AVANTE LOGIXX INC.

Condensed Interim Consolidated Financial Statements - Unaudited

For the three and nine-month periods ended

December 31, 2019 and 2018

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AVANTE LOGIXX INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION FOR THE THREE AND NINE-MONTHS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

	Dec 31, 2019 *(Unaudited)*	March 31, 2019
ASSETS		
CURRENT		
Cash and cash equivalents	$ 360,377	$ 2,175,721
Accounts receivable (note 7)	15,736,000	9,691,656
Inventories (note 8)	1,759,385	1,546,739
Contract assets (note 6)	1,236,507	730,410
Prepaid expenses	648,064	367,196
	19,740,333	14,511,722
NON-CURRENT ASSETS		
Property, plant & equipment (note 9)	3,903,427	2,472,739
Capitalized commissions (note 10)	130,005	207,566
Deferred tax assets (note 16)	2,284,470	1,688,789
Intangible assets (note 11)	9,791,412	6,540,521
Goodwill (note 11)	12,633,190	8,162,900
Investment (note 17b)	59,000	590,000
	$ 48,541,837	**$ 34,174,237**
LIABILITIES		
CURRENT		
Bank indebtedness and vehicle loans (note 13)	1,832,842	2,751,322
Accounts payable and accrued liabilities	7,025,995	6,750,620
Promissory note (note 12)	2,625,000	-
Corporate tax payable (note 16)	329,882	30,351
Obligations under lease (note 14)	564,889	142,422
Contract liabilities (note 6)	4,535,848	3,901,534
	16,914,456	13,576,249
NON-CURRENT LIABILITIES		
Obligations under lease (note 14)	1,565,917	418,242
Long term portion of bank indebtedness and vehicle loans (note 13)	3,742,700	516,088
Convertible debentures (note 17a)	4,201,072	-
Convertible debentures - derivative liability (note 17a)	4,337,367	-
Deferred tax liability (note 16)	2,652,898	1,637,689
	16,499,954	2,572,019
TOTAL LIABILITIES	**33,414,410**	**16,148,268**
SHAREHOLDERS' EQUITY		
Share capital (note 15a)	21,434,492	21,434,492
Contributed surplus (note 15b and c)	1,427,800	1,261,059
Accumulated other comprehensive deficit	(944,000)	(413,000)
Accumulated deficit	(7,187,065)	(4,782,592)
	14,731,227	17,499,959
Non-controlling interest	396,200	526,010
TOTAL EQUITY	**15,127,427**	**18,025,969**
TOTAL EQUITY & LIABILITIES	**$ 48,541,837**	**$ 34,174,237**

AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD:

Signed "Craig Campbell" Director *Signed "Samuel Duboc" Director*

See accompanying notes to the consolidated financial statements

AVANTE LOGIXX INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE THREE AND NINE-MONTHS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

	For the three month period ended		For the nine month period ended	
	Dec 31, 2019	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Revenues (note 6)	$ 14,113,578	$ 8,846,014	$ 37,371,129	$ 20,276,949
Cost of sales	10,781,757	5,831,358	27,036,783	13,658,949
Gross profit	3,331,821	3,014,657	10,334,345	6,618,000
Operating expenses				
Salaries, benefits and commissions	2,416,916	1,858,600	6,483,302	3,818,382
Administration	1,149,825	1,545,446	3,295,584	2,942,495
Depreciation on capital assets (note 9)	298,351	113,252	946,586	317,347
Amortization on intangible assets (note 11)	208,156	147,055	580,087	437,658
Merchant transaction fees, interest and bank charges	105,874	89,711	394,758	220,286
Share based payments (note 15b)	11,631	64,694	166,741	272,372
Loss (gain) in fair value of derivative liability (note 17a)	388,816	-	388,816	-
	4,579,569	3,818,757	12,255,873	8,008,540
Income (loss) before other income and expenses	(1,247,747)	(804,100)	(1,921,527)	(1,390,541)
Other (income) expenses				
Miscellaneous (income) expense	144,760	(55,808)	72,982	(280,047)
Foreign exchange (gain) loss	24,604	16,200	23,390	16,200
	169,365	(39,607)	96,372	(263,846)
Income (loss) before reorganization and acquisition costs	(1,417,112)	(764,494)	(2,017,900)	(1,126,694)
Reorganization and acquisition costs (note 21)	499,628	258,473	758,270	341,996
Income (loss) before income taxes	(1,916,740)	(1,022,967)	(2,776,170)	(1,468,691)
Provision for income taxes				
Current income tax expense (recovery) (note 16)	134,521	67,312	261,195	193,390
Deferred income tax expense (recovery) (note 16)	(379,833)	(63,403)	(595,580)	(79,903)
Net Income (loss) for the period	(1,671,428)	(1,026,876)	(2,441,784)	(1,582,177)
Net income (loss) for the period attributable to:				
Equity holders of the parent	(1,634,071)	(1,073,129)	(2,404,473)	(1,680,672)
Non-controlling interests	(37,358)	46,252	(37,310)	98,494
	$ (1,671,429)	$ (1,026,876)	$ (2,441,784)	$ (1,582,177)
Other comprehensive income (loss)				
Unrealized loss on investments (note 17b)	(53,100)	-	(531,000)	-
	$ (53,100)	$ -	$ (531,000)	$ -
Total comprehensive income (loss) for the period	(1,724,529)	(1,026,876)	(2,972,784)	(1,582,177)
Total comprehensive income (loss) for the period attributable to:				
Equity holders of the parent	(1,687,171)	(1,073,128)	(2,935,473)	(1,680,672)
Non-controlling interests	(37,358)	46,252	(37,310)	98,494
	$ (1,724,529)	$ (1,026,876)	$ (2,972,784)	$ (1,582,177)
Net income (loss) per share (note 5)				
Basic and diluted income (loss) per share	($0.077)	($0.056)	($0.113)	($0.088)
Weighted average number of shares outstanding				
Basic and diluted number of shares outstanding	21,192,004	19,105,211	21,192,004	19,105,211

See accompanying notes to the consolidated financial statements

AVANTE LOGIXX INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE-MONTHS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Subtotal	Non-controlling Interest	Total Equity
Balance at April 1, 2018	**$12,719,786**	**$1,219,283**	**($2,638,095)**	**$ -**	**$11,300,974**	**$930,444**	**$12,231,418**
Income for the period	-	-	(1,680,672)	-	(1,680,672)	98,494	(1,582,178)
Issue of common shares by private placement	8,625,000	-	-	-	8,625,000	-	8,625,000
Share based payments	-	272,372	-	-	272,372	-	272,372
Subsidiary dividend paid	-	-	-	-	-	(185,000)	(185,000)
Broker warrants issued	(222,525)	222,525	-	-	-	-	-
Share issue costs	(967,068)	-	-	-	(967,068)	-	(967,068)
Share options exercised	304,338	(118,538)	-	-	185,800	-	185,800
Acquisition of subsidiaries	794,000	(342,999)	71,293	-	522,294	(316,297)	205,997
Balance at December 31, 2018 (Unaudited)	**$21,253,531**	**$1,252,643**	**($4,247,474)**	**$ -**	**$18,258,700**	**$527,641**	**$18,786,341**
Balance at April 1, 2019	**$21,434,492**	**$1,261,059**	**($4,782,592)**	**($413,000)**	**$17,499,959**	**$ 526,010**	**$18,025,969**
Income (loss) for the period	-	-	(2,404,473)	(531,000)	(2,935,473)	(37,310)	(2,972,783)
Share based payments	-	242,557	-	-	242,557	-	242,557
Share options cancelled	-	(75,817)	-	-	(75,817)	-	(75,817)
Subsidiary dividend paid	-	-	-	-	-	(92,500)	(92,500)
Balance at December 31, 2019 (Unaudited)	**$21,434,492**	**$1,427,800**	**($7,187,065)**	**($944,000)**	**$14,731,227**	**$396,200**	**$15,127,427**

See accompanying notes to the consolidated financial statements

AVANTE LOGIXX INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTHS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

