Consolidated financial statements of

Unisync Corp.

September 30, 2015 and 2014

Unisync Corp.
September 30, 2015 and 2014

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Independent Auditor's Report

To the Shareholders of
Unisync Corp.

We have audited the accompanying consolidated financial statements of Unisync Corp., which comprise the consolidated statements of financial position as at September 30, 2015 and September 30, 2014 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year ended September 30, 2015 and for the ten months ended September 30, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Unisync Corp. as at September 30, 2015 and September 30, 2014, and its financial performance and its cash flows for the year ended September 30, 2015 and for the ten months ended September 30, 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements, which describes the correction in recognition and presentation of an amount due to minority partner.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

January 28, 2016
Toronto, Canada

Unisync Corp.

Consolidated statements of comprehensive loss

Year ended September 30, 2015 and ten months ended September 30, 2014

(Expressed in Canadian dollars)

	2015	2014 (10 months) (Restated - Note 2)
	$	$
Revenue	**44,812,303**	22,298,039
Direct expenses (Note 18)	**36,928,178**	17,725,663
General and administrative expenses (Note 18)	**7,023,107**	2,488,387
Depreciation and amortization	**684,427**	186,156
	176,591	1,897,833
Interest expense	**586,088**	211,910
Impairment of investment (Note 9)	**-**	1,205,488
Unrealized gain on marketable securities	**-**	(9,924)
Share-based payment (Note 16)	**171,180**	17,715
Net (loss) income before income taxes	**(580,677)**	472,644
Income tax (recovery) expense (Note 17)	**(227,154)**	493,426
Net loss and total comprehensive loss	**(353,523)**	(20,782)
Attributable to		
Unisync Corp. shareholders	**(495,622)**	(227,666)
Minority partner	**142,099**	206,884
	(353,523)	(20,782)
Net loss per share attributable to Unisync Corp. shareholders		
Basic	**(0.04)**	(0.02)
Diluted	**(0.04)**	(0.02)
Weighted average number of shares (Note 16(f))	**12,240,673**	11,034,457
Diluted weighted number of shares outstanding (Note 16(f))	**12,359,852**	11,322,564

Unisync Corp.

Consolidated statements of financial position
As at September 30, 2015 and 2014

(Expressed in Canadian dollars)

	2015	2014 (Restated - Note 2)
	$	$
Assets		
Current assets		
Cash	**205,944**	90,909
Trade and other receivables (Note 23)	**6,520,157**	5,857,563
Inventory (Note 8)	**16,349,536**	12,067,405
Prepaid expenses	**1,809,749**	926,284
	24,885,386	18,942,161
Non-current assets		
Cash surrender value of life insurance policy	**79,213**	72,891
Property, plant and equipment (Note 10)	**4,385,946**	4,881,087
Deferred tax asset (Note 17)	**2,520,258**	2,658,853
Intangible assets (Note 11)	**1,465,095**	-
Goodwill (Note 12)	**3,233,942**	2,586,000
	36,569,840	29,140,992
Liabilities		
Current liabilities		
Operating loan (Note 13)	**12,829,402**	7,684,399
Trade payables and accrued liabilities (Note 23)	**5,799,227**	3,054,295
Provision for income taxes (Note 17)	**1,323,130**	1,543,500
Demand term loan (Note 13)	**4,466,250**	1,200,000
Current portion of note payable (Note 14)	**167,840**	-
Due to minority partner (Note 15)	**1,500,000**	1,500,000
	26,085,849	14,982,194
Non-current liabilities		
Demand term loan (Note 13)	**-**	4,466,250
Note payable (Note 14)	**326,348**	-
	26,412,197	19,448,444
Commitments and contingencies (Note 19)		
Equity		
Share capital (Note 16)	**10,442,354**	44,455,655
Share-based payment reserve	**440,279**	387,267
Deficit	**(702,775)**	(35,132,923)
Equity attributable to Unisync Corp. shareholders	**10,179,858**	9,709,999
Deficit attributable to minority partner	**(22,215)**	(17,451)
	10,157,643	9,692,548
	36,569,840	29,140,992

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
Year ended September 30, 2015 and ten months ended September 30, 2014

(Expressed in Canadian dollars)

	Capital stock		Share-based payment reserve	Deficit (Restated - Note 2)	Equity attributable to Unisync Corp. shareholders (Restated - Note 2)	Minority Interest	Total equity (Restated - Note 2)
	Shares	Amount					
		$	$	$	$	$	$
Balance, November 30, 2013	10,586,865	42,295,233	465,974	(35,007,930)	7,753,277	(23,881)	7,729,396
Shares issued for cash	1,170,000	1,755,000	-	-	1,755,000	-	1,755,000
Shares issued on exercise of stock options	309,000	405,422	(96,422)	-	309,000	-	309,000
Share-based payment	-	-	17,715	-	17,715	-	17,715
Bargain purchase gain	-	-	-	632,016	632,016	-	632,016
Dividends (Note 15 (g))	-	-	-	(529,343)	(529,343)	-	(529,343)
Distribution to minority partner	-	-	-	-	-	(200,454)	(200,454)
Net loss and total comprehensive loss	-	-	-	(227,666)	(227,666)	206,884	(20,782)
Balance, September 30, 2014	**12,065,865**	**44,455,655**	**387,267**	**(35,132,923)**	**9,709,999**	**(17,451)**	**9,692,548**
Deficit reduction and capital offset (Note 15 (d))	-	(34,925,770)	-	34,925,770	-	-	-
Shares issued on exercise of stock options	208,333	330,169	(118,168)	-	212,001	-	212,001
Shares issued on acquisition of Carleton (Note 7)	200,000	360,000	-	-	360,000	-	360,000
Shares issued on acquisition of Omega (Note 7)	130,000	222,300	-	-	222,300	-	222,300
Share-based payment	-	-	171,180	-	171,180	-	171,180
Distribution to minority partner	-	-	-	-	-	(146,863)	(146,863)
Net loss and total comprehensive loss	-	-	-	(495,622)	(495,622)	142,099	(353,523)
Balance, September 30, 2015	**12,604,198**	**10,442,354**	**440,279**	**(702,775)**	**10,179,858**	**(22,215)**	**10,157,643**

