14,223,856
Prepaid expenses and deposits	(497,655)	(99,722)
Trade payables and accrued liabilities	(644,196)	792,051
Deferred revenue	13,123,064	(20,407,735)
Net cash used in/from operating activities	(8,082,090)	8,988,599
Investing activities		
Acquisition of Utility (Note 6 (a))	(11,107,626)	-
Purchase of property, plant and equipment	(914,718)	(139,885)
Purchase of long-term prepaid expenses	-	(980,618)
Purchase of intangible assets	(1,635,366)	(277,330)
Net cash used in investing activities	(13,657,710)	(1,397,833)
Financing activities		
Increase (decrease) in operating loan	12,255,538	(2,073,058)
New term loan advances	7,860,000	-
Repayment of Utility term loan	(7,015,086)	-
Term loan repayments	(2,717,794)	(1,125,206)
Increase (decrease) in shareholder advances	1,750,000	(2,105,000)
Note payment	(54,000)	(144,924)
Term loan financing costs	(58,253)	-
Interest and processing fees paid	(1,405,000)	(1,806,683)
Distributions to minority partner	(87,554)	(194,566)
Use of restricted cash	10,782,551	-
Issue costs of subscription receipts	-	(548,336)
Proceeds on exercise of stock options	240,000	14,400
Net cash from/(used in) financing activities	21,550,402	(7,983,373)
Effect of foreign exchange rates	(2,925)	-
Net cash inflows (outflows)	(192,323)	(392,607)
Cash, beginning of year	212,296	604,903
Cash, end of year	19,973	212,296

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

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

1. Nature of business and basis of presentation

Unisync Corp. is incorporated under the laws of British Columbia. Its head office, principal address, and registered and records office are located at Suite 1328, 885 West Georgia Street, Vancouver, British Columbia, Canada. Unisync Corp.'s voting Common Shares are listed and posted for trading on the TSX Exchange (since graduating from the TSXV on January 14, 2019) under the symbol "UNI".

The Company operates in two main business segments. The Peerless segment includes the Company's 90% interest in the business of Winnipeg-based Peerless Garments LP ("Peerless") and 100% of Peerless Garments Inc. ("GP"), the general partner. Peerless manufactures harsh weather outerwear for the Canadian military and other government agencies.

The UGL segment comprises the operations of Unisync Group Limited of Mississauga, Ontario, Utility Garments Inc. ("Utility") of Saint-Laurent, Quebec and Unisync (Nevada) LLC of Henderson, Nevada. During the year ended September 30, 2019, Carleton Uniforms Inc. ("Carleton") of Carleton Place, Ontario and Omega Uniforms Systems Ltd. ("Omega") of Vancouver, British Columbia were each dissolved and the assets were transferred to and the liabilities were assumed by Unisync Group Limited. This segment is involved in the design, manufacture and distribution of direct sale uniforms, workwear, image apparel and related solutions. The UGL segment operates distribution centres in Guelph and Carleton Place, Ontario, Vancouver, British Columbia, Saint-Laurent, Quebec, Farmingdale, New Jersey and Henderson, Nevada.

These consolidated financial statements including comparatives have been prepared in accordance with accounting policies in full compliance with International Financial Reporting Standards ("IFRS") effective on September 30, 2019.

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on December 17, 2019.

2. Significant accounting policies

The accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

(a) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities at fair value.

(b) *Principles of consolidation*

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company reassesses control on an ongoing basis. Subsidiaries are consolidated from the date on which the Company obtains control until the date that such control ceases.

The financial statements of subsidiaries are prepared with the same reporting period of the Company. All significant inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements.

Minority partner

The due to minority partner presented as a component of liabilities is as a result of a put/call agreement between the Company and the minority partner as described in Note 13. The deficit attributable to minority partner recognized in equity represents the minority partner's share of Peerless' net income and comprehensive income less distributions to the minority partner.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(c) Foreign currency

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in the statement of income (loss).

Foreign operation

The results and financial position of the Company's foreign operation in the United States are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rate at the date of the balance sheet.
- (ii) Income and expenses for the statement of profit (loss) and statement of comprehensive income are translated at average exchange rates.
- (iii) All resulting exchange differences are recognized in other comprehensive income.

(d) Revenue recognition

On October 1, 2018, the Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 18 – Revenue ("IAS 18"). IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 requires entities to recognize revenue when 'control' of goods or services transfers to the customer whereas the previous standard, IAS 18, required entities to recognize revenue when the 'risks and rewards' of the goods or services transfer to the customer. The Company concluded that there is no change in the timing of revenue recognition of its sales under IFRS 15 compared to the previous standard as the point of transfer of risks and rewards of the goods and the transfer of control of the goods occur at the same time. As such, no adjustment was required to the Company's consolidated financial statements as at October 1, 2017 or for the year ended September 30, 2018.

The Company's contracts with the Federal Government of Canada are in the form of unit price contracts. Unit prices are agreed upon for each identifiable unit of work to be performed. Revenue is recognized based on the quantity of each unit of work performed, when the goods are received by the Government, when control has been transferred to the Government, the selling price is fixed or determinable and when collection is reasonably assured.

In contracts or purchase orders where the transfer of title is stipulated, revenue is recognized at that time, control of ownership has been transferred to the buyer, the selling price is fixed or determinable and when collection is reasonably assured. In contracts or purchase orders where the transfer of title is not stipulated, revenue is recognized when the goods are shipped, providing all control of ownership has been transferred to the buyer, the selling price is fixed or determinable and when collection is reasonably assured.

(e) Deferred revenue

Deferred revenue relates to payments received on account of services to be rendered in the future or deposits on products to be delivered.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(f) *Income taxes*

Income tax expense comprises current and deferred income tax expense. Income taxes are recognized in the statement of income (loss) except to the extent it relates to items recognized directly in equity, in which case the related tax is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible, and adjusted for amendments to tax payable with regards to previous years. Current tax is calculated using tax rates and laws that were substantively enacted at the date of the statement of financial position.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax is accounted for using a temporary difference approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the year of realization or settlement based on tax rates and laws enacted or substantively enacted at the date of the statement of financial position.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and deferred tax assets are derecognized to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are recognized for all taxable temporary differences except where the deferred tax asset or liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(g) *Cash*

Cash comprises cash on hand, in the bank and demand deposits with an original maturity at the date of purchase of three months or less.

(h) *Inventory*

Inventory consists of raw materials, work in progress and finished goods. These amounts are stated at the lower of cost and net realizable value.

