

Consolidated financial statements of

Unisync Corp.

September 30, 2020 and 2019

Unisync Corp.

September 30, 2020 and 2019

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Independent Auditor's 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, 2020 and September 30, 2019, 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, 2020 and September 30, 2019, 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 29, 2020

MNP LLP

Chartered Professional Accountants

Unisync Corp.

Consolidated statements of income (loss)

Years ended September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

	2020	2019
	\$	\$
Revenue	93,103,296	77,992,964
Direct expenses (Note 18)	72,247,767	63,817,276
General and administrative expenses (Note 18)	16,372,961	15,813,328
Depreciation and amortization (Notes 7,8,9)	3,256,373	1,722,679
	1,226,195	(3,360,319)
Interest expense (Notes 11,12,13)	2,570,970	1,510,950
Share-based payment (Note 15 (d))	79,232	437,134
Net income (loss) before income taxes	(1,424,007)	(5,308,403)
Income tax expense (recovery) (Note 17)	(419,200)	(1,303,515)
Net income (loss)	(1,004,807)	(4,004,888)
Attributable to		
Unisync Corp. shareholders	(1,264,116)	(4,080,141)
Minority partner	259,309	75,253
	(1,004,807)	(4,004,888)
Net income (loss) per share attributable to Unisync Corp. shareholders		
Basic	(0.07)	(0.23)
Diluted	(0.07)	(0.23)
Weighted average number of shares - basic (Note 15 (e))	18,384,911	17,540,539
Weighted number of shares outstanding - diluted (Note 15 (e))	18,642,041	17,957,828

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

Unisync Corp.

Consolidated statements of comprehensive income (loss) Years ended September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

	2020	2019
	\$	\$
Net income (loss)	(1,004,807)	(4,004,888)
Items that may be reclassified subsequently to income or loss		
Other comprehensive income (loss), net of taxes		
Currency translation adjustment	(25,869)	(2,110)
Comprehensive income (loss)	(1,030,676)	(4,006,998)
Attributable to		
Unisync Corp. shareholders	(1,289,985)	(4,082,251)
Minority partner	259,309	75,253
	(1,030,676)	(4,006,998)

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

Unisync Corp.

Consolidated statements of financial position

As at September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

	September 30, 2020	September 30, 2019
	\$	\$
Assets		
Current assets		
Cash	221,593	19,973
Trade and other receivables (Note 23 (b))	8,660,066	11,237,034
Inventory (Note 6)	39,484,788	44,088,559
Prepaid expenses and deposits	4,897,156	3,998,876
	53,263,603	59,344,442
Non-current assets		
Cash surrender value of life insurance policy	86,601	85,403
Property, plant and equipment (Note 7)	9,127,662	8,693,231
Right of use assets (Note 8)	7,817,862	-
Deferred tax asset (Note 17)	1,165,169	672,548
Intangible assets (Note 9)	9,315,620	9,811,371
Goodwill (Note 10)	6,384,797	6,384,797
	87,161,314	84,991,792
Liabilities		
Current liabilities		
Operating loan (Note 11)	23,187,044	24,512,679
Trade payables and accrued liabilities	3,859,724	6,263,600
Provision for income taxes (Note 17)	-	96,409
Deferred revenue	8,261,453	14,178,949
Current portion of term loans (Note 11)	1,143,000	1,143,000
Current portion of long-term lease liabilities (Note 12)	1,289,127	-
Shareholder advances (Note 13)	4,488,981	1,836,800
Due to minority partner (Note 14)	1,500,000	-
	43,729,329	48,031,437
Non-current liabilities		
Term loans (Note 11)	4,681,798	5,527,398
Long-term lease liabilities (Note 12)	7,578,302	-
Due to minority partner (Note 14)	-	1,500,000
	55,989,429	55,058,835
Commitments and contingencies (Note 19)		
Equity		
Share capital (Note 15)	29,589,432	26,441,993
Share-based payment reserve	1,674,421	1,688,744
Retained earnings (deficit)	(61,831)	1,855,948
Equity attributable to Unisync Corp. shareholders	31,202,022	29,986,685
Deficit attributable to minority partner	(30,137)	(53,728)
	31,171,885	29,932,957
	87,161,314	84,991,792

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, 2020 and September 30, 2019

(Expressed in Canadian dollars)

