



**UNISYNC CORP.
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Unisync Corp.

September 30, 2024

Table of contents

Independent Auditor’s Report.....2

Consolidated statements of loss6

Consolidated statements of comprehensive loss7

Consolidated statements of financial position8

Consolidated statements of changes in equity.....9

Consolidated statements of cash flows10

Notes to the consolidated financial statements.....11-33

To the Shareholders of Unisync Corp.:

Opinion

We have audited the consolidated financial statements of Unisync Corp. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at September 30, 2024 and September 30, 2023, 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 material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2024 and September 30, 2023, 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 Group 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 consolidated financial statements. The Group has recorded goodwill of \$6,384,797 as of September 30, 2024. 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 Group'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 Group'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 Group's impairment model, which included:
 - Evaluating the reasonableness of the discount rates by comparing the Group'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 Group has recorded a deferred tax asset of \$7,761,117 as of September 30, 2024. 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 Group 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 Group's ability to accurately estimate future taxable income by comparing actual results to the Group'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 Group;
 - Assessing the carry forward period and sufficiency over which the Group 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 Group'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 Group'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 Group 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 Group 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 12, 2024

MNP LLP

Chartered Professional Accountants

Unisync Corp.
Consolidated Statements of Loss
(Expressed in Canadian dollars)

	Year Ended September 30	
	2024	2023
Revenue	\$ 89,836,325	\$ 103,599,811
Direct expenses (Note 17)	72,459,664	90,730,003
General and administrative expenses (Note 17)	14,004,650	16,357,416
Depreciation and amortization (Notes 7,8,9)	5,354,678	4,871,806
	(1,982,667)	(8,359,414)
Interest expense (Notes 11,12,13)	3,777,209	3,487,042
Restructuring expense (Note 18)	846,676	933,927
Gain on sale of New Jersey division (Note 19)	-	(334,602)
Net loss before income taxes	(6,606,552)	(12,445,781)
Income tax recovery (Note 16)	(2,058,277)	(3,261,614)
Net loss	(4,548,275)	(9,184,167)
Attributable to		
Unisync Corp. shareholders	(4,666,663)	(9,262,244)
Minority partner	118,388	78,077
	(4,548,275)	(9,184,167)
Net loss per share attributable to Unisync Corp. shareholders		
Basic	(0.25)	(0.49)
Diluted	(0.25)	(0.49)
Weighted average number of shares - basic (Note 15 (d))	19,012,228	19,012,228
Diluted weighted average number of shares outstanding - diluted (Note 15 (d))	19,012,228	19,058,106

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

Unisync Corp.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended September 30	
	2024	2023
Net loss for the year	\$ (4,548,275)	\$ (9,184,167)
Other comprehensive income (loss), net of taxes:		
items that maybe reclassified to net income or loss		
Foreign currency translation differences for foreign operations	(27,469)	25,124
Total Comprehensive loss for the year	\$ (4,575,744)	\$ (9,159,043)
Attributable to		
Unisync Corp. shareholders	(4,694,132)	(9,237,120)
Minority partner	118,388	78,077
Total Comprehensive loss for the year	\$ (4,575,744)	\$ (9,159,043)

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

Unisync Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	September 30, 2024		September 30, 2023	
ASSETS				
Current				
Cash	\$	791,019	\$	2,162
Trade and other receivables		11,976,349		13,050,526
Inventory (Note 6)		42,741,189		53,779,589
Prepaid expenses and deposits		1,873,801		2,909,015
		57,382,358		69,741,292
Cash surrender value of life insurance policy		-		86,601
Note receivable		-		135,200
Property, plant and equipment (Note 7)		7,562,063		8,387,898
Right of use assets (Note 8)		12,022,373		13,952,801
Deferred tax asset (Note 16)		7,761,117		5,330,222
Intangible assets (Note 9)		2,953,954		5,401,960
Goodwill (Note 10)		6,384,797		6,384,797
TOTAL ASSETS	\$	94,066,662	\$	109,420,771
LIABILITIES				
Current				
Operating loan (Note 11)	\$	23,151,129	\$	26,109,074
Trade payables and accrued liabilities		14,542,414		15,934,241
Deferred revenue		9,463,160		13,723,933
Mortgage loans (Note 11)		16,382,810		16,683,772
Current portion of long-term lease liabilities (Note 12)		1,670,985		1,575,249
Due to minority partner (Note 14)		1,249,500		1,500,000
		66,459,998		75,526,269
Long-term lease liabilities (Note 12)		13,274,094		14,878,693
TOTAL LIABILITIES	\$	79,734,092	\$	90,404,962
EQUITY				
Share capital (Note 15)		30,447,488		30,447,488
Share-based payments reserve		2,250,172		2,250,172
Deficit		(18,265,564)		(13,571,432)
Equity attributable to Unisync Corp. shareholders		14,432,096		19,126,228
Deficit attributable to minority partner		(99,526)		(110,419)
TOTAL EQUITY	\$	14,332,570	\$	19,015,809
TOTAL LIABILITIES & EQUITY	\$	94,066,662	\$	109,420,771