Costs are assigned to inventory quantities on hand at the statement of financial position date using the first in, first out cost in the Peerless segment and on a weighted average cost basis in the UGL segment. Cost comprises material, labour and an appropriate proportion of fixed and variable overheads. Net realizable value is the estimated selling price in the ordinary course of the business less the estimated cost of completion and the estimated cost necessary to make the sale.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(i) *Property, plant and equipment*

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses, if any. Costs directly attributable to the acquisition or construction of property, plant and equipment, including labour and interest, are also capitalized as part of the cost.

Repairs and maintenance are charged to the statement of income (loss) during the financial period in which they are incurred. Upon retirement, disposal or destruction of an asset, the cost and related depreciation are removed from the accounts and any gain or loss is included in the statement of income (loss).

Depreciation

Depreciation is based on estimated useful lives of the assets and is provided for using the following annual rates and methods:

Buildings	5% declining balance
Warehouse and manufacturing equipment	20% declining balance
Computer equipment	20% straight line
Office furnishings and equipment	20% declining balance
Vehicles	30% declining balance
Leasehold improvements	20% straight line

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates separately each such component.

The assets' residual values, method of depreciation and useful lives are reviewed and adjusted, if appropriate, at least annually.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of income (loss).

Impairment

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment charge is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Impairments to property, plant and equipment are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognized that suffer impairment are evaluated for possible reversal of the impairment when events or circumstances warrant such consideration.

(j) *Intangible assets*

Upon acquisition, identifiable intangible assets are recorded at fair value. The carrying values of all intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment is determined by comparing the recoverable amount of such assets with their carrying amounts. The Company evaluates impairment losses for potential reversals when events or changes in circumstances warrant such consideration.

Intangible assets with definite useful lives consist of the acquisition cost of customer relationships and computer software. Amortization is provided for on a straight-line basis over 5 - 7 years, which is the estimated useful life of the asset. These assets are tested for impairment if events or circumstances indicate that the assets might be impaired.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(k) Leases

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments, excluding contingent payments, are charged to expense on a straight-line basis over the period of the lease term unless another systematic basis is more representative of the time pattern of the Company's benefit.

(l) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as determined at the date of acquisition of the business less any impairment losses. For the purposes of impairment testing, the goodwill is allocated to the cash-generating unit ("CGU") that is expected to benefit from the synergies of the business combination.

Goodwill is tested for impairment annually, or more frequently when there is an indicator of impairment. If the recoverable amount of the CGU, which is the greater of the value-in-use and the fair value less costs to sell, is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit on a pro rata basis based on the carrying value of the assets in the CGU. Any impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of a CGU, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(m) Provisions

Provisions for restructuring costs and legal claims, where applicable, are recognized when the Company has a legal, equitable or constructive obligation to make a future outflow of economic benefits to others as a result of past transactions or past events, it is probable that a future outflow of economic benefits will be required, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date using a discounted cash flow methodology. Provisions are not recognized for future operating losses.

(n) Share-based payment

The fair value of options granted under the stock option plan is recognized as compensation expense with a corresponding increase in share-based payment reserve within the Company's equity. The fair value is measured at the grant date and recognized over the period during which the options vest. Each tranche in an award is considered as a separate award with its own vesting period and grant date fair value.

The fair value at the grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The expected forfeiture rate is estimated annually based on historical forfeiture rates and expectations of future forfeiture rates.

(o) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(p) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing net income or loss attributable to equity holders of the Company, excluding any costs to service equity other than common shares, by the weighted average number of common shares outstanding during the period.

Diluted earnings per share

Diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the reporting period, if dilutive. For this purpose, the number of additional shares is calculated using the assumed proceeds upon the exercise of stock options and share purchase warrants that are used to purchase common shares at the average market price during the period.

(q) Financial instruments

The Company has adopted IFRS 9 Financial Instruments ("IFRS 9") as of October 1, 2018. IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Classification and measurement of financial assets and financial liabilities

IFRS 9 eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) measured as amortized cost; (ii) measured at fair value through other comprehensive income ("FVOCI"); and (iii) measured at fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated and instead, the financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

2. Significant accounting policies (q) Financial instruments (continued)

IFRS 9 retains the existing requirements in IAS 39 for the classification of financial liabilities. Under IAS 39, all fair value changes on liabilities designated under the fair value option were recognized in the statement of income (loss) and comprehensive income. Under IFRS 9, those fair value changes are generally presented as follows: (i) the amount that is attributable to changes in the credit risk of the liabilities is presented in other comprehensive income ("OCI") and (ii) the remaining amount of change in the fair value is presented in the consolidated statement of income (loss) and comprehensive loss. All other financial liabilities are measured at amortized cost unless the fair value option is applied.

Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ("ECL") model for calculating impairment of financial assets. An entity is required to recognize ECL when financial instruments are initially recognized and to update the amount of ECL recognized at each reporting date to reflect changes in the credit risk of the financial instruments. IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

Financial assets carried at amortized cost are assessed at each reporting date on whether they are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Company applies expected credit loss approach in determining provisions for financial assets carried at amortized cost. The approach that the Company has taken for trade receivables is a provision matrix approach whereby expected credit losses are recognized based on aging characterization, credit worthiness and credit insurance coverage of the customer. Specific provisions may be used where there is information that a specific customer's expected credit losses have increased. The specific accounts are only written off once all collection avenues have been explored or when legal bankruptcy has occurred. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The credit risk on a financial asset is considered to have increased significantly if it is uninsured and if it is more than 90 days past due. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and expensed in the statement of income and comprehensive income.

Transition to IFRS 9

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. On adoption of IFRS 9, there were no differences in the carrying amounts of the Company's financial assets and financial liabilities.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

2. Significant accounting policies (q) Financial instruments (continued)

The original measurement categories under IAS 39 and the new measurement categories under IFRS 9 are summarized as follows:

	Original classification under IAS 39	New classification under IFRS 9
Financial assets:		
Cash	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Cash surrender value of life insurance	Loans and receivables	Amortized cost
Financial liabilities:		
Operating loan	Other financial liabilities	Amortized cost
Trade payables and accrued liabilities	Other financial liabilities	Amortized cost
Term loans	Other financial liabilities	Amortized cost
Shareholder advances	Other financial liabilities	Amortized cost
Due to minority interest	Other financial liabilities	Amortized cost

3. Changes in accounting standards

In June 2016, the IASB issued amendments to IFRS2 to clarify how to account for the effect of vesting and non-vesting conditions on measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018.

In December 2016, the IASB issued amendments to IAS 28 to clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2018.