	Subscription Receipts		Capital stock		Share-based payment reserve	Retained earnings (deficit)	Equity attributable to Unisync Corp. shareholders	Deficit attributable to minority partner	Total equity
	Receipts	Amount	Shares	Amount					
		\$		\$	\$	\$	\$	\$	\$
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 15 (c))	(2,921,100)	(10,234,215)	2,921,100	10,234,215	-	-	10,234,215	-	-
Common shares issued to									
Utility shareholders			1,272,727	4,263,635	-	-	4,263,635	-	4,263,635
Shares issued on exercise of									
stock options (Note 15 (d))	-	-	100,000	240,000	-	-	240,000	-	240,000
Share-based payment					437,134	-	437,134	-	437,134
Distribution to									
minority partner (Note 21)	-	-	-	-	-	-	-	(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, as previously reported									
September 30, 2019	-	-	17,637,525	26,441,993	1,688,744	1,855,948	29,986,685	(53,728)	29,932,957
Transition adjustments									
IFRS 16 (Note 2 (k))	-	-	-	-	-	(627,794)	(627,794)	-	(627,794)
Restated balance,									
September 30, 2019	-	-	17,637,525	26,441,993	1,688,744	1,228,154	29,358,891	(53,728)	29,305,163
Common shares issued (Note 15 (c))	-	-	924,703	2,835,134	-	-	2,835,134	-	2,835,134
Shares issued on exercise of									
stock options (Note 15 (d))	-	-	125,000	312,305	(93,555)	-	218,750	-	218,750
Share-based payment	-	-	-	-	79,232	-	79,232	-	79,232
Distribution to minority partner (Note 21)									
minority partner (Note 21)	-	-	-	-	-	-	-	(235,718)	(235,718)
Net income (loss)	-	-	-	-	-	(1,264,116)	(1,264,116)	259,309	(1,004,807)
Other comprehensive income (loss)	-	-	-	-	-	(25,869)	(25,869)	-	(25,869)
Balance,									
September 30, 2020	-	-	18,687,228	29,589,432	1,674,421	(61,831)	31,202,022	(30,137)	31,171,885

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

Unisync Corp.

Consolidated statements of cash flows

Years ended September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

	2020	2019
	\$	\$
Operating activities		
Net income (loss)	(1,004,807)	(4,004,888)
Adjustments for:		
Interest expense	2,570,970	1,510,950
Income tax expense (recovery)	(419,200)	(1,303,515)
Income taxes recovered (paid)	46,226	(23,073)
Depreciation and amortization	3,256,373	1,722,679
Increase in cash surrender value of life insurance policy	(1,198)	-
Share-based payment (Note 15(d))	79,232	437,134
	4,527,596	(1,660,713)
Changes in non-cash working capital items		
Trade and other receivables	2,576,968	(3,482,309)
Inventory	4,603,771	(14,920,281)
Prepaid expenses and deposits	(898,280)	(497,655)
Trade payables and accrued liabilities	(2,403,876)	(644,196)
Deferred revenue	(5,917,496)	13,123,064
Net cash used in/from operating activities	2,488,683	(8,082,090)
Investing activities		
Acquisition of Utility	-	(11,107,626)
Purchase of property, plant and equipment (Note 7)	(1,073,723)	(914,718)
Purchase of intangible assets (Note 8)	(746,050)	(1,635,366)
Net cash used in investing activities	(1,819,773)	(13,657,710)
Financing activities		
Increase (decrease) in operating loan	(1,325,635)	12,255,538
New term loan advances	-	7,860,000
Repayment of Utility term loan	-	(7,015,086)
Term loan repayments	(857,250)	(2,717,794)
Repayment of lease liabilities	(1,569,082)	-
Increase (decrease) in shareholder advances	2,000,000	1,750,000
Note payment	-	(54,000)
Term loan financing costs	-	(58,253)
Interest and processing fees paid	(1,438,218)	(1,405,000)
Distributions to minority partner	(235,718)	(87,554)
Use of restricted cash	-	10,782,551
Proceeds of common share issue (Note 15(c))	2,835,133	-
Proceeds on exercise of stock options (Note 15(d))	218,750	240,000
Net cash from/(used in) financing activities	(372,020)	21,550,402
Effect of foreign exchange rates	(95,270)	(2,925)
Net cash inflows (outflows)	201,620	(192,323)
Cash, beginning of year	19,973	212,296
Cash, end of year	221,593	19,973

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

1. Nature of business and basis of presentation

Unisync Corp. (the "Company") 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 Unisync Group Limited ("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.

Impact of COVID-19

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the world governments regarding travel, business operations and isolation/quarantine orders. The Company's operations were impacted by COVID-19 through a reduction in uniform product orders from corporate customers in the travel and hospitality industries. To counteract this decline in business, the Company added personal protective equipment to its product line and targeted sales to various government bodies. After some staff layoffs at the onset of the pandemic, the Company has brought most of its employees back to work while availing the government stimulus subsidies described in Note 16 to support its cash flow. At this time, the extent that the impact the COVID-19 outbreak may have on the Company is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the duration and severity of the outbreak, the timing and extent of global COVID-19 vaccine distribution and the long term effectiveness of the vaccines. While the duration of the COVID-19 outbreak is unknown, we anticipate that the economic impact of the pandemic may cause reduced customer demand, supply chain disruptions, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

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, 2020.