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 form an integral part of these consolidated financial statements.

Unisync Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Equity attributable to equity holders of the Company						
	Number of Shares	Share Capital (\$)	Share-based Payments		Total (\$)	Minority Interest (\$)	Total Equity (\$)
			Reserve (\$)	Deficit (\$)			
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	-	-	-	-	-	(122,518)	(122,518)
Net income (loss) for the year	-	-	-	(9,262,244)	(9,262,244)	78,077	(9,184,167)
Other comprehensive 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
Distribution to minority partner	-	-	-	-	-	(107,495)	(107,495)
Net income (loss) for the year	-	-	-	(4,666,663)	(4,666,663)	118,388	(4,548,275)
Other comprehensive loss	-	-	-	(27,469)	(27,469)	-	(27,469)
Balance, September 30, 2024	19,012,228	30,447,488	2,250,172	(18,265,564)	14,432,096	(99,526)	14,332,570

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

Unisync Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended September 30	
	2024	2023
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the year	\$ (4,548,275)	\$ (9,184,167)
Items not affecting cash:		
Interest expense (Notes 11,12,13)	3,777,209	3,487,042
Income tax recovery (Note 16)	(2,058,277)	(3,261,614)
Income taxes paid	-	(55,424)
Depreciation and amortization (Notes 7,8,9)	5,354,678	4,871,806
Gain from sale of New Jersey division (note 19)	-	(334,602)
	2,525,335	(4,476,959)
Changes in non-cash working capital items:		
Trade and other receivables	1,209,377	87,678
Inventory	11,038,400	1,046,517
Prepaid expenses and deposits	1,035,214	(369,196)
Trade payables and accrued liabilities	(1,761,577)	3,353,634
Deferred revenue	(4,260,773)	(2,962,595)
Net cash from/(used in) operating activities	\$ 9,785,976	\$ (3,320,921)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(136,561)	(918,620)
Purchase of intangible assets	(13,670)	(334,102)
Proceeds from cash surrender value of life insurance policy	86,601	-
Proceeds from sale of New Jersey division (Note 19)	-	1,523,650
Net cash from/(used in) investing activities	\$ (63,630)	\$ 270,928
FINANCING ACTIVITIES		
Increase (decrease) in operating loan (Note 11)	(2,957,945)	353,029
Mortgage loans repayments (Note 11)	(312,415)	(281,613)
Mortgage loan financing costs (Note 11)	-	(100,539)
Mortgage loan advances (Note 11)	-	7,450,000
Repayment of lease liabilities (Note 12)	(2,343,666)	(2,088,770)
Repayment to minority partner (Note 14)	(250,500)	-
Interest paid	(2,929,358)	(2,435,415)
Distributions to minority partner (Note 22)	(107,495)	(122,518)
Net cash from/(used in) financing activities	\$ (8,901,379)	\$ 2,774,174
Effects of foreign exchange rates on cash	(32,110)	180,720
INCREASE IN CASH	788,857	(95,099)
CASH, BEGINNING OF YEAR	2,162	97,261
CASH, END OF YEAR	\$ 791,019	\$ 2,162

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

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 OTC under the symbol “USYNF”.

The Company operates in two main business segments. The Peerless segment includes the Company’s 91.67% 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, 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, 2023.

