

Consolidated financial statements of

Unisync Corp.

September 30, 2023 and 2022

Unisync Corp.

September 30, 2023 and 2022

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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, 2023 and September 30, 2022, and the consolidated statements of loss, comprehensive 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, 2023 and September 30, 2022, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment Analysis of Goodwill

Key Audit Matter Description

We draw attention to Note 2(l) and 10 to the consolidated financial statements. The Company has recorded goodwill of \$6,384,797 as of September 30, 2023. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. In determining the estimated recoverable amounts using a discounted cash flow model, the Company's significant assumptions include future cash flows based on expected revenues from contracts, long-term growth rates, estimated costs of production and the discount rate.

We considered this a key audit matter due to the significant judgment made by management in estimating the recoverable amounts for goodwill and a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates. This resulted in an increased extent of audit effort, including the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing procedures in relation to Impairment Analysis of Goodwill. Our audit work in relation to this included, but was not restricted to, the following:

- Tested management's key assumptions, including a 'retrospective review' to compare management's assumptions in prior year expected future cash flows to the actual results to assess the Company's budgeting process.
- Evaluated the reasonableness of key assumptions in the impairment model, including future cash flows based on expected revenues from contracts, long-term growth rates, estimated costs of production and the discount rate.
- Verified the mathematical accuracy of management's impairment model and supporting calculations.

- With the assistance of internal valuation specialists, we evaluated the reasonableness of the Company's impairment model, which included:
 - Evaluating the reasonableness of the discount rates by comparing the Company's weighted average cost of capital against publicly available market data; and
 - Developing a range of independent estimates and comparing those to the discount rate selected by management.
- Assessed the appropriateness of aggregating CGUs for impairment testing and the disclosures relating to the assumptions used in the impairment analysis of goodwill in the notes to the consolidated financial statements.

Recognition of Deferred Tax Asset

Key Audit Matter Description

We draw attention to Notes 2(f) and 16 to the consolidated financial statements. The Company has recorded a deferred tax asset of \$5,330,222 as of September 30, 2023. 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. Deferred tax assets, including those arising from tax loss carryforwards, 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.

We considered this a key audit matter due to the significant judgment made by management in estimating the recoverability of the deferred tax asset, inherent complexity in estimating income taxes and deferred income tax balances and a high degree of auditor judgment. This resulted in an increased extent of audit effort, including the involvement of internal tax specialists.

Audit Response

We responded to this matter by performing procedures in relation to Recognition of Deferred Tax Assets. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated future taxable income by:
 - Evaluating the Company's ability to accurately estimate future taxable income by comparing actual results to the Company's historical estimates;
 - Assessing the reasonability of estimates of future taxable income by evaluating key inputs to the estimates such as expected revenues from the contracts, long-term growth rates, expected operating results excluding reversals of existing taxable and deductible temporary differences; and
 - Evaluating whether the estimates of future taxable income were consistent with evidence obtained in other areas of the audit.
- With the assistance of internal income tax specialists, assessed the probability that the deferred income tax assets will be realized by:
 - Assessing the existing temporary differences available for future utilization to evaluate deferred income tax assets available to the Company;
 - Assessing the carry forward period and sufficiency over which the Company expects to utilize the underlying future tax deductions against future taxable income before they expire; and
 - Evaluating whether the taxable income in historical periods was of the appropriate character and available under the tax law.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the recognition of deferred tax assets in the notes to the consolidated financial statements.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Abhishek Kapoor.

Vancouver, British Columbia
December 29, 2023

MNP LLP

Chartered Professional Accountants

Unisync Corp.

Consolidated statements of loss

Years ended September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

	2023	2022
	\$	\$
Revenue	103,599,811	96,306,766
Direct expenses (Note 17)	90,730,003	72,767,010
General and administrative expenses (Note 17)	16,357,416	18,620,663
Depreciation and amortization (Notes 7,8,9)	4,871,806	4,024,002
	(8,359,414)	895,091
Interest expense (Notes 11,12,13)	3,487,042	1,733,002
Restructuring expense (Note 18)	933,927	-
Gain on sale of New Jersey division (Note 19)	(334,602)	-
Share-based payment (Note 15 (c))	-	407,961
Net loss before income taxes	(12,445,781)	(1,245,872)
Income tax expense (recovery) (Note 16)	(3,261,614)	102,356
Net loss	(9,184,167)	(1,348,228)
Attributable to		
Unisync Corp. shareholders	(9,262,244)	(1,544,711)
Minority partner	78,077	196,483
	(9,184,167)	(1,348,228)
Net loss per share attributable to Unisync Corp. shareholders		
Basic	(0.49)	(0.08)
Diluted	(0.49)	(0.08)
Weighted average number of shares - basic (Note 15 (d))	19,012,228	19,010,516
Weighted number of shares outstanding - diluted (Note 15 (d))	19,058,106	19,021,989

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

Unisync Corp.

Consolidated statements of comprehensive loss

Years ended September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

	2023	2022
	\$	\$
Net loss	(9,184,167)	(1,348,228)
Items that may be reclassified subsequently to income or loss		
Other comprehensive income (loss), net of taxes		
Currency translation adjustment	25,124	82,750
Comprehensive loss	(9,159,043)	(1,265,478)
Attributable to		
Unisync Corp. shareholders	(9,237,120)	(1,461,961)
Minority partner	78,077	196,483
	(9,159,043)	(1,265,478)

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

Unisync Corp.

