Consolidated financial statements of

Unisync Corp.

September 30, 2021 and 2020

Unisync Corp.
September 30, 2021 and 2020

Table of contents

Independent Auditor's Report

To the Shareholders of Unisync Corp.:

Opinion

We have audited the consolidated financial statements of Unisync Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2021 and September 30, 2020, and the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2021 and September 30, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

Impairment Analysis of Goodwill

Key Audit Matter Description

We draw attention to Notes 2(l) and 10 to the consolidated financial statements. The Company has recorded goodwill of $6,384,797 as of September 30, 2021. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. In determining the estimated recoverable amounts using a discounted cash flow model, the Company's significant assumptions include future cash flows based on expected revenues from contracts, long-term growth rates, estimated costs of production and the discount rate.

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

Audit Response

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

- Tested management's key assumptions, including a 'retrospective review' to compare management's assumptions in prior year expected future cash flows to the actual results to assess the Company's budgeting process.
- Evaluated the reasonableness of key assumptions in the impairment model, including future cash flows based on expected revenues from contracts, long-term growth rates, estimated costs of production and the discount rate.
- Verified the mathematical accuracy of management's impairment model and supporting calculations.
- With the assistance of internal valuation specialists, we evaluated the reasonableness of the Company's impairment model, which included:
  - Evaluating the reasonableness of the discount rates by comparing the Company's weighted average cost of capital against publicly available market data; and
  - Developing a range of independent estimates and comparing those to the discount rate selected by management.
- Assessed the appropriateness of 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 Assets

Key Audit Matter Description

We draw attention to Notes 2(f) and 17 to the consolidated financial statements. The Company has recorded a deferred tax asset of $2,176,342 as of September 30, 2021. Management has estimated the income tax provision and deferred income tax balances in accordance with its interpretation of the various income tax laws and regulations and has estimated the recoverability of deferred tax balances. Deferred tax assets, including those arising from tax loss carryforwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize tax losses recognized as deferred tax assets. Assumptions about the generation of future taxable profits depend on management's 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 related to future taxable income and the determination of the probability that the deferred income tax assets will be realized. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated future taxable income by:
  - Evaluated the Company's ability to accurately estimate future taxable income by comparing actual results to the Company's historical estimates.
  - Assessed 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.
  - Evaluated 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:

- Assessed the existing temporary differences available for future utilization to evaluate deferred income tax assets available to the Company.
  - Assessed the carryforward period and sufficiency over which the Company expects to utilize the underlying future tax deductions against future taxable income before they expire.
  - Evaluated whether the taxable income in historical periods was of the appropriate character and available under the tax law.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the recognition of deferred tax assets in the notes to the consolidated financial statements.

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

MNP LLP

Vancouver, British Columbia
December 23, 2021

Chartered Professional Accountants

Unisync Corp.

Consolidated statements of income (loss)
Years ended September 30, 2021 and September 30, 2020

(Expressed in Canadian dollars)

	2021	2020
	$	$
Revenue	**86,285,179**	93,103,296
Direct expenses (Note 18)	**66,678,240**	72,247,767
General and administrative expenses (Note 18)	**16,471,300**	16,372,961
Depreciation and amortization (Notes 7,8,9)	**3,810,190**	3,256,373
	(674,551)	1,226,195
Interest expense (Notes 11,12,13)	**2,182,737**	2,570,970
Share-based payment (Note 15 (d))	**424,596**	79,232
Net income (loss) before income taxes	**(3,281,884)**	(1,424,007)
Income tax expense (recovery) (Note 17)	**(705,316)**	(419,200)
Net income (loss)	**(2,576,568)**	(1,004,807)
Attributable to		
Unisync Corp. shareholders	**(2,829,887)**	(1,264,116)
Minority partner	**253,319**	259,309
	(2,576,568)	(1,004,807)
Net income (loss) per share attributable to Unisync Corp. shareholders		
Basic	**(0.15)**	(0.07)
Diluted	**(0.15)**	(0.07)
Weighted average number of shares - basic (Note 15 (e))	**18,931,886**	18,384,911
Weighted number of shares outstanding - diluted (Note 15 (e))	**18,931,886**	18,642,041

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

Unisync Corp.

Consolidated statements of comprehensive income (loss)
Years ended September 30, 2021 and September 30, 2020

(Expressed in Canadian dollars)

	2021	2020
	$	$
Net income (loss)	**(2,576,568)**	(1,004,807)
Items that may be reclassified subsequently to income or loss		
Other comprehensive income (loss), net of taxes		
Currency translation adjustment	**19,367**	(25,869)
Comprehensive income (loss)	**(2,557,201)**	(1,030,676)
Attributable to		
Unisync Corp. shareholders	**(2,810,520)**	(1,289,985)
Minority partner	**253,319**	259,309
	(2,557,201)	(1,030,676)

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

Unisync Corp.
Consolidated statements of financial position
As at September 30, 2021 and September 30, 2020
(Expressed in Canadian dollars)