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on December 29, 2020.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

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 14. 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.

(c) *Foreign currency*

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of all the consolidated entities with the exception of Unisync (Nevada) LLC which has a functional currency of United States dollars ("USD").

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 or 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 consolidated statements 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 consolidated statements of financial position.
- (ii) Income and expenses for the consolidated statements of profit (loss) and the consolidated statements of comprehensive income are translated at average exchange rates.
- (iii) All resulting exchange differences are recognised in other comprehensive income.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(d) Revenue recognition

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 when 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.

(f) Income taxes

Income tax expense comprises current and deferred income tax expense. Income taxes are recognized in the consolidated statements 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 consolidated 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 consolidated statement 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 consolidated 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 consolidated 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.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(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 consolidated 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.

(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 consolidated 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 consolidated 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 or losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the consolidated 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 of disposal 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.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(j) Intangible assets

Identifiable intangible assets acquired in a business combination acquisition are recorded at fair value, otherwise they are recorded at cost. 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 8 – 10 years for customer relationships and over 5 - 7 years for computer software, which is the estimated useful life of the assets. These assets are tested for impairment if events or circumstances indicate that the assets might be impaired.

(k) Leases

Effective October 1, 2019, the Company adopted IFRS 16, issued in January 2016 and the related consequential amendments. 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. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets and lease liabilities for all operating leases where the Company is a lessee. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in retained earnings on October 1, 2019. The prior year figures were not adjusted. 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.

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

	As previously reported under IAS 17 September 30, 2019	IFRS transition adjustments	Balance at October 1, 2019
	\$	\$	\$
Assets			
Right of use assets	-	7,203,346	7,203,346
Deferred tax asset	672,548	224,245	896,793
Liabilities			
Current portion of long-term lease liabilities	-	1,112,295	1,112,295
Long-term lease liabilities	-	6,943,090	6,943,090
Equity			
Retained earnings	1,855,948	(627,794)	1,228,154

Upon adoption of IFRS 16, the Company did not reassess whether a contract is, or contains, a lease at the date of initial application of IFRS 16. The Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease. These liabilities are measured at the present value of the remaining fixed lease payments, discounted using the Company's incremental borrowing rate as of October 1, 2019. The weighted average incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position on October 1, 2019 was 4.9%.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2020 and September 30, 2019

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2. Significant accounting policies (k) Leases (continued)

The following table reconciles the operating lease commitments as at September 30, 2019 to the opening balance of lease liabilities as at October 1, 2019:

	\$
Operating lease commitments as at September 30, 2019	4,963,207
Less: short-term, low-value asset leases	(53,302)
Add: adjustments as a result of different treatment and termination options	3,482,091
Effect of discounting using the Company's incremental borrowing rate	(336,611)
<u>Lease liabilities recognized as at October 1, 2019</u>	<u>8,055,385</u>

The associated right-of-use assets were primarily measured as if the standard had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The Company leases IT equipment for the use by staff in its office. The Company has elected to apply the recognition exemption for leases of low-value assets and therefore has not recognized right-of-use assets and lease liabilities for low value leases of IT equipment. Low value leases are leases where the underlying asset has a new value of \$5,000 USD or less. The Company recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee'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 of disposal, 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 consolidated statement of financial position date using a discounted cash flow methodology. Provisions are not recognized for future operating losses.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(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 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.

(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*

Financial assets are 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 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.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

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

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.

All fair value changes on liabilities designated under the fair value option 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). All other financial liabilities are measured at amortized cost unless the fair value option is applied.

Impairment of financial assets

An expected credit loss ("ECL") model is used for calculating impairment of financial assets. An ECL is recognized when financial instruments are initially recognized and the amount of ECL recognized is updated at each reporting date to reflect changes in the credit risk of the financial instruments.

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 risk has 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 consolidated statement of income (loss).

Unisync Corp.

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September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

3. Changes in accounting standards

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.

Effective October 1, 2019, the Company adopted IFRIC 23, Uncertainty over Income Tax Treatments (“IFRIC 23”). IFRIC 23 requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes that it is not probable that a taxation authority will accept an uncertain tax treatment, the entity shall reflect the uncertainty in determining the effect on taxable income, tax bases, unused tax losses, unused tax credits or tax rates based on either the most likely amount, or expected value. The adoption of IFRIC 23 did not have any impact on the consolidated financial statements.