In December 2016, the IASB issued IFRIC 22 to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The standard is effective for annual reporting periods beginning on or after 1 January 2018.

The adoption of these standards and amendments had no effect on the Company's consolidated financial statements.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

3. Changes in accounting standards (continued)

IFRS 3, Business Combinations – issued by the IASB in January of 2008. The IASB has issued amendments to IFRS 3, which relate to the definition of a business. The amendments are as follows:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. Early adoption of this amendment is permitted. The Company adopted the amendment as of October 1, 2018.

4. Accounting standards issued but not yet applied

The Company has not early adopted the following new and amended standards:

IAS 12 – Income Taxes

In December 2017, the IASB issued amendments to IAS 12 to clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises. The amendment is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

IAS 19 – Employee Benefits (2011)

In February 2018, the IASB issued amendments to IAS 19 to state that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Early application is permitted but must be disclosed.

IAS 23 – Borrowing Costs

In December 2017, the IASB issued amendments to IAS 23 to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

4. Accounting standards issued but not yet applied (continued)

IFRIC 23 — Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 to clarify that the interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Company does not expect that the implementation of these amendments and interpretations will have a material impact on its consolidated financial statements.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16), which replaces IAS 17, Leases (IAS 17) and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019, early adoption is permitted. The Company will apply IFRS 16 for the annual fiscal period ending September 30, 2020 using the modified retrospective approach and the Company will therefore not be restating comparative information. IFRS 16 is expected to have a material impact on the Company's Consolidated Balance Sheets, with the addition of approximately \$6.6 million of lease liabilities and right-of-use assets. Lease-related expenses previously recorded in direct expenses and in general and administrative expenses will be recorded as depreciation on the right-of-use assets and a finance charge from unwinding the discount on the lease liabilities. IFRS 16 will also change the presentation of cash flows relating to leases in the Company's Consolidated Statements of Cash Flows, but does not cause a difference in the amount of cash transferred between the parties of a lease.

5. Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The significant estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Accounts receivable

The Company makes a provision for doubtful accounts on a customer by customer basis to provide for possible uncollectible accounts. This requires judgment on the part of management and prior collection history.

(b) Inventory

The Company determines the value of work in progress inventory ("WIP") and estimated net realizable value at the end of each reporting period. Management allocates costs, such as for materials, labour attributable to goods in production and an allocation of overhead, to WIP for manufacturing contracts currently in the production stage based on management's estimate of the percentage completion of the contracts, and the nature of the costs for that particular contract. Estimates are required in relation to forecasted sales volumes and finished good inventory balances. In situations where excess or slow moving inventory balances are identified, the Company assesses its ability to recover customer payment for such inventory and estimates of net realizable values for the excess or slow moving volumes are made.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

5. Critical accounting estimates and judgments (continued)

(c) *Share-based payment*

The Company provides incentives via share-based payment entitlements (Note 14). The fair value of entitlements is determined in accordance with the accounting policy in Note 2(n). If certain assumptions used in the fair value calculation were to change, there would be an impact on the share-based payment expense recognized in the current period.

(d) *Income taxes*

The Company is subject to income taxes in Canada. Management has estimated the income tax provision and deferred income tax balances in accordance with its interpretation of the various income tax laws and regulations and has estimated the recoverability of deferred tax balances. It is possible, due to complexity inherent in estimating income taxes that the tax provision and deferred income tax balances could change.

(e) *Estimated useful lives*

Management estimates the useful lives of property, plant and equipment, and intangible assets based on the period during which the assets are available for use. The amounts and timing of depreciation and amortization for these amounts are affected by the useful lives. The estimates are reviewed annually and are updated for changes in the expected useful life.

(f) *Impairment of long lived assets*

The Company considers both internal and external sources of information in assessing its tangible and intangible assets for impairment when events or circumstances indicate such. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs to sell, using discounted cash flows expected to be derived from the tangible intangible asset, and the appropriate discount rate. During the years ended September 30, 2019 and September 30, 2018, the Company's intangible assets were determined to not be impaired.

(g) *Impairment of goodwill*

The Company considers both internal and external sources of information in assessing its goodwill for impairment on an annual basis. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs to sell, using discounted cash flows expected to be derived from the Company's operations, and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about expected revenues from contracts, estimated costs of production, and the discount rate. During the years ended September 30, 2019 and September 30, 2018, the Company's goodwill was determined to not be impaired.

(h) *Allocation of purchase consideration*

Business combinations require judgment and estimates to be made at the date of acquisition in relation to determining asset and liability fair values and the allocation of the purchase consideration over the fair value of the assets and liabilities and the determination of a bargain purchase gain on acquisition, if any. The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgments and estimates about future events, including but not limited to estimates of future earnings, future operating costs and capital expenditures, and discount rates. Changes to the provisional measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

6. Business combination and asset acquisition

- (a) On October 1, 2018, the Company acquired a 100% equity interest in 9334-0461 Quebec Inc. and its wholly owned subsidiary, Utility Garments Inc. ("Utility"), for consideration of \$11,107,627 in cash, 1,272,727 Common shares at a fair value of \$3.35 per share and the repayment of all bank loans of Utility. Based in Saint-Laurent, Quebec, Utility is a manufacturer and distributor of uniforms and career apparel. The primary reason for the business combination was to add Utility's design team and supporting in-house manufacturing capabilities and to better service Quebec clients and National customers with operations in Quebec.

	\$
Assets acquired	
Trade and other receivables	3,097,483
Income tax receivable	138,699
Inventory	7,532,986
Prepaid expenses	582,471
Property, plant and equipment	4,495,160
Intangible assets - customer relationships	7,195,285
Goodwill	3,150,855
	<hr/> 26,192,939
Less: Liabilities assumed	
Operating loan	287,195
Trade payables and accrued liabilities	1,678,092
Term loan	7,015,086
Note payable	54,000
Deferred income tax liability	1,787,305
	<hr/> 15,371,261
Net assets acquired	<hr/> <hr/> 15,371,261
Consideration:	
Cash	11,107,626
Common shares	4,263,635
	<hr/> 15,371,261

The acquisition of Utility has been accounted for as business combination in accordance with *IFRS 3, Business Combinations* and the purchase price consideration was allocated to the fair value of assets acquired and liabilities assumed. Transaction costs of \$0.2 million that were incurred in connection with the acquisition, other than costs associated with the issuance of debt and equity, were expensed as incurred in the year ended September 30, 2018. The results of operations of Utility are included in these consolidated financial statements from the date of acquisition.