Consolidated statements of financial position

As at September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

	September 30, 2023	September 30, 2022
	\$	\$
Assets		
Current assets		
Cash	2,162	97,261
Trade and other receivables (Note 24 (b))	13,050,526	13,273,404
Inventory (Note 6)	53,779,589	56,198,799
Prepaid expenses and deposits	2,909,015	2,548,444
	69,741,292	72,117,908
Non-current assets		
Cash surrender value of life insurance policy	86,601	86,601
Long-term note receivable (Note 19)	135,200	-
Property, plant and equipment (Note 7)	8,387,898	8,394,864
Right of use assets (Note 8)	13,952,801	7,992,674
Deferred tax asset (Note 16)	5,330,222	2,068,609
Intangible assets (Note 9)	5,401,960	7,318,312
Goodwill (Note 10)	6,384,797	6,384,797
	109,420,771	104,363,765
Liabilities		
Current liabilities		
Operating loan (Note 11)	26,109,074	25,756,045
Trade payables and accrued liabilities	15,934,241	12,580,607
Deferred revenue	13,723,933	16,686,528
Current portion of mortgage loans (Note 11)	16,683,772	281,613
Current portion of long-term lease liabilities (Note 12)	1,575,249	1,222,736
Due to minority partner (Note 14)	1,500,000	1,500,000
	75,526,269	58,027,529
Non-current liabilities		
Mortgage loans (Note 11)	-	9,326,615
Long-term lease liabilities (Note 12)	14,878,693	8,712,251
	90,404,962	76,066,395
Equity		
Share capital (Note 15)	30,447,488	30,447,488
Share-based payment reserve	2,250,172	2,250,172
Retained deficit	(13,571,432)	(4,334,312)
Equity attributable to Unisync Corp. shareholders	19,126,228	28,363,348
Deficit attributable to minority partner	(110,419)	(65,978)
	19,015,809	28,297,370
	109,420,771	104,363,765
Commitments and contingencies (Note 20)		

Approved by the Board

(Signed) Douglas F. Good

, Douglas F. Good, Director

(Signed) Bruce W. Aunger

, Bruce W. Aunger, Director

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

Unisync Corp.

Consolidated statements of changes in equity Years ended September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

	Shares	Capital stock Amount	Share- based payment reserve	Retained deficit	Equity attributable to Unisync Corp. shareholders	Deficit attributable to minority partner	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance,							
September 30, 2021	18,987,228	30,389,749	1,856,200	(2,872,351)	29,373,598	(82,239)	29,291,359
Shares issued on exercise of stock options (Note 15 (c))	25,000	57,739	(13,989)	-	43,750	-	43,750
Share-based payment	-	-	407,961	-	407,961	-	407,961
Distribution to minority partner (Note 22)	-	-	-	-	-	(180,222)	(180,222)
Net income (loss)	-	-	-	(1,544,711)	(1,544,711)	196,483	(1,348,228)
Other comprehensive income (loss)	-	-	-	82,750	82,750	-	82,750
Balance,							
September 30, 2022	19,012,228	30,447,488	2,250,172	(4,334,312)	28,363,348	(65,978)	28,297,370
Distribution to minority partner (Note 22)	-	-	-	-	-	(122,518)	(122,518)
Net income (loss)	-	-	-	(9,262,244)	(9,262,244)	78,077	(9,184,167)
Other comprehensive income (loss)	-	-	-	25,124	25,124	-	25,124
Balance,							
September 30, 2023	19,012,228	30,447,488	2,250,172	(13,571,432)	19,126,228	(110,419)	19,015,809

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

Unisync Corp.

Consolidated statements of cash flows

Years ended September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

	2023	2022
	\$	\$
Operating activities		
Net loss	(9,184,167)	(1,348,228)
Adjustments for:		
Interest expense (Notes 11,12, 13)	3,487,042	1,733,002
Income tax expense (recovery) (Note 16)	(3,261,614)	102,356
Income taxes paid	(55,424)	(122,278)
Depreciation and amortization (Notes 7,8,9)	4,871,806	4,024,002
Gain from sale of New Jersey division (Note 19)	(334,602)	-
Share-based payment (Note 15(c))	-	407,961
	(4,476,959)	4,796,815
Changes in non-cash working capital items		
Trade and other receivables	87,678	(1,547,068)
Inventory	1,046,517	(19,991,199)
Prepaid expenses and deposits	(369,196)	1,646,968
Trade payables and accrued liabilities	3,353,634	7,699,666
Deferred revenue	(2,962,595)	4,312,663
Net cash used in operating activities	(3,320,921)	(3,082,155)
Investing activities		
Proceeds from sale of New Jersey division (Note 19)	1,523,650	-
Purchase of property, plant and equipment (Note 7)	(918,620)	(238,667)
Purchase of intangible assets (Note 9)	(334,102)	(443,697)
Net cash from/used(in) investing activities	270,928	(682,364)
Financing activities		
Draw down of operating loan (Note 11)	353,029	6,736,198
Mortgage loan advances (Note 11)	7,450,000	-
Mortgage loan repayments (Note 11)	(281,613)	(245,035)
Repayment of lease liabilities (Note 12)	(2,088,770)	(1,697,706)
Mortgage loan financing costs (Note 11)	(100,539)	-
Interest and processing fees paid	(2,435,415)	(1,133,894)
Distributions to minority partner	(122,518)	(180,222)
Proceeds on exercise of stock options (Note 15(c))	-	43,750
Net cash from financing activities	2,774,174	3,523,091
Effect of foreign exchange rates	180,720	63,233
Net cash inflows (outflows)	(95,099)	(178,195)
Cash, beginning of year	97,261	275,456
Cash, end of year	2,162	97,261

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

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(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 under the symbol “UNI” and on the OTCQX under the symbol “USYNF”.

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, 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. During the year ended September 30, 2023, Utility Garments Inc. (“Utility”) of Saint-Laurent, Quebec was amalgamated with Unisync Group Limited to continue as 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, Ontario, Vancouver, British Columbia 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 October 1, 2022.