4. Accounting standards issued but not yet applied

There are no new and amended standards that are applicable to the business of the Company.

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 judgments 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.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

5. Critical accounting estimates and judgments (continued)

(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 based on management's estimate of the percentage completion of the goods, and the nature of the costs for producing that particular good. 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.

(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 and the United States. 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. Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize tax losses recognized as deferred tax assets. Assumptions about the generation of future taxable profits depend on managements' estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize or recognize net deferred tax assets, if any, at the reporting date could be impacted.

(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 indicators of 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, 2020 and September 30, 2019, the Company's tangible and intangible assets were determined to not be impaired.

(g) *Impairment of goodwill*

The Company performs an assessment of 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 of disposal, 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, 2020 and September 30, 2019, the Company's goodwill was determined to not be impaired.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2020 and September 30, 2019

(Expressed in Canadian dollars)

5. Critical accounting estimates and judgments (continued)

(h) Allocation of purchase consideration

Business combinations require judgment and estimates to be made at the date of acquisition in relation to determining the fair value of the asset acquired and liabilities assumed and the consideration paid. 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.

6. Inventory

	2020	2019
	\$	\$
Raw materials	4,571,931	4,225,537
Work in process	952,103	1,544,106
Finished goods	33,960,754	38,318,916
	39,484,788	44,088,559

Cost of inventories recognized as an expense during the year ended September 30, 2020 amount to \$58,887,542 (2019 - \$48,990,402). During the year ended September 30, 2020, inventory was written down by \$342,523 (2019 - \$670,729) against the allowance for obsolescence. The carrying amount of inventory recorded at net realizable value at September 30, 2020 was \$444,120 (2019 – \$572,255), with the remaining inventory recorded at cost.

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(Expressed in Canadian dollars)

7. Property, plant and equipment

									2020
	Land	Buildings	Warehouse and manufacturing equipment	Computer equipment	Office furnishings and equipment	Vehicles	Leasehold Improvements	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>									
Balance at September 30, 2019	2,622,730	4,964,636	1,932,837	832,926	280,115	115,938	744,519	11,493,701	
Effect of foreign exchange rates	-	-	1,963	352	350	-	1,750	4,415	
Additions	-	44,344	62,590	84,592	68,164	-	814,033	1,073,723	
Balance at September 30, 2020	2,622,730	5,008,980	1,997,390	917,870	348,629	115,938	1,560,302	12,571,839	
<i>Accumulated depreciation</i>									
Balance at September 30, 2019	-	682,244	1,028,167	558,425	127,686	76,796	327,152	2,800,470	
Effect of foreign exchange rates	-	-	(250)	(51)	(42)	-	(223)	(566)	
Depreciation	-	183,064	138,318	89,577	42,767	27,735	162,812	644,273	
Balance at September 30, 2020	-	865,308	1,166,235	647,951	170,411	104,531	489,741	3,444,177	
<i>Net carrying amount</i>									
At September 30, 2020	2,622,730	4,143,672	831,155	269,919	178,218	11,407	1,070,561	9,127,662	
									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	2,200,000	2,200,000	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	2,622,730	4,964,636	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	2,622,730	4,282,392	904,670	274,501	152,429	39,142	417,367	8,693,231	

Unisync Corp.

Notes to the consolidated financial statements

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(Expressed in Canadian dollars)

8. Right of use assets

	2020
	\$
<i>Cost</i>	
Balance at September 30, 2019	-
Transition adjustments - IFRS 16 (note 2)	7,203,346
Balance at October 1, 2019	7,203,346
Right of use leases added	1,967,028
Effect of foreign exchange rates	14,159
Balance at September 30, 2020	9,184,533
<i>Accumulated depreciation</i>	
Balance at October 1, 2019	-
Depreciation	(1,370,353)
Effect of foreign exchange rates	3,682
Balance at September 30, 2020	(1,366,671)
<i>Net carrying amount</i>	
At September 30, 2020	7,817,862

The Company's right of use leases are for its distribution, sales, and administrative facilities.

Unisync Corp.