From the date of acquisition, Utility has contributed \$20.5 million of revenue and \$1.3 million of earnings before interest and taxes. The Company recorded \$1.1 million as a fair value adjustment for inventory acquired to Direct expenses under Eliminations, adjustments and corporate expenses in Note 17. The results of this acquisition are otherwise included under the operations of the UGL segment provided in Note 17.

- (b) On January 10, 2019, Unisync (Nevada) LLC completed the acquisition of the assets of the hospitality division of Red The Uniform Tailor of Lakewood New Jersey pursuant to an asset transfer agreement of the same date. In the transaction, Unisync (Nevada) LLC purchased inventory, equipment and intellectual property related to the hospitality division for \$755,864.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

7. Inventory

	2019	2018
	\$	\$
Raw materials	4,225,537	2,998,558
Work in process	1,544,106	1,066,222
Finished goods	38,318,916	17,570,512
	44,088,559	21,635,292

Cost of inventories recognized as an expense during the year ended September 30, 2019 amount to \$48,990,402 (2018 - \$47,777,713). During the year ended September 30, 2019, inventory was written down by \$670,729 (2018 - \$539,576) against the allowance for obsolescence reserve. The carrying amount of inventory recorded at net realizable value at September 30, 2019 was \$572,255 (2018 – \$139,094), with the remaining inventory recorded at cost.

Unisync Corp.

Notes to the consolidated financial statements September 30, 2019 and September 30, 2018 (Expressed in Canadian dollars)

8. Property, plant and equipment

								2019
	Land	Buildings	Warehouse and manufacturing equipment	Computer equipment	Office furnishings and equipment	Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>								
Balance at September 30, 2018	422,730	2,695,000	1,611,716	669,264	168,156	109,570	407,387	6,083,823
Property, plant and equipment acquired from Utility	-	4,400,000	44,432	24,514	19,846	6,368	-	4,495,160
Additions	-	69,636	276,689	139,148	92,113	-	337,132	914,718
Disposals	-	-	-	-	-	-	-	-
Balance at September 30, 2019	422,730	7,164,636	1,932,837	832,926	280,115	115,938	744,519	11,493,701
<i>Accumulated depreciation</i>								
Balance at September 30, 2018	-	469,924	927,860	481,739	67,914	46,597	279,113	2,273,147
Depreciation	-	212,320	100,307	76,686	59,772	30,199	48,039	527,323
Disposals	-	-	-	-	-	-	-	-
Balance at September 30, 2019	-	682,244	1,028,167	558,425	127,686	76,796	327,152	2,800,470
<i>Net carrying amount</i>								
At September 30, 2019	422,730	6,482,392	904,670	274,501	152,429	39,142	417,366	8,693,231

								2018
	Land	Buildings	Warehouse and manufacturing equipment	Computer equipment	Office furnishings and equipment	Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>								
Balance at September 30, 2017	422,730	2,695,000	1,602,366	658,330	114,089	109,570	341,853	5,943,938
Additions	-	-	9,350	10,934	54,067	-	65,534	139,885
Disposals	-	-	-	-	-	-	-	-
Balance at September 30, 2018	422,730	2,695,000	1,611,716	669,264	168,156	109,570	407,387	6,083,823
<i>Accumulated depreciation</i>								
Balance at September 30, 2017	-	412,871	766,243	425,841	54,676	19,609	182,623	1,861,863
Depreciation	-	57,053	161,617	55,898	13,238	26,988	96,490	411,284
Disposals	-	-	-	-	-	-	-	-
Balance at September 30, 2018	-	469,924	927,860	481,739	67,914	46,597	279,113	2,273,147
<i>Net carrying amount</i>								
At September 30, 2018	422,730	2,225,076	683,856	187,525	100,242	62,973	128,274	3,810,676

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

9. Intangible assets

	2019				
	\$				
	Computer software	Intangible assets from Carleton acquisition	Intangible assets from Utility acquisition (note 6)	Standards certification	Total
<i>Cost</i>					
Balance at September 30, 2018	2,309,374	251,440	-	63,137	2,623,951
Transferred from long-term prepaid expense	980,618	-	-	-	980,618
Additions	1,635,366	-	7,195,285	-	8,830,651
Balance at September 30, 2019	4,925,358	251,440	7,195,285	63,137	12,435,220
<i>Accumulated amortization</i>					
Balance at September 30, 2018	1,286,790	121,734	-	19,969	1,428,493
Amortization	307,024	35,920	839,784	12,628	1,195,356
Balance at September 30, 2019	1,593,814	157,654	839,784	32,597	2,623,849
<i>Net carrying amount</i>					
At September 30, 2019	3,331,544	93,786	6,355,501	30,540	9,811,371
	2018				
	\$				
	Computer software	Intangible assets from Carleton acquisition	Intangible assets from Utility acquisition	Standards certification	Total
<i>Cost</i>					
Balance at September 30, 2017	2,032,044	251,440	-	63,137	2,346,621
Additions	277,330	-	-	-	277,330
Balance at September 30, 2018	2,309,374	251,440	-	63,137	2,623,951
<i>Accumulated amortization</i>					
Balance at September 30, 2017	797,026	85,814	-	7,342	890,182
Amortization	489,764	35,920	-	12,627	538,311
Balance at September 30, 2018	1,286,790	121,734	-	19,969	1,428,493
<i>Net carrying amount</i>					
At September 30, 2018	1,022,584	129,706	-	43,168	1,195,458

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

10. Goodwill

	2019
	\$
<i>Cost</i>	
Balance at September 30, 2018	3,233,942
Goodwill on acquisition of Utility (Note 6)	3,150,855
Balance at September 30, 2019	6,384,797
	2018
	\$
<i>Cost</i>	
Balance at September 30, 2017	3,233,942
Balance at September 30, 2018	3,233,942

Goodwill arose on the acquisitions of Peerless and GP in 2010, the acquisitions of Carleton and Omega in 2015 and the acquisition of Utility on October 1, 2018 as described in Note 6(a). For impairment testing purposes, the goodwill is allocated to the cash-generating unit ("CGU"). There has been no change to the goodwill since each acquisition. For the year ended September 30, 2019 and the year ended September 30, 2018, the Company assessed the goodwill for impairment based on its value in use. To determine value in use, the Company used the 2020 budget plan and 2021 and 2022 forecasts for each of the CGUs as approved by the Board of Directors and then prepared forecasts for the two years ended 2023 and 2024 using an estimated long term revenue and variable cost growth rate of 3% (September 30, 2018 – 3%). The Company's valuation model also takes account of working capital and capital investments to maintain the condition of the assets of each CGU. The resulting forecasted cash flows were discounted using after tax rates of 15% to 20%, representing the discount rates paid on the historic cash flows of the acquisition of the CGU. Based on this assessment, the goodwill attributed to each CGU was not impaired at September 30, 2019.