	September 30, 2021	September 30, 2020
	$	$
Assets		
Current assets		
Cash	**275,456**	221,593
Trade and other receivables (Note 23 (b))	**11,726,336**	8,660,066
Inventory (Note 6)	**36,207,600**	39,484,788
Prepaid expenses and deposits	**4,195,412**	4,897,156
	52,404,804	53,263,603
Non-current assets		
Cash surrender value of life insurance policy	**86,601**	86,601
Property, plant and equipment (Note 7)	**8,886,789**	9,127,662
Right of use assets (Note 8)	**9,404,810**	7,817,862
Deferred tax asset (Note 17)	**2,176,342**	1,165,169
Intangible assets (Note 9)	**8,675,620**	9,315,620
Goodwill (Note 10)	**6,384,797**	6,384,797
	88,019,763	87,161,314
Liabilities		
Current liabilities		
Operating loan (Note 11)	**19,019,847**	23,187,044
Trade payables and accrued liabilities	**5,008,596**	3,859,724
Deferred revenue	**12,373,865**	8,261,453
Current portion of mortage loans (Note 11)	**245,035**	-
Current portion of term loans (Note 11)	**-**	1,143,000
Current portion of long-term lease liabilities (Note 12)	**1,067,147**	1,289,127
Shareholder advances (Note 13)	**-**	4,488,981
Due to minority partner (Note 14)	**-**	1,500,000
	37,714,490	43,729,329
Non-current liabilities		
Mortgage loans	**9,601,968**	-
Term loans (Note 11)	**-**	4,681,798
Long-term lease liabilities (Note 12)	**9,911,946**	7,578,302
Due to minority partner (Note 14)	**1,500,000**	-
	58,728,404	55,989,429
Commitments and contingencies (Note 19)		
Equity		
Share capital (Note 15)	**30,389,749**	29,589,432
Share-based payment reserve	**1,856,200**	1,674,421
Retained earnings (deficit)	**(2,872,351)**	(61,831)
Equity attributable to Unisync Corp. shareholders	**29,373,598**	31,202,022
Deficit attributable to minority partner	**(82,239)**	(30,137)
	29,291,359	31,171,885
	88,019,763	87,161,314

Approved by the Board

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

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

Unisync Corp.

Consolidated statements of changes in equity
Years ended September 30, 2021 and September 30, 2020

(Expressed in Canadian dollars)

	Capital stock		Share-based payment reserve	Retained earnings (deficit)	Equity attributable to Unisync Corp. shareholders	Deficit attributable to minority partner	Total equity
	Shares	Amount					
		$	$	$	$	$	$
Balance, as previously reported							
September 30, 2019	**17,637,525**	**26,441,993**	**1,688,744**	**1,855,948**	**29,986,685**	**(53,728)**	**29,932,957**
Transition adjustments							
IFRS 16 (Note 2 (k))	-	-	-	(627,794)	(627,794)	-	(627,794)
Restated balance,							
September 30, 2019	**17,637,525**	**26,441,993**	**1,688,744**	**1,228,154**	**29,358,891**	**(53,728)**	**29,305,163**
Common shares issued (Note 15 (c))	924,703	2,835,134	-	-	2,835,134	-	2,835,134
Shares issued on exercise of							
stock options (Note 15 (d))	125,000	312,305	(93,555)	-	218,750	-	218,750
Share-based payment	-	-	79,232	-	79,232	-	79,232
Distribution to							
minority partner (Note 21)	-	-	-	-	-	(235,718)	(235,718)
Net income (loss)	-	-	-	(1,264,116)	(1,264,116)	259,309	(1,004,807)
Other comprehensive income (loss)	-	-	-	(25,869)	(25,869)	-	(25,869)
Balance,							
September 30, 2020	**18,687,228**	**29,589,432**	**1,674,421**	**(61,831)**	**31,202,022**	**(30,137)**	**31,171,885**
Common shares issued (Note 15 (c))			-	-	-	-	-
Shares issued on exercise of							
stock options (Note 15 (d))	300,000	800,317	(242,817)	-	557,500	-	557,500
Share-based payment	-	-	424,596	-	424,596	-	424,596
Distribution to							
minority partner (Note 21)	-	-	-	-	-	(305,421)	(305,421)
Net income (loss)	-	-	-	(2,829,887)	(2,829,887)	253,319	(2,576,568)
Other comprehensive income (loss)	-	-	-	19,367	19,367	-	19,367
Balance,							
September 30, 2021	**18,987,228**	**30,389,749**	**1,856,200**	**(2,872,351)**	**29,373,598**	**(82,239)**	**29,291,359**

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

Unisync Corp.

Consolidated statements of cash flows
Years ended September 30, 2021 and September 30, 2020
(Expressed in Canadian dollars)

	2021	2020
	$	$
Operating activities		
Net income (loss)	**(2,576,568)**	(1,004,807)
Adjustments for:		
Interest expense (Notes 11,12,13)	**2,182,737**	2,570,970
Income tax expense (recovery) (Note 17)	**(705,316)**	(419,200)
Income taxes recovered (paid)	**(141,498)**	46,226
Depreciation and amortization (Notes 7,8,9)	**3,810,190**	3,256,373
Increase in cash surrender value of life insurance policy	**-**	(1,198)
Share-based payment (Note 15(d))	**424,596**	79,232
	2,994,141	4,527,596
Changes in non-cash w orking capital items		
Trade and other receivables	**(3,066,270)**	2,576,968
Inventory	**3,277,188**	4,603,771
Prepaid expenses and deposits	**701,744**	(898,280)
Trade payables and accrued liabilities	**1,148,872**	(2,403,876)
Deferred revenue	**4,112,412**	(5,917,496)
Net cash used in/from operating activities	**9,168,087**	2,488,683
Investing activities		
Purchase of property, plant and equipment (Note 7)	**(533,217)**	(1,073,723)
Purchase of intangible assets (Note 8)	**(969,854)**	(746,050)
Net cash used in investing activities	**(1,503,071)**	(1,819,773)
Financing activities		
Increase (decrease) in operating loan (Note 11)	**(4,167,197)**	(1,325,635)
Mortgage loan advances (Note 11)	**10,000,000**	-
Term loan repayments (Note 11)	**(5,859,750)**	(857,250)
Repayment of lease liabilities (Note 12)	**(1,635,720)**	(1,569,082)
Increase (decrease) in shareholder advances (Note 13)	**(4,488,981)**	2,000,000
Mortgage loan financing costs (Note 11)	**(152,997)**	-
Interest and processing fees paid	**(1,480,577)**	(1,438,218)
Distributions to minority partner	**(305,421)**	(235,718)
Proceeds of common share issue (Note 15(c))	**-**	2,835,133
Proceeds on exercise of stock options (Note 15(d))	**557,500**	218,750
Net cash from/(used in) financing activities	**(7,533,143)**	(372,020)
Effect of foreign exchange rates	**(78,010)**	(95,270)
Net cash inflow s (outflow s)	**53,863**	201,620
Cash, beginning of year	**221,593**	19,973
Cash, end of year	**275,456**	221,593

The accompanying notes are 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 OTCQX under the symbol “USYNF”.