	For the period ended	
	Dec 31, 2019	**Dec 31, 2018**
	(Unaudited)	*(Unaudited)*
Operating activities		
Total comprehensive income (loss) for the period	$ (2,972,784)	$ (1,582,177)
Loss on disposal of capital assets	(80,604)	22,349
Share based payments	166,741	272,372
Accretion on convertible debt (note 17a)	97,592	
Depreciation on capital assets (note 9)	936,185	362,084
Amortization on intangible assets (note 11)	580,087	437,658
Amortization on capitalized commission	89,513	-
Inventory fair value expensed (note 8)	35,000	180,000
Provision for income tax	(595,580)	113,487
Loss on fair value of derivative liability (note 17a)	388,816	-
Capitalization of commissions	(11,952)	
Unrealized loss on investment	531,000	-
	(835,986)	(194,227)
Net change in non-cash working capital:		
Accounts receivable	(442,079)	(5,595,380)
Inventories	(247,646)	(324,065)
Contract assets (note 6)	(506,097)	(295,672)
Prepaid expenses	(178,267)	(395,878)
Current income tax	299,430	(41,887)
Accounts payable and accrued liabilities	(2,495,125)	2,179,444
Contract liabilities (note 6)	634,314	1,241,746
	(2,935,470)	(3,231,693)
Cash used in operating activities	(3,771,456)	(3,425,920)
Financing activities		
Net proceeds from loans	2,690,000	3,375,217
Principal loan payments	(452,868)	-
Principal lease payments (note 14)	(466,535)	72,490
Subsidiary dividend paid to non-controlling interest	(92,500)	(185,000)
Proceeds of convertible debentures, net of costs (note 17a)	8,052,031	-
Proceeds from issuance of common shares net of issue costs (note 15a)	-	7,657,932
Proceeds from issuance of common shares from options	-	185,800
Cash from financing activities	9,730,128	11,106,439
Investing activities		
Acquisition of new subsidiaries net of cash acquired (note 12)	(7,600,770)	(6,810,249)
Purchase of capital assets	(184,157)	(921,245)
Disposal of capital assets	10,911	-
Purchase of investment	-	(1,003,000)
Cash used in investing activities	(7,774,016)	(8,734,494)
Increase (decrease) in cash during the period	(1,815,344)	(1,053,977)
Cash and cash equivalents, beginning of period	2,175,721	4,078,093
Cash and cash equivalents, end of period	$ 360,377	$ 3,024,116

See accompanying notes to the consolidated financial statements

1. NATURE OF BUSINESS

Avante Logixx Inc. (the "Company"), through Avante Security Inc. ("Avante"), its 100% owned subsidiary, City Wide Locksmiths Ltd. ("City Wide") in which it has a 70% majority interest, Logixx Security Inc. ("Logixx") (formerly and doing business as "Intelligarde International Inc." and "Veridin Systems Inc."), and A.S.A.P. Secured Inc. ("ASAP"), 100% owned subsidiaries, develops technologies, products and solutions for personal, condo and commercial monitoring and control applications, custom made locks, doors and hardware, and home and commercial automation installation services. The Company is listed on the TSX Venture Exchange and has the symbol XX.V (OTC: ALXXF).

Avante provides premium security services through the use of advanced technology and a focus on client service. Avante's security business provides a complete offering ranging from system design, sales, installations, and monitoring to services such as alarm response and patrols, personal protection, house staff training, and secure transportation. Avante also has a specialized skillset in commercial and high-rise security integration, monitoring and electronic building management. It also provides consulting and installation of automation and security solutions for the high-end residential market. Avante's signature offerings are its Rapid Alarm Response services, and its Intelligent Perimeter Protection Video Analytics. Avante also provides extensive commercial offerings, which includes Closed Circuit Television ("CCTV"), access controls and security services for travelling executives. Avante also uses its proprietary two way wireless communication technology for security and home automation applications and in other market segments for various remote control and monitoring functions.

On July 16, 2018, the Company completed the acquisition of the remaining 49% of the issued and outstanding shares of Architronics Limited ("Architronics") to make it 100% owned subsidiary and amalgamated with Avante on October 1, 2018. Architronics provides integrated solutions in the home and commercial automation and custom electronic integration industry, including security, lighting, audio & video, blind and temperature control, in the Greater Toronto Area

The acquisition of Watermark Security Inc. was completed by the Company on August 1, 2018 after obtaining the necessary approvals from the TSX Venture Exchange and amalgamated with Avante on October 1, 2018. Watermark provides alarm monitoring and cottage check services to the Muskoka and surrounding areas. It also provides consulting and installation of security solutions.

City Wide provides security locks, keys and door hardware, with a division catering to preeminent architects, designers and builders in the high-end home markets.

On November 30, 2018, the Company completed the acquisition of Intelligarde after obtaining the necessary approvals from the TSX Venture Exchange. Intelligarde is a commercial security services provider that offers high-end low-profile security guards and patrols, as well as numerous security services in Ontario and Winnipeg, Manitoba. As of July 4, 2019, Intelligarde International Inc. ("Intelligarde") changed its name to Logixx Security Inc. (formerly and doing business as "Intelligarde International").

After obtaining the necessary approvals from the TSX Venture Exchange, the acquisition of Veridin Systems Canada ("Veridin") was completed on September 16, 2018 by the Company. Veridin (formerly and doing business as "Veridin Systems Canada") is a Toronto based security systems integrator with a focus on commercial accounts. Offering security systems, video surveillance, video alarm verification and analytics, and alarm monitoring. Veridin was amalgamated into Logixx on December 2, 2019.

On December 1, 2019, the Company completed the acquisition of ASAP, which provides high-end, low-profile security guards and patrols, as well as numerous security services across Canada (see note 13).

The address of the Company's corporate office and principal place of business is 1959 Leslie Street, Toronto, Ontario, Canada.

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein, including IAS 34, interim financial reporting.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions and do not include all matters normally disclosed in the Company's annual audited financial statements and are therefore referred to as condensed.

These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2019.

The financial information included herein reflects all adjustments that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the periods ended December 31, 2019 and 2018 are not necessarily indicative of the results to be expected for the full year.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2020.

b) Basis of measurement

These condensed interim consolidated financial statements have been prepared using the historical cost convention. The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, including all subsidiaries.

The preparation of these condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The condensed interim consolidated financial statements include the accounts of the Company and other entities that the Company controls (subsidiaries). Control exists when the Company is exposed or has the existing rights to variable returns and the current ability to direct activities that significantly affect the entities' returns. Consolidation of the subsidiaries begins on the date on which control is obtained and ends when control of the entity ceases to exist. The Company assesses control on an ongoing basis.

The financial statements of the Company and subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

Non-controlling interests are recorded in the consolidated financial statements and represent the non-controlling shareholders' equity in an entity consolidated by the Company for which the Company's ownership is less than 100%. Transactions with non-controlling interests are treated as transactions with equity owners of the Company. Changes in the Company's ownership interest in its subsidiaries are accounted for as equity transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's composition is made of the subsidiaries listed below:

Name of entity	Ownership interest held at December 31, 2019	Ownership interest held at March 31, 2019
Avante Security Inc.	100%	100%
Veridin Systems Canada Inc.	-	100%
Logixx Security Inc.	100%	100%
City Wide Locksmiths Ltd.	70%	70%
A.S.A.P. Secured Inc.	100%	-

The Company acquired the remaining 49% of Architronics Ltd. to achieve 100% ownership on July 16, 2018 (see note 13 for more information) which has been amalgamated with Avante on October 1, 2018.

The Company's ownership interest of Veridin Systems Canada Inc. was not divested, but amalgamated with Logixx Security Inc. on December 2, 2019.

Financial Instruments: Classification and Measurement

a] Classification

Financial assets are classified by the Company in the following measurement categories; i) those to be measured at fair value through profit or loss (FVTPL), ii) those to be measured at fair value through other comprehensive income (FVOCI), and iii) those to me measured at amortized cost. Financial liabilities are measured at amortized cost unless designated to be measured at FVTPL. Classification depends on the contractual terms of the cash flows. Gains or losses for instruments measured at fair value are either recorded in profit or loss or other comprehensive income.

[b] Measurement

Financial instruments are measured at fair value on initial recognition as required, plus directly attributable transaction costs on the acquisition or issuance of financial assets and liabilities not measured at FVTPL. Transaction costs related to assets and liabilities measured at FVTPL are recorded in profit or loss at the time of acquisition or issuance. Trade receivables without a significant financing component are the exception and are initially measured at the transaction price.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. All other financial assets are measured at their fair values at the end of accounting periods, with any changes recognized through profit and loss or other comprehensive income.

On initial recognition of a financial asset that is neither held for trading nor contingent on consideration recognized by an acquirer in a business combination, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income. This election is made on an investment-by-investment basis.