11. Loan facilities

	2019	2018
	\$	\$
Operating loan (a)	24,512,679	11,969,946
Current portion of term loan (b)	1,143,000	1,567,294
Term loan (b)	5,527,398	-
	31,183,077	13,537,240

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

11. Loan facilities (continued)

Changes to the Company's debt obligations for the year ended are as follows:

	2019	2018
	\$	\$
Balance, at September 30, 2018 and September 30, 2017	13,537,240	16,725,505
Drawdown (repayment) of operating loan	12,542,733	(2,073,058)
Proceeds from term debt	7,860,000	-
Repayment of term loan	(2,717,794)	(1,125,206)
Financing fees	(58,253)	-
Amortization of financing fees	19,151	9,999
Balance, at September 30, 2019 and September 30, 2018	31,183,077	13,537,240

- (a) The Company has established two operating loan facilities totalling \$27,500,000 with a Canadian chartered bank to finance its working capital requirements as at September 30, 2019. Borrowings under these revolving loan facilities are subject to normal margining requirements that limit borrowings to acceptable accounts receivable and inventory and the appraised value of land and buildings. As at September 30, 2019, combined drawings under the operating loan facilities were \$24,512,679 (2018 - \$11,969,946). The borrowings under the operating loan facilities are available by way of prime rate advances, banker's acceptances or LIBOR advances. Prime rate advances under the operating loan facilities bear interest at bank prime rate plus 0.5%. During the year ended September 30, 2019, the Company recorded interest expense of \$978,540 (2018 - \$487,588) on borrowings under its two operating loan facilities. In addition, the Company has a foreign exchange loan facility to purchase foreign exchange contracts up to an aggregate of US\$18,000,000, a \$200,000 credit card facility and a \$18,500,000 interest rate swap facility. Security for the loan facilities include a first mortgage on the Company's land and buildings, general security agreements, a specific pledge of certain assets and inter-company guarantees. As at September 30, 2019, the Company was in compliance with the covenants (Note 22) of its operating loan facilities.
- (b) On October 1, 2018, the Company established two new term loan facilities, a \$5,000,000 First Capital Loan Facility and a \$2,860,000 Second Capital Loan Facility with a Canadian chartered bank and repaid its existing term loan. Borrowings under the two new term loan facilities are available by way of prime rate advances or banker's acceptances. Prime rate advances under the new term loan facilities bear interest at bank prime rate plus 0.75%. The First Capital term loan is repayable by way of quarterly principal payments of \$250,000 over a notional five year amortization period but shall be paid in full by October 1, 2021 unless extended and the Second Capital term loan is repayable by way of quarterly principal payments of \$35,750 over a notional twenty year amortization period but shall be paid in full by October 1, 2021 unless extended. The term loan facilities are secured by a pledge of the assets owned by the Company and by guarantees from the Company's subsidiaries. During the year ended September 30, 2019, the Company recorded interest expense of \$326,668 (2018 - \$88,343) on borrowings under its term loan facilities. In addition to the term loan facilities, the Company has an unutilized interest rate swap facility with availability up to the amount outstanding under the term loan facilities. As at September 30, 2019, the Company was in compliance with the covenants (Note 22) of its term loan facilities.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

12. Shareholder advances

	2019	2018
	\$	\$
Postponed shareholder advances	1,750,000	-
Accrued interest and processing fees	86,800	-
	1,836,800	-

The Company received bank postponed shareholder advances of \$1,750,000 in July 2019. The advances bear interest at 12% per annum and were subject to processing fees of 2.5%. Repayment of the principal amounts of the advances and the accrued interest and processing fees is due on March 15, 2020.

13. Due to minority partner

As part of the acquisition of Peerless in 2010, the Company and the minority partner entered into a put/call agreement at a fixed price of \$1,500,000. The notice period is one year plus one day under the triggering events of the put/call agreement.

14. Capital stock

(a) Authorized

Unlimited number of the following classes of shares:

- Common shares without par value.
- Class A preferred shares issuable in series with no voting rights.

(b) Shares issued and fully paid

	Number of shares	
	Common shares	Amount
		\$
Balance, September 30, 2017	13,337,698	11,689,743
Shares issued on exercise of stock options (Note 14 (c))	6,000	14,400
Balance, September 30, 2018	13,343,698	11,704,143
Subscription receipts converted to shares (Note 6)	2,921,100	10,234,215
Shares issued to Utility shareholders (Note 6)	1,272,727	4,263,635
Shares issued on exercise of stock options (Note 14 (c))	100,000	240,000
Balance, September 30, 2019	17,637,525	26,441,993

Pursuant to an amendment to the Company's articles of incorporation, the Common shares were reclassified from Class B Common Shares to Common shares on April 20, 2018.

Unisync Corp.

Notes to the consolidated financial statements

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(Expressed in Canadian dollars)

14. Capital stock (continued)

(c) Stock options

The stock option plan provides that, subject to the requirements of the TSX Exchange (the "Exchange"), the aggregate number of common shares reserved for issuance under the stock option plan may not exceed 10% of the issued and outstanding common shares of the Company.

On October 2, 2017, November 20, 2017 and April 23, 2018, 200,000, 80,000 and 25,000 stock options at exercise prices of \$2.95, \$3.08 and \$3.00 respectively were granted for a term of five years and vest over five years annually in arrears from the date in which they were granted.

On April 9, 2019, April 23, 2019 and July 9, 2019, 25,000, 200,000 and 25,000 options at exercise prices of \$3.40, \$3.57 and \$3.42 respectively were granted for a term of five years and vest over four years annually in arrears from the date in which they were granted.

The fair value of the options granted during the year ended September 30, 2019 was \$569,177 (2018 - \$338,652).

During the year ended September 30, 2019, 100,000 options were exercised at a weighted average exercise price of \$2.40 (2018 – 6,000 options were exercised at a weighted average exercise price of \$2.40) and 205,000 options were forfeited (2018 – 104,000).