Unisync Corp.
Consolidated statements of cash flows
Year ended September 30, 2015 and ten months ended September 30, 2014
(Expressed in Canadian dollars)

	2015	2014 (10 months) (Restated - Note 2)
	$	$
Operating activities		
Net loss	**(353,523)**	(20,782)
Adjustments for:		
Interest expense	**586,088**	211,910
Impairment of investment (Note 9)	**-**	1,205,488
Unrealized gain on marketable securities	**-**	(9,924)
Income tax (recovery) expense	**(227,154)**	493,426
Income taxes paid	**-**	(12,906)
Depreciation and amortization	**684,427**	186,156
Increase in cash surrender value of life insurance	**(6,322)**	-
Share-based payment (Note 16)	**171,180**	17,715
	854,696	2,071,083
Changes in non-cash working capital items		
Trade and other receivables	**(16,243)**	(776,810)
Inventory	**(3,242,362)**	2,597,513
Prepaid expenses	**(839,327)**	(127,116)
Trade payables and accrued liabilities	**2,190,111**	(531,862)
Provision for income taxes	**-**	18,662
	(1,053,125)	3,251,470
Investing activities		
Acquisition of York Uniforms Holdings Limited (Note 7)	**-**	(4,350,000)
Acquisition of Carleton Uniforms Inc. (Note 7)	**(453,711)**	-
Acquisition of Omega Uniform Systems Ltd. (Note 7)	**(100,000)**	-
Proceeds from sale of marketable securities	**-**	12,230
Purchase of property, plant and equipment	**(233,411)**	(70,959)
Purchase of intangible assets	**(1,125,055)**	-
	(1,912,177)	(4,408,729)
Financing activities		
Increase in operating loan	**4,824,413**	579,566
Term loan repayments	**(1,200,000)**	(5,925,000)
Term loan advances	**-**	6,000,000
Note payment	**(39,792)**	-
Operating loan and term loan financing costs	**(10,000)**	(65,000)
Interest paid	**(559,422)**	(227,660)
Distributions to minority partner	**(146,863)**	(200,454)
Dividends paid	**-**	(1,058,687)
Proceeds on issuance of shares (Note 16 (c))	**-**	1,755,000
Proceeds on exercise of stock options	**212,001**	309,000
	3,080,337	1,166,765
Net cash inflows	**115,035**	9,507
Cash, beginning of period	**90,909**	81,402
Cash, end of period	**205,944**	90,909

1. Nature of business and basis of presentation

Unisync Corp. is incorporated under the laws of British Columbia. Its head office, principal address, and registered and records office are located at Suite 780, 333 Seymour Street, Vancouver, British Columbia, Canada. Prior to August 1, 2014, Unisync Corp.'s name was ComWest Enterprises Corp. ("ComWest').

The name change and change in year end from November 30 to September 30 followed ComWest's acquisition of Mississauga-based York Uniforms Holdings Limited ("York Holdings") and its wholly owned subsidiary, Unisync Group Limited ("UGL") on June 30, 2014. UGL is a designer, manufacturer and distributor of direct sale uniforms, workwear, image apparel and related solutions. UGL operates distribution centres in Guelph, Ontario and Winnipeg, Manitoba and in Carleton Place, Ontario and Vancouver, British Columbia since the acquisitions of Carleton Uniforms Inc. ("Carleton") and Omega Uniforms Systems Ltd. ("Omega") described in note 7.

On August 19, 2010, ComWest acquired a 90% interest in the business of Winnipeg-based Peerless Garments LP ("Peerless") and 100% of Peerless Garments Inc. ("GP"), the general partner. Peerless is a limited partnership which manufactures harsh weather outerwear for the Canadian military and other government agencies. Unisync Corp., York Holdings, UGL, Carleton, Omega, Peerless and GP are hereinafter referred to collectively as the "Company".

The Company operates in two main business segments which are involved in the distribution and manufacture of garments and uniforms described above. The results of its two operating segments are provided in note 25.

These consolidated financial statements including comparatives have been prepared in accordance with accounting policies in full compliance with International Financial Reporting Standards ("IFRS") effective on September 30, 2015.

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on January 27, 2016.

2. Restatement of previously issued financial statements

The Company has determined that a triggering event of its put/call agreement of August 2010 with its minority partner does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Accordingly, the amount due to minority partner has been recorded as a current liability and the amount has been adjusted to the redemption amount of $1,500,000 at inception.

The following table reflects the correction in the recognition of this liability on the affected line items in the previously issued consolidated financial statements as at and for the ten months ended September 30, 2014 and the opening deficit as at November 30, 2013.

(Expressed in Canadian dollars)

2. Restatement of previously issued financial statements (continued)

Effect on consolidated statement of changes in equity

ten month period ended September 30, 2014

	As Previously Reported	Adjustment	Restated
	Deficit	Deficit	Deficit
	$	$	$
Balance, November 30, 2013	(34,733,897)	(274,033)	(35,007,930)
Net loss and total comprehensive loss	(294,546)	66,880	(227,666)
Balance, September 30, 2014	**(34,925,770)**	**(207,153)**	**(35,132,923)**

3. 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 15. 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.