The consolidated financial statements were approved by the Company’s Board of Directors and authorized for issue on December 12, 2024.

2. Material 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.
- 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 accompanying notes form an integral part of these consolidated financial statements.

2. Material accounting policies (continued)

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 8.33% 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.

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.

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

2. Material accounting policies (continued)

(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.

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.

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

2. Material accounting policies (continued)

(i) Property, plant and equipment

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

Repairs and maintenance are charged to the 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.

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.

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

2. Material accounting policies (continued)

(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. 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 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.

(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 Garments LP in 2010, the acquisitions of Carleton and Omega in 2015 and the acquisition of Utility in 2018. The Peerless Garments LP 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, 2024 and 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.

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

2. Material accounting policies (continued)

(n) Share-based payment

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

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

(o) Share capital

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

(p) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(q) Financial instruments

Financial assets are classified into three measurement categories on initial recognition: (i) measured at 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

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

2. Material accounting policies (continued)

- (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 payables and accrued liabilities, operating and mortgage loans, and amount due to minority partner as financial liabilities measured at amortized cost. Cash, note receivable and trade and other receivables are classified as financial assets measured at amortized cost.

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

The following amendments to accounting standards became effective for annual periods beginning on October 1, 2023. The adoption of these revised standards by the Company did not have a material impact on its consolidated financial statements.

IAS 8 Accounting Policies, changes in accounting estimates and errors contains a narrow scope of amendments to improve accounting policy disclosures and to distinguish changes in accounting estimates from changes in accounting policies.

IAS 12 Income taxes was amended by IASB to require companies to recognize deferred tax on transactions that, on initial recognition, give rise to amounts of taxable and deductible temporary differences.

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

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, 2024:

IAS 1 Presentation of Financial

Amendments to IAS 1 issued in October 2022, clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect the classification of a liability as current or non-current at the reporting date. Conversely, covenants that an entity is required to comply with on or before the reporting date would affect the classification as current or noncurrent, even if the covenant is only assessed after the entity’s reporting date. The amendment introduces additional disclosure requirements when noncurrent liabilities from loan arrangements are subject to future covenants, in which the additional information disclosed will assist in understanding the risk that those noncurrent liabilities could become repayable within twelve months after the reporting date. The additional disclosures include: the carrying amount of the liability, information about the covenants, and facts and circumstances, if any that indicate the entity may have difficulty complying with the covenants.

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments

Amendments to IAS 7 and IFRS 7 issued in May 2023, introduces new disclosure requirements to enhance transparency and the usefulness of the information provided by entities about supplier finance arrangements on their liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual periods beginning on or after January 1, 2024 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 for the year ended September 30, 2025.

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, and retracted in the current 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

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

5. Critical accounting estimates and judgments (continued)

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.

Impact of Rising Interest Rates

The impact 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, right sizing the organization, 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.

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.

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.

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.

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

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

5. Critical accounting estimates and judgments (continued)

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.

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, 2024 and September 30, 2023, the Company's tangible and intangible assets were determined to not be impaired.

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, 2024 and September 30, 2023, the Company's goodwill was determined to not be impaired (Note 10)

6. Inventory

	September 30, 2024	September 30 2023
Raw Materials	\$ 5,086,156	\$ 3,977,236
Work in Progress	895,797	1,351,963
Finished goods	34,483,776	44,433,099
Raw materials and finished goods in-transit	2,275,460	4,017,291
	\$ 42,741,189	\$ 53,779,589

Cost of inventories recognized as an expense during the year ended September 30, 2024, amounted to \$56,317,608 (2023 - \$70,950,911). In addition, \$2,544,445 included in cost of inventories was related to increased inbound freight costs that the Company incurred in prior years and was expensed in the current year. During the year ended September 30, 2024, inventory was written down by \$87,049 (2023- \$5,760,206). The carrying amount of inventory recorded at net realizable value at September 30, 2024, was \$nil (September 30 2023 – \$1,769,352), with the remaining inventory recorded at cost.