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

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

Impact of COVID-19

Since March 2020, there has been a global pandemic of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the world governments on travel, and business operations. After some staff layoffs at the onset of the pandemic, the Company has brought most of its employees back to work while availing itself of the government stimulus subsidies described in Note 16 to support its cash flow. Although there are clear signs that the effectiveness of the current COVID-19 vaccination programs is allowing many businesses to resume normal operations, at this time, the extent that the impact the COVID-19 pandemic may have on the Company is uncertain as this will depend on future developments that cannot be predicted with confidence. While the duration of the COVID-19 pandemic is unknown, we anticipate that the economic impact of the pandemic may continue to cause some reduced customer demand, supply chain disruptions, and continued government regulations, all of which may negatively impact the Company’s business and financial condition.

These consolidated financial statements including comparatives have been prepared in accordance with accounting policies in full compliance with International Financial Reporting Standards (“IFRS”) effective on October 1, 2020.

The consolidated financial statements were approved by the Company’s Board of Directors and authorized for issue on December 16, 2021.

2. Significant accounting policies

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

(a) Basis of measurement

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

(b) Principles of consolidation

Subsidiaries

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

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

Minority partner

The due to minority partner presented as a component of liabilities is as a result of a put/call agreement between the Company and the minority partner as described in Note 14. The deficit attributable to minority partner recognized in equity represents the minority partner's share of Peerless' net income and comprehensive income less distributions to the minority partner.

(c) Foreign currency

Functional and presentation currency

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

Transactions and balances

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

Foreign operation

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

(i) Assets and liabilities are translated at the closing rate at the date of the consolidated statements of financial position.
(ii) Income and expenses for the consolidated statements of profit (loss) and the consolidated statements of comprehensive income (loss) are translated at average exchange rates.
(iii) All resulting exchange differences are recognised in other comprehensive income.

2. Significant accounting policies (continued)

(d) Revenue recognition

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

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

(e) Deferred revenue

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

(f) Income taxes

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

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

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

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

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

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

2. Significant accounting policies (continued)

(g) Cash

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

(h) Inventory

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

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

(i) Property, plant and equipment

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

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

Depreciation

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

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

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

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

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

Impairment

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

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

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(j) Intangible assets

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

Intangible assets with definite useful lives consist of the acquisition cost of customer relationships and computer software. Amortization is provided for on a straight-line basis over 8 – 10 years for customer relationships, over 5 - 7 years for computer software and over 5 years for standards certification, which is the estimated useful life of the assets.

(k) Leases

Effective October 1, 2019, the Company adopted IFRS 16, issued in January 2016 and the related consequential amendments. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets and lease liabilities for all operating leases where the Company is a lessee. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in retained earnings on October 1, 2019. The prior year figures were not adjusted. Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments, excluding contingent payments, are charged to expense on a straight-line basis over the period of the lease term unless another systematic basis is more representative of the time pattern of the Company's benefit.

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

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

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

(Expressed in Canadian dollars)

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

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

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

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

The Company leases IT equipment for the use by staff in its office. The Company has elected to apply the recognition exemption for leases of low-value assets and therefore has not recognized right-of-use assets and lease liabilities for low value leases of IT equipment. Low value leases are leases where the underlying asset has a new value of $5,000 USD or less. The Company recognizes the lease payments associated with these leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

(l) Goodwill

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

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

(m) Provisions

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

2. Significant accounting policies (continued)

(n) Share-based payment

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

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

(o) Share capital

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

(p) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

(q) Financial instruments

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

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

(i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

(i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All fair value changes on liabilities designated under the fair value option are generally presented as follows: (i) the amount that is attributable to changes in the credit risk of the liabilities is presented in other comprehensive income ("OCI") and (ii) the remaining amount of change in the fair value is presented in the consolidated statement of income (loss). All other financial liabilities are measured at amortized cost unless the fair value option is applied.

Impairment of financial assets

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

Financial assets carried at amortized cost are assessed at each reporting date on whether they are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Company applies expected credit loss approach in determining provisions for financial assets carried at amortized cost. The approach that the Company has taken for trade 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 allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and expensed in the consolidated statement of income (loss).