The consolidated financial statements were approved by the Company’s Board of Directors and authorized for issue on December 29, 2023.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(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 basis except for the following items in the consolidated statements of financial position:

- inventories which are carried at the net realizable value.
- identifiable assets acquired and liabilities assumed in connection with a business combination which are initially measured at fair value.
- share-based payment arrangements which are measured at fair value at grant date pursuant to IFRS2, Share-based payment.

(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 minority partner holds a 10% interest in Peerless. The due to minority partner amount 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 amount recognized in equity represents the minority partner's share of Peerless' net loss and comprehensive loss 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 loss.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

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 loss and the consolidated statements of comprehensive loss are translated at average exchange rates.
- (iii) All resulting exchange differences are recognised in other comprehensive income.

(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 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.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

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.

(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 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 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 loss.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

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.

(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, over 5 - 7 years for computer software and over 5 years for standards certification, which is the estimated useful life of the assets.

(k) *Leases*

A right-of-use asset and a corresponding lease liability are recognized at the date a leased asset is available for use by the Company. The right-of-use asset is initially measured based on the initial amount of the lease liability. The lease liability is initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate is used to calculate present value. The lease term determined by the Company is comprised of the non-cancellable period of the lease contract, as well as options to terminate or extend the lease term if the exercise of either option is reasonably certain.

Right-of-use assets are subsequently measured at cost less depreciation on a straight-line basis and reduced to reflect impairment losses (if any) and adjusted for any remeasurement of the lease liability. After the lease commencement date, lease liabilities are measured at amortized cost using the effective interest method, which increases the liability amount to reflect interest on the lease liability, reduces the liability carrying amount to reflect lease payments made and also reflects any remeasurement or lease modifications. If a remeasurement to the lease liability is deemed necessary, a corresponding adjustment is also made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Company leases IT equipment for use by staff. 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 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.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(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 CGU 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.

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. The Peerless and GP business is recognized as a CGU for impairment testing since it is a uniform manufacturing business operated under local management with separate information systems. The Carleton, Omega and Utility businesses are uniform distribution businesses that have similar economic and qualitative characteristics and have been integrated with the business of Unisync Group Limited to be aggregated as one CGU for impairment testing for the year ended September 30, 2023.

(m) Provisions

Provisions for restructuring costs and legal claims, where applicable, are recognized when the Company has a legal 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 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, 2023 and September 30, 2022

(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

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.

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 loss. All other financial liabilities are measured at amortized cost using the effective interest method. The Company currently classifies trade accounts payable and accrued liabilities, operating and mortgage loans debt bearing interest at variable and fixed rates, long term lease liabilities and amount due to minority interest as financial liabilities measured at amortized cost.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

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

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 and other 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 provisions for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and expensed in the consolidated statement of loss. Trade accounts receivable are presented net of provisions for doubtful accounts.

3. Changes in accounting standards

None.

4. Accounting standards issued but not yet applied

The following amendments to standards have been issued by the International Accounting Standards Board (“IASB”) and are applicable to the Company for its annual periods beginning on and after October 1, 2023:

IFRS 16 Leases

Amendments to IFRS 16, issued in September 2022, add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from contracts with customers to be accounted for as a sale.

The amendments are effective for transactions for annual reporting periods beginning on or after January 1, 2024. The Company is currently assessing the impact of these amendments on its consolidated financial statements. The Company expects to apply the amendments for its consolidated financial statements dated September 30, 2025.

IAS 1 Presentation of Financial Statements

Amendments to IAS 1, issued in January 2020, provide clarification on the requirements for classifying liabilities as either current or non-current.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing the impact of these amendments on its consolidated financial statements. The Company expects to apply the amendments for its consolidated financial statements dated September 30, 2024.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

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

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

Amendments to IAS 1 and IFRS Practice Statement 2, issued in February 2021, help entities provide accounting policy disclosures that are more useful to primary users of financial statements by replacing the requirement to disclose “significant” accounting policies with a requirement to disclose “material” accounting policies and providing guidance to explain and demonstrate the application of the four step materiality process to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after January 1, 2023 and are required to be applied prospectively. The Company is currently assessing the impact of these amendments on its consolidated financial statements. The Company expects to apply the amendments for its consolidated financial statements dated September 30, 2024.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8, issued in February 2021, introduce a new definition of “accounting estimates” to replace the definition of “change in accounting estimates” and also include clarification intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

The Company intends to adopt these amendments in its fiscal years in which the amendments are effective.

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 judgment 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.

Going Concern

The determination if the Company has the ability to continue as a going concern is dependent on its ability to achieve profitable operations. There is an assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Certain judgments are made by management when determining if and when the Company will return to profitable operations.

While its revenues have grown since its 2018 fiscal year, the Company has incurred losses because of the costs associated with the consolidation and restructuring of its acquisitions in Canada, the pursuit of Canadian government contracts, entry into the US market and the implementation of a new ERP system. In addition, in the fiscal years from 2020 to 2022, the COVID-19 pandemic significantly impacted the Company’s customers in the hospitality and travel sectors. Following the pandemic, the Company has absorbed the inflationary effect of higher product, labour and borrowing costs as customer contract pricing adjustments lag these cost increases. The Company believes that, based on its forecasts and its initiatives to adjust customer pricing, resource offshore production to lower cost locations and its initiatives to reduce expenditures, it will be able to continue as a going concern for the foreseeable future.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

5. Critical accounting estimates and judgments (continued)

Impact of Rising Interest Rates

The impact of the current environment of rising interest rates and economic uncertainty can be far reaching and difficult to predict and may potentially impact the Company's ability to continue as a going concern. Interest rates can affect many areas within the consolidated financial statements, including accounting estimates, concentration risks, impairment assessments, borrowing costs, debt covenants, and more.

The Company's operating loans with variable rates of interest may be faced with higher repayments because of increased interest rates and may be unable to meet immediate future repayments. The Company's fixed rate mortgage loans may be subject to higher interest rates at the expiry of the current fixed rate periods on the facilities, meaning higher repayments in the future. Although a significant portion of the Company's accounts receivables are insured and/or with government entities, rising interest rates may also result in expectations of increased credit losses.