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

Unisync Corp.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

7. Property, plant and equipment

Cost	Warehouse and Manufacturing			Office		Leashold		Total
	Land	Buildings	Equipment	Computer Equipment	Furnishings & Equipment	Vehicles	Improvements	
Balance, 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)
Foreign currency translation adjustment	-	-	(1,693)	(213)	(615)	-	(2,556)	(5,077)
Balance, 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
Additions	-	-	107,858	-	3,939	-	24,764	136,561
Disposals	-	-	-	-	-	(28,313)	-	(28,313)
Foreign currency translation adjustment	-	-	(190)	(24)	(69)	-	(287)	(570)
Balance, September 30, 2024	\$ 2,622,730	\$ 5,050,357	\$ 2,022,050	\$ 1,013,006	\$ 441,959	\$ 87,625	\$ 2,840,138	\$ 14,077,865
Accumulated Depreciation								
Balance, 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)
Foreign currency translation adjustment	-	-	(2,610)	(7)	(215)	-	(1,162)	(3,994)
Balance, September 30, 2023	\$ -	\$ 1,409,572	\$ 1,450,014	\$ 817,032	\$ 316,685	\$ 114,613	\$ 1,474,373	\$ 5,582,289
Depreciation	-	177,136	77,480	92,803	33,409	811	580,978	962,617
Disposals	-	-	-	-	-	(28,313)	-	(28,313)
Foreign currency translation adjustment	-	-	(192)	(35)	(70)	-	(494)	(791)
Balance, September 30, 2024	\$ -	\$ 1,586,708	\$ 1,527,302	\$ 909,800	\$ 350,024	\$ 87,111	\$ 2,054,857	\$ 6,515,802
Carrying Value								
At September 30, 2023	\$ 2,622,730	\$ 3,640,785	\$ 464,368	\$ 195,998	\$ 121,404	\$ 1,325	\$ 1,341,288	\$ 8,387,898
At September 30, 2024	\$ 2,622,730	\$ 3,463,649	\$ 494,748	\$ 103,206	\$ 91,935	\$ 514	\$ 785,281	\$ 7,562,063

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

Unisync Corp.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

8. Right of use assets

Cost	
Balance September 30, 2022	12,350,188
Right of use leases added	7,998,693
Right of use leases terminated	(831,984)
Foreign currency translation adjustment	55,653
Balance, September 30, 2023	\$ 19,572,550
Foreign currency translation adjustment	(6,595)
Balance, September 30, 2024	\$ 19,565,955
Accumulated Depreciation	
Balance September 30, 2022	4,357,514
Right of use leases terminated	(624,221)
Depreciation	1,841,713
Foreign currency translation adjustment	44,743
Balance, September 30, 2023	\$ 5,619,749
Depreciation	1,930,269
Foreign currency translation adjustment	(6,436)
Balance, September 30, 2024	\$ 7,543,582
Net Carrying Value, September 30, 2023	\$ 13,952,801
Net Carrying Value, September 30, 2024	\$ 12,022,373

The Company's right of use leases 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.

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

Unisync Corp.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

9. Intangible assets

Cost		Computer Software	Customer relationships from Utility acquisition	Standards Certification		Total
Balance, September 30, 2022	\$	7,079,275	\$ 7,195,285	\$ 74,143	\$	14,348,703
Additions		334,102	-	-		334,102
Foreign currency translation adjustment		(1,610)	-	-		(1,610)
Balance, September 30, 2023	\$	7,411,767	\$ 7,195,285	\$ 74,143	\$	14,681,195
Additions		13,670	-	-		13,670
Foreign currency translation adjustment		(181)	-	-		(181)
Balance, September 30, 2024	\$	7,425,256	\$ 7,195,285	\$ 74,143	\$	14,694,684

Accumulated Amortization

Balance, September 30, 2022	\$	3,680,446	\$ 3,286,254	\$ 63,691	\$	7,030,391
Amortization		1,407,464	839,783	2,207		2,249,454
Foreign currency translation adjustment		(610)	-	-		(610)
Balance, September 30, 2023	\$	5,087,300	\$ 4,126,037	\$ 65,898	\$	9,279,235
Amortization		1,619,807	839,784	2,201		2,461,792
Foreign currency translation adjustment		(297)	-	-		(297)
Balance, September 30, 2024	\$	6,706,810	\$ 4,965,821	\$ 68,099	\$	11,740,730