3. Changes in accounting standards

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

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

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

Effective October 1, 2019, the Company adopted IFRIC 23, Uncertainty over Income Tax Treatments (“IFRIC 23”). IFRIC 23 requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes that it is not probable that a taxation authority will accept an uncertain tax treatment, the entity shall reflect the uncertainty in determining the effect on taxable income, tax bases, unused tax losses, unused tax credits or tax rates based on either the most likely amount, or expected value. The adoption of IFRC 23 did not have any impact on the 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, 2022:

IAS 1 — Presentation of Financial Statements

In February 2021, the IASB issued an amendment to IAS 1 to defer the effective date of the January 2020 Classification of Liabilities as Current or Non-current (Amendments to IAS 1) by one year to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continue to be permitted. In June 2021, the IASB issued an amendment to IAS 1 to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are to be applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to IAS 8 to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

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

IAS 12 — Income Taxes

In May 2021, the IASB issued an amendment to IAS 12 to narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

IAS 16 — Property, Plant and Equipment

In May 2020, the IASB issued an amendment to IAS 16 to prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. Effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IAS 37 — Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued an amendment to IAS 37 to amend the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. Effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

IFRS 3, Business Combinations: Reference to the Conceptual Framework

In May 2020, the IASB issued an amendment to IFRS 3 to add a requirement that, for transactions and other events within the scope of IAS 37, Provisions, contingent liabilities and contingent assets or IFRIC 21, Levies, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination. Also, an explicit statement was added requiring an acquirer to not recognize contingent assets acquired in a business combination.

The amendments to IFRS 3 are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

The adoption of these amendments will not have a significant impact on the Company's consolidated financial statements.

5. Critical accounting estimates and judgments

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

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

(a) Trade and other receivables

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

5. Critical accounting estimates and judgments (continued)

(b) Inventory

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

(c) Share-based payment

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

(d) Income taxes

The Company is subject to income taxes in Canada and the United States. Management has estimated the income tax provision and deferred income tax balances in accordance with its interpretation of the various income tax laws and regulations and has estimated the recoverability of deferred tax balances. It is possible, due to complexity inherent in estimating income taxes that the tax provision and deferred income tax balances could change. Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize tax losses recognized as deferred tax assets. Assumptions about the generation of future taxable profits depend on managements' estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize or recognize net deferred tax assets, if any, at the reporting date could be impacted.

(e) Estimated useful lives

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

(f) Impairment of long lived assets

The Company considers both internal and external sources of information in assessing its tangible and intangible assets for indicators of impairment when events or circumstances indicate such. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs of disposal, using discounted cash flows expected to be derived from the tangible intangible asset, and the appropriate discount rate. During the years ended September 30, 2021 and September 30, 2020, the Company's tangible and intangible assets were determined to not be impaired.

(g) Impairment of goodwill

The Company performs an assessment of its goodwill for impairment on an annual basis. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs of disposal, using discounted cash flows expected to be derived from the Company's operations, and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about expected revenues from contracts, estimated costs of production, and the discount rate. During the years ended September 30, 2021 and September 30, 2020, the Company's goodwill was determined to not be impaired.

(Expressed in Canadian dollars)

6. Inventory

	2021	2020
	$	$
Raw materials	**5,944,815**	4,571,931
Work in process	**1,530,718**	952,103
Finished goods	**28,732,067**	33,960,754
	36,207,600	39,484,788

Cost of inventories recognized as an expense during the year ended September 30, 2021 amount to $53,826,579 (2020 - $58,887,542). During the year ended September 30, 2021, inventory was written down by $nil (2020 - $342,523) against the allowance for obsolescence. The carrying amount of inventory recorded at net realizable value at September 30, 2021 was $1,036,050 (2020 – $444,120), with the remaining inventory recorded at cost.

(Expressed in Canadian dollars)

7. Property, plant and equipment

2021

	Land	Buildings	Warehouse and manufacturing equipment	Computer equipment	Office furnishings and equipment	Vehicles	Leasehold Improvements	Total
	$	$	$	$	$	$	$	$
Cost								
Balance at September 30, 2020	**2,622,730**	**5,008,980**	**1,997,390**	**917,870**	**348,629**	**115,938**	**1,560,302**	**12,571,839**
Additions	**-**	**13,953**	**9,495**	**84,486**	**58,386**	**-**	**366,897**	**533,217**
Effect of foreign exchange rates	**-**	**-**	**(12,969)**	**(2,380)**	**(2,180)**	**-**	**(11,527)**	**(29,056)**
Balance at September 30, 2021	**2,622,730**	**5,022,933**	**1,993,916**	**999,976**	**404,835**	**115,938**	**1,915,672**	**13,076,000**
Accumulated depreciation								
Balance at September 30, 2020	**-**	**865,308**	**1,166,235**	**647,951**	**170,411**	**104,531**	**489,741**	**3,444,177**
Depreciation	**-**	**183,918**	**148,469**	**64,841**	**48,230**	**14,397**	**287,883**	**747,738**
Effect of foreign exchange rates	**-**	**-**	**(1,068)**	**(266)**	**(218)**	**-**	**(1,152)**	**(2,704)**
Balance at September 30, 2021	**-**	**1,049,226**	**1,313,636**	**712,526**	**218,423**	**118,928**	**776,472**	**4,189,211**
Net carrying amount								
At September 30, 2021	**2,622,730**	**3,973,707**	**680,280**	**287,450**	**186,412**	**(2,990)**	**1,139,200**	**8,886,789**

2020

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

(Expressed in Canadian dollars)

8. Right of use assets

	2021	2020
		$
Cost		
Balance at September 30, 2020 and September 30, 2019	**9,184,533**	-
Transition adjustments - IFRS 16 (note 2)	**-**	7,203,346
Balance at October 1, 2020 and October 1, 2019	**9,184,533**	7,203,346
Right of use leases added	**3,111,375**	1,967,028
Effect of foreign exchange rates	**(88,204)**	14,159
Balance at September 30, 2021 and September 30, 2020	**12,207,704**	9,184,533
Accumulated depreciation		
Balance at September 30, 2020 and September 30, 2019	**1,366,671**	-
Depreciation	**1,455,288**	1,370,353
Effect of foreign exchange rates	**(19,065)**	(3,682)
Balance at September 30, 2021 and September 30, 2020	**2,802,894**	1,366,671
Net carrying amount		
At September 30, 2021 and September 30, 2020	**9,404,810**	7,817,862