Convertible debentures are allocated between derivative liabilities and host debt on initial recognition with transaction costs attributable to the derivative liability expensed in the period. The host debt is net of attributable transaction costs. The derivative liability is measured at FVTPL using the Black Scholes pricing model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of Financial Instruments Classification and Measurement

	IFRS 9		IAS 39	
Financial assets and liablities	**Classification**	**Measurement**	**Classification**	**Measurement**
Cash and cash equivalents	Amortized cost	Amortized cost	Loans & Receivables	Amortized cost
Accounts receivable	Amortized cost	Amortized cost	Loans & Receivables	Amortized cost
Investments	FVOCI	Fair Value	N/A	N/A
Bank indebtedness and vehicle loans	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Accounts payable & accrued liabilites	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Obligations under finance lease	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Convertible debt liability	Amortized cost	Amortized cost	N/A	N/A
Derivative liability	FVTPL	Fair Value	N/A	N/A

New Standards and Interpretations Adopted

IFRS 16 Leases

IFRS 16 – Leases, replaces IAS 17 – Leases, and related interpretations. The standard introduces a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. For lessees, IFRS 16 is a single on-balance sheet recognition and measurement model, eliminating the distinction between operating and finance leases and right-of-use assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). Liabilities from leases are to be reduced over the term of the lease by amortizing lease payments to a reduction in liability and an interest expense recognized in finance costs. Right-of-use assets will be amortized over the term of the lease.

On April 1, 2019, the Company implemented IFRS 16 – Leases, using the modified retrospective approach with the cumulative effect of initial application recognized on April 1, 2019. Comparatives have not been restated. The Company has lease contracts for office space, vehicles, and equipment.

Leases are recognized as right-of-use assets and corresponding liability at the date of which the leased asset is available for use by the Company. The right-of-use asset is measured initially at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The initial cost recognized includes the lease liability, any lease payments made, less any lease incentives, and any direct costs incurred by the lessee. Lease payments are allocated between the liability and finance cost. The finance cost is charged to the statement of income as depreciation over the lease period.

The lease liability upon initial measurement includes the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable
- Variable lease payments that are based on an index or rate
- Expected payments by the lessee under residual value guarantees
- The exercise price of a purchase option of the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate.

Payments for short-term leases or leases of low-value assets are recognized on a straight-line basis as an expense in the statement of earnings. Short-term leases are leases with a lease term of twelve months or less. Low-value assets compromise of small items of office equipment.

In applying IFRS 16 – Leases for the first time, the Company has used the following practical expedients permitted by the standard:

- Leases with a remaining term less than six months or less from the date of application have been accounted for as short-term leases even though the initial term from the lease commencement have been more than twelve months
- The exclusion of initial direct costs for the measurement of the right-of use asset at the date of initial applications
- Leases with a low value have been excluded

The following table reconciles the Company's operating lease commitments at March 31, 2019, as previously disclosed in the audited annual consolidated financial statements, to the lease liabilities recognized on initial application of IFRS 16 at April 1, 2019.

Commitments per March 31, 2019	**$**	**2,879,429**
Non lease components excluded from lease liablity		(808,548)
Revised lease term		349,312
Undiscounted residual payments		430,099
Total undiscounted operating leases		**2,850,292**
Undiscounted finance leases		(615,045)
short term leases		(122,367)
Low value leases		(90,093)
Total undiscounted operating leases subject to IFRS 16		**2,022,787**
Adjustment to discount operation leases		(324,079)
Discounted finance lease		560,664
Opening lease liablity April 1, 2019		**2,259,372**
Short term lease liability		608,315
Long term lease liability		1,651,057
Discounted lease obligations at April 1, 2019		**2,259,372**

A right-of use asset of $1,714,581 has been recorded in the statement of financial position as at April 1, 2019 and has been classified as property, plant, and equipment. The borrowing rates range between 0.165% and 8.6% per annum. The weighted average incremental rate is 6.37%.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 interpretation addresses the accounting for income taxes when there is uncertainty over tax treatments. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination. In such a case, the income taxes shall be determined in line with the income tax filings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncertain tax treatments include:

- Acceleration of a deduction that would be available in a later period
- An allocation or shift of income between jurisdictions
- The characterization of income or the decision to exclude taxable income from a return

On adoption of IFRIC 23, the Company has no significant changes to its accounting for income taxes.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Judgements

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the amounts reported in these consolidated financial statements are discussed below:

1. **Business combinations**

   IFRS 3, Business Combinations, is applied to account for all business acquisitions. Identifying the fair value of assets and liabilities acquired, including intangible assets and residual goodwill requires significant judgement by management upon acquisition.

   The Company uses judgement in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company consolidates all of its subsidiaries.

2. **Allowance for doubtful accounts receivable and contract assets**

   The Company has exercised judgement in quantifying the allowance for doubtful accounts receivable. While it is possible that certain accounts receivable considered good may turn doubtful at a later date, there are no indicators that they would at the present time.

3. **Income taxes**

   Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may be materially different than the amount included in the tax liabilities.

4. **Deferred tax assets and liabilities**

   Significant judgements are utilized by the Company in interpreting tax rules and regulations when recognizing and calculating deferred tax assets and liabilities. Judgement is used to evaluate whether a deferred tax asset can be recovered based on our assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5. Provision for impairment of inventories

The provision for impairment of inventories requires estimation and judgement to assess the lower of cost and net realizable value. The provision is assessed by taking into account recent sales, aging of inventories, historical costs and other factors that affect inventory obsolescence.

6. Lease discount rate

The Company exercises judgment in determining the incremental borrowing rate when the interest rate is not implicit in the lease. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

7. Intangible assets

Management is required to use judgement in determining the economic useful lives of identifiable intangible assets. Judgement is also required in identifying indicators of impairment and identifying cash generating units ("CGUs").

8. Revenue and contract assets

There is judgement in determining the timing of revenue recognition pertaining to electronic installation services, where the entire contract is one performance obligation and is recognized over time using the percentage of completion basis. Timing of revenue recognition may differ from when customers are invoiced, which could result in contract assets or contract liabilities being recognized.

Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year include accrued liabilities. These estimates are created based on management's assumptions, based on current circumstances, and management believes represent a reasonable basis upon which to estimate the future liability. With respect to intangibles, the Company determines fair values using such estimates as discount rates, capitalization rates and terminal capitalization rates. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. With respect to goodwill impairment testing, the Company determines value in use and fair value less cost of sale using such estimates as cash flows and discount rates. These estimates are reviewed periodically by management.

Share-based payments and liabilities are determined by the Black-Scholes option pricing model, which is used by the Company to determine the fair value of stock options, warrants and convertible debentures-derivative liability. Significant estimates are used in the calculation of the input variables in the Black-Scholes model, which includes: risk free interest rate, expected stock price volatility, expected life, and expected dividend yield.

5. EARNINGS (LOSS) PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations for the period ended:

	For the three-month period ending		For the nine-month period ending	
Earnings (loss) per share - basic and (	$ (0.077)	$ (0.056)	$ (0.113)	$ (0.088)
Net income (loss) attributable to equity holders of the parent - basic and diluted	$ (1,634,071)	$ (1,073,129)	$ (2,404,473)	$ (1,680,672)
Weighted average number of shares outsanding - basic and diluted	21,192,004	19,105,211	21,192,004	19,105,211

6. REVENUE RECOGNITION

a) Disaggregation of Revenue

Revenue is recognized in a manner that depicts the transfer of promised goods or services to the customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods and services. Standard 30 day payment terms apply to the accounts receivable for the Company.

The Company's revenue by division for the period ended December 31, 2019 and December 31, 2018 are as follows:

	For the three-month period ended		For the nine-month period ended	
Revenue	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Protective Services	$ 8,900,251	$ 3,247,379	$ 21,417,731	$ 6,209,866
Monitoring and Managed Services	876,684	902,845	2,824,939	2,536,764
Electronic Services	2,865,731	2,982,661	8,578,835	6,657,425
Security Devices and Hardware	1,470,912	1,713,130	4,549,624	4,872,894
Total Revenue	**$ 14,113,578**	**$ 8,846,015**	**$ 37,371,129**	**$ 20,276,950**

(b) Contract Assets and Liabilities

Certain prior period amounts have been reclassified from inventory for consistency with current period presentation, including classification of Contract Assets, as required upon adoption of IFRS 15 Revenue from Contracts with Customers. This reclassification had no effect on the reported results of operations.