Carrying Value

At September 30, 2023	\$	2,324,467	\$ 3,069,248	\$ 8,245	\$	5,401,960
At September 30, 2024	\$	718,446	\$ 2,229,464	\$ 6,044	\$	2,953,954

10. Goodwill

		September 30, 2024	September 30, 2023
Cost			
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, 2024 and the year ended September 30, 2023, 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 2025 budget plan and 2026, 2027 and 2028 forecasts as approved by the Board of Directors for each of the CGUs and then prepared forecasts for the year ended 2029 using an estimated long term revenue and variable cost growth rate of 3% (September 30, 2023 – 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, 2024.

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

Unisync Corp.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

11. Mortgage and operating loan facilities

	September 30, 2024	September 30, 2023
Operating loan	\$ 23,151,129	\$ 26,109,074
Mortgage loan	16,382,810	16,683,772
	39,533,939	42,792,846

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

Balance, September 30, 2022	\$ 9,608,228
Drawdown of mortgage loans	7,450,000
Repayment of mortgage loans	(281,613)
Mortgage loan financing costs	(100,539)
Amortization of mortgage loan financing fees	7,696
Balance, September 30, 2023	16,683,772
Repayment of mortgage loans	(312,415)
Amortization of mortgage loan financing fees	11,453
Balance, September 30, 2024	16,382,810

- a) The Company has established two operating loan facilities totalling \$24,000,000 with a Canadian chartered bank and a loan facility of USD 5,000,000 with the United States affiliate of the Canadian chartered bank to finance its working capital requirements. Borrowings under the \$24,000,000 loan facility is subject to normal margining requirements that limit borrowings to acceptable accounts receivable and inventory. The USD5,000,000 loan facility is non-revolving and secured by a letter of guarantee from Export Development Canada. As at September 30, 2024, combined drawings under the operating loan facilities were \$23,151,129 (September 30, 2023 - \$26,109,074). The borrowings under the operating loan facilities are available by way of prime rate advances, CORRA or SOFR advances. Prime rate advances under the operating loan facilities bear interest at bank prime rate plus 1.25%. During the year ended September 30, 2024, the Company incurred interest expense of \$2,051,331 (2023 - \$1,953,719) on borrowings under its operating loan facilities. In addition, the Company has a \$2,000,000 letter of guarantee facility (see Note 20(a)), 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, 2024, the Company was not in compliance with 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. 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 be adjusted to the BDC's fixed

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

11. Mortgage and operating loan facilities (continued)

rate then in effect. Proceeds from this additional Utility financing were used to repay shareholder advances in the prior year and to reduce operating loan advances. During the year ended September 30, 2024, the Company recorded interest expense of \$889,480 (2023 - \$462,907) on borrowings under its BDC mortgage loans. As at September 30, 2024, the Company was not in compliance with the fixed charge coverage ratio (Note 25) for which it expects to receive a waiver from BDC and has recorded these mortgages as current liability on the consolidated financial position at September 30, 2024.

12. Lease liabilities

Balance September 30, 2022	\$	9,934,987
Lease additions		7,998,693
Leases terminated		(177,490)
Repayment of lease liabilities		(2,088,770)
Interest accretion		807,159
Foreign currency translation adjustment		(20,637)
Balance, September 30, 2023	\$	16,453,942
Repayment of lease liabilities		(2,343,666)
Interest accretion		836,398
Foreign currency translation adjustment		(1,596)
Balance, September 30, 2024	\$	14,945,079
Less: current portion of long-term lease liabilities		1,670,985
Balance, September 30, 2024	\$	13,274,094

During the year ended September 30, 2024, the Company accreted interest expense of \$836,398 (2023 - \$807,159) on its long-term lease liabilities. The discount rate for the leases added in the prior fiscal year 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, 2024, the Company recorded interest and processing fees of \$nil (2023 - \$263,257) 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. During the year ended September 30, 2024, the Company paid \$250,500 under the put option which reduced the minority partners interest to 8.33%. The Company is working in co-operation with the minority partner to effect the balance of payment under the put option as it is financially viable to do so.