The following table summarizes stock option transactions during the year:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	1,225,000	2.26	1,030,000	2.01
Granted during the year	250,000	3.54	305,000	2.99
Exercised during the year	(100,000)	2.40	(6,000)	2.40
Forfeited during the year	(205,000)	2.94	(104,000)	1.90
Outstanding, end of year	1,170,000	2.41	1,225,000	2.26

The following table summarizes information about stock options outstanding and exercisable at September 30, 2019:

Range of exercise prices	Options outstanding		Options exercisable		
	Number of outstanding options	Weighted average remaining contractual life	Weighted average exercise price	Number of Exercisable options	Weighted average exercise price
		years	\$		\$
\$3.40 to \$3.57	250,000	4.58	3.54	-	-
\$3.00 to \$3.08	105,000	3.24	3.06	21,000	3.06
\$2.65 to \$2.90	50,000	2.53	2.68	20,000	2.68
\$2.40	210,000	2.01	2.40	198,000	2.40
\$1.75	555,000	0.59	1.75	494,000	1.75
\$1.75 to \$3.57	1,170,000	2.02	2.41	733,000	1.98

Unisync Corp.

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14. Capital stock (c) stock options (continued)

As at September 30, 2019, 733,000 (2018 - 406,000) options were exercisable with a weighted average exercise price of \$1.98 (2018 - \$1.86) per share. The intrinsic value of the exercisable options as at September 30, 2019 was \$524,175 (2018 - \$262,630).

Based on the above vesting schedule, a stock option compensation expense was recognized for the year ended September 30, 2019 of \$437,134 (2018 - \$341,275) and a corresponding amount was added to share-based payment reserve as a reserve for share-based payments. Option pricing models require the use of highly subjective estimates and assumptions, changes in which can materially affect the value estimates.

The inputs to the option model are as follows:

	2019		2018	
Expected dividend	\$	-	\$	-
Expected volatility		91.2%		78.0%
Weighted average risk free interest rate		1.2%		1.2%
Weighted average remaining life in years		2.0		2.7
Weighted average forfeiture rate		3.3%		3.0%

(d) Common share issuance

As at September 30, 2018, the proceeds from the September 11, 2018 issuance of a bought deal private placement of 2,921,000 Subscription Receipts were held in escrow by a subscription receipt agent pending the fulfillment or waiver of all other outstanding conditions precedent to closing the acquisition of 9334-0461 Quebec Inc. and Utility. As the funds were not directly received by the Company, they are not presented in the consolidated statement of cash flows. The restricted account comprises the Restricted cash amount of \$10,782,551 with a corresponding Subscription receipts amount of \$10,782,551, net of issue costs of \$548,336 representing 50% of amounts to be paid to underwriters and legal expenses, filing and escrow fees, were included in equity in the consolidated statement of financial position. On October 1, 2019, on the satisfaction of the conditions precedent to the completion of the closing of a bought deal private placement of 2,921,100 subscription receipts, the Company received gross proceeds of \$11,110,180, less costs of issuance of \$875,965, from the issue of 2,921,100 common shares and the Company issued 1,272,727 common shares at a fair value of \$3.35 per share to the shareholders of Utility (see Note 6(a)).

Unisync Corp.

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14. Capital stock (continued)

(e) Earnings per share

The following table sets out the computation of basic and diluted net loss per common share:

	2019	2018
	\$	\$
Numerator		
Net income (loss)		
attributable to Unisync Corp. shareholders	(4,080,141)	7,073,490
Denominator		
Weighted average common shares outstanding - basic	17,540,539	13,339,227
Effect of dilutive securities	417,289	179,241
Weighted average common shares outstanding - diluted	17,957,828	13,518,468
Net income (loss) per common share		
attributable to Unisync Corp. shareholders		
Basic	(0.23)	0.53
Diluted	(0.23)	0.52

15. Income taxes

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate (see below) applicable to consolidated profits of the Company are as follows:

	2019	2018
	\$	\$
Income tax expense (recovery)	235,144	(688,835)
Deferred tax expense (recovery)	(1,538,659)	1,066,170
Income tax expense (recovery)	(1,303,515)	377,335

The tax on the Company's net income before tax differs from the amount that would arise using the weighted average tax rate applicable to consolidated profits of the Company as follows:

	2019	2018
	\$	\$
Net income (loss) before income taxes	(5,308,403)	7,614,929
Tax rate	26.8%	26.1%
	(1,424,286)	1,984,644
Taxes attributable to minority partner	(19,548)	(43,055)
Benefit of losses not previously recognized	-	(1,671,507)
True-ups	-	7,384
Permanent differences	140,319	99,869
Income tax expense	(1,303,515)	377,335

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

15. Income taxes (continued)

The Company's statutory income tax rate has increased from the preceding fiscal year on the portion of the Company's income earned in the Province of British Columbia due to an increase in that Province's corporate income tax rate from 11.0% to 12.0% effective Jan. 1, 2018 and with the incorporation of its subsidiaries in the fiscal year ended September 30, 2019, on the portion of the Company's income earned in the United States of America at higher Federal and State corporate income tax rates than on the Company's income in Canada.

The Company's deferred tax asset (liability) consists of the following:

	2019	2018
	\$	\$
Deferred tax assets		
Available non-capital losses and other tax deductions	2,727,333	1,615,525
Deferred tax liabilities		
Property, plant and equipment	(2,054,785)	(695,148)
	672,548	920,377

The Company has non-capital losses of approximately \$8,735,000 (2018 - \$6,324,000) that can be applied against future years' taxable income for Canadian income tax purposes. These losses were recognized as a deferred tax asset in the amount of \$2,358,450 (2018 - \$1,653,000) that is included in the deferred tax asset balance at September 30, 2019. The Company has recognized these losses as a deferred income tax asset as it expects to utilize these losses against income from the sale of uniform products for which the Company held contracts at September 30, 2019 for the upcoming fiscal year.

16. Expenses by nature

	2019	2018
	\$	\$
Direct expenses:		
Materials	44,523,278	43,732,322
Wages and benefits	10,152,086	7,041,493
Subcontract fees	3,098,628	2,333,190
Rent, utilities and other property costs	2,424,431	1,850,166
Delivery	3,099,088	2,939,882
Insurance	148,931	97,086
Other	370,834	220,705
	63,817,276	58,214,844
General and administrative expenses:		
Wages and benefits	9,378,893	5,340,635
Data services, system maintenance, telecommunications and software licenses	1,700,919	1,107,432
Legal, bank, insurance and professional services	1,493,413	961,210
Advertising, marketing and other promotion costs	902,584	424,909
Rent, utilities and other property costs	547,477	185,314
Other	1,790,042	701,852
	15,813,328	8,721,352

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2019 and September 30, 2018

(Expressed in Canadian dollars)

17. Commitments and contingencies

- (a) The Company is committed to minimum lease payments over the next four years with respect to the basic rent of business premises and equipment as follows:

	\$
2020	1,596,005
2021	1,197,124
2022	625,411
2023	640,900
2024	460,683
Thereafter	443,084
	<hr/> 4,963,207

- (b) At September 30, 2019, the Company had \$400,000 (2018 - \$nil) in letters of credit outstanding.
- (c) The Company is the subject of litigation by former employees claiming damages for termination without cause. Management believes that these claims are without merit and the Company has countersued the employees for conflict of interest and dishonesty. No provision for these claims was recorded as of September 30, 2019.