3. Significant accounting policies (continued)

(c) Foreign currency

Functional and presentation currency

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

Transactions and balances

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

(d) Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the selling price is fixed or determinable and when collection is reasonably assured.

(e) Income taxes

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

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

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

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

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

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

(f) 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.

3. Significant accounting policies (continued)

(g) Inventory

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

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

(h) Property, plant and equipment

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

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

Depreciation

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

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

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

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

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

Impairment

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

Impairments to property, plant and equipment are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognized.

3. Significant accounting policies (continued)

(i) Intangible assets

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

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

(j) Leases

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

(k) Goodwill

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

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

(l) Provisions

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

3. Significant accounting policies (continued)

(m) Share-based payment

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

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

(n) Share capital

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

(o) 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.

(p) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3. Significant accounting policies (continued)

(p) Financial instruments (continued)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges. The only instruments held by the Company classified in this category are the cash surrender value of a life insurance policy and the note payable described in note 14.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of comprehensive loss.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value with gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of comprehensive loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of comprehensive loss and are included in other gains and losses. The Company has no financial instruments designated as available-for-sale.

(iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash, and trade and other receivables, and are included in current assets due to their short-term nature.

Loans and trade and other receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and trade and other receivables to fair value. Subsequently, loans and trade and other receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables and accrued liabilities, operating loan, current and long-term portions of the demand term loan and note payable. Trade payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to carrying value. Subsequently, trade payables and accrued liabilities are measured at amortized cost using the effective interest method. The operating line loan and current and long-term portions of the demand term loan and note payable are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

3. Significant accounting policies (continued)

(q) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net loss.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale financial assets are not reversed through net loss, but subsequent gains and losses are recorded in other comprehensive income.

4. Changes in accounting standards

Effective October 1, 2014, the Company adopted the new International Financial Reporting Interpretations Committee ("IFRIC") 21 – Levies. This interpretation provides guidance on when a liability should be recognized for a government legislated levy. This interpretation had no effect on the Company's consolidated financial statements.

5. Accounting standards issued but not yet applied

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

IAS 1 – Financial Statements

The amendments to IAS 1 "Presentation of Financial Statements" ("IAS 1"), issued by the IAS on December 18, 2014, and effective for annual period beginning on or after January 1, 2016, with early application permitted are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments clarify that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

IFRS 9 – Financial Instruments

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness. However it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

5. Accounting standards issued but yet applied (continued)

IFRS 9 – Financial Instruments (continued)

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15). The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted.

The Company is currently assessing the impact of these new standards on its consolidated financial statements.

6. Critical accounting estimates and judgments

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

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

(a) Accounts receivable

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

(b) Inventory

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

(c) Share-based payment

The Company provides incentives via share-based payment entitlements (Note 16). The fair value of entitlements is determined in accordance with the accounting policy in Note 3(m). 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.

6. Critical accounting estimates and judgments (continued)

(d) Income taxes

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

(e) Estimated useful lives

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

(f) Impairment of long lived assets

The Company considers both internal and external sources of information in assessing its tangible and intangible assets for impairment when events or circumstances indicate such. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs to sell, using discounted cash flows expected to be derived from the tangible intangible asset, and the appropriate discount rate. During the year ended September 30, 2015 and September 30, 2014, the Company's intangible assets were determined to not be impaired.

(g) Impairment of goodwill

The Company considers both internal and external sources of information in assessing its goodwill for impairment on an annual basis. The Company determines the recoverable amount, which is the greater of its value in use and its fair value less costs to sell, using discounted cash flows expected to be derived from the Company's operations, and the appropriate discount rate. The projected cash flows are significantly affected by changes in assumptions about expected revenues from contracts, estimated costs of production, and the discount rate. During the year ended September 30, 2015 and September 30, 2014, the Company's goodwill was determined to not be impaired.

(h) Allocation of purchase consideration

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

(Expressed in Canadian dollars)

7. Business combinations

Acquisitions are accounted for as business combinations in accordance with *IFRS 3, Business Combinations* and the purchase price consideration was allocated to the fair value of assets acquired and liabilities assumed. Transaction costs that were incurred in connection with the acquisitions, other than costs associated with the issuance of debt and equity, have been expensed to general and administrative expenses as incurred. The results of operations of acquired businesses are included in these consolidated financial statements from the dates of acquisition.

a) On May 12, 2015, the Company acquired a 100% equity interest in Carleton Uniforms Inc. (“Carleton”) for consideration of $771,772 in cash, a $600,000 three year note payable with a discounted value of $533,979 on the date of issuance and 200,000 Class B common shares at a market price of $1.80 per share. Based in Carleton Place, Ontario, Carleton is a full service uniform provider specializing in work and dress wear for the Canadian Emergency Services sector.

	$
Assets acquired	
Cash	318,061
Trade and other recievables	416,817
Inventory	708,765
Prepaid expenses	33,927
Property, plant and equipment	39,341
Intangible assets	251,440
Goodwill	305,049
	2,073,400
Less: Liabilities assumed	
Trade payables and accrued liabilities	261,738
Income tax provision	55,923
Deferred income tax liability	89,988
Net assets acquired	1,665,751
Consideration:	
Cash	771,772
Note payable (Note 14)	533,979
Class B common shares	360,000
	1,665,751

(Expressed in Canadian dollars)

7. Business combinations (continued)

b) Effective June 30, 2015, the Company acquired a 100% equity interest in Omega Uniform Systems Ltd. ("Omega") for consideration of $100,000 in cash and 130,000 Class B common shares at a market price of $1.71 per share. The acquisition transaction closed on August 14, 2015. Based in Vancouver, British Columbia, Omega is a supplier of corporate uniform programs, image apparel and custom uniforms.