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

Unisync Corp.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

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 Common Shares	Amount
Balance, September 30, 2023	19,012,228 \$	30,447,488
Balance, September 30, 2024	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 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.

On June 17, 2024, 100,000 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.

On September 3, 2024, 25,000 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 options granted during the year ended September 30, 2024 was \$73,727 (2023 - \$308,349).

During the year ended September 30, 2024, nil options were exercised (2023 – nil), and 625,000 options were forfeited (2023 – 160,000)

The following table summarizes stock option transactions during the year:

	<u>Year ended September 30, 2024</u>		<u>Year ended September 30, 2023</u>	
	Number of	Weighted	Number of	Weighted
	options	Average	options	Average
		Exercise Price		Exercise Price
Balance, beginning of year	1,815,000 \$	2.08	1,515,000 \$	2.20
Granted	125,000	2.00	460,000	2.00
Forfeited	(625,000)	2.03	(160,000)	2.99
Balance, end of year	1,315,000 \$	2.09	1,815,000 \$	2.08

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

Unisync Corp.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

15. Capital stock (continued)

The following table summarizes the information about stock options outstanding and exercisable at September 30, 2024:

Range of exercise prices	Number of outstanding options	Weighted Average remaining life	Weighted Average Exercise Price	Number of exercisable options	Weighted Average Exercise Price of exercisable options
\$2.90	300,000	2.45 \$	2.9 \$	160,000 \$	2.90
\$2.00	430,000	3.85	2.0	91,000	2.00
\$1.75	585,000	1.07	1.8	351,000	1.75
\$ 1.75 to \$2.90	1,315,000	2.33 \$	2.09 \$	602,000 \$	2.09

As at September 30, 2024, 602,000 options were exercisable with a weighted average exercise price of \$2.09 (2023 - \$2.00) per share.

Based on the vesting schedule, a stock option compensation expense of \$179,429 was determined for the year, but due to a carry over forfeitures true-up, a stock option compensation expense of \$nil was recognized for the year ended September 30, 2024 (2023 - \$nil). 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:

	Year ended September 30	
	2024	2023
Expected dividend	-	-
Expected volatility	88.5%	83.7%
Weighted average risk free interest rate	3.3%	1.5%
Expected life	5.0	3.0
Weighted average forfeiture rate	5.0%	2.4%

(d) Earnings per share

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

	Year ended September 30	
	2024	2023
Net loss attributable to Unisync Corp. shareholders	\$ (4,666,663) \$	(9,262,244)
Weighted average common shares outstanding - basic	19,012,228	19,012,228
Effect of dilutive securities	-	45,878
Weighted average common shares outstanding - diluted	19,012,228	19,058,106
Net loss per common share attributable to Unisync Corp. shareholders		
Basic	\$ (0.25) \$	(0.49)
Diluted	\$ (0.25) \$	(0.49)

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

Unisync Corp.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

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:

	Year ended September 30	
	2024	2023
Income tax expense	\$ 369,753	\$ -
Deferred tax recovery	(2,428,030)	(3,261,614)
Income tax recovery	\$ (2,058,277)	\$ (3,261,614)

The tax on the Company's net income (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:

	Year ended September 30	
	2024	2023
Net loss before income taxes	\$ (6,606,552)	\$ (12,445,781)
Tax rate	26.5%	26.5%
	(1,750,736)	(3,296,709)
Taxes attributable to minority partner	(25,839)	(20,561)
True-ups	(131,903)	51,893
Permanent differences	(149,800)	3,763
Income tax recovery	\$ (2,058,277)	\$ (3,261,614)

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

	Year ended September 30	
	2024	2023
Deferred tax assets		
Available non-capital losses and other tax deductions	8,423,831	\$ 7,143,312
Deferred tax liabilities		
Property, plant and equipment	(662,714)	(1,813,090)
	7,761,117	5,330,222

The Company has non-capital losses of approximately \$22,307,669 (September 30, 2023 - \$21,723,000) 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 \$5,957,771 (September 30, 2023 - \$5,865,000) that is included in the deferred tax asset balance at September 30, 2024. 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, 2024 for the upcoming fiscal year.