These risks have been considered when forecasting future cash flows. The Company has taken steps to improve its cash flows through the sale of its non-core New Jersey division, the restructuring of its Canadian distribution and sewing operations, the resourcing of offshore production to lower cost locations and the negotiation of customer contract pricing to respond to the inflationary post pandemic and higher interest rate environment.

(a) *Trade and other receivables*

The Company maintains an allowance for doubtful accounts to reflect an impairment risk for trade accounts receivable based on an expected credit loss model which factors in changes in credit quality since the initial recognition of trade accounts receivable based on customer risk types (insured and non-receivables, government receivables). Expected credit losses are also provided for based on collection history and specific risks identified on a customer-by-customer basis.

(b) *Inventory*

The Company determines the carrying 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 15). 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.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

5. Critical accounting estimates and judgments (continued)

(e) 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 of disposal, using discounted cash flows expected to be derived from the tangible and intangible asset, and the appropriate discount rate. During the years ended September 30, 2023 and September 30, 2022, the Company's tangible and intangible assets were determined to not be impaired.

(f) 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, 2023 and September 30, 2022, the Company's goodwill was determined to not be impaired.

6. Inventory

	2023	2022
	\$	\$
Raw materials	3,977,236	5,164,470
Work in process	1,351,963	2,265,511
Finished goods	44,433,099	43,360,211
Raw materials and finished goods in-transit	4,017,291	5,408,607
	53,779,589	56,198,799

Cost of inventories recognized as an expense during the year ended September 30, 2023 amount to \$70,950,911 (2022 - \$54,969,485). During the year ended September 30, 2023, inventory was written down by \$5,760,206 (2022 - \$341,566). The carrying amount of inventory recorded at net realizable value at September 30, 2023 was \$1,769,352 (2022 - \$nil), with the remaining inventory recorded at cost.

Unisync Corp.

Notes to the consolidated financial statements September 30, 2023 and September 30, 2022 (Expressed in Canadian dollars)

7. Property, plant and equipment

	September 30, 2023							
	Land	Buildings	Warehouse and manufacturing equipment	Computer equipment	Office furnishings and equipment	Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>								
Balance at September 30, 2022	2,622,730	5,047,257	2,071,546	1,022,787	443,586	115,938	2,038,597	13,362,441
Additions	-	3,100	17,685	41,338	-	-	856,497	918,620
Disposals	-	-	(173,156)	(50,882)	(4,882)	-	(76,877)	(305,797)
Effect of foreign exchange rates	-	-	(1,693)	(213)	(615)	-	(2,556)	(5,077)
Balance at September 30, 2023	2,622,730	5,050,357	1,914,382	1,013,030	438,089	115,938	2,815,661	13,970,187
<i>Accumulated depreciation</i>								
Balance at September 30, 2022	-	1,230,039	1,461,848	771,939	275,736	113,759	1,114,256	4,967,577
Depreciation	-	179,533	82,551	73,017	43,685	854	400,999	780,639
Disposals	-	-	(91,775)	(27,917)	(2,521)	-	(39,720)	(161,933)
Effect of foreign exchange rates	-	-	(2,610)	(7)	(215)	-	(1,162)	(3,994)
Balance at September 30, 2023	-	1,409,572	1,450,014	817,032	316,685	114,613	1,474,373	5,582,289
<i>Net carrying amount</i>								
At September 30, 2023	2,622,730	3,640,785	464,368	195,998	121,404	1,325	1,341,288	8,387,898

	September 30, 2022							
	Land	Buildings	Warehouse and manufacturing equipment	Computer equipment	Office furnishings and equipment	Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Cost</i>								
Balance at September 30, 2021	2,622,730	5,022,933	1,993,916	999,976	404,835	115,938	1,915,672	13,076,000
Additions	-	24,324	56,679	18,129	35,230	-	104,305	238,667
Effect of foreign exchange rates	-	-	20,951	4,682	3,521	-	18,620	47,774
Balance at September 30, 2022	2,622,730	5,047,257	2,071,546	1,022,787	443,586	115,938	2,038,597	13,362,441
<i>Accumulated depreciation</i>								
Balance at September 30, 2021	-	1,049,226	1,313,636	712,526	218,423	118,928	776,472	4,189,211
Depreciation	-	180,813	137,873	54,277	55,575	(5,169)	328,595	751,964
Effect of foreign exchange rates	-	-	10,339	5,136	1,738	-	9,189	26,402
Balance at September 30, 2022	-	1,230,039	1,461,848	771,939	275,736	113,759	1,114,256	4,967,577
<i>Net carrying amount</i>								
At September 30, 2022	2,622,730	3,817,218	609,698	250,848	167,850	2,179	924,341	8,394,864

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

8. Right of use assets

	2023	2022
	\$	\$
<i>Cost</i>		
Balance at September 30, 2022 and September 30, 2021	12,350,188	12,207,704
Right of use leases added	7,998,693	-
Right of use leases terminated	(831,984)	
Effect of foreign exchange rates	55,653	142,484
Balance at September 30, 2023 and September 30, 2022	19,572,550	12,350,188
<i>Accumulated depreciation</i>		
Balance at September 30, 2022 and September 30, 2021	4,357,514	2,802,894
Right of use leases terminated	(624,221)	
Depreciation	1,841,713	1,463,225
Effect of foreign exchange rates	44,743	91,395
Balance at September 30, 2023 and September 30, 2022	5,619,749	4,357,514
<i>Net carrying amount</i>		
At September 30, 2023 and September 30, 2022	13,952,801	7,992,674

The Company's right of use assets are for its distribution, sales, and administrative facilities. On December 1, 2022, the Company entered into a lease of a 40,561 square foot facility in Guelph, Ontario for a new satellite distribution centre to its existing Guelph facility. On August 29, 2023, the Company extended the expiry of the term of its lease in Henderson, Nevada from May 31, 2024 to May 31, 2029 and reduced the rental area from 43,305 square feet to 29,136 square feet. The existing Henderson, Nevada right of use lease will be depreciated until its expiry on May 31, 2024 and the lease extension has been recorded as a right of use addition at its net present value at September 30, 2023.