18. Economic dependence

During the year ended September 30, 2019, revenue from the Canadian military and other Canadian governmental agencies accounted for 14% of total revenue (2018 - 13%) and revenue from an airline industry customer accounted for 21% of total revenue (2018 - 45%). As of September 30, 2019, 14.7% (2018 - 14.9%) of trade receivables were from the Canadian military and other Canadian governmental agencies and 13.2% (2018 - 17.2%) of trade receivables were from an airline industry customer.

19. Related party transactions

The Company paid rent of \$29,268 (2018 - \$29,268) for the Company's head office location to a company having two members of the Company's board of directors in common. The Company paid rent of \$nil (2018 - \$48,000) for the Company's facility in Carleton Place, Ontario to a corporation which was owned by a member of management.

Of the shareholder advances described in Note 12, \$1,650,000 was provided by members of the Company's board of directors, either directly or through companies that they control. Interest and processing fees of \$40,657 were accrued (2018 - interest and processing and extension fees of \$147,565 were accrued and paid on \$792,500 of shareholder advances that were repaid) on these related party shareholder advances.

The Company paid \$210,000 (2018 - \$75,000) in consulting fees to a company controlled by the Company's Executive Chairman and former Chief Executive Officer.

The Company expensed \$71,958 (2018 - \$44,334) in share based payment to non-salaried members of the Company's board of directors.

The Company's minority partner in the Peerless segment, a member of management, received an income allocation of \$75,253 (2018 - \$164,104).

Unisync Corp.

Notes to the consolidated financial statements

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(Expressed in Canadian dollars)

20. Key management personnel

	2019	2018
	\$	\$
Salaries and wages	2,839,202	1,743,960
Share-based payment	310,859	194,305
	3,150,061	1,938,265

Key management personnel are the Company's officers.

21. Financial instruments

Financial instruments and risk management

The Company's activities result in exposure to a variety of financial risks, including risks relating to interest rates, credit and liquidity. Details of these risks, how they arise, and the objectives and policies for managing them are described as follows:

(a) Interest rate risk

The Company is exposed to interest rate risk as its credit facilities bear interest at variable rates. The Company has not used derivative instruments to reduce its exposure to this interest rate risk. A 1% change in the variable interest rate would have resulted in a \$244,000 (2018 - \$134,000) change to current year interest expense.

(b) Credit risk

The Company's principal financial assets subject to credit risk are cash and trade and other receivables. The carrying amounts of financial assets on the statement of financial position represent the Company's maximum credit exposure at the date of the statement of financial position.

The Company's credit risk is primarily attributable to its trade receivables. As of September 30, 2019, 14.7% (2018 - 14.9%) of trade receivables were from the Government of Canada and 36.7% (2018 - 69.6%) of trade receivables were from companies that the Company has had insured for loss with an AA- rated credit insurance company. Under the Company's \$5,000,000 credit insurance policy, 90% of receivables losses greater than \$2,000 and in excess of a \$7,500 aggregate deductible are insured at 90% of the loss amount. The amounts disclosed in the statement of financial position are net of an allowance for doubtful accounts, estimated by the management of the Company based on previous experience and its assessment of the current economic environment. The Company reviews these amounts regularly to ensure credit limits are not exceeded. The credit risk on cash is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies.

Aging of trade and other receivables is as follows:

	2019		2018	
	Gross	Provision	Gross	Provision
	\$	\$	\$	\$
Not past due	7,320,737	-	3,318,342	-
Past due 1-30 days	2,799,500	-	1,234,415	-
Past due 31-60 days	784,562	-	96,187	-
Past due > 60 days	464,003	(131,768)	108,712	(100,414)
	11,368,802	(131,768)	4,757,656	(100,414)

Unisync Corp.

Notes to the consolidated financial statements

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(Expressed in Canadian dollars)

21. Financial instruments (continued)

(c) *Liquidity risk*

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. It has unused lines of credit available to meet obligations.

	2019				
	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	6,263,600	-	-	-	6,263,600
Deferred revenue	14,178,949	-	-	-	14,178,949
Operating loan	24,512,679	-	-	-	24,512,679
Term loans	1,411,013	5,794,006	-	-	7,205,019
Due to minority partner	-	1,500,000	-	-	1,500,000

(c) *Liquidity risk (continued)*

	2018				
	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	5,229,700	-	-	-	5,229,700
Deferred revenue	1,055,885	-	-	-	1,055,885
Operating loan	11,969,946	-	-	-	11,969,946
Term loan	1,567,294	-	-	-	1,567,294
Due to minority partner	-	1,500,000	-	-	1,500,000

(d) *Currency risk*

The Company may undertake sales and purchase transactions in foreign currencies, and therefore is subject to gains or losses due to foreign currency fluctuations. The Company uses derivative financial instruments to mitigate its foreign currency risk on offshore finished goods purchases related to major new uniform rollouts. The balance sheet includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in United States dollars.

	2019	2018
	\$	\$
Accounts receivable	967,782	215,672
Bank indebtedness	10,211,489	-
Accounts payable and accrued liabilities	603,881	533,375
Deferred revenue	11,792,732	258,900

Unisync Corp.

Notes to the consolidated financial statements

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(Expressed in Canadian dollars)

21. Financial instruments (continued)

(e) *Fair value*

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value in the fair value hierarchy.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 – Inputs that are not based on observable market data. The Company has no financial instruments classified in Level 3.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

The following tables present the carrying amounts and fair values of the Company's financial assets and liabilities, including their levels within the fair value hierarchy. Fair value information for financial assets and financial liabilities not measured at fair value is not presented if the carrying amount is a reasonable approximation of fair value.

as at September 30, 2019	Carrying Value		Fair value			
	Fair value through profit or loss	Amortized cost	Fair value through OCI	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash	-	19,973	-	19,973	-	-
Restricted cash	-	-	-	-	-	-
Trade and other receivables	-	11,237,034	-	-	11,237,034	-
Cash surrender value of life	-	85,403	-	-	85,403	-
	-	11,342,410	-	19,973	11,322,437	-
Financial liabilities						
Operating loan	-	24,512,679	-	-	24,512,679	-
Trade payables and accrued liabilities	-	6,263,600	-	-	6,263,600	-
Current and long-term loans	-	6,670,398	-	-	6,670,398	-
Shareholder advances	-	1,836,800	-	-	1,836,800	-
Due to minority interest	-	1,500,000	-	-	1,500,000	-
	-	40,783,477	-	-	40,783,477	-

21. Financial instruments (e) *Fair Value* (continued)

Unisync Corp.