Notes to the consolidated financial statements

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9. Intangible assets

					2020
					\$
	Computer software	Intangible assets from Carleton acquisition	Intangible assets from Utility acquisition	Standards certification	Total
<i>Cost</i>					
Balance at September 30, 2019	4,925,358	251,440	7,195,285	63,137	12,435,220
Additions	746,050	-	-	-	746,050
Balance at September 30, 2020	5,671,408	251,440	7,195,285	63,137	13,181,270
<i>Accumulated amortization</i>					
Balance at September 30, 2019	1,593,814	157,654	839,784	32,597	2,623,849
Effect of foreign exchange rate	54				54
Amortization	353,416	35,920	839,784	12,627	1,241,747
Balance at September 30, 2020	1,947,284	193,574	1,679,568	45,224	3,865,650
<i>Net carrying amount</i>					
At September 30, 2020	3,724,124	57,866	5,515,717	17,913	9,315,620
2019					
					\$
	Computer software	Intangible assets from Carleton acquisition	Intangible assets from Utility acquisition	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

Unisync Corp.

Notes to the consolidated financial statements

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(Expressed in Canadian dollars)

10. Goodwill

	2020
	\$
<i>Cost</i>	
Balance at September 30, 2019	6,384,797
Balance at September 30, 2020	6,384,797
	2019
	\$
<i>Cost</i>	
Balance at September 30, 2018	3,233,942
Goodwill on acquisition of Utility	3,150,855
Balance at September 30, 2019	6,384,797

Goodwill arose on the acquisitions of Peerless and GP in 2010, the acquisitions of Carleton and Omega in 2015 and the acquisition of Utility in 2018. For impairment testing purposes, the goodwill is allocated to the respective cash-generating unit ("CGU"). For the year ended September 30, 2020 and the year ended September 30, 2019, the Company assessed the goodwill for impairment based on its value in use. To determine value in use, the Company used the 2021 budget plan and 2022 and 2023 forecasts for each of the CGUs as approved by the Board of Directors and then prepared forecasts for the two years ended 2024 and 2025 using an estimated long term revenue and variable cost growth rate of 3% (September 30, 2019 – 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 13% to 14%. Based on this assessment, the goodwill attributed to each CGU was not impaired at September 30, 2020.

11. Loan facilities

	2020	2019
	\$	\$
Operating loan (a)	23,187,044	24,512,679
Current portion of term loan (b)	1,143,000	1,143,000
Term loan (b)	4,681,798	5,527,398
	29,011,842	31,183,077

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Notes to the consolidated financial statements

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11. Loan facilities (continued)

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

	2020	2019
	\$	\$
Balance at September 30, 2019 and September 30, 2018	31,183,077	13,537,240
Drawdown (repayment) of operating loan	(1,325,635)	12,542,733
Proceeds from term debt	-	7,860,000
Repayment of term loans	(857,250)	(2,717,794)
Financing fees	-	(58,253)
Amortization of financing fees	11,650	19,151
Balance at September 30, 2020 and September 30, 2019	29,011,842	31,183,077

- (a) The Company has established two operating loan facilities totalling \$25,500,000 with a Canadian chartered bank and an operating loan facility of USD5,000,000 with the United States affiliate of the Canadian chartered bank. 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, 2020, combined drawings under the operating loan facilities were \$23,187,044 (2019 - \$24,512,679). 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, 2020, the Company incurred interest expense of \$1,200,426 (2019 - \$978,540) on borrowings under its operating loan facilities. In addition, the Company has a foreign exchange loan facility to purchase foreign exchange contracts up to an aggregate of USD18,000,000, a \$200,000 credit card facility and a \$17,500,000 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, 2020, the Company was in compliance with the covenants (Note 24) 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 January 1, 2022 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 January 1, 2022 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, 2020, the Company recorded interest expense of \$249,442 (2019 - \$326,668) 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, 2020, the Company was in compliance with the covenants (Note 24) of its term loan facilities.

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Notes to the consolidated financial statements

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12. Long-term lease liabilities

	2020
	\$
Balance at September 30, 2019	-
Transition adjustments - IFRS 16 (note 2)	8,055,385
Balance at October 1, 2019	8,055,385
Leases added	1,967,028
Repayment of lease liabilities	(1,569,082)
Interest accretion	468,921
Effect of foreign exchange rates	(54,823)
Balance at September 30, 2020	8,867,429

During the year ended September 30, 2020, the Company accreted interest expense of \$468,921 on its long term lease liabilities. The prior year figure is not comparable due to the adoption of IFRS 16 in the current year (refer to Note 2).

13. Shareholder advances

	2020	2019
	\$	\$
Postponed shareholder advances	3,750,000	1,750,000
Accrued interest and processing fees	738,981	86,800
	4,488,981	1,836,800

The Company received bank postponed shareholder advances of \$1,750,000 in July 2019 and \$2,000,000 in November 2019. The advances bear interest at 12% per annum and were subject to processing fees of 2.5%. In October 2020, proceeds of \$435,500 from the exercise of 250,000 stock options at \$1.75 per share were received from certain postponed shareholder advance lenders and used to repay postponed shareholder advances in the principal amount of \$435,500. Also, in October 2020, the maturity date of the remaining principal amount of the postponed shareholder advances and the accrued interest was extended from October 15, 2020 to January 15, 2021 subject to an extension fee of 2% on the principal and accrued interest to be paid at maturity. If the principal amount of the postponed shareholder advances, accrued interest, processing and extension fees are not repaid on January 15, 2021, the interest rate thereon will be increased from 12% to 15%.