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

(Expressed in Canadian dollars)

9. Intangible assets

	Computer software	Intangible assets from Carleton acquisition	Intangible assets from Utility acquisition	Standards certification	2021 $ Total
Cost					
Balance at September 30, 2020	**5,671,408**	**251,440**	**7,195,285**	**63,137**	**13,181,270**
Additions	**969,854**	**-**	**-**	**-**	**969,854**
Effect of foreign exchange rates	**(2,990)**	**-**	**-**	**-**	**(2,990)**
Balance at September 30, 2021	**6,638,272**	**251,440**	**7,195,285**	**63,137**	**14,148,134**
Accumulated amortization					
Balance at September 30, 2020	**1,947,284**	**193,574**	**1,679,568**	**45,224**	**3,865,650**
Depreciation	**718,953**	**35,800**	**839,784**	**12,627**	**1,607,164**
Effect of foreign exchange rates	**(300)**	**-**	**-**	**-**	**(300)**
Balance at September 30, 2021	**2,665,937**	**229,374**	**2,519,352**	**57,851**	**5,472,514**
Net carrying amount					
At September 30, 2021	**3,972,335**	**22,066**	**4,675,933**	**5,286**	**8,675,620**

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

(Expressed in Canadian dollars)

10. Goodwill

	2021	2020
	$	$
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

Goodwill arose on the acquisitions of Peerless and GP in 2010, the acquisitions of Carleton and Omega in 2015 and the acquisition of Utility in 2018. For impairment testing purposes, the goodwill is allocated to the respective cash-generating unit ("CGU"). For the year ended September 30, 2021 and the year ended September 30, 2020, the Company assessed the goodwill for impairment based on its value in use. To determine value in use, the Company used the 2022 budget plan and 2023 and 2024 forecasts for each of the CGUs as approved by the Board of Directors and then prepared forecasts for the two years ended 2025 and 2026 using an estimated long term revenue and variable cost growth rate of 3% (September 30, 2020 – 3%). The Company's valuation model also takes account of working capital and capital investments to maintain the condition of the assets of each CGU. The resulting forecasted cash flows were discounted using after tax rates of 13% to 14%. Based on this assessment, the goodwill attributed to each CGU was not impaired at September 30, 2021.

11. Loan facilities

	2021	2020
	$	$
Operating loan (a)	**19,019,847**	23,187,044
Current portion of mortgage loan (b)	**245,035**	-
Current portion of term loan (b)	**-**	1,143,000
Mortgage loan (b)	**9,601,968**	-
Term loan (b)	**-**	4,681,798
	28,866,850	29,011,842

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

	2021	2020
	$	$
Balance at September 30, 2020 and September 30, 2019	**29,011,842**	31,183,077
Rrepayment of operating loan	**(4,167,197)**	(1,325,635)
Proceeds from mortgage loan	**10,000,000**	-
Repayment of term loans	**(5,859,750)**	(857,250)
Mortgage loan financing costs	**(152,997)**	-
Amortization of term loan financing fees	**34,952**	11,650
Balance at September 30, 2021 and September 30, 2020	**28,866,850**	29,011,842

11. Loan facilities (continued)

(a) The Company has established two operating loan facilities totalling $25,500,000 with a Canadian chartered bank and an operating loan facility of USD5,000,000 with the United States affiliate of the Canadian chartered bank. Borrowings under these revolving loan facilities are subject to normal margining requirements that limit borrowings to acceptable accounts receivable and inventory and the appraised value of land and buildings. As at September 30, 2021, combined drawings under the operating loan facilities were $19,019,847 (2020 - $23,187,044). The borrowings under the operating loan facilities are available by way of prime rate advances, banker's acceptances or LIBOR advances. Prime rate advances under the operating loan facilities bear interest at bank prime rate plus 1.0%. During the year ended September 30, 2021, the Company incurred interest expense of $578,583 (2020 - $1,200,426) on borrowings under its operating loan facilities. In addition, the Company has 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 $17,500,000 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, 2021, the Company was in compliance with the covenants (Note 24) of its operating loan facilities.

(b) On October 1, 2018, the Company established two term loan facilities, a $5,000,000 First Capital Loan Facility and a $2,860,000 Second Capital Loan Facility with a Canadian chartered bank and repaid its existing term loan. Borrowings under the two term loan facilities were available by way of prime rate advances or banker's acceptances. Prime rate advances under the term loan facilities bore interest at bank prime rate plus 0.75%. The First Capital Loan Facility was repayable by way of quarterly principal payments of $250,000 over a notional five year amortization period and the Second Capital Loan Facility was repayable by way of quarterly principal payments of $35,750 over a notional twenty year amortization period. The term loan facilities were secured by a pledge of the assets owned by the Company and by guarantees from the Company's subsidiaries. During the year ended September 30, 2021, the Company recorded interest expense of $131,749 (2020 - $249,442) on borrowings under its First Capital Loan and Second Capital Loan facilities. On July 26, 2021, the Company established two new 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 Companies land and buildings, by general security agreements and inter-company guarantees. The new BDC mortgage loans were used to repay outstanding balances under the First Capital Loan and Second Capital Loan facilities and to repay the postponed shareholder advances described in Note 13. Advances under the Peerless and Utility mortgage loans bear interest at a fixed rate of 4.10% until May 1, 2026. The Peerless mortgage loan is repayable in blended monthly instalments of principal and interest of $23,717 beginning 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 beginning on November 1, 2021 over a 300 month term. During the year ended September 30, 2021, the Company recorded interest expense of $52,558 (2020 - $nil) on borrowings under its new BDC mortgage loans. As at September 30, 2021, the Company was in compliance with the covenants (Note 24) of its new mortgage loan facilities.