	Dec 31, 2019	**March 31, 2019**
Work-in-progress - contracts in process	$ 1,236,507	$ 730,410

Timing differences between invoicing, cash collection, and revenue recognition results in accounts receivable and also results in unbilled revenue (contract assets), and deferred revenue (contract liabilities) on the consolidated statement of financial position. Amounts are billed in accordance with the terms of each customer contract, generally subsequent to the performance of obligations and related revenue recognition, resulting in accounts receivable and unbilled revenue with standard payment terms of 'Net 30 Days'. For certain contracts, the Company receives customer payment prior to satisfying contracted obligations and recognizing revenue, resulting in deferred revenue (contract liabilities).

6. REVENUE RECOGNITION (CONTINUED)

Balance at March 31, 2019	**$**	**3,901,534**
Additions during the period		6,127,253
Recognized during the period		5,492,939
Balance at December 31, 2019 to be recognized in fiscal year 2020	**$**	**1,695,546**
Balance at December 31, 2019 to be recognized after fiscal year 2020	**$**	**2,840,302**
Total Balance of contract liabilities at December 31, 2019	**$**	**4,535,848**

7. ACCOUNTS RECEIVABLE

The accounts receivable on the financial statements are net of allowance for doubtful accounts of $480,342 as at December 31, 2019 (December 31, 2018 - $542,893). Changes in the allowance for doubtful accounts during the period were as follows:

	Dec 31, 2019	March 31, 2019
Allowance for doubtful accounts - opening balance	$248,854	$127,109
Net increase (decrease during) the period	81,488	121,745
Allowance for doubtful accounts - closing balance	$330,342	$248,854

As at December 31, 2019, there was $2,133,408 (December 31, 2018: $2,648,217) of accounts receivable outstanding for over 90 days of which management did not consider $1,803,065 (December 31, 2018: $544,317) impaired. Certain balances which are more than 90 days old represent holdbacks on installations and are not payable until final project completion.

8. INVENTORIES

	Dec 31, 2019	March 31, 2019
Inventory	$1,759,385	$1,546,739

All inventory is considered finished goods. No inventory was considered obsolete and expensed during the period (December 31, 2018: $NIL). Inventory expensed to cost of sales during the quarter ended December 31, 2019 amounted to $1,893,087 (December 31, 2018: $2,061,606). Inventory expensed to cost of sales for the nine-month period ended December 31, 2019 was $5,463,176 (December 31, 2018: $5,263,128). Included in the inventory expensed during the nine-month period ended December 31, 2019 was $35,000 of the fair value adjustment made upon the acquisition of City Wide (December 31, 2018: $180,000).

9. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Equipment, furniture and fixtures	Leasehold improvements	Computer software	Right-of-use asset	Vehicles	Buildings	Total
	$	$	$	$	$	$	$	$
Cost								
Balance at March 31, 2018	**$ 410,834**	**$ 743,365**	**$ 908,941**	**$ 154,878**	**$ -**	**$ 1,176,977**	**$ -**	**$ 3,394,995**
Acquired through business acquisition	12,552	33,794	-	-	-	153,050		199,396
Additions during the year	124,998	79,779	245,849	198,975	-	88,502	473,300	1,211,403
Disposals during the year	-	62	-	87,657	-	214,301		302,020
Balance at March 31, 2019	**548,384**	**856,876**	**1,154,790**	**266,197**	**-**	**1,204,228**	**473,300**	**4,503,774**
Acquired through business acquisition	2,893			357	-	73,097	-	76,347
Additions during the Period	9,428	16,461	21,787	115,851	405,395	16,110	1,825	586,858
Additions on IFRS 16 adoption April 1, 2019	-	-	-	-	1,714,580	-	-	1,714,580
Reclass finance leases to right-of-use assets per IFRS 16	-	-	-	-	755,614	(755,614)	-	-
Disposals during the Period	-	-	81,877	-	69,067	0	-	150,944
Balance at December 31, 2019	**$ 560,705**	**$ 873,337**	**$ 1,094,700**	**$ 382,405**	**$ 2,806,522**	**$ 537,820**	**$ 475,125**	**$ 6,730,614**
Accumulated depreciation								
Balance at March 31, 2018	**$ 302,882**	**$ 471,211**	**$ 356,588**	**$ 131,260**	**$ -**	**$ 461,494**	**$ -**	**$ 1,723,435**
Depreciation for the year	53,066	75,360	171,228	47,056	-	209,456	9,466	565,632
On disposals during the year	-	-	-	69,944	-	188,087	-	258,031
Balance at March 31 2019	**355,948**	**546,571**	**527,816**	**108,372**	**-**	**482,863**	**9,466**	**2,031,035**
Depreciation for the Period	44,255	45,370	157,832	84,323	553,076	38,708	12,621	936,185
Reclass accumulated deprecation on finance leases to right-of	-	-	-	-	212,444	(212,444)	-	-
On disposals during the Period	-	-	81,877	-	58,156	-	-	140,033
Balance at December 31, 2019	**400,203**	**591,941**	**603,771**	**192,695**	**707,364**	**309,127**	**22,087**	**2,827,187**
Carrying Amounts								
Balance at March 31 2019	**192,436**	**310,305**	**626,974**	**157,825**	**-**	**721,365**	**463,834**	**2,472,739**
Balance at December 31, 2019	**$ 160,502**	**$ 281,397**	**$ 490,928**	**$ 189,710**	**$ 2,099,158**	**$ 228,694**	**$ 453,038**	**$ 3,903,427**

The Company carries two categories of right-of-use assets; vehicles and property. At December 31, 2019 the carrying amount of vehicles under lease was $1,127,809 (December 31, 2018: $539,836), with $266,397 of depreciation included in the statement of income for the nine-month period ended December 31, 2019, and $103,236 of depreciation expensed for the three-month period ended December 31, 2019.

The right-of-use asset property had a carrying amount of $984,902 at December 31, 2019 (December 31, 2018: $Nil). Depreciation in the amount of $75,487 is included in the statement of income for the quarter ended December 31, 2019, and $296,507 for the nine-month period ended December 31, 2019.

All assets of the Company, including its Property, Plant and Equipment have been pledged as general security against a revolving line of credit established with the Company's bankers (Note 14).

10. CAPITALIZED COMMISSION

Commissions on long-term contracts (12 months in length or longer) are capitalized at the initiation of the contract and amortized over the length of the contract as revenue is recognized. This is in line with the stated policies of IFRS 15 that was implemented by the Company on April 1, 2018 using the modified retrospective approach. The commission on long-term contracts as of December 31, 2019 was $130,005 (March 31, 2019: $207,566), with $28,419 amortized in the three-month period ending December 31, 2019, and $103,725 amortized in the nine-month period ending December 31, 2019, (December 31, 2018: $Nil)

11. GOODWILL AND INTANGIBLE ASSETS

A. INTANGIBLE ASSETS

	Tradename City Wide	Tradename Others	Customer relationships	Backlog	Total
	$	$	$	$	$
Cost					
Balance at March 31, 2019	$677,000	$1,051,266	$6,731,097	$364,000	$8,823,364
Acquired through business acquisitions (preliminary)	-	1,184,750	2,646,228	-	3,830,978
Balance at December 31, 2019	**677,000**	**2,236,016**	**9,377,326**	**364,000**	**12,654,341**
Amortization					
Balance at March 31, 2019	$3,385	$160,510	$1,754,947	$364,000	$2,282,842
Amortization for the period	2,344	97,172	480,572	-	580,087
Balance at December 31, 2019	**5,729**	**257,682**	**2,235,519**	**364,000**	**2,862,929**
Carrying amounts					
Balance at March 31, 2019	**$673,615**	**$890,756**	**$4,976,150**	**$ -**	**$6,540,522**
Balance at December 31, 2019	**$671,271**	**$1,978,334**	**$7,141,807**	**$ -**	**$9,791,412**

B. GOODWILL

Balance at March 31, 2018	**$3,610,237**
Acquired through business acquisition of Watermark	**345,404**
Acquired through business acquisition of Veridin	**2,522,897**
Acquired through business acquisition of Intelligarde	**1,684,362**
Balance at March 31, 2019	**8,162,900**
Acquired through business acquisition of ASAP (preliminary)	**4,470,290**
Balance at December 31, 2019	**$12,633,190**

The above intangible assets and goodwill were acquired upon the acquisitions of the businesses of INTO Electronics Inc. at August 22, 2014, LVS Inc. at April 1, 2015, City Wide Locksmiths Ltd. at April 1, 2016, Architronics Limited at March 1, 2017, Watermark Security Inc. at August 1, 2018, Veridin Systems Canada at September 16, 2018, Intelligarde International Inc. (currently doing business as Logixx Security Inc.) at November 30, 2018 and A.S.A.P Secured Inc. at December 1, 2019.