	$
Assets acquired	
Trade and other recievables	230,066
Inventory	331,004
Prepaid expenses	10,208
Property, plant and equipment	5,133
Goodwill	342,893
	919,304
Less: Liabilities assumed	
Bank indebtedness	303,923
Trade payables and accrued liabilities	293,081
Net assets acquired	322,300
Consideration:	
Cash	100,000
Class B common shares	222,300
	322,300

The primary reason for these business combinations was to strengthen the Company's management depth, to add Carleton's expertise and customer relationships in the Canadian Emergency Services uniform sector and to add Omega's corporate apparel relationships in British Columbia. The principal factor supporting the goodwill acquired in these transactions is the industry knowledge and expertise of the workforce of the respective businesses. The goodwill in each transaction is non-deductible for income tax purposes.

From the dates of acquisition, Carleton and Omega have contributed $2.1 million of revenue and $0.1 million of earnings before interest and taxes. The results of these acquisitions are included under the operations of the UGL segment provided in note 25. Had the acquisitions occurred at the beginning of the annual reporting period, October 1, 2014, the revenue for the combined entity for the year would have been approximately $49.4 million and earnings before interest and taxes would have been approximately $0.6 million. Acquisition costs of $0.1 million were expensed in general and administrative expenses in the year ended September 30, 2015.

(Expressed in Canadian dollars)

7. Business combinations (continued)

c) On June 30, 2014, the Company acquired a 100% equity interest in York Holdings for consideration of $4,350,000 in cash, contingent future consideration of up to $2 million (the “Contingent Consideration”) and the assumption or repayment of all bank loans of UGL. Any payment of the Contingent Consideration is subject to the Company being successful on a specific Request for Proposal (“RFP’) by December 31, 2016. Given the various significant uncertainties associated with any future payment of this Contingent Consideration, management considered the Contingent Consideration to have nominal value to the Vendors and as such has not recognized any contingent consideration at the date of the acquisition on June 30, 2014.

	$
Assets acquired	
Cash	677
Accounts receivable	3,394,111
Inventory	7,451,003
Prepaid expenses	697,856
Property, plant and equipment	1,972,633
Deferred income tax asset	3,854,687
	17,370,967
Less: Liabilities assumed	
Bank indebtedness	4,217,628
Trade payables and accrued liabilities	2,319,323
Long-term debt and accrued interest thereon	5,652,000
Deferred income tax liability	200,000
Net assets acquired	4,982,016
Consideration:	
Cash	4,350,000
Bargain purchase gain	632,016
	4,982,016

The primary reason for the business combination was to add York Holdings capabilities at uniform design, off-shore outsourcing, web-based ordering and distribution systems. From the date of acquisition, York Holdings contributed $5.6 million of revenue and $0.3 million of earnings before interest and taxes in the period ended September 30, 2014. Had the acquisition occurred at the beginning of the annual reporting period, December 1, 2013, the revenue for the combined entity for the 10 month period would have been approximately $36.6 million and earnings before interest and taxes would have been approximately $1.4 million. Acquisition costs of $0.2 million were expensed in general and administrative expenses in the period ended September 30, 2014.

(Expressed in Canadian dollars)

8. Inventory

	2015	2014
	$	$
Raw materials	**4,145,250**	3,879,777
Work in process	**1,059,807**	1,567,716
Finished goods	**11,144,479**	6,619,912
	16,349,536	12,067,405

Cost of inventories recognized as an expense during the year ended September 30, 2015 amount to $29,492,095 (2014 - $16,486,248). During the year ended September 30, 2015, inventory was written down by $293,428 against the allowance for obsolescence reserve. The carrying amount of inventory recorded at net realizable value was $696,538 at September 30, 2015 (2014 – $46,482), with the remaining inventory recorded at cost.

9. Investment

During the year ended November 30, 2012, the Company made an initial investment of $1,205,488 (US $1,175,000) in a private corporation based in Raleigh, North Carolina. The investment was in the form of a series of convertible preferred share investments carrying an 8% cumulative dividend. Further investment of another $820,800 (US$825,000) was scheduled to be made, but was cancelled due to a breach of performance conditions by the investee and its majority shareholders. At September 30, 2014, no amount has been recognized for these remaining payments. The matter is presently being litigated with the Company seeking, among other things, return of its investment and damages. The Company has assessed the investment for impairment taking into account the current status of technology, the possible outcome and prolonged nature of the litigation as well as the financial difficulties of the investee. Notwithstanding the positive advancement that appear to have been made in the patenting process, there is insufficient objective evidence to conclude that the investment has not been impaired and the Company has taken an impairment charge of $1,205,488 for the full amount of the investment during the period ended September 30, 2014.

(Expressed in Canadian dollars)

10. Property, plant and equipment

2015

	Land	Buildings	Warehouse and manufacturing equipment	Computer equipment	Office furnishings and equipment	Vehicles	Leasehold Improvements	Total
	$	$	$	$	$	$	$	$
Cost								
Balance at September 30, 2014	422,730	2,695,000	1,362,149	599,419	49,280	48,292	201,957	5,378,827
Property plant and equipment acquired from Carleton and Omega	-	-	6,395	3,064	2,819	32,197	-	44,475
Additions	-	-	24,013	(49,136)	43,779	-	125,560	144,216
Balance at September 30, 2015	**422,730**	**2,695,000**	**1,392,557**	**553,347**	**95,878**	**80,489**	**327,517**	**5,567,518**
Accumulated depreciation								
Balance at September 30, 2014	-	232,783	131,473	73,833	13,405	37,039	9,207	497,740
Additions		61,556	241,497	287,716	18,532	7,601	66,930	683,832
Balance at September 30, 2015	**-**	**294,339**	**372,970**	**361,549**	**31,937**	**44,640**	**76,137**	**1,181,572**
Net carrying amount								
At September 30, 2015	**422,730**	**2,400,661**	**1,019,587**	**191,798**	**63,941**	**35,849**	**251,380**	**4,385,946**