(Expressed in Canadian dollars)

12. Long-term lease liabilities

	2021	2020
	$	$
Balance at September 30, 2020 and September 30, 2019	**8,867,429**	-
Transition adjustments - IFRS 16 (note 2)	**-**	8,055,385
Balance at October 1, 2020 and October 1, 2019	**8,867,429**	8,055,385
Leases added	**3,111,375**	1,967,028
Repayment of lease liabilities	**(1,635,720)**	(1,569,082)
Interest accretion	**667,208**	468,921
Effect of foreign exchange rates	**(31,199)**	(54,823)
Balance at September 30, 2021 and September 30, 2020	**10,979,093**	8,867,429

During the year ended September 30, 2021, the Company accreted interest expense of $667,208 (2020 - $468,921) on its long term lease liabilities.

13. Shareholder advances

	2021	2020
	$	$
Postponed shareholder advances	**-**	3,750,000
Accrued interest and processing fees	**-**	738,981
	-	4,488,981

The Company received bank postponed shareholder advances of $1,750,000 in July 2019 and $2,000,000 in November 2019. The advances bore interest at 12% per annum prior to January 15, 2021 and 15% per annum thereafter and were subject to processing fees of 2.5% and extension fees of 2.0% to 4.0%. During the year ended September 30, 2021, proceeds of $557,500 from the exercise of 300,000 stock options at a weighted average exercise price of $1.86 per share were received from certain postponed shareholder advance lenders and used to repay postponed shareholder advances in the principal amount of $557,500. The balance of the postponed shareholder advances of $3,192,500 was repaid from the proceeds of the mortgage loant advances described in Note 11(b). During the year ended September 30, 2021, the Company recorded interest, processing and extension fees of $752,639 (2020 - $652,181) on the postponed 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 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.

(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 shares	
	Common shares	Amount
		$
Balance, September 30, 2019	17,637,525	26,441,993
Common shares issued	924,703	2,835,134
Shares issued on exercise of stock options (Note 15 (d))	125,000	312,305
Balance, September 30, 2020	18,687,228	29,589,432
Shares issued on exercise of stock options (Note 15 (d))	300,000	800,317
Balance, September 30, 2021	**18,987,228**	**30,389,749**

(c) Share issuance

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

(d) Stock options

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

On October 27, 2020, 1,250,00 stock options were granted for a term of five years of which 1,020,000 stock options vest over five years annually in arrears from the date in which they were granted and 230,000 stock options vest over three years annually in arrears from the date in which they were granted.

The fair value of the options granted during the year ended September 30, 2021 was $693,946 (2020 - $nil).

During the year ended September 30, 2021, 300,000 options (2020 - 125,000) were exercised at a weighted average exercise price of $1.86 (2020 – $1.75) and 255,000 options were forfeited (2020 – nil).

(Expressed in Canadian dollars)

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

The following table summarizes stock option transactions during the year:

	2021		2020	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**1,045,000**	**2.48**	1,170,000	2.41
Granted during the year	**1,250,000**	**1.75**	-	-
Exercised during the year	**(300,000)**	**1.86**	(125,000)	1.75
Forfeited during the year	**(255,000)**	**2.03**	-	-
Outstanding, end of year	**1,740,000**	**2.13**	1,045,000	2.48

The following table summarizes information about stock options outstanding and exercisable at September 30, 2021:

	Options outstanding			**Options exercisable**	
Range of exercise prices	**Number of outstanding options**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number of Exercisable options**	**Weighted average exercise price**
		years	$		$
$3.40 to $3.57	225,000	2.56	3.55	112,500	3.55
$3.00 to $3.08	80,000	1.14	3.08	48,000	3.08
$2.65 to $2.90	50,000	0.53	2.68	40,000	2.68
$2.40	160,000	0.01	2.40	156,000	2.40
$1.75	1,225,000	4.07	1.75	-	1.75
$1.75 to $3.57	1,740,000	3.27	2.13	356,500	2.89

As at September 30, 2021, 356,500 options (2020 - 766,500) were exercisable with a weighted average exercise price of $2.89 (2020 - $2.16) per share.

Based on the above vesting schedule, a stock option compensation expense was recognized for the year ended September 30, 2021 of $424,596 (2020 - $79,232) and a corresponding amount was added to share-based payment reserve as a reserve for share-based payments. Option pricing models require the use of highly subjective estimates and assumptions, changes in which can materially affect the value estimates.

The inputs to the option model are as follows:

	2021	2020
Expected dividend	**$ -**	$ -
Expected volatility	**87.7%**	-
Weighted average risk free interest rate	**0.6%**	-
Weighted average remaining life in years	**3.3**	-
Weighted average forfeiture rate	**3.2%**	-

(Expressed in Canadian dollars)

15. Capital stock (continued)

(e) Earnings per share

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

	2021	2020
	$	$
Numerator		
Net income (loss)		
attributable to Unisync Corp. shareholders	**(2,829,887)**	(1,264,116)
Denominator		
Weighted average common shares outstanding - basic	**18,931,886**	18,384,911
Effect of dilutive securities	**-**	257,130
Weighted average common shares outstanding - diluted	**18,931,886**	18,642,041
Net income (loss) per common share		
attributable to Unisync Corp. shareholders		
Basic	**(0.15)**	(0.07)
Diluted	**(0.15)**	(0.07)

16. Government Stimulus Subsidies

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

Canada Emergency Wage Subsidy (“CEWS”)

The CEWS provides qualifying companies with a monthly financial support grant based on payroll, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month-by-month basis. The Company recognized government stimulus subsidy income as reductions of $285,760 (2020 -$801,533) to Direct expenses and $114,857 (2020- $732,156) to General and administrative expenses.