The Company expects to renew its brand names and trademarks upon expiry indefinitely and expects these to generate economic benefit. Also, the key assumptions used to calculate the fair value of these intangible assets include discount rates, growth rates and margins. These assumptions are consistent with the assumptions used to calculate fair values for goodwill. The cost of goodwill is calculated as the excess of purchase price of the acquired business over the estimated fair value of the tangible and intangible assets acquired and liabilities assumed at the date of acquisition and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separate identifiable cash flows.

11. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Goodwill has been allocated to CGU's as follows:

	Dec 31, 2019	Mar 31, 2019
Avante Security Inc./LVS/INTO	$2,626,595	$2,626,595
Avante Security Inc./Watermark Security Inc	345,404	345,404
Avante Security Inc./Architronics Ltd	86,932	86,932
City Wide Locksmiths Ltd.	896,710	896,710
Veridin Systems Canada Inc.	2,522,897	2,522,897
Intelligarde International Inc.	1,684,362	1,684,362
ASAP Secured (preliminary)	4,470,290	-
	$12,633,190	**$8,162,900**

Amortization

The amortization of tradenames, customer relationships and order backlog is included in amortization on intangible assets on the consolidated statements of income and comprehensive income and loss.

12. BUSINESS ACQUISITIONS

Acquisition of remaining 49% interest of Architronics Ltd.

On July 16, 2018, the Company acquired the remaining 49% of the outstanding shares of its subsidiary, Architronics Ltd ("Architronics") pursuant to a share purchase agreement effective July 16, 2018 between Avante and Entrevision Inc. ("Vendor") for an aggregate purchase price of $588,000. The purchase price was paid $294,000 in cash and 140,000 (700,000 pre-stock consolidation) shares in the Company at a negotiated price per share of $2.10. According to the terms of Agreement, the Vendor will not sell or otherwise transfer any of the Company's shares received under this Agreement prior to the first anniversary of the closing date, except to any other shareholder of the Vendor. Acquisition costs in the amount of $11,688 were incurred on this transaction. Any such shareholder of the Vendor, who may receive the Company's shares also commits to not selling or transferring these shares prior to the completion of the first anniversary. The Company first acquired a 51% ownership of the shares of Architronics on March 1, 2017. The acquisition of the remaining 49% of outstanding shares of Architronics on July 16, 2018 reduced the Company's reported non-controlling interest and equity at that time.

12. BUSINESS ACQUISITIONS (CONTINUED)

Acquisition of Watermark Security Inc.

On August 7, 2018, the Company acquired all the outstanding shares Watermark Security Inc. ("Watermark") pursuant to a share purchase agreement effective August 1, 2018 between Avante and the departing shareholders ("Vendors") of Watermark, for an aggregate purchase price of $525,247, all of which was payable in cash. The Company held back $50,000 of the purchase price against certain representations and warranties relating to customer attrition provided by the Vendors. The amount held back, is payable net of deductions, if any, at the first anniversary of the closing date of the transaction. There were no finders' fees payable in connection with this transaction. Acquisition costs in the amount of $31,644 were incurred on this transaction. This includes professional fees incurred towards financial, tax and legal due diligence, legal costs and bonus accrued for management in relation to the transaction and were expensed.

Watermark is a security systems integrator operating out of Port Carling, Ontario in the Muskoka Lakes Region of Ontario. It provides services which include integrated alarm and video systems installations, guard response, property management and cottage property checks to its clients in the region. The acquisition of Watermark aligns well with the Company's core business and renewed strategy of geographic expansion.

This transaction qualifies as a business combination and was accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. To account for the transaction, the Company has performed a business valuation of Watermark at the date of acquisition and a purchase price allocation. The following table summarizes the consideration and closing date fair values of the net identifiable assets acquired pursuant to the Watermark acquisition:

	August 7, 2018
Accounts receivable, deposits and prepaid expenses	$110,760
Inventories & WIP	4,770
Property, plant and equipment	31,587
Tradename	33,873
Customer Relationships	99,673
Goodwill	345,404
Total Assets	$626,067
Accounts payable and accrued liabilities	12,054
Deferred revenue	52,998
Deferred tax liability	35,768
Total liabilities	$100,820
Net assets acquired	$525,247
Total Consideration	
Cash	$475,247
Holdback payable	50,000
	$525,247

Goodwill represents intangible assets that cannot be measured directly such as company reputation and customer loyalty. The goodwill from the transaction will not be deductible for tax purposes.

For the three-months period ended December 31, 2018, Watermark contributed $81,675 of revenue to consolidated revenues. For the nine-month period ended December 31, 2018, Watermark contributed $186,439 to consolidated revenues. Watermark contributed income before income taxes in the three-month period ending December 31, 2018 of $1,227, and $52 in the nine-month period ended December 31, 2018.

12. BUSINESS ACQUISITIONS (CONTINUED)

Acquisition of Veridin Systems Canada Inc.

On September 17, 2018, the Company acquired all the outstanding shares of Veridin Systems Canada Inc. (“Veridin”) pursuant to a share purchase agreement between Avante and 1245893 Ontario Inc. and Vision Dynamics CCTV Inc. (“Vendors”) of Veridin, for an aggregate purchase price of $2,436,410, $1,900,746 paid in cash and the issuance of 238,095 (1,190,476 pre-stock consolidation) common shares in the capital of the Company to 1245893 Ontario Inc. The Company held back $94,923 of the purchase price against certain representations and warranties. Such shares have a fair value of $535,664 based on the volume-weighted average trading price of the shares on the TSX Venture Exchange for the 10 trading day period ended September 17, 2018. There were no finders’ fees payable in connection with this transaction. Acquisition costs in the amount of $125,490 were incurred on this transaction and expensed. This includes professional fees incurred towards financial, tax and legal due diligence, legal costs and bonus accrued for Management in relation to the transaction.

Veridin is a commercial security systems integrator based in Mississauga, Ontario, that has a nationwide customer footprint. Veridin’s services include security systems, CCTV systems, video alarm verification and analytics, and alarm monitoring. The addition of Veridin is in line with the Company’s strategic vision and the collective networks of both companies will be leveraged to grow business focused on multi-site national accounts.

This transaction qualifies as a business combination and was accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. To account for the transaction, the Company has performed a business valuation of Veridin at the date of acquisition and a purchase price allocation. The following table summarizes the consideration and closing date fair values of the net identifiable assets acquired pursuant to the Veridin acquisition:

	September 17, 2018
Accounts receivable, deposits and prepaid expenses	$960,740
Inventories & WIP	294,176
Property, plant and equipment	158,813
Tradename	142,043
Customer Relationships	376,138
Goodwill	2,522,897
Total Assets	$4,454,807
Accounts payable and accrued liabilities	1,374,118
Deferred revenue	471,173
Deferred tax liability	173,106
Total liabilities	$2,018,397
Net assets acquired	**$2,436,410**
Total Consideration	
Cash	$1,805,823
Issuance of common shares	535,664
Holdback not released from escrow	94,923
	$2,436,410

Goodwill represents intangible assets that cannot be measured directly such as company reputation and customer loyalty. The goodwill from the transaction will not be deductible for tax purposes.

For the three-month period ended December 31, 2018 Veridin contributed $1,134,347 of revenue to consolidated revenue and $1,458,848 for the nine months period ended December 31, 2018. Veridin contributed $112,743 in the three-month period ended December 31, 2018 to the consolidated income before income taxes and $200,395 in the nine-month period ended December 31, 2018 to the consolidated loss before income taxes.

12. BUSINESS ACQUISITIONS (CONTINUED)

Acquisition of Intelligarde International Inc. (renamed Logixx Security Inc. as of July 4, 2019)

On November 30, 2018 the Company acquired all the outstanding shares of Intelligarde International Inc. ("Intelligarde" – currently doing business as Logixx Security Inc.). The total consideration paid for the outstanding shares of Intelligarde is $4,801,370 paid in cash subject to a post-closing working capital adjustment. The Company held back $712,500 of the purchase price against certain representations and warranties. There were no finders' fees payable in connection with this transaction. Acquisition costs in the amount of $140,214 were incurred on this transaction and expensed This includes professional fees incurred towards financial, tax and legal due diligence, legal costs and bonus accrued for management in relation to the transaction. The purchase agreement included an earnout provision based on specific client contracts being signed prior to March 31, 2019, which was not met by the seller as of March 31, 2019, and hence no payout is due.