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

9. Intangible assets

	2023			
	\$			
	Computer software	Customer relationships from Utility acquisition	Standards certification	Total
<i>Cost</i>				
Balance at September 30, 2022	7,079,275	7,195,285	74,143	14,348,703
Additions	334,102	-	-	334,102
Effect of foreign exchange rates	(1,610)	-	-	(1,610)
Balance at September 30, 2023	7,411,767	7,195,285	74,143	14,681,195
<i>Accumulated amortization</i>				
Balance at September 30, 2022	3,680,446	3,286,254	63,691	7,030,391
Depreciation	1,407,464	839,783	2,207	2,249,454
Effect of foreign exchange rates	(610)	-	-	(610)
Balance at September 30, 2023	5,087,300	4,126,037	65,898	9,279,235
<i>Net carrying amount</i>				
At September 30, 2023	2,324,467	3,069,248	8,245	5,401,960
	2022			
	\$			
	Computer software	Intangible assets from Utility acquisition	Standards certification	Total
<i>Cost</i>				
Balance at September 30, 2021	6,638,272	7,195,285	63,137	13,896,694
Additions	432,691	-	11,006	443,697
Effect of foreign exchange rates	8,312	-	-	8,312
Balance at September 30, 2022	7,079,275	7,195,285	74,143	14,348,703
<i>Accumulated amortization</i>				
Balance at September 30, 2021	2,665,937	2,519,352	57,851	5,243,140
Depreciation	1,014,005	766,902	5,840	1,786,747
Effect of foreign exchange rates	504	-	-	504
Balance at September 30, 2022	3,680,446	3,286,254	63,691	7,030,391
<i>Net carrying amount</i>				
At September 30, 2022	3,398,829	3,909,031	10,452	7,318,312

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

10. Goodwill

	2023	2022
	\$	\$
<i>Cost</i>		
Peerless and GP	2,586,000	2,586,000
Carleton	305,049	305,049
Omega	342,893	342,893
Utility	3,150,855	3,150,855
	6,384,797	6,384,797

For the year ended September 30, 2023 and the year ended September 30, 2022, the Company assessed the goodwill of each CGU for impairment based on its value-in-use. To determine value-in-use, the Company used the 2024 budget plan and 2025, 2026 and 2027 forecasts as approved by the Board of Directors for each of the CGUs and then prepared forecasts for the year ended 2028 using an estimated long term revenue and variable cost growth rate of 3% (September 30, 2022 – 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 carrying amount of goodwill attributed to each CGU was not impaired at September 30, 2023.

11. Loan facilities

	2023	2022
	\$	\$
Operating loan (a)	26,109,074	25,756,045
Current portion of mortgage loan (b)	16,683,772	281,613
Mortgage loan (b)	-	9,326,615
	42,792,846	35,364,273

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

	2023	2022
	\$	\$
Balance at September 30, 2023 and September 30, 2022	35,364,273	28,866,850
Drawdown of operating loan	353,029	6,736,198
Proceeds from mortgage loans	7,450,000	-
Repayment of mortgage loans	(281,613)	(245,035)
Mortgage loans financing costs	(100,539)	-
Amortization of mortgage loans financing costs	7,696	6,260
	42,792,846	35,364,273

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

11. Loan facilities (continued)

- (a) The Company has established two operating loan facilities totalling \$24,000,000 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, 2023, combined drawings under the operating loan facilities were \$26,109,074 (2022 - \$25,756,045). 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 1.0%. During the year ended September 30, 2023, the Company incurred interest expense of \$1,953,719 (2022 - \$763,399) on borrowings under its operating loan facilities. In addition, the Company has a \$2,000,000 letter of guarantee facility, an unutilized foreign exchange loan facility to purchase foreign exchange contracts up to an aggregate of USD18,000,000, a \$200,000 credit card facility and an unutilized \$19,000,000 interest rate swap facility. Security for the loan facilities include a second 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, 2023, the Company was not in compliance with the working capital ratio and the debt service coverage ratio covenants (Note 25). It expects to receive a waiver of the breach of these covenants from its bank.
- (b) On July 26, 2021, the Company established two mortgage loan facilities with the Business Development Bank of Canada ("BDC") in amounts of \$3,880,000 (the "Peerless" mortgage loan) and \$6,120,000 (the "Utility" mortgage loan) secured by first mortgages over the land and buildings, by general security agreements and inter-company guarantees. The BDC mortgage loans were used to repay outstanding balances under existing term loans facilities and to repay postponed shareholder advances. Advances under the Peerless and Utility mortgage loans bear interest at a fixed rate of 4.10% until May 1, 2026 following which the interest rate will be adjusted to the BDC's fixed rate then in effect. The Peerless mortgage loan is repayable in blended monthly instalments of principal and interest of \$23,717 that began on November 1, 2021 over a 240 month term. The Utility mortgage loan is repayable in blended monthly instalments of principal and interest of \$32,642 that began on November 1, 2021 over a 300 month term. Following an updated appraisal of the Company's land and buildings in Saint-Laurent, Quebec, the BDC increased the Utility mortgage loan by \$7,450,000 on August 18, 2023. This additional Utility financing is repayable in blended monthly instalments of principal and interest of \$51,708 commencing on August 1, 2024 for a term of 25 years at a fixed interest rate of 6.7% for the first five years, following which the interest rate will adjusted to the BDC's fixed rate then in effect. Proceeds from this additional Utility financing were used to repay shareholder advances of \$2,171,564 (note 13) and to reduce operating loan advances. During the year ended September 30, 2023, the Company recorded interest expense of \$462,907 (2022 - \$374,919) on borrowings under its BDC mortgage loans. As at September 30, 2023, the Company was not in compliance with the fixed charge coverage ratio covenant (Note 25) for which it expects to receive a waiver from the BDC and has recorded these mortgage loans as a current liability on the consolidated statement of financial position at September 30, 2023.