United States Paycheck Protection Program ("PPP")

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

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

(Expressed in Canadian dollars)

17. Income taxes

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

	2021	2020
	$	$
Income tax expense (recovery)	**305,857**	(144,979)
Deferred tax expense (recovery)	**(1,011,173)**	(274,221)
Income tax expense (recovery)	**(705,316)**	(419,200)

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

	2021	2020
	$	$
Net income (loss) before income taxes	**(3,281,884)**	(1,424,007)
Tax rate	**27.5%**	26.8%
	(901,435)	(381,077)
Taxes attributable to minority partner	**(66,378)**	(68,025)
True-ups	**141,498**	-
Permanent differences	**120,999**	29,902
Income tax expense (recovery)	**(705,316)**	(419,200)

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

	2021	2020
	$	$
Deferred tax assets		
Available non-capital losses and other tax deductions	**4,330,385**	3,437,317
Deferred tax liabilities		
Property, plant and equipment	**(2,154,043)**	(2,272,148)
	2,176,342	1,165,169

The Company has non-capital losses of approximately $14,860,000 (2020 - $12,080,000) 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 $4,012,200 (2020 -$3,261,600) that is included in the deferred tax asset balance at September 30, 2021. 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, 2021 for the upcoming fiscal year.

(Expressed in Canadian dollars)

18. Expenses by nature

	2021	2020
	$	$
Direct expenses:		
Materials	**48,087,635**	52,092,467
Wages and benefits	**9,047,491**	8,926,120
Subcontract fees	**4,084,895**	5,524,881
Delivery	**3,445,991**	3,736,896
Rent, utilities and other property costs	**1,450,704**	1,576,509
Insurance	**50,556**	64,375
Other	**510,968**	326,519
	66,678,240	72,247,767
General and administrative expenses:		
Wages and benefits	**9,739,691**	9,065,171
Data services, system maintenance, telecommunications and software licenses	**2,505,697**	2,487,835
Legal, bank, insurance and professional services	**1,735,426**	2,433,949
Advertising, marketing and other promotion costs	**515,441**	779,950
Rent, utilities and other property costs	**447,813**	405,878
Other	**1,527,232**	1,200,178
	16,471,300	16,372,961

19. Commitments and contingencies

(a) At September 30, 2021, the Company had $2,471,000 (2020 - $900,000) in letters of credit outstanding.

(b) The Company is the subject of litigation by former employees claiming damages for termination without cause. Management believes that these claims are without merit and the Company has countersued the employees for conflict of interest and dishonesty. No provision for these claims was recorded as of September 30, 2021.

20. Economic dependence

During the year ended September 30, 2021, revenue from the Canadian military and other Canadian governmental agencies accounted for 27% of total revenue (2020 - 23%) and revenue from two airline industry customers accounted for 15% of total revenue (2020 - 27%). As of September 30, 2021, 17.0% (2020 - 5.1%) of trade receivables were from the Canadian military and other Canadian governmental agencies and 27.3% (2020 – 10.7%) of trade receivables were from two airline industry customers.

(Expressed in Canadian dollars)

21. Related party transactions

The Company paid subcontract fees of $372,536 (2020 - $nil) to a garment manufacturing company owned by a member of the board of directors.

The Company paid rent of $29,268 (2020 - $29,268) for the Company's head office location to a company having two members of the Company's board of directors in common.

Of the shareholder advances described in Note 13, $3,650,000 was provided by members of the Company's board of directors, either directly or through companies that they control or through funds they manage. Interest, processing and extension fees of $732,013 were expensed (2020 – $638,661) on these related party shareholder advances.

The Company expensed $126,628 (2020 - $nil) in share based payment to non-salaried members of the Company's board of directors.

The Company's minority partner in the Peerless segment, a member of management, received an income allocation of $253,319 (2020 - $259,309).

22. Key management personnel

	2021	2020
	$	$
Salaries and wages	**2,735,120**	2,483,513
Share-based payment	**235,817**	29,798
	2,970,937	2,513,311

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

23. Financial instruments

Financial instruments and risk management

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

(a) *Interest rate risk*

The Company is exposed to interest rate risk as its credit facilities bear interest at variable rates. The Company has not used derivative instruments to reduce its exposure to this interest rate risk. A 1% change in the variable interest rate would have resulted in a $261,000 (2020 - $299,000) change to current year interest expense.

(b) *Credit risk*

The Company's principal financial assets subject to credit risk are cash and trade and other receivables. The carrying amounts of 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.

(Expressed in Canadian dollars)

23. Financial instruments *(b) credit risk* (continued)

The Company's credit risk is primarily attributable to its trade receivables. As of September 30, 2021, 17.0% (2020 - 5.1%) of trade receivables were from the Government of Canada and 40.7% (2020 – 26.7%) of trade receivables were from companies that the Company has had insured for loss with an AA- rated credit insurance company. Under the Company's $5,000,000 credit insurance policy, 90% of receivables losses greater than $2,000 and in excess of a $7,500 aggregate deductible are insured at 90% of the loss amount. The amounts disclosed in the consolidated statement of financial position are net of an allowance for doubtful accounts, estimated by the management of the Company based on previous experience and its assessment of the current economic environment. The Company reviews these amounts regularly to ensure credit limits are not exceeded. The credit risk on cash is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies.