14. 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 a minimum duration of one year plus one day for a triggering event under the triggering events of the put/call agreement. On April 9, 2020, the Company received notice from the minority partner of Peerless that the minority partner was exercising its put option to receive payment of \$1,500,000 from the Company for the minority partner's interest in Peerless by no later than April 10, 2021.

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15. 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, 2018	13,343,698	11,704,143
Subscription receipts converted to shares (Note 15(c))	2,921,100	10,234,215
Shares issued to Utility shareholders	1,272,727	4,263,635
Shares issued on exercise of stock options (Note 15 (d))	100,000	240,000
Balance, September 30, 2019	17,637,525	26,441,993
Common shares issued	924,703	2,835,134
Shares issued on exercise of stock options (Note 15 (d))	125,000	312,305
Balance, September 30, 2020	18,687,228	29,589,432

(c) Share issuance

On October 1, 2018, 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

On December 30, 2019, the Company completed a private placement of 924,703 Common shares at a price of \$3.30 per share for total gross proceeds of \$3,051,520 received, less costs of issuance of \$216,386.

(d) 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 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, 2020 was \$nil as no options were granted (2019 - \$569,177).

During the year ended September 30, 2020, 125,000 options (2019 - 100,000) were exercised at a weighted average exercise price of \$1.75 (2019 - \$2.40) and nil options were forfeited (2019 - 205,000).

Unisync Corp.

Notes to the consolidated financial statements

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15. Capital stock (d) stock options (continued)

The following table summarizes stock option transactions during the year:

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	1,170,000	2.41	1,225,000	2.26
Granted during the year	-	-	250,000	3.54
Exercised during the year	(125,000)	1.75	(100,000)	2.40
Forfeited during the year	-	-	(205,000)	2.94
Outstanding, end of year	1,045,000	2.48	1,170,000	2.41

The following table summarizes information about stock options outstanding and exercisable at September 30, 2020:

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	3.58	3.54	62,500	3.54
\$3.00 to \$3.08	105,000	2.24	3.06	42,000	3.06
\$2.65 to \$2.90	50,000	1.53	2.68	30,000	2.68
\$2.40	210,000	1.01	2.40	202,000	2.40
\$1.75	430,000	0.08	1.75	430,000	1.75
\$1.75 to \$3.57	1,045,000	1.36	2.48	766,500	2.16

As at September 30, 2020, 766,500 (2019 - 733,000) options were exercisable with a weighted average exercise price of \$2.16 (2019 - \$1.98) per share. The intrinsic value of the exercisable options as at September 30, 2020 was \$676,505 (2019 - \$524,175).

Based on the above vesting schedule, a stock option compensation expense was recognized for the year ended September 30, 2020 of \$79,232 (2019 - \$437,134) 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:

	2020		2019	
Expected dividend	\$	-	\$	-
Expected volatility		-		91.2%
Weighted average risk free interest rate		-		1.2%
Weighted average remaining life in years		-		2.0
Weighted average forfeiture rate		-		3.3%

Unisync Corp.

Notes to the consolidated financial statements

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15. Capital stock (continued)

(e) Earnings per share

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

	2020	2019
	\$	\$
Numerator		
Net income (loss)		
attributable to Unisync Corp. shareholders	(1,264,116)	(4,080,141)
Denominator		
Weighted average common shares outstanding - basic	18,384,911	17,540,539
Effect of dilutive securities	257,130	417,289
Weighted average common shares outstanding - diluted	18,642,041	17,957,828
Net income (loss) per common share		
attributable to Unisync Corp. shareholders		
Basic	(0.07)	(0.23)
Diluted	(0.07)	(0.23)

16. Government Stimulus Subsidies

The Company has participated in available stimulus subsidies offered by the Federal Governments of Canada and the United States to help offset the negative impact of the COVID-19 pandemic.

Canada Emergency Wage Subsidy ("CEWS")

The CEWS provides qualifying companies with a monthly financial support grant based on payroll, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month-by-month basis. The Company recognized government stimulus subsidy income as reductions of \$801,533 to Direct expenses and \$732,156 to General and administrative expenses.