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(Expressed in Canadian dollars)

as at September 30, 2018	Carrying Value		Fair value			
	Fair value through profit or loss	Amortized cost	Fair value through OCI	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash	-	212,296	-	212,296	-	-
Restricted cash	-	10,782,551	-	10,782,551	-	-
Trade and other receivables	-	4,657,242	-	-	4,657,242	-
Cash surrender value of life	-	85,403	-	-	85,403	-
	-	15,737,492	-	10,994,847	4,742,645	-
Financial liabilities						
Operating loan	-	11,969,946	-	-	11,969,946	-
Trade payables and accrued liabilities	-	5,229,700	-	-	5,229,700	-
Current and long-term loans	-	1,567,294	-	-	1,567,294	-
Shareholder advances	-	-	-	-	-	-
Due to minority interest	-	1,500,000	-	-	1,500,000	-
	-	20,266,940	-	-	20,266,940	-

22. Capital management

The Company's objectives when managing capital are to:

- (a) maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and
- (b) maintain capital in a manner which balances the interests of equity and debt holders.

In the management of capital, the Company includes equity and long-term debt (including due to minority partner) in the definition of capital.

The Company manages its capital structure and makes adjustments due to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, issue new shares or issue new debt.

Capital management objectives, policies and procedures are unchanged since the preceding year.

Under the terms of its operating loan and term loan agreements (Note 11), the Company must satisfy certain restrictive covenants as to minimum financial ratios as follows:

- (i) The ratio of debt to tangible net assets must not be greater than 3:1.
- (ii) The ratio of current assets to current liabilities must be greater than 1.25:1.
- (iii) The debt service coverage ratio of cash flow from operations to debt obligations must be greater than 1.25:1.

As at September 30, 2019 and September 30, 2018 the Company was in compliance with all such covenants.

23. Segmented information

The Company has two reportable operating segments, Peerless and UGL. While both segments are involved in the distribution and manufacture of garments and uniforms and the sale of product to

Unisync Corp.

Notes to the consolidated financial statements

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(Expressed in Canadian dollars)

government agencies and corporate entities, Peerless is primarily engaged in manufacturing products for Canadian government agencies while UGL is primarily involved in distributing products to corporate entities in North America. The segments are separately managed for reporting purposes.

Performance is measured based on segment income before income taxes, as included in the internal management reports reviewed by the Company's chief operating decision maker. Management has determined that this measure is the most relevant in evaluating segment results.

	2019			
	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
	\$	\$	\$	\$
Revenue	11,811,408	66,186,129	(4,573)	77,992,964
Direct expenses	9,580,546	53,102,674	1,134,056	63,817,276
General and administrative expenses	1,314,708	12,938,358	1,560,262	15,813,328
Depreciation and amortization	63,991	1,194,706	463,982	1,722,679
	852,163	(1,049,609)	(3,162,873)	(3,360,319)
Interest expense	99,633	1,317,654	93,663	1,510,950
Share based payment	-	-	437,134	437,134
Net income before income taxes	752,530	(2,367,263)	(3,693,670)	(5,308,403)
Capital expenditures on property, plant and equipment	87,421	827,297	-	914,718
Capital expenditures on intangible assets	-	1,635,366	-	1,635,366
Total assets	10,445,384	61,576,195	12,970,213	84,991,792
Property, plant and equipment	1,018,460	4,160,198	3,514,573	8,693,231
Intangible assets	-	6,188,930	3,622,441	9,811,371
Goodwill	-	1,221,695	5,163,102	6,384,797
Liabilities, excluding due to minority partner	5,904,226	45,803,154	1,851,455	53,558,835

23. Segmented information (continued)

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(Expressed in Canadian dollars)

	2018			
	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
	\$	\$	\$	\$
Revenue	10,941,420	65,899,100	(4,843)	76,835,677
Direct expenses	8,507,782	49,711,905	(4,843)	58,214,844
General and administrative expenses	688,224	6,905,223	1,127,905	8,721,352
Depreciation and amortization	63,991	804,799	80,805	949,595
	1,681,423	8,477,173	(1,208,710)	8,949,886
Interest expense	40,383	468,078	485,221	993,682
Share based payment	-	-	341,275	341,275
Net income (loss) before income taxes	1,641,040	8,009,095	(2,035,206)	7,614,929
Capital expenditures on property, plant and equipment	35,400	104,485	-	139,885
Capital expenditures on intangible assets	-	277,330	-	277,330
Total assets	6,998,942	27,968,074	15,465,586	50,432,602
Property, plant and equipment	995,029	770,046	2,045,601	3,810,676
Intangible assets	-	1,195,458	-	1,195,458
Goodwill	-	647,942	2,586,000	3,233,942
Liabilities, excluding due to minority partner	2,334,860	16,452,233	1,058,769	19,845,862

24. Subsequent events

- (a) In December 2019, Unisync Group Limited executed a lease for a 27,300 square foot facility in Mississauga, Ontario in which the Company intends to relocate and consolidate its current Mississauga office and service outlet locations. Under the terms of the lease, the 126 month lease will commence on October 1, 2020. The Company will be committed to minimum lease payments with respect to the basic rent of the business premises as follows:

	\$
2020	-
2021	220,000
2022	220,000
2023	240,000
2024	327,576
Thereafter	2,429,522
	<u>3,437,098</u>

- (b) In November 2019, the Company received \$2 million in bank postponed shareholder advances on the same terms and conditions as the advances described in Note 12.

Unisync Corp.

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24. Subsequent events continued

- (c) In December 2019, upon receipt of an Export Development Canada guarantee issued under the EDC Export Guarantee Program, the Canadian chartered bank described in note 11, established a US\$5 million guarantee facility until December 31, 2020 to offer guarantees of up to US\$5 million to its US bank affiliate in support of a US\$5 million operating loan facility to be provided by the US bank affiliate to Unisync (Nevada) LLC. The Export Development Canada guarantee is subject to a setup fee of \$16,551 and a guarantee fee of 2.35% per annum. The US\$5 million Canadian chartered bank guarantee facility is also secured by a general security agreement over the assets of Unisync (Nevada) LLC and is subject to fees of 1% on the amount of any guarantees issued.