Unisync Corp.

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12. Lease liabilities

	2023	2022
	\$	\$
Balance at September 30, 2022 and September 30, 2021	9,934,987	10,979,093
Leases added	7,998,693	-
Leases terminated	(177,490)	-
Repayment of lease liabilities	(2,088,770)	(1,697,706)
Interest accretion	807,159	594,684
Effect of foreign exchange rates	(20,637)	58,916
Balance at September 30, 2023 and September 30, 2022	16,453,942	9,934,987
Less current portion of long term lease liabilities	1,575,249	1,222,736
	14,878,693	8,712,251

During the year ended September 30, 2023, the Company accreted interest expense of \$807,159 (2022 - \$594,684) on its long-term lease liabilities. The discount rate for the leases added was 5.39% for the new Guelph, Ontario distribution facility and 6.24% for the Henderson, Nevada extension as described in note 8.

13. Shareholder advances

The Company received shareholder advances of \$2,000,000 in November 2022 that were repaid in August 2023 with the proceeds of the increase in the Utility mortgage loan described in note 11 (b). The advances bore interest at 12% per annum, calculated monthly in arrears and payable quarterly in arrears. The advances were also subject to processing fees of 1.5% for each quarterly period that the advances were outstanding and payable quarterly when the accrued interest is paid. During the year ended September 30, 2023, the Company recorded interest and processing fees of \$263,257 (2022 - \$nil) on the shareholder advances to interest expense.

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 to purchase the 10% interest in Peerless held by the minority partner 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. On September 30, 2021, the minority partner agreed to defer payment of the put option until October 15, 2022. As at September 30, 2023, the Company is in negotiations with the minority partner to extend the payment date of the put option.

Unisync Corp.

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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, 2021	18,987,228	30,389,749
Shares issued on exercise of stock options (Note 15 (d))	25,000	57,739
Balance, September 30, 2022	19,012,228	30,447,488
Balance, September 30, 2023	19,012,228	30,447,488

(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 March 15, 2022, 500,000 were granted for a term of five years of which 350,000 stock options vest over five years annually in arrears from the date in which they were granted and 150,000 stock options vest over three years annually in arrears from the date in which they were granted.

On April 3, 2023, 300,000 stock options were granted for a term of five years and vest over three years annually in arrears from the date in which they were granted.

On September 6, 2023, 160,000 stock options were granted for a term of five years and vest over five 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, 2023 was \$308,349 (2022 - \$505,015).

During the year ended September 30, 2023, nil options (2022 - 25,000) were exercised at a weighted average exercise price of \$nil (2022 - \$1.75) and 160,000 options were forfeited (2022 - 700,000).

The following table summarizes stock option transactions during the year:

	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	1,515,000	2.20	1,740,000	2.13
Granted during the year	460,000	2.00	500,000	2.90
Exercised during the year	-	-	(25,000)	1.75
Forfeited during the year	(160,000)	2.99	(700,000)	2.56
Outstanding, end of year	1,815,000	2.08	1,515,000	2.20

The following table summarizes information about stock options outstanding and exercisable at September 30, 2023:

Unisync Corp.

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(Expressed in Canadian dollars)

15. Capital stock (continued)

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	\$		\$
\$2.90	420,000	3.45	2.90	120,000	2.90
\$2.00	460,000	4.66	2.00	-	-
\$1.75	935,000	2.07	1.75	427,333	1.75
\$1.75 to \$2.90	1,815,000	3.05	2.08	547,333	2.00

As at September 30, 2023, 547,333 options (2022 - 287,667) were exercisable with a weighted average exercise price of \$2.00 (2022 - \$2.05) per share.

Based on the above vesting schedule, a stock option compensation expense of \$334,279 was determined for the year but due to a carry over forfeitures true-up, an expense of \$nil was recognized for the year ended September 30, 2023 (2022 - \$407,961). 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:

	2023	2022
Expected dividend	\$ -	\$ -
Expected volatility	83.7%	85.9%
Weighted average risk free interest rate	1.5%	1.0%
Weighted average remaining life in years	3.0	3.4
Weighted average forfeiture rate	2.4%	3.0%

Unisync Corp.

Notes to the consolidated financial statements

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(Expressed in Canadian dollars)

15. Capital stock (continued)

(d) Earnings per share

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

	2023	2022
	\$	\$
Numerator		
Net loss		
attributable to Unisync Corp. shareholders	(9,262,244)	(1,544,711)
Denominator		
Weighted average common shares outstanding - basic	19,012,228	19,010,516
Effect of dilutive securities	45,878	11,473
Weighted average common shares outstanding - diluted	19,058,106	19,021,989
Net loss per common share		
attributable to Unisync Corp. shareholders		
Basic	(0.49)	(0.08)
Diluted	(0.49)	(0.08)

16. 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:

	2023	2022
	\$	\$
Income tax expense (recovery)	-	(5,377)
Deferred tax expense (recovery)	(3,261,614)	107,733
Income tax expense (recovery)	(3,261,614)	102,356

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

	2023	2022
	\$	\$
Net loss before income taxes	(12,445,781)	(1,245,872)
Tax rate	26.5%	26.5%
	(3,296,709)	(330,014)
Taxes attributable to minority partner	(20,561)	(51,611)
True-ups	51,893	368,968
Permanent differences	3,763	115,013
Income tax expense (recovery)	(3,261,614)	102,356

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

16. Income taxes (continued)

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

	2023	2022
	\$	\$
Deferred tax assets		
Available non-capital losses and other tax deductions	7,143,312	3,995,973
Deferred tax liabilities		
Property, plant and equipment	(1,813,090)	(1,927,364)
	5,330,222	2,068,609

The Company has non-capital losses of approximately \$21,723,000 (2022 - \$12,540,000) 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 \$5,865,000 (2022 - \$3,386,000) that is included in the deferred tax asset balance at September 30, 2023. 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, 2023 for the upcoming fiscal year.