2014

	Land	Buildings	Warehouse and manufacturing equipment	Computer equipment	Office furnishings and equipment	Vehicles	Leasehold Improvements	Total
	$	$	$	$	$	$	$	$
Cost								
Balance at November 30, 2013	422,730	2,695,000	109,036	46,656	13,521	48,292	-	3,335,235
Property plant and equipment acquired from York Holdings	-	-	1,231,093	505,394	35,759	-	200,387	1,972,633
Additions	-	-	22,020	47,369	-	-	1,570	70,959
Balance at September 30, 2014	422,730	2,695,000	1,362,149	599,419	49,280	48,292	201,957	5,378,827
Accumulated depreciation								
Balance at November 30, 2013	-	179,023	56,050	32,293	11,043	33,175	-	311,584
Additions	-	53,760	75,423	41,540	2,362	3,864	9,207	186,156
Balance at September 30, 2014	-	232,783	131,473	73,833	13,405	37,039	9,207	497,740
Net carrying amount								
At September 30, 2014	422,730	2,462,217	1,230,676	525,586	35,875	11,253	192,750	4,881,087

(Expressed in Canadian dollars)

11. Intangible assets

	2015
	$
Cost	
Balance at September 30, 2014	**-**
Computer software	**1,227,531**
Intangible assets from Carleton acquisition (note 7)	**251,440**
Balance at September 30, 2015	**1,478,971**
Accumulated amortization	
Balance at September 30, 2014	**-**
Amortization of computer software	**-**
Amortization of intangible assets from Carleton acquisition	**13,876**
Balance at September 30, 2015	**13,876**
Net carrying amount	
At September 30, 2015	**1,465,095**

12. Goodwill

	2015
	$
Cost	
Balance at November 30, 2013	**2,586,000**
Balance at September 30, 2014	**2,586,000**
Acquistion of Carleton (note 7)	**305,049**
Acquisition of Omega (note 7)	**342,893**
Balance at September 30, 2015	**3,233,942**

The goodwill arose on acquisition of Peerless and GP in 2010 and from the acquisitions of Carleton and Omega in 2015. For impairment testing purposes, the goodwill is allocated to the cash-generating unit ("CGU"). There has been no change to the goodwill since each acquisition. For the year ended September 30, 2015 and the ten months ended September 30, 2014, the Company assessed the goodwill for impairment based on its fair value less costs to sell as determined by the Company's market capitalization and on the discounted future cash flows related to the CGU. Based on this assessment, the goodwill is not impaired at September 30, 2015 and September 30, 2014.

(Expressed in Canadian dollars)

13. Loan facilities

	2015	2014
	$	$
Operating loan (a)	**12,829,402**	7,684,399
Demand term loan (b)	**4,466,250**	1,200,000
Demand term loan (b)	**-**	4,466,250
	17,295,652	13,350,649

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

	2015	2014
	$	$
Balance, at September 30, 2014	**13,350,649**	2,907,883
Proceeds from operating loan	**5,153,474**	579,566
Assumption of York Holdings operating loan, net of cash	**-**	4,216,950
Carleton cash used to repay operating loan	**(318,061)**	-
Assumption of Omega operating loan	**303,923**	-
Proceeds from term debt	**-**	6,000,000
Repayment of term debt	**(1,200,000)**	(300,000)
Financing fees	**(11,000)**	(65,000)
Amortization of financing fees	**16,667**	11,250
Balance, at September 30, 2015	**17,295,652**	13,350,649

In June 2014, the Company obtained a $6,000,000 demand term loan facility to finance the acquisition of York Holdings. In addition the Company has established an $8,000,000 operating loan facility and a $10,500,000 operating loan facility with a Canadian chartered bank to finance the respective ongoing working capital requirements of Peerless and UGL.

(a) As at September 30, 2015, combined drawings under the demand revolving loan credit facilities were $12,829,402 (2014 - $7,699,399). Netted against the face value of the debt outstanding under the combined demand revolving loan credit facilities as at September 30, 2015 were financing costs of $nil (2014 - $15,000). The borrowings under the Peerless and the UGL operating loan facilities are available by way of prime rate advances or banker's acceptances. Prime rate advances under the Peerless and the UGL operating loan facilities bear interest at the bank prime rate plus 1/2% and 3/4% respectively per annum. The Peerless operating loan facility is secured by a first mortgage on the Company's premises, a general security agreement and an assignment of insurance. The UGL operating loan facility is secured by a general security agreement, an assignment of insurance, unlimited guarantees from each of Unisync Corp., York Holdings, Carleton and Omega and an assignment and postponement of loans from Unisync Corp. and Peerless.

(b) Borrowings under the demand term loan facility are available by way of prime rate advances or banker's acceptances. Netted against the face value of the debt outstanding under the demand term loan credit facility as at September 30, 2015 were financing costs of $33,750 (2014 - $33,750). Prime rate advances under the demand term loan facility bear interest at the bank prime rate plus 1/2%. The facility is repayable by way of quarterly principal payments of $300,000 commencing September 30, 2014. The loan is secured by a pledge of the units of Peerless owned by the Company, by unlimited guarantees from York Holdings and UGL and by a general security agreement covering UGL's assets and assignments of insurance.