United States Paycheck Protection Program ("PPP")

On April 22, 2020, the Company was granted a US dollar-denominated loan in the amount of USD208,335 pursuant to the PPP established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in the United States.

The loan, which is in the form of a note dated April 22, 2020 issued by the Company, matures on April 22, 2022 and bears interest at a rate of 1.0% per annum, payable monthly, but only if the application for loan forgiveness is denied by the government. The note may be prepaid at any time prior to maturity with no prepayment penalties. Subject to certain limitations, funds from the loan used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations are eligible for potential forgiveness upon review and approval by the lender in accordance with the CARES Act. The Company believes it has complied with the relevant provisions of the program by using the entire proceeds of the loan for qualifying expenses during the coverage period and has therefore concluded that forgiveness of the loan is probable. As a result, the Company has categorized the loan proceeds to that of a government subsidy, with reductions of \$163,604 (USD121,598) to Direct expenses and \$116,700 (USD86,737) to General and administrative expenses.

Unisync Corp.

Notes to the consolidated financial statements

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17. 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:

	2020	2019
	\$	\$
Income tax expense (recovery)	(144,979)	235,144
Deferred tax expense (recovery)	(274,221)	(1,538,659)
Income tax expense (recovery)	(419,200)	(1,303,515)

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:

	2020	2019
	\$	\$
Net income (loss) before income taxes	(1,424,007)	(5,308,403)
Tax rate	26.8%	26.8%
	(381,077)	(1,424,286)
Taxes attributable to minority partner	(68,025)	(19,548)
Permanent differences	29,902	140,319
Income tax expense	(419,200)	(1,303,515)

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

	2020	2019
	\$	\$
Deferred tax assets		
Available non-capital losses and other tax deductions	3,437,317	2,727,333
Deferred tax liabilities		
Property, plant and equipment	(2,272,148)	(2,054,785)
	1,165,169	672,548

The Company has non-capital losses of approximately \$12,080,000 (2019 - \$8,735,000) 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 \$3,261,600 (2019 - \$2,358,450) that is included in the deferred tax asset balance at September 30, 2020. 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, 2020 for the upcoming fiscal year.

Unisync Corp.

Notes to the consolidated financial statements

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18. Expenses by nature

	2020	2019
	\$	\$
Direct expenses:		
Materials	52,092,467	44,523,278
Wages and benefits	8,926,120	10,152,086
Subcontract fees	5,524,881	3,098,628
Delivery	3,736,896	3,099,088
Rent, utilities and other property costs	1,576,509	2,424,431
Insurance	64,375	148,931
Other	326,519	370,834
	72,247,767	63,817,276
General and administrative expenses:		
Wages and benefits	9,065,171	9,378,893
Data services, system maintenance, telecommunications and software licenses	2,487,835	1,700,919
Legal, bank, insurance and professional services	2,433,949	1,493,413
Advertising, marketing and other promotion costs	779,950	902,584
Rent, utilities and other property costs	405,878	547,477
Other	1,200,178	1,790,042
	16,372,961	15,813,328

19. Commitments and contingencies

- (a) At September 30, 2020, the Company had \$900,000 (2019 - \$400,000) in letters of credit outstanding.
- (b) 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, 2020.

20. Economic dependence

During the year ended September 30, 2020, revenue from the Canadian military and other Canadian governmental agencies accounted for 23% of total revenue (2019 - 14%) and revenue from two airline industry customers accounted for 27% of total revenue (2019 - 21%). As of September 30, 2020, 5.1% (2019 - 14.7%) of trade receivables were from the Canadian military and other Canadian governmental agencies and 10.7% (2019 - 13.2%) of trade receivables were from two airline industry customers.

Unisync Corp.

Notes to the consolidated financial statements

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21. Related party transactions

The Company paid rent of \$29,268 (2019 - \$29,268) for the Company's head office location to a company having two members of the Company's board of directors in common.

Of the shareholder advances described in Note 13, \$3,650,000 was provided by members of the Company's board of directors, either directly or through companies that they control or through funds they manage. Interest, processing and extension fees of \$584,288 were accrued (2019 - interest and processing fees of \$40,657 were accrued on \$1,650,000 of shareholder advances) on these related party shareholder advances.

The Company paid \$nil (2019 - \$210,000) in consulting fees to a company controlled by the Company's Executive Chairman and former Chief Executive Officer.

The Company expensed \$nil (2019 - \$71,958) 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 \$259,309 (2019 - \$75,253).

22. Key management personnel

	2020	2019
	\$	\$
Salaries and wages	2,483,513	3,058,302
Share-based payment	29,798	310,859
	2,513,311	3,369,161

Key management personnel are the Company's officers and directors.