17. Expenses by nature

	2023	2022
	\$	\$
Direct expenses:		
Materials	67,797,408	49,819,883
Wages and benefits	11,564,616	10,354,329
Delivery	7,717,784	6,193,409
Rent, utilities and other property costs	2,396,966	1,891,700
Subcontract fees	859,207	4,122,093
Insurance	464	2,042
Other	393,558	383,554
	90,730,003	72,767,010
General and administrative expenses:		
Wages and benefits	9,734,793	11,184,927
Data services, system maintenance, telecommunications and software licenses	2,347,066	2,691,314
Legal, bank, insurance and professional services	2,094,949	1,845,625
Advertising, marketing and other promotion costs	511,374	406,658
Rent, utilities and other property costs	340,453	421,431
Other	1,328,781	2,070,708
	16,357,416	18,620,663

18. Restructuring expense

In August 2023, the Company announced that the closure of its Carleton Place, Ontario and its St. Laurent, Quebec based distribution and small-lot product manufacturing and embellishment facilities and the consolidation of those activities at its main distribution centre in Guelph, Ontario. The restructuring was completed in November 2023 and resulted in a charge for employee severance costs, legal fees, the Carleton Place lease termination, and inventory relocation costs in a total amount of \$933,927(2022 - \$nil).

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

19. Sale of New Jersey division

In December 2022, the Company sold its New Jersey based hospitality business and assets (consisting of inventory, prepaid deposits, equipment, and goodwill less deferred revenue) operated under the trade name Red the Uniform Tailor for \$2,079,926. The sales proceeds were received in the form of cash of \$1,401,876 at closing and a \$542,440 promissory note to be paid in four equal consecutive semi-annual payments commencing six (6) months following the closing. The current portion of the outstanding balance of the promissory note of \$270,400 is included in trade and other receivables and the long term portion of \$135,200 is separately disclosed on the consolidated statement of financial position at September 30, 2023. A gain of \$334,602 was recorded on the sale.

20. Commitments and contingencies

- (a) At September 30, 2023, the Company had \$1,485,500 (2022 - \$1,485,500) 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, 2023.

21. Economic dependence

During the year ended September 30, 2023, revenue from the Canadian military and other Canadian governmental agencies accounted for 6% of total revenue (2022 - 15%) and revenue from two airline industry customers accounted for 34% of total revenue (2022 - 24%). As of September 30, 2023, 3.6% (2022 - 3.4%) of trade receivables were from the Canadian military and other Canadian governmental agencies and 26.3% (2022 - 22.3%) of trade receivables were from two airline industry customers.

22. Related party transactions

The Company paid subcontract fees of \$nil (2022 - \$508,943) to a garment manufacturing company owned by a member of the Board of Directors.

Of the shareholder advances described in Note 13, \$1,800,000 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 \$246,101 were expensed (2022 - \$nil) on these related party shareholder advances.

The Company paid rent of \$29,268 (2022 - \$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 expensed \$nil (2022 - \$52,264) 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 \$78,077 (2022 - \$196,483) and a distribution of \$122,518 (2022 - \$180,222).

23. Key management personnel

	2023	2022
	\$	\$
Salaries and wages	1,936,466	2,442,191
Share-based payment	-	309,910
	1,936,466	2,752,101

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

Unisync Corp.

Notes to the consolidated financial statements

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24. 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 operating loan 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 \$267,000 (2022 - \$227,000) change to current year interest expense.

(b) Credit risk

The Company's principal financial assets subject to credit risk are cash, trade and other receivables and the promissory note described in note 19. The carrying amounts of these 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, 2023, 3.6% (2022 - 3.4%) of trade receivables were from the Government of Canada and 39.4% (2022 – 68.6%) 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 consolidated statement of financial position are net of a loss provision 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:

	2023	2022
	\$	\$
Not past due	11,473,103	10,202,364
Past due 1-30 days	1,362,757	2,601,261
Past due 31-60 days	401,797	513,700
Past due > 60 days	(82,590)	70,397
	13,155,067	13,387,722
Provision for doubtful accounts	(104,541)	(114,318)
	13,050,526	13,273,404

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24. 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. The following table presents a maturity analysis based on contractual maturity date of the Company's financial liabilities. The amounts are the contractual undiscounted cash flows.

					2023
	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	15,934,241	-	-	-	15,934,241
Operating loan	26,109,074	-	-	-	26,109,074
Mortgage loans	1,201,897	3,890,443	2,593,628	22,445,495	30,131,463
Long-term lease liabilities	2,475,842	7,999,978	5,284,257	5,345,766	21,105,843
Due to minority partner	1,500,000	-	-	-	1,500,000

					2022
	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Trade payables and accrued liabilities	12,580,607	-	-	-	12,580,607
Operating loan	25,756,045	-	-	-	25,756,045
Mortgage loans	676,314	2,028,941	1,352,628	10,815,215	14,873,098
Long-term lease liabilities	1,816,413	4,453,189	2,860,746	3,911,865	13,042,213
Due to minority partner	1,500,000	-	-	-	1,500,000

Unisync Corp.

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(Expressed in Canadian dollars)

24. Financial instruments (continued)

(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 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.