(Expressed in Canadian dollars)

13. Loan facilities (continued)

(c) Under the financing arrangements with its banks, the Company is required to meet certain covenants (Note 24). The UGL segment was required to meet a ratio of debt to tangible net worth of 3.5:1 or less up to August 31, 2015, reducing to 2:5:1 thereafter. As at September 30, 2015, the Company was not in compliance with this ratio and the bank waived the non-compliance. Also during the year ended September 30, 2015, the UGL segment exceeded the annual maximum permitted capital expenditures limit of $500,000, which excess was subsequently approved by the bank.

In addition, the Company failed to meet its consolidated minimum debt service coverage ratio of 1.25:1:00 under its demand term loan for the year ended September 30, 2015. As a result of the Company's non-compliance with this financial covenant, the demand term loan was classified as a current liability as at September 30, 2015. The Company received a waiver on its undertaking to obtain cash equity of not less than $2.1 million in the form of share equity or through bank postponed shareholder advances. The undertaking was fulfilled subsequent to September 30, 2015 (note 26).

14. Note payable

	2015	2014
	$	$
Current portion of note payable	**167,840**	-
Note payable	**326,348**	-
	494,188	-

As described in Note 7, the vendors of Carleton received consideration in the form of a $600,000 note. The note is interest free, unsecured and payable in twelve (12) equal quarterly payments of $50,000 each from August 12, 2015 to May 12, 2018. The note was discounted at the Company's weighted average cost of capital of 6.8% to impute a present value amount of $533,979 at the date of issuance. The note is subject to a dollar for dollar claw-back provision formula that is based upon Carleton achieving a gross profit target of $1,280,000 in each of the two years following the acquisition date. Any gross profit shortfall in the either of the two years following the acquisition shall be offset by any gross profit surplus in the other year. The Company believes that the full amount of the $600,000 note is likely to be paid based on Carleton's historic and forecast results.

15. Due to minority partner

As at September 30, 2015, the balance due to minority partner is $1,500,000. 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, which could result in the Company being required on 60 days' notice by the minority partner.

(Expressed in Canadian dollars)

16. Capital stock

(a) Authorized

Unlimited number of the following classes of shares:

- Class B voting common shares without par value.
- Class A preferred shares issuable in series.

(b) Shares issued and fully paid

	Class A common shares	Class B common shares	Total shares	Amount
			Number of shares	
				$
Balance, November 30, 2013	8,332,067	2,254,798	10,586,865	42,295,233
Shares issued for cash (Note 16 (c))	1,170,000	-	1,170,000	1,755,000
Shares issued on exercise of stock options	309,000	-	309,000	405,422
Balance, September 30, 2014	9,811,067	2,254,798	12,065,865	44,455,655
Deficit reduction and capital offset	-	-	-	(34,925,770)
Shares issued on exercise of stock options	158,333	-	158,333	245,169
Re-designation of Class A shares to Class B shares	(9,969,400)	9,969,400	-	-
Shares issued on exercise of stock options	-	50,000	50,000	85,000
Shares issued on acquisition of Carleton (Note 7 (a))	-	200,000	200,000	360,000
Shares issued on acquisition of Omega (Note 7 (b))	-	130,000	130,000	222,300
Balance, September 30, 2015	**-**	**12,604,198**	**12,604,198**	**10,442,354**

(c) Share issuance

In June 2014, the Company completed a private placement whereby 1,170,000 Class A common shares were issued for proceeds of $1,755,000. There were no issue costs related to the private placement.

(d) Share Reorganization

On February 24, 2015, by special resolution of the Company's shareholders and pursuant to Section 74(1)(b) of the Business Corporations Act (British Columbia), a sum of $34,925,770 was deducted from the capital of the Company for its Class A restricted equity shares and Class B common shares and applied to its deficit.

Effective March 5, 2015, the Company's Class A restricted equity shares were re-designated into Class B common shares on a one-for one basis and the existing Class C, D and E preferred shares were deleted and a new class of Class A preferred shares issuable in series was created.

(e) Stock options

The stock option plan provides that, subject to the requirements of the TSX Venture 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 May 4, 2015, 975,000 stock options were granted (2014 – nil). All options granted are for a term of five years and vest over five years at the rate of one-fifth (1/5) annually at the end of the 12 month period from the date in which they are granted.

During the year ended September 30, 2015, 208,333 (2014 – nil) options were exercised at a weighted average exercise price of $1.02 (2014 - nil) and 16,667 options were forfeited (2014 – nil).

(Expressed in Canadian dollars)

16. Capital stock (continued)

(e) Stock options (continued)

The following table summarizes stock options outstanding:

	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**408,501**	**1.01**	717,501	1.01
Granted during the period	**975,000**	**1.75**	-	-
Exercised during the period	**(208,333)**	**1.02**	(309,000)	1.00
Forfeited during the period	**(16,667)**	**1.11**	-	-
Outstanding, end of year	**1,158,501**	**1.63**	408,501	1.01

As at September 30, 2015, 183,501 (2014 - 391,835) options were exercisable with a weighted average exercise price of $1.00 (2014 - $1.01) per share. The intrinsic value of these options as at September 30, 2015 was $185,336 (2014 - $192,584).