Aging of trade and other receivables is as follows:

		2021		2020
	Gross	**Provision**	Gross	Provision
	$	**$**	$	$
Not past due	**8,297,707**	**-**	5,992,313	-
Past due 1-30 days	**2,335,473**	**-**	2,027,214	-
Past due 31-60 days	**691,543**	**-**	515,016	-
Past due > 60 days	**501,010**	**(99,397)**	199,363	(73,840)
	11,825,733	**(99,397)**	8,733,906	(73,840)

(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.

					2021
	Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
	$	$	$	$	$
Trade payables and accrued liabilities	**5,008,596**	**-**	**-**	**-**	**5,008,596**
Operating loan	**19,019,847**	**-**	**-**	**-**	**19,019,847**
Mortgage loans	**619,954**	**2,028,941**	**1,352,628**	**11,491,529**	**15,493,052**
Long-term lease liabilities	**1,736,948**	**4,313,552**	**2,786,563**	**5,269,194**	**14,106,257**
Due to minority partner	**-**	**1,500,000**	**-**	**-**	**1,500,000**

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

23. Financial instruments (continued)

(d) *Currency risk*

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

	2021	2020
	$	$
Trade and other receivables	**2,339,239**	1,025,250
Operating loan	**10,477,171**	13,691,214
Trade payables and accrued liabilities	**2,296,165**	1,233,248
Deferred revenue	**6,367,020**	6,665,857

(e) *Fair value*

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

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

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

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

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

(Expressed in Canadian dollars)

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

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

	Carrying Value			Fair value		
as at September 30, 2021	Fair value through profit or loss	Amortized cost	Fair value through OCI	Level 1	Level 2	Level 3
	$	$	$	$	$	$
Financial assets						
Cash	**-**	**275,456**	**-**	**275,456**	**-**	**-**
Trade and other receivables	**-**	**11,726,336**	**-**	**-**	**11,726,336**	**-**
Cash surrender value of life insurance policy	**-**	**86,601**	**-**	**-**	**-**	**86,601**
	-	**12,088,393**	**-**	**275,456**	**11,726,336**	**86,601**
Financial liabilities						
Operating loan	**-**	**19,019,847**	**-**	**-**	**19,019,847**	**-**
Trade payables and accrued liabilities	**-**	**5,008,596**	**-**	**-**	**5,008,596**	**-**
Current and long-term mortgage loans	**-**	**9,847,003**	**-**	**-**	**9,847,003**	**-**
Current and long-term lease liablities	**-**	**10,979,093**	**-**	**-**	**10,979,093**	**-**
Due to minority partner	**-**	**1,500,000**	**-**	**-**	**1,500,000**	**-**
	-	**46,354,539**	**-**	**-**	**46,354,539**	**-**

	Carrying Value			Fair value		
as at September 30, 2020	Fair value through profit or loss	Amortized cost	Fair value through OCI	Level 1	Level 2	Level 3
	$	$	$	$	$	$
Financial assets						
Cash	-	221,593	-	221,593	-	-
Trade and other receivables	-	8,660,066	-	-	8,660,066	-
Cash surrender value of life insurance policy	-	86,601	-	-	-	86,601
	-	8,968,260	-	221,593	8,660,066	86,601
Financial liabilities						
Operating loan	-	23,187,044	-	-	23,187,044	-
Trade payables and accrued liabilities	-	3,859,724	-	-	3,859,724	-
Current and long-term loans	-	5,824,798	-	-	5,824,798	-
Current and long-term lease liablities	-	8,867,429	-	-	8,867,429	-
Shareholder advances	-	4,488,981	-	-	4,488,981	-
Due to minority partner	-	1,500,000	-	-	1,500,000	-
	-	47,727,976	-	-	47,727,976	-

24. 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), 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, 2021 and September 30, 2020 the Company was in compliance with covenants (i) and (ii) and had received a bank amendment of covenant (iii) for its debt service coverage shortfalls.

(Expressed in Canadian dollars)

25. Segmented information

The Company has two reportable operating segments, Peerless and UGL. While both segments are involved in the distribution and manufacture of garments and uniforms and the sale of product to government agencies and corporate entities, Peerless is primarily engaged in manufacturing products for Canadian government agencies while UGL is primarily involved in distributing products to corporate entities in North America. The segments are separately managed for reporting purposes.

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

				2021
	Peerless	UGL	Eliminations adjustments and corporate expenses	**Total**
	$	$	$	**$**
Revenue	18,460,112	68,922,064	(1,096,997)	**86,285,179**
Direct expenses	14,369,669	53,405,568	(1,096,997)	**66,678,240**
General and administrative expenses	1,409,329	13,814,828	1,247,143	**16,471,300**
Depreciation and amortization	71,387	3,309,066	429,737	**3,810,190**
	2,609,727	(1,607,398)	(1,676,880)	**(674,551)**
Interest expense	76,538	1,353,604	752,595	**2,182,737**
Share based payment	-	-	424,596	**424,596**
Net income (loss) before income taxes	2,533,189	(2,961,002)	(2,854,071)	**(3,281,884)**
Capital expenditures on property, plant and equipme	13,391	516,258	3,568	**533,217**
Capital expenditures on intangible assets	-	969,854	-	**969,854**
Total assets	10,880,289	64,038,775	13,100,699	**88,019,763**
Property, plant and equipment	908,684	4,533,097	3,445,008	**8,886,789**
Right of use assets	-	9,404,810	-	**9,404,810**
Intangible assets	-	5,858,166	2,817,454	**8,675,620**
Goodwill	-	1,221,695	5,163,102	**6,384,797**
Liabilities, excluding due to minority partner	6,540,629	50,687,775	-	**57,228,404**

(Expressed in Canadian dollars)

25. Segmented information (continued)

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