	2023	2022
	\$	\$
Trade and other receivables	3,080,723	2,004,496
Operating loan	13,389,267	13,959,964
Trade payables and accrued liabilities	337,369	3,463,835
Deferred revenue	13,449,163	8,464,320

A 1% depreciation or appreciation in the Canadian dollar against the US dollar on the above amounts, assuming all other variables remained the same, would have resulted in an increase or decrease in foreign exchange gain (loss) of \$56,469 (2022 - \$86,911) recognized in the consolidated statements of loss and a cumulative translation adjustment of \$184,482 (2022 - \$151,925) in the Company's consolidated statements of comprehensive loss.

(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.

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.

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

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. The fair value of Level 2 and Level 3 items listed in the table below is based on the present value of contractual cash flows, discounted at the Company's current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, market rates.

as at September 30, 2023	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	-	2,162	-	2,162	-	-
Trade and other receivables	-	13,050,526	-	-	13,050,526	-
Cash surrender value of life insurance policy	-	86,601	-	-	-	86,601
	-	13,139,289	-	2,162	13,050,526	86,601
Financial liabilities						
Operating loan	-	26,109,074	-	-	26,109,074	-
Trade payables and accrued liabilities	-	15,934,241	-	-	15,934,241	-
Mortgage loans	-	16,683,772	-	-	16,683,772	-
Due to minority partner	-	1,500,000	-	-	1,500,000	-
	-	60,227,087	-	-	60,227,087	-

as at September 30, 2022	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	-	97,261	-	97,261	-	-
Trade and other receivables	-	13,273,404	-	-	13,273,404	-
Cash surrender value of life insurance policy	-	86,601	-	-	-	86,601
	-	13,457,266	-	97,261	13,273,404	86,601
Financial liabilities						
Operating loan	-	25,756,045	-	-	25,756,045	-
Trade payables and accrued liabilities	-	12,580,607	-	-	12,580,607	-
Current and long-term mortgage loans	-	9,608,228	-	-	9,608,228	-
Due to minority partner	-	1,500,000	-	-	1,500,000	-
	-	49,444,880	-	-	49,444,880	-

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25. 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 agreement (Note 11 (a)), 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, 2023, the Company was in compliance with covenant (i) and expected to receive a forbearance from the bank for its default of covenants (ii) and (iii) for the year ended September 30, 2023. As at September 30, 2022, the Company was in compliance with covenants (ii) and (iii) and received a forbearance from the bank for its default of covenant (i) for the year ended September 30, 2022.

Under the terms of its mortgage loan agreement (Note 11 (b)), the Company must satisfy the following restrictive covenant as to a minimum financial ratio as follows:

- (i) The debt service coverage ratio of cash flow from operations to debt obligations must be greater than 1.10:1.

As at September 30, 2023, the Company expected to receive a forbearance from the BDC for its default of its covenant for the year ended September 30, 2023.

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26. 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 net 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.

	2023			
	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
	\$	\$	\$	\$
Revenue	11,482,428	92,373,217	(255,834)	103,599,811
Direct expenses	9,371,083	81,614,754	(255,834)	90,730,003
General and administrative expenses	1,139,351	14,565,395	652,670	16,357,416
Depreciation and amortization	43,152	4,390,836	437,818	4,871,806
	928,842	(8,197,768)	(1,090,488)	(8,359,414)
Interest expense	148,074	3,075,711	263,257	3,487,042
Restructuring expense	-	933,927	-	933,927
Gain on sale of New Jersey division	-	(334,602)	-	(334,602)
Share based payment	-	-	-	-
Net loss before income taxes	780,768	(10,938,877)	(1,353,745)	(12,445,781)
Capital expenditures on property, plant and equipment	-	918,620	-	918,620
Capital expenditures on intangible assets	-	334,102	-	334,102
Total assets	9,054,555	84,663,876	15,702,340	109,420,771
Property, plant and equipment	2,556,613	5,831,285	-	8,387,898
Right of use assets	-	13,952,801	-	13,952,801
Intangible assets	-	5,401,960	-	5,401,960
Goodwill	2,586,000	3,798,797	-	6,384,797
Liabilities, excluding due to minority partner	4,993,636	83,911,326	-	88,904,962

Unisync Corp.

Notes to the consolidated financial statements

September 30, 2023 and September 30, 2022

(Expressed in Canadian dollars)

26. Segmented information (continued)

				2022
	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
	\$	\$	\$	\$
Revenue	15,430,888	81,418,621	(542,743)	96,306,766
Direct expenses	12,020,065	61,289,688	(542,743)	72,767,010
General and administrative expenses	1,295,213	16,177,196	1,148,254	18,620,663
Depreciation and amortization	50,373	3,534,589	439,040	4,024,002
	2,065,237	417,148	(1,587,294)	895,091
Interest expense	100,404	1,632,598	-	1,733,002
Share based payment	-	-	407,961	407,961
Net loss before income taxes	1,964,833	(1,215,450)	(1,995,255)	(1,245,872)
Capital expenditures on property, plant and equipment	4,350	234,317	-	238,667
Capital expenditures on intangible assets	-	443,697	-	443,697
Total assets	10,401,095	81,789,802	12,172,868	104,363,765
Property, plant and equipment	2,609,588	5,785,276	-	8,394,864
Right of use assets	-	7,992,674	-	7,992,674
Intangible assets	-	7,318,312	-	7,318,312
Goodwill	2,586,000	3,798,797	-	6,384,797
Liabilities, excluding due to minority partner	5,897,004	68,669,391	-	74,566,395

The Company operates in two geographic segments as follows:

	2023	2022
	\$	\$
Revenue		
Canada	85,633,561	76,631,921
United States of America	17,966,250	19,674,845
	103,599,811	96,306,766
Total assets		
Canada	94,077,793	93,727,037
United States of America	15,342,978	10,636,728
	109,420,771	104,363,765