Intelligarde is a commercial security services provider that offers high- and low-profile security guards and patrols, as well as numerous complementary security services in Ontario and Winnipeg, Manitoba. The acquisition brings strategic capabilities to the Company that accelerate the realization of the Company's vision of building a technology-enabled security solutions provider. The acquisition will further extend Avante's presence in the commercial security market.

This transaction qualifies as a business combination and was accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. To account for the transaction, the Company has performed a business valuation of Intelligarde at the date of acquisition and a purchase price allocation. The following table summarizes the consideration and closing date fair values of the net identifiable assets acquired pursuant to the Intelligarde acquisition:

	November 30, 2018
Accounts receivable, deposits and prepaid expenses	$2,664,901
Property, plant and equipment	15,977
Brand	762,350
Customer relationships	1,351,286
Goodwill	1,684,362
Total Assets	$6,478,876
Accounts payable and accrued liabilities	1,418,351
Deferred tax liability	517,270
Total liabilities	$1,935,621
Net assets acquired	**$4,543,255**
Total Consideration	
Cash	$3,830,755
Holdback not released from escrow	712,500
	$4,543,255

Goodwill represents intangible assets that cannot be measured directly such as company reputation and customer loyalty. The goodwill from the transaction will not be deductible for tax purposes.

For the three-month and nine-months periods ended December 31, 2018 Intelligarde contributed $1,364,654 to consolidated revenues and $20,967 to net income before income taxes.

12. BUSINESS ACQUISITIONS (CONTINUED)

Acquisition of A.S.A.P. Secured Inc.

Effective December 1, 2019 the Company acquired all the outstanding shares of A.S.A.P Secured Inc. ("ASAP"). The total consideration paid for the outstanding shares of ASAP is $10,270,000 through the combination of cash payment on closing and issuance of a non-interest bearing, non-transferrable, subordinated promissory note in the principal amount of $2,625,000. The consideration payable for the acquisition of ASAP is subject to certain post-closing net working capital and gross profit adjustments. Pursuant to the Company's purchase agreement in respect of ASAP, the Company entered into a Promissory Note due on February 28, 2021. The amount payable ranges from $nil to $2,625,000 depending on the gross profit performance of the acquired business over the first twelve months from acquisition closing. In the event such gross profit exceeds an agreed threshold during the first nine months from closing, the vendors are entitled to obtain a second ranking secured interest in the Company's assets. Interest is payable from the date that the vendors accept the final twelve-month gross profit calculation until the date that the Promissory Note is paid

The Company held back $2,625,000 of the purchase price against certain representations and warranties. There were no finders' fees payable in connection with this transaction. Acquisition costs in the amount of $223,853 were incurred on this transaction and expensed. This includes professional fees incurred towards financial, tax and legal due diligence, and legal costs in relation to the transaction.

ASAP is a commercial security services provider that offers high- and low-profile security guards and patrols, as well as numerous complementary security services across Canada. The acquisition brings strategic capabilities to the Company that accelerate the realization of the Company's vision of building a technology-enabled security solutions provider. The acquisition further extended the Company's presence in the commercial security market.

This transaction qualifies as a business combination and was accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. To account for the transaction, the Company has performed a business valuation of ASAP at the date of acquisition and a purchase price allocation. The allocations include estimates which are subject to change as valuations are completed and closing working capital purchase prices adjustments, if any, are settled between the parties, and these changes could be material. The following table summarizes the consideration and closing date preliminary fair values of the net identifiable assets acquired pursuant to the ASAP acquisition:

	November 30, 2019
Accounts receivable, deposits and prepaid expenses	$5,749,096
Property, plant and equipment	76,347
Brand	1,184,750
Customer relationships	2,646,228
Goodwill	4,470,290
Total Assets	$14,126,711
Accounts payable and accrued liabilities	2,841,502
Deferred tax liability	1,015,209
Total liabilities	$3,856,711
Net assets acquired	**$10,270,000**
Total Consideration	
Cash	$7,645,000
Promissory note payable at first anniversary of closing date	2,625,000
	$10,270,000

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12. BUSINESS ACQUISITIONS (CONTINUED)

Goodwill represents intangible assets that cannot be measured directly such as company reputation and customer loyalty. The goodwill from the transaction will not be deductible for tax purposes.

For the three and nine-month periods ended December 31, 2019 ASAP contributed $2,775,881 to consolidated revenues and $234,555 to net income before income taxes.

13. BANK INDEBTEDNESS AND VEHICLE LOANS

On November 23, 2018, the Company's bankers approved new credit facilities. As per this agreement, an acquisition line of $10,000,000, a revolving demand facility of $2,000,000 of which $940,000 has been drawn as at December 31, 2019 (December 31, 2018: $NIL) and, a credit card facility of $250,000 (increased to $350,000 in January 2020) has been made available to the Company. The Company also has a mortgage of $364,924 outstanding. These replaced all previous lines through Avante, INTO, City Wide, and Architronics, and the charges on all assets related to the former Avante, INTO, City Wide, and Architronics loans have been released. Security for the loan is provided by general security agreements and cross guarantees that encumber all assets of the Company and subsidiaries. On November 25, 2019 the Company amended the loan agreement with the bank and as a result the leverage covenant related to the acquisition line will not be tested until March 31, 2020. As a result, the loan is presented as current $1,756,610 and non-current $3,221,140 at December 31, 2019.

The acquisition line may be drawn on by way of a series of loans at a fixed rate or bank prime rate + 1%. The Company has a term loan bearing interest of 4.9% based on a term of 5 years. The outstanding balance due to the bank as at December 31, 2019 is $2,458,688 (December 31, 2018: 3,000,000). The Company also has a loan of $1,750,000 at December 31, 2019 with an interest rate of bank prime rate + 1%. The operating line bears an interest at the bank prime rate plus 0.85% per annum. All previous line of credits were $NIL at December 31, 2018.

The mortgage has a rate of 4.68% per annum with a balance of $364,925 outstanding at December 31, 2019, (December 31, 2018: $373,000). The mortgage facility was used to purchase a building in Port Carling for the Company's Muskoka operations.

At December 31, 2019, the Company, through City Wide, has an outstanding balance of $164,967 (December 31, 2018: $220,249) towards loans from auto credit companies to purchase vehicles. While one of these loans is interest-free, the others range between 2.99% and 4.99%. The monthly payments on these loans range between $555 and $1,162, and these will be repaid in full between August 2020 and July 2024.

At December 31, 2019, the Company, through ASAP, has an outstanding balance of $65,617 towards loans from auto credit companies to purchase vehicles. While two of these loans are interest-free, the others range between 0.99% and 7.53%. The monthly payments on these loans range between $202 and $1,070, and these will be repaid in full between January 2020 and September 2023.

14. OBLIGATIONS UNDER LEASE

On April 1, 2019, the Company adopted IFRS 16 – Leases using the modified retrospective method. The adoption of IFRS 16 – Leases resulted in the increase in recognized Right-of-use assets and lease liabilities of $1,714,850 for vehicle and property leases reflecting the present value of the future lease payments, in the statement of financial position as of April 1, 2019.

The lease liability upon initial measurement includes the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable
- Variable lease payments that are based on an index or rate
- Expected payments by the lessee under residual value guarantees
- The exercise price of a purchase option of the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The lease payments are discounted using the interest rate implicit in the lease, or if that cannot be determined, the Company's incremental borrowing rate.

	Vehicle lease liability	Property lease liability	Total liability
Balance at March 31, 2019	**$ 560,664**	**$ -**	**$ 560,664**
New accounting policy on April 1, 2019- IFRS 16	446,076	1,268,504	1,714,580
Additions during the Period	405,395	-	405,395
Disposals during the Period	(31,289)	(52,009)	(83,298)
Principal payments	(260,584)	(205,951)	(466,535)
Balance at December 31, 2019	**$ 1,120,263**	**$ 1,010,543**	**$ 2,130,806**
Current provisions	310,867	254,022	564,889
Long-term provisions	809,396	756,522	1,565,917
Total Balance at December 31, 2019	**$ 1,120,263**	**$ 1,010,543**	**$ 2,130,806**

The Company leased certain vehicles with a value of $1,120,263 (December 31, 2018: $855,532), at an effective annual rate of interest of 6.78% (December 31, 2018: 7.00%). Blended monthly payments of $45,407 plus applicable taxes (December 31, 2018: $17,552) for 48 to 60 months ending between January 2020 and September 2024, with a buy out obligation of $532,795 (December 31, 2018: $182,406). Interest expense from this lease, included in the statement of income for the three-month period ended December 31, 2019 is $16,067 (December 31, 2018: 9,594), and for the nine-month period ended December 31, 2019 was $47,807 (December 31, 2018: $26,363).