23. 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 \$299,000 (2019 - \$244,000) change to current year interest expense.

Unisync Corp.

Notes to the consolidated financial statements

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23. Financial instruments (continued)

(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 consolidated statement of financial position represent the Company's maximum credit exposure at the date of the consolidated statement of financial position.

The Company's credit risk is primarily attributable to its trade receivables. As of September 30, 2020, 5.1% (2019 - 14.7%) of trade receivables were from the Government of Canada and 26.7% (2019 - 36.7%) 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 consolidated 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:

	2020		2019	
	Gross	Provision	Gross	Provision
	\$	\$	\$	\$
Not past due	5,992,313	-	7,320,737	-
Past due 1-30 days	2,027,214	-	2,799,500	-
Past due 31-60 days	515,016	-	784,562	-
Past due > 60 days	199,363	(73,840)	464,003	(131,768)
	8,733,906	(73,840)	11,368,802	(131,768)

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2020 and September 30, 2019

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23. 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 the obligations in the following table below.

	2020				
	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	3,859,724	-	-	-	3,859,724
Deferred revenue	8,261,453	-	-	-	8,261,453
Operating loan	23,187,044	-	-	-	23,187,044
Term loans	1,294,244	4,848,045	-	-	6,142,289
Long-term lease liabilities	1,642,411	5,175,128	2,691,081	1,893,742	11,402,362
Due to minority partner	1,500,000	-	-	-	1,500,000

	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 loan	1,411,013	5,794,006	-	-	7,205,019
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 consolidated statement of financial position 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.

	2020	2019
	\$	\$
Accounts receivable	1,025,250	967,782
Operating loan	13,691,214	10,211,489
Trade payables and accrued liabilities	1,233,248	603,881
Deferred revenue	6,665,857	11,792,732

Unisync Corp.

Notes to the consolidated financial statements

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23. 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, 2020	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	-	221,593	-	221,593	-	-
Trade and other receivables	-	8,668,321	-	-	8,668,321	-
Cash surrender value of life insurance policy	-	86,601	-	-	-	86,601
	-	8,976,515	-	221,593	8,668,321	86,601
Financial liabilities						
Operating loan	-	23,187,044	-	-	23,187,044	-
Trade payables and accrued liabilities	-	3,859,724	-	-	3,859,724	-
Current and long-term loans	-	5,824,798	-	-	5,824,798	-
Current and long-term lease liabilities	-	8,867,429	-	-	8,867,429	-
Shareholder advances	-	4,488,981	-	-	4,488,981	-
Due to minority partner	-	1,500,000	-	-	1,500,000	-
	-	47,727,976	-	-	47,727,976	-

Unisync Corp.

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23. Financial instruments (e) Fair Value (continued)

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	-	-
Trade and other receivables	-	11,237,034	-	-	11,237,034	-
Cash surrender value of life insurance policy	-	85,403	-	-	-	85,403
	-	11,342,410	-	19,973	11,237,034	85,403
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 partner	-	1,500,000	-	-	1,500,000	-
	-	40,783,477	-	-	40,783,477	-

24. Capital management

The Company's objectives when managing capital are to:

- maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and
- 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:

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

As at September 30, 2020 and September 30, 2019 the Company was in compliance with all such covenants.

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25. 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 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.

				2020
	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
	\$	\$	\$	\$
Revenue	20,736,845	73,594,292	(1,227,841)	93,103,296
Direct expenses	16,513,964	56,961,644	(1,227,841)	72,247,767
General and administrative expenses	1,340,070	13,745,935	1,286,956	16,372,961
Depreciation and amortization	63,991	2,744,000	448,382	3,256,373
	2,818,820	142,713	(1,735,338)	1,226,195
Interest expense	225,725	1,691,572	653,673	2,570,970
Share based payment	-	-	79,232	79,232
Net income (loss) before income taxes	2,593,095	(1,548,859)	(2,468,243)	(1,424,007)
Capital expenditures on property, plant and equipment	12,211	1,061,512	-	1,073,723
Capital expenditures on intangible assets	-	746,050	-	746,050
Total assets	7,502,373	67,454,355	12,204,586	87,161,314
Property, plant and equipment	966,680	4,692,297	3,468,685	9,127,662
Right of use assets	-	7,817,862	-	7,817,862
Intangible assets	-	6,095,673	3,219,947	9,315,620
Goodwill	-	1,221,695	5,163,102	6,384,797
Liabilities, excluding due to minority partner	2,645,108	48,538,442	3,305,879	54,489,429

Unisync Corp.

Notes to the consolidated financial statements

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(Expressed in Canadian dollars)

25. Segmented information (continued)

	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