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

Unisync Corp.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

16. Income taxes (continued)

The Canadian Revenue Agency (“CRA”) issued Notices of Reassessment for taxation years 2019 through 2021 on the Company’s subsidiary Unisync Group Limited (“UGL”) as a result of miscommunications between the CRA and the Company. Notwithstanding reported losses in each of the years, the Reassessments disallowed all of the cost of materials and the majority of operating expenses resulting in a reassessment totalling \$18.1 million including interest and penalties. UGL has filed its Notice of Objection and has submitted all of the outstanding support material requested by the CRA Audit Division, which is currently under review by CRA. Management believes that there will be no material tax liability remaining once the review process is completed, however, it is not possible at this stage to predict the outcome or provide a reasonable estimate of the amount of any reassessment. A such, no provision was recognized at September 30, 2024.

17. Expenses by nature

	Year ended September 30	
	2024	2023
Direct expenses:		
Materials	\$ 53,712,499	\$ 67,797,408
Wages and benefits	8,729,548	11,564,616
Delivery	6,017,082	7,717,784
Rent, utilities and other property costs	2,197,117	2,396,966
Subcontract fees	1,671,281	859,207
Insurance	3,782	464
Other	128,355	393,558
	\$ 72,459,664	\$ 90,730,003
General and administrative expenses:		
Wages and benefits	\$ 8,157,156	\$ 9,734,793
Data services, system maintenance, telecommunications and software licenses	1,991,086	2,347,066
Legal, bank, insurance and professional services	1,942,978	2,094,949
Rent, utilities and other property costs	550,766	340,453
Advertising, marketing and other promotion costs	155,987	511,374
Other	1,206,677	1,328,781
	\$ 14,004,650	\$ 16,357,416

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 for the year ended September 30, 2023. Additional severance costs incurred related to the above described restructuring resulted in a further expense of \$846,676 for the year-ended September 30, 2024

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

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, resulting in a gain of \$334,602. 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 \$135,000 (2023- \$270,400) is included in trade and other receivables and the long term portion of nil (2023- \$135,200) is separately disclosed on the consolidated statement of financial position at September 30, 2024.

20. Commitments and contingencies

- (a) At September 30, 2024, the Company had \$1,485,500 (September 30, 2023 - \$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 or recovery for these claims was recorded as of June 30, 2024 (September 30, 2023 - \$nil).

21. Economic dependence

During the year ended September 30, 2024, revenue from the Canadian military and other Canadian governmental agencies accounted for 10% of total revenue (2023 - 15%), and revenue from two airline industry customers accounted for 37% of total revenue (2023 - 34%).

22. Related party transactions

Of the shareholder advances described in Note 12, \$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 \$nil were expensed (2023 - \$246,101) on these related party shareholder advances. The shareholder advances were repaid in the prior year.

The Company paid rent of \$29,268 (2023 - \$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's minority partner in the Peerless segment, a member of management, received an income allocation of \$118,388 (2023 - \$78,077) and a distribution of \$107,495 (2023 - \$122,518).

23. Key management personnel

Key management personnel are the Company's officers and directors. During the year ended September 30, 2024, the company paid salaries and wages amounting to \$1,454,914 (2023 - \$1,936,466).

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 \$248,000 (2023 - \$267,000) 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, 2024, 5.2% (2023 - 3.6%) of trade receivables were from the Government of Canada and 59.2% (2023 - 39.4%) 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:

	September 30, 2024	September 30, 2023
Not past due	\$ 9,468,167	\$ 11,473,103
Past due 1-30 days	1,713,247	1,362,757
Past due 31-60 days	163,510	401,797
Past due > 60 days	764,539	(82,590)
	12,109,463	13,155,067
Provision for doubtful accounts	(133,114)	(104,541)
	\$ 11,976,349	\$ 13,050,526

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

Unisync Corp.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

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.

September 30, 2024	Less 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Trade payables and					
accrued liabilities	\$ 14,542,414	\$ -	\$ -	\$ -	\$ 14,542,414
Operating loan	23,151,129	-	-	-	23,151,129
Mortgage loans	1,296,814	3,890,443	2,590,065	21,769,181	29,546,503
Long-term lease liabilities	2,495,027	7,977,216	4,663,466	3,093,358	18,229,066
Due to minority partner	1,249,500	-	-	-	1,249,500
September 30, 2023	Less 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	1,500,000.00	-	-	-	1,500,000

(d) *Currency risk*

The Company may undertake sales and purchase transactions in foreign currencies, and therefore is subject to gains or losses due to foreign currency fluctuations. The 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.