Based on the above vesting schedule, a stock option compensation expense of $171,180 was recognized for the year ended September 30, 2015 (2014 - $17,715) 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:

	2015	2014
Share price on balance sheet date	**$ 2.01**	$ 1.51
Expected dividend	**$ -**	$ -
Expected volatility	**38.7%**	66.9%
Weighted average risk free interest rate	**1.3%**	1.9%
Weighted average remaining life in years	**5**	2
Weighted average forfeiture rate	**3.3%**	0.0%

(Expressed in Canadian dollars)

16. Capital stock (continued)

(f) Earnings per share

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

	2015	2014 (Restated - Note 2)
	$	$
Numerator		
Net loss and comprehensive loss attributable to Unisync Corp. shareholders	**(495,622)**	(227,666)
Denominator		
Weighted average common shares outstanding	**12,240,673**	11,034,457
Effect of dilutive securities	**119,179**	288,107
Diluted weighted average common shares outstanding	**12,359,852**	11,322,564
Net loss per common share attributable to Unisync Corp. shareholders		
Basic	**(0.04)**	(0.02)
Diluted	**(0.04)**	(0.02)

(g) Dividends paid and declared

	2015	2014
	$	$
Dividends declared in respect of the year	**-**	529,343
Dividends paid in respect of the year	**-**	1,058,687
Dividends declared in respect of the year (per share)	**-**	0.05
Dividends paid in respect of the year (per share)	**-**	0.10

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:

	2015	2014
	$	$
Income tax recovery	**(299,117)**	(96,349)
Deferred tax expense	**71,963**	589,775
Income tax (recovery) expense	**(227,154)**	493,426

(Expressed in Canadian dollars)

17. Income taxes (continued)

The tax on the Company's net (loss) 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:

	2015	2014
	$	$
Net (loss) income before income taxes	**(580,677)**	405,764
Tax rate	**26.1%**	27.0%
	(151,370)	109,556
Taxes attributable to minority partner	**(37,104)**	(51,903)
Benefit of losses not previously recognized	**-**	(211,343)
Effect of tax rate changes	**-**	(44,379)
True-ups	**(98,380)**	51,961
Taxable capital gain not recognized for accounting	**-**	457,121
Permanent differences	**59,700**	170,691
Other	**-**	11,722
Income tax (recovery) expense	**(227,154)**	493,426

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

	2015	2014
	$	$
Deferred tax assets		
Available non-capital losses and other tax deductions	**3,320,140**	3,391,835
Deferred tax liabilities		
Property, plant and equipment	**(799,882)**	(732,982)
	2,520,258	2,658,853

The Company has non-capital losses of approximately $12,496,000 (2014 - $13,339,000) that can be applied against future years' taxable income for Canadian income tax purposes, which, if not utilized, will expire as follows:

	$
2026	3,488,000
2027	4,944,000
2028	360,000
2030	3,166,000
2031	231,000
2032	307,000
	12,496,000

(Expressed in Canadian dollars)

18. Expenses by nature

	2015	2014 (10 months)
	$	$
Materials	**24,643,085**	10,647,998
Wages and benefits	**10,117,879**	4,127,638
Subcontract fees	**3,429,436**	3,721,026
Rent, utilities and other property costs	**1,591,277**	563,547
Legal, bank, insurance and professional services	**798,652**	444,379
Delivery	**1,426,784**	185,036
Advertising, marketing and other promotion costs	**523,396**	186,145
Data services, system maintenance, telecommunications and software licenses	**599,834**	124,679
Other	**820,942**	213,601
	43,951,285	20,214,049

Direct expenses	**36,928,178**	17,725,663
General and administrative expenses	**7,023,107**	2,488,386
	43,951,285	20,214,049

19. Commitments and contingencies

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

	$
2016	575,964
2017	237,274
2018	245,773
2019	228,060
2020	65,115
Thereafter	-
	1,352,186

(b) The Company has letters of credit outstanding at September 30, 2015 totaling $324,887 (2014 - $324,887), the purpose of which is to provide a guarantee of the Company's performance on certain contracts.

20. Economic dependence

During the year ended September 30, 2015, revenue from the Canadian military and other Canadian governmental agencies accounted for 27% of total revenue (2014 - 67%). The Company has one other customer with revenues of 15% of sales in 2015 (2014 - nil).

(Expressed in Canadian dollars)

21. Related party transactions

The Company earned revenue of $8,348 (2014 - $6,832) from the sale of garments and leather to a corporation which is owned in part by a member of the immediate family of management. As at September 30, 2015, $672 (2014 - $6,832) related to these sales is included in trade and other receivables.

The Company paid rent of $24,960 (2014 - nil) for the Company's facility in Carleton Place, Ontario to a corporation which is owned by a member of management.

All related party transactions are in the normal course of business and are measured at the amount of consideration established and agreed upon between the parties.

22. Key management personnel

	2015	2014 (10 months)
	$	$
Salaries and wages	**1,525,169**	759,798
Share-based payment	**115,895**	11,628
	1,641,064	771,426

Key management personnel are the Company's officers.

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 $161,000 (2014 - $57,000) change to current year interest expense.

(b) *Credit risk*

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

The Company's credit risk is primarily attributable to its trade receivables. As of September 30, 2015, 19.2% of trade receivables were from the Government of Canada and 63.9% of trade receivables were from companies that the Company has had insured for loss with an AA- rated credit insurance company. Under the Company's $5,000,000 credit insurance policy, 90% of receivables losses greater than $2,000 and in excess of a $7,500 aggregate deductible are insured at 90% of the loss amount. The amounts disclosed in the statement of financial position are net of an allowance for doubtful accounts, estimated by the management of the Company based on previous experience and its assessment of the current economic environment. The Company reviews these amounts regularly to ensure credit limits are not exceeded. The credit risk on cash is limited because the counterparties are chartered banks and investment dealers with high credit ratings assigned by national credit rating agencies.