Various properties with a value of $1,010,543 are leased with blended monthly payments of $37,267 plus applicable taxes (December 31, 2018: $NIL). An incremental borrowing rate of 4.80% is used (December 31, 2018: 0%). The property leases end between November 2019 and August 2026. Interest expense from these leases, included in the statement of income for the three-month period was $12,130 (December 31, 2018: $NIL), and for the nine-month period interest recognized was $35,433 (December 31, 2018: $Nil).

Minimum lease payments have been disclosed on note 21.

15. SHAREHOLDERS' EQUITY

[a] Share capital issued and outstanding

Unlimited common shares	Number of Shares	Issue Price	Amount
Balance at March 31, 2017	16,306,410		$12,675,694
Issue of shares on exercise of options	41,000	$0.50	29,542
Issue of shares on exercise of options	6,667	$1.50	14,550
Balance at March 31, 2018	16,354,077		12,719,786
Issue of Shares by private placement	4,312,500	$2.00	8,625,000
Issue of Shares on acquisition of Architronics	140,000	$2.10	294,000
Issue of Shares on acquisition of Veridin	238,095	$2.25	535,664
Issue of Shares on exercise of options	10,000	$1.50	21,825
Issue of Shares on exercise of options	50,500	$1.40	117,981
Issue of Shares on exercise of options	15,000	$1.80	38,063
Issue of Shares on exercise of options	56,500	$1.30	126,470
Issue of Shares on exercise of options	15,333	$1.50	35,861
Share issue costs			(967,069)
Broker warrants issued			(113,088)
Balance at March 31, 2019	21,192,005		$21,434,492
Balance at December 31, 2019	21,192,005		$21,434,492

On June 12, 2018, pursuant to a short form prospectus, the Company completed a fully underwritten capital offering (the "Offering") of 4,312,500 (pre-stock consolidation 21,562,500) common shares for net proceeds of $7,544,843. This included the full exercise of the over-allotment option. The proceeds were net of commission paid to the brokers, filing fees, legal and audit costs related to the private placement. The Underwriters received a cash commission on the sale of $517,500 equal to 6% of the gross proceeds of the Offering, plus 1,293,750 broker warrants valued at $113,088, exercisable to acquire that number of shares, which is equal to 6% of the aggregate number of common shares sold pursuant to the Offering. The broker warrant expense was calculated using the Black Scholes pricing model, at a risk-free interest rate of 1.25% and volatility of 35%. Each broker warrant shall entitle the holder thereof to acquire one common share of the Company at a price equal to the offering price of $2.00 each per share expiring June 12, 2020, a period of 24 months following the closing of the offering. Filing, legal and audit costs related to the private placement were $449,569.

While acquiring all outstanding shares of Architronics on July 16, 2018, the Company issued 140,000 (pre-stock consolidation 700,000) new common shares valued at $2.10 per share to the vendor.

On acquiring the shares of Veridin on September 16, 2018, the Company issued 238,095 (pre-stock consolidation 1,190,476) new common shares valued at $2.25 per share to the vendors.

On October 29, 2018, the Company did a reverse stock split ("Stock consolidation") of its common shares on the basis of one (1) post-consolidation Common Share for every five (5) pre-consolidation Common Shares. The Company filed articles of amendment in respect of the consolidation on October 29, 2018. As a result of the Stock consolidation, the Company's 105,578,361 pre-consolidation outstanding Common Shares were reduced to 21,115,672 Common Shares. The exercise price and number of Common Shares issuable upon the exercise of any outstanding Stock options, warrants or other convertible securities were proportionately adjusted to reflect the Stock consolidation. The Stock consolidation was approved by the shareholders of the Company at the Company's annual and special meeting on September 19, 2018 and was approved by the TSX Venture Exchange.

15. SHAREHOLDERS' EQUITY (CONTINUED)

[b] Share options

The Company has an incentive Share Option Plan ("the Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or service providers of the Company. The terms of the Plan provide that the Directors have the right to grant options to acquire common shares of the Company at not less than the closing market price of the shares on the day preceding the grant at terms of up to ten years. No amounts are paid or payable by the recipient on receipt of the option.

Options for Directors vest when granted, while vesting of options for non-directors is as follows: 33.33% on second anniversary; 33.33% on the third anniversary; and the remainder on the fourth anniversary following the grant date. Options granted to non-directors prior to fiscal year 2015 vested as follows: 33.33% on the grant date; 33.33% on the first anniversary of the grant date; and the remaining 33.33% on the second anniversary of the grant date.

On September 29, 2015, the shareholders of the Company approved an amendment to the stock option plan whereby it reverted to a 10% rolling stock option plan. This plan is approved annually by the shareholders of the Company and was again approved by the shareholders on September 19, 2019. Accordingly, the Company has a total of 443,866 options available to be issued as at December 31, 2019, with the maximum term remaining at 10 years (March 31, 2019: 532,867). Prior to September 29, 2015, the Company had an Option plan whereby it could issue a maximum of 7,145,000 options with a term of up to 10 years. There have been no changes to the Plan during the three months ended December 31, 2019.

	Number of Options	Weighted Average Exercise Price
Balance at March 31, 2018	**1,324,333**	**$1.80**
Options issued during the year	570,000	2.25
Options exercised during the year	(147,333)	0.9
Options expired during the year	(160,667)	1.45
Balance at March 31, 2019	**1,586,333**	**$2.03**
Options issued during the period	185,000	1.55
Options cancelled during the period	(96,000)	2.12
Balance at December 31, 2019	**1,675,333**	**$2.00**

The weighted average grant date fair values of share options granted during the two previous years were $2.17, $1.80, and $1.50 per option, respectively. All options were granted at an exercise price greater than or equal to the trading price on the day of the grant that is considered fair value. Options were granted to non-executive members of management in the quarter ending December 31, 2019 totaling 185,000 options at an excise price of $1.55, the number of options granted in the nine-month period ending December 31, 2019 is 185,000 (September 30, 2018: 400,000 and 570,000 respectively), and none of the outstanding options were exercised in the nine-month period ended December 31, 2019 (December 31, 2018: 71,500). All the options granted in previous years expire between November 2019 and December 2024.

During the three-month period ended December 31, 2019, the Company recognized share based compensation expense of $11,631 (December 31, 2018: $64,694) using the Black-Scholes pricing model. The Company recognized $242,557 of share based compensation and removed $(75,817) for expired or cancelled options from share based compensation in the nine-month period ended December 31, 2019, (December 31, 2018: $272,372 recognized).

15. SHAREHOLDERS' EQUITY (CONTINUED)

In calculating the share-based compensation expense, the Company used the assumptions as listed below:

	Fiscal 2020
Risk-free interest rate	1.75%
Expected volatility	66.31%
Expected time until exercise	5 years
Expected dividend yield	NIL
Expected forfeiture	5%
Share price	$1.50

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The following table summarizes stock options vested and outstanding at December 31, 2019:

Grant Date	Number Outstanding	Average Remaining Contractual Years	Number Vested	Exercise Price	Expiry Date
2015-11-17	30,000	0.88	30,000	$1.80	2020-11-17
2015-11-17	40,333	0.88	40,333	1.50	2020-11-17
2016-09-06	30,000	1.68	30,000	1.30	2021-09-06
2017-02-21	20,000	2.15	6,667	1.50	2022-02-21
2017-10-29	30,000	2.83	30,000	1.30	2022-10-29
2018-01-10	200,000	3.03	200,000	1.65	2023-01-10
2018-01-10	200,000	3.03	-	1.90	2023-01-10
2018-01-10	200,000	3.03	-	2.20	2023-01-10
2018-01-10	200,000	3.03	-	2.55	2023-01-10
2018-04-04	15,000	3.26	15,000	1.85	2023-04-04
2018-09-19	125,000	3.72	-	2.25	2023-09-19
2018-10-02	200,000	3.76	-	2.25	2023-10-02
2018-11-05	100,000	3.85	-	2.20	2023-11-05
2018-11-28	100,000	3.91	-	2.10	2023-11-28
2019-12-02	185,000	4.93	-	1.55	2024-12-02
	1,675,333	2.93	352,000	$1.86	

15. SHAREHOLDERS' EQUITY (CONTINUED)

[c] Share warrants

The Company issued broker warrants as part of the bought-deal related to the Offering on June 12, 2018. The warrants were granted at an exercise price equal or greater to the trading price on the day of grant that is considered fair value. 258,750 post consolidation warrants were issued (December 31, 2018: 258,750), the warrants have a 1:1 ratio to shares and expire on June 12, 2020, 24 months after issue.