	September 30, 2024	September 30, 2023
Trade and other receivables	\$ 3,701,947	\$ 3,080,723
Operating loan	20,222,354	13,389,267
Trade payables and accrued liabilities	12,598,212	337,369
Deferred revenue	8,718,714	13,449,163

A 1% depreciation or appreciation in the Canadian dollar against the United States 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 \$192,710 (2023 - \$56,469) recognized in the consolidated statements of loss and a cumulative translation adjustment of \$185,664 (2023 - \$184,482) in the Company's consolidated statements of comprehensive loss.

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

Unisync Corp.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

24. Financial Instruments (continued)

(e) *Fair value*

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

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

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

Level 3 – Inputs that are not based on observable market data.

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

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

September 30, 2024	Amortized cost	Level 1	Level 2	Level 3
Financial assets				
Cash	\$ 791,019	\$ 791,019	\$ -	\$ -
Trade and other receivables	11,976,349	-	11,976,349	-
	\$ 12,767,368	\$ 791,019	\$ 11,976,349	\$ -
Financial liabilities				
Operating loan	\$ 23,151,129	\$ -	\$ 23,151,129	\$ -
Trade payables and accrued liabilities	14,542,414	-	14,542,414	-
Mortgage loans	16,382,810	-	16,382,810	-
Due to minority partner	1,249,500	-	1,249,500	-
	\$ 55,325,853	\$ -	\$ 55,325,853	\$ -
September 30, 2023				
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	\$ -

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

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, 2024, 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, 2024. As at September 30, 2023, the Company was in compliance with covenants (i) and had received a forbearance from the bank for its default of covenant (ii) and (iii) for the year ended September 30, 2023.

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, 2024, the Company expected to receive a forbearance from the BDC for its default of its covenant for the year ended September 30, 2024.

Unisync Corp.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

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

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

Year ended September 30, 2024

	Peerless	UGL	Eliminations adjustments and corporate expenses	Total
Revenue	\$ 10,044,088	\$ 80,420,037	\$ (627,800)	\$ 89,836,325
Direct expenses	7,342,224	65,745,240	(627,800)	72,459,664
General and administrative expenses	1,410,738	11,937,889	656,023	14,004,650
Depreciation and amortization	36,946	4,880,664	437,068	5,354,678
	\$ 1,254,180	\$ (2,143,756)	\$ (1,093,091)	\$ (1,982,667)
Restructuring expense	-	846,676	-	846,676
Interest expense	94,348	3,682,861	-	3,777,209
Net income (loss) before income taxes	\$ 1,159,832	\$ (6,673,293)	\$ (1,093,091)	\$ (6,606,552)
Capital expenditures on property, plant and equipment	-	(136,561)	-	(136,561)
Capital expenditures on intangible assets	-	(13,670)	-	(13,670)
Total assets	\$ 8,844,242	\$ 70,150,893	\$ 15,071,527	\$ 94,066,662
Property, plant and equipment	782,563	6,779,500	-	7,562,063
Right of use assets	-	12,022,373	-	12,022,373
Intangible assets	-	2,953,954	-	2,953,954
Goodwill	2,586,000	3,798,797	-	6,384,797
Liabilities, excluding due to minority partner	4,576,341	73,908,251	-	78,484,592

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

Unisync Corp.
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

26. Segmented information (continued)

Year ended September 30, 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)
Net income (loss) before income taxes	\$ 780,768	\$ (11,872,804)	\$ (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

The Company operates in two geographic segments as follows:

	Year ended September 30	
	2024	2023
Revenue		
Canada	\$ 70,798,760	\$ 85,633,561
United States of America	19,037,565	17,966,250
	\$ 89,836,325	\$ 103,599,811
Total assets		
Canada	78,867,404	94,077,793
United States of America	15,199,258	15,342,978
	\$ 94,066,662	\$ 109,420,771

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