(Expressed in Canadian dollars)

23. Financial instruments (continued)

(b) Credit risk (continued)

Aging of trade and other receivables is as follows:

	2015		2014	
	Gross	**Provision**	Gross	Provision
	$	**$**	$	$
Not past due	**4,513,898**	**-**	3,781,076	-
Past due 1-30 days	**1,039,459**	**-**	1,596,640	-
Past due 31-60 days	**400,674**	**-**	346,715	-
Past due > 60 days	**848,906**	**(282,780)**	340,586	(207,454)
	6,802,937	**(282,780)**	6,065,017	(207,454)

(c) Liquidity risk

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

					2015
	Less than 1 year	**2 to 3 years**	**4 to 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Trade payables and accrued liabilities	**5,799,227**	**-**	**-**	**-**	**5,799,227**
Operating loan	**13,272,016**	**-**	**-**	**-**	**13,272,016**
Demand term loan	**1,334,550**	**2,544,900**	**911,644**		**4,791,094**
Note payable	**200,000**	**350,000**	**-**	**-**	**550,000**
Due to minority partner	**1,500,000**	**-**	**-**	**-**	**1,500,000**

					2014
	Less than 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total
	$	$	$	$	$
Trade payables and accrued liabilities	3,054,295	-	-	-	3,054,295
Operating loan	7,949,511	-	-	-	7,949,511
Demand term loan	1,375,950	2,627,700	2,138,813	-	6,142,463
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 does not use derivative financial instruments to mitigate its foreign currency risk. The balance sheet includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in United States dollars.

	2015	2014
	$	$
Accounts receivable	**21,212**	20,503
Bank indebtedness	**867,732**	735,746
Accounts payable and accrued liabilities	**412,179**	1,094,462

(e) Fair value

The fair value of the Company's cash, trade and other receivables and trade payables and accrued liabilities approximates their carrying value due to their immediate or short-term maturity. The fair value of long-term debt approximates its carrying value due to the variable rate of interest being charged. The fair value of the minority partner approximates its carrying value at September 30, 2015. The Company's own credit risk and counterparty's credit risk is taken into account in determining the fair value of financial assets and financial liabilities.

The Company has no financial instruments at fair value within a Level 1 or Level 2 fair value hierarchy. The cash surrender value of life insurance, the note payable and due to minority partner are Level 3 financial instruments. The fair value of these Level 3 financial instruments approximates the carrying value of each at September 30, 2015.

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 their respective demand operating line of credit agreements (Note 13 (a) and (c), Peerless and UGL must satisfy certain restrictive covenants as to minimum financial ratios as follows:

(i) The ratio of current assets to current liabilities must be greater than 1.25:1.

(ii) The ratio of bank defined debt to tangible net assets must not be greater than 2.5:1 for Peerless and as per the December 1, 2015 amendment for UGL, must not be greater than 3.5:1 until March 31, 2016, nor 2.5:1 thereafter.

(iii) Capital expenditures must not be greater than $250,000 for Peerless and as per the December 1, 2015 amendment for UGL not greater than $1,500,000.

(Expressed in Canadian dollars)

24. Capital management (continued)

Under the terms of its demand non-revolving loan agreement (Note 13 (b)), the Company must satisfy certain restrictive covenants as to minimum financial ratios as follows:

(i) The consolidated debt service coverage ratio of earnings before depreciation, amortization, interest and income tax expense, less taxes, dividends, distributions, advances to related parties and unfunded capital expenditures paid by the total of principal, interest and fees paid on all bank debt and capital lease obligations, less postponed loans and subordinated debt must be greater than 1.25:1.

(ii) The ratio of debt to tangible net assets must not be greater than 3:1, after December 30, 2014 and 2.5:1, after September 30, 2015.

Following receipt of the amendment and waiver described in note 13 as at September 30, 2015 and as at September 30, 2014, the Company, Peerless and UGL were in compliance with all such covenants.

25. Segmented information

Since the acquisition of York Holdings on June 30, 2014, 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 government agencies while UGL is primarily involved in distributing products to corporate entities. The segments are separately managed for reporting purposes.

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

				2015
	Peerless	UGL	Eliminations adjustments and corporate expenses	**Total**
	$	$	$	**$**
Revenue	14,948,725	29,864,188	(610)	**44,812,303**
Direct expenses	12,188,939	24,739,849	(610)	**36,928,178**
General and administrative expenses	1,236,733	4,874,672	911,702	**7,023,107**
Depreciation and amortization	58,520	448,217	177,690	**684,427**
	1,464,533	(198,550)	(1,089,392)	**176,591**
Interest expense	93,638	322,998	169,452	**586,088**
Share based payment	-	-	171,180	**171,180**
Net income before income taxes	1,370,895	(521,548)	(1,430,024)	**(580,677)**
Capital expenditures on property, plant and equipment	-	233,411	-	**233,411**
Capital expenditures on intangible assets	-	1,125,055	-	**1,125,055**
Total assets	8,157,028	22,129,448	6,283,364	**36,569,840**
Intangible assets	-	1,465,095	-	**1,465,095**
Goodwill	-	647,942	2,586,000	**3,233,942**
Liabilities, excluding due to minority partner	3,331,685	16,855,716	4,724,796	**24,912,197**

(Expressed in Canadian dollars)

26. Subsequent events

(a) The Company has extended the expiry of its lease at its Guelph, Ontario distribution centre from June 26, 2016 to June 26, 2021. Under the extended lease, the Company is committed to minimum lease payments with respect to the basic rent of the business premises as follows:

	$
2016	154,498
2017	625,843
2018	657,502
2019	688,401
2020	717,022
Thereafter	557,712
	3,400,978

(b) As discussed in note 13, subsequent to September 30, 2015, the Company received bank postponed shareholder advances totalling $2.1 million. The advances bear interest at 8% per annum and are subject to a processing fee of 4% to 5%. Interest and the processing fees on the advances are accrued and payable at the time of the repayment of the principal amounts of the advances. Repayment of the principal amounts of the advances and the accrued interest and processing fees is due at the earlier of a) May 15, 2016, b) the occurrence of an event of default or c) the sale of substantially all of the shares of the Company.