A summary of the changes in the warrants during the period ended December 31, 2019 is as follows:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance at March 31, 2018	-	$ -
Issue of broker warrants	258,750	$2.00
Balance at March 31, 2019	**258,750**	**$2.00**
Issue of broker warrants	-	-
Balance at December 31, 2019	**258,750**	**$2.00**

For the nine-month period ending December 31, 2019 no warrants were issued and no associated contributed surplus was recognized (December 31, 2018: $222,525). In prior years, the warrant value assigned to contributed surplus decreased the share capital raised as issuance costs, using the Black-Scholes pricing model. In calculating prior years contributed surplus, the Company used the assumptions as listed below:

	Fiscal 2019
Risk-free interest rate	1.25%
Expected volatility	35%
Expected time until exercise	2 years
Expected forfeiture	5%

The expected price volatility is based on the historic volatility (based on the remaining life of the warrants), adjusted for any expected changes to future volatility due to publicly available information.

16. INCOME TAXES

In prior annual fiscal years, the Company incurred non-capital losses for income tax purposes. Those losses are available to the Company to reduce the current portion of income taxes payable, if any. Income tax expense is recognized based on managements estimates of 26.5% expected for the full financial year. For the nine-month period ending December 31, 2019, the Company recognized current income tax expense of $261,195 (December 31, 2018: $NIL) and $134,521 for the three-month period ended December 31, 2019 (December 31, 2018: $NIL). For the nine-month period ending December 31, 2019, the Company recognized deferred income tax assets of $595,580 (December 31, 2018: $79,903), and $379,833 for the three-month period ended December 31, 2019, (December 31, 2018: $63,403). The deferred tax assets are attributable to previously unused non-capital tax loss carry-forwards that it estimates will be used against taxable income for the year ended March 31, 2020.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

[a] Convertible debentures

On November 27, 2019 the Company issued the first tranche of unsecured convertible debentures with a total principal amount of $8,264,000. The debentures mature on November 27, 2024 and bear an annual interest rate of 7%, due semi-annually. The debentures are convertible, in whole or in part, at a conversion price of $1.56, at the option of the holder, at any time prior to the maturity date into common shares of the Company. The Company has the ability to issue to the same holders, on or prior to August 27, 2020, a subsequent tranche of up to $9,736,000 principal amount of unsecured convertible debentures, on the same terms, for general working capital purposes, including acquisitions and investments. Total professional and legal fees of $301,311 were incurred on the transaction.

For accounting purposes, the convertible debentures are compound financial instruments containing a principal debt and interest component and a conversion option. The conversion option is classified as a derivative financial liability, as the option is not closely related to the principal debt and features of the conversion option may result in conversion of debt into a variable number of common shares. The debentures do not meet the IAS 32(16) fixed-for-fixed test as conversion of debt into a variable number of common shares results from the Company declaring a dividend, a stock split, granting options, warrant, or shares at less than 95% of the current market price. The conversion option was separated from the host debt and valued at its fair value on the date of issuance, with all attributable transaction costs expenses when incurred. The Company valued the derivative liability component of the debenture using the number of common shares issued per increment of principal and the Black Scholes pricing model, at a risk free interest rate of 1.52%, volatility of 66.79%, which is based on historical volatility, and an expected maturity date of five years from the date of issue. The principal debt and interest component is classified as a financial liability and carried at amortized cost. On initial recognition, these components were allocated the residual of the total proceeds less the fair value of the conversion option, net of transaction costs.

On initial recognition, the conversion option derivative liability component was $3,948,551 and the host debt liability component was $4,158,105 net of transaction cost attributable to the debt component. Transaction costs in the amount of $143,967 were expensed in the three-month period ending December 31, 2019, (December 31, 2018: $NIL) attributable to the conversion option. The conversion option derivative liability is reported at fair value with gains and losses included in operating expenses on the statement of income and comprehensive income. At December 31, 2019 a loss of $388,816 was recognized (December 31, 2018: $NIL).

Accretion charges attributable to the debenture of $97,592 were included in interest expense on the statement of income and comprehensive income in the three-month period ending December 31, 2019, of which $54,625 relates to interest paid, (December 31, 2018: $NIL).

7% Debentures (issued November 27, 2019)	Liability component	Derivative Liability	Total
Balance at March 31, 2019	**$ -**	**$ -**	**$ -**
November 27, 2019 Issuance	4,315,449	3,948,551	8,264,000
Deferred issue costs	(157,344)	-	(157,344)
Accretion of Debenture	97,592	-	97,592
Interest	(54,625)	-	(54,625)
December 31, 2019 fair value movement	-	388,816	388,816
Balance at December 31, 2019	**$ 4,201,072**	**$ 4,337,367**	**$ 8,538,439**

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[b] Financial assets

On October 23, 2018, the Company subscribed to a private placement of 1,180,000 Purchased Subscription Receipts at the price of $0.85 per Purchased Subscription Receipt, with 3|Sixty Secure Corp. ("3 Sixty") for $1,003,000. Each Purchased Subscription Receipt entitled the holder to receive upon satisfaction or waiver release of escrow release conditions on or before release deadline of 120 days of the close date, one underlying share of 3 Sixty in accordance with the provisions of the Subscription Receipt Agreement. The release conditions were dependent on the completion of the RTO of Petro Vista by 3 Sixty. The classification of the subscription is fair value level 2, to other comprehensive income and will be reported at fair value with gains and losses included in other comprehensive income. On January 4, 2019 the RTO of Petro Vista by 3 Sixty took place, fulfilling the escrow release conditions And the Receipts were converted to one underlying share of 3 Sixty in accordance with the provisions of the Subscription Receipt Agreement. The investment in 3 Sixty is now classified as a level 1 to other comprehensive income and is reported at fair value based on quoted market prices in active markets. An unrealized loss was recognized to other comprehensive income at December 31, 2019 per the below.

Balance at March 31, 2019	1,180,000	$	590,000
Change in fair value			(531,000)
Balance at December 31, 2019			**$59,000**

The Company, while making this investment in 3 Sixty, also signed a memorandum of understanding with 3 Sixty, signed on September 26, 2018, in which 3 Sixty will refer business to the Company on a preferred basis for a number of services ancillary to the cannabis industry, including certain executive security and residential services, integrated security systems, and risk management and due diligence services related to employees and contractors such as employee background screening and duty of care compliance programs.

[c] Risk management

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive monthly reports from the Company's Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Foreign Currency Risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results.

The Company has a small portion of its revenues and related costs in U.S. dollars. A significant change in the currency exchange rates of the U.S. dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company from time to time enters into foreign exchange contracts to sell U.S. dollars to manage exposures to currency fluctuations. As of December 31, 2019, and 2018, the Company had no foreign exchange contracts outstanding.

Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has a line of credit and bank loans amounting to approximately $5,573,260 (December 31, 2018: $3,267,410). Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial as the majority of its total debt is payable at fixed interest rates.

Equity Price Risk:

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The maximum equity price risk resulting from financial instruments held by the Company, including the investment in 3 Sixty, is equivalent to the fair value of the equity investments as at December 31, 2019.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. For credit risk on accounts receivable see note 7.

The carrying amounts of financial assets represent the maximum credit exposure. The Company has gross credit exposure at December 31, 2019 and March 31, 2019 relating to cash of $360,377 and $2,175,721 respectively. All cash is held in Canadian banks which have credit ratings of Prime-1. The Company has performed a sensitivity analysis on changes in the credit risk associated with these banks and considers this risk to be minimal for all cash assets based on changes that are reasonably possible at the reporting date.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of approximately 40 days. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes delegated authorizations for varying expenditure levels and types to further manage expenditure. The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

The following table sets out the Company's contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Payables and accruals	$ 6,750,620	-	-	-	-	$ 6,750,620
Bank loans	136,150	453,435	626,305	1,892,849	328,797	3,437,535
Lease obligations	311,196	719,665	677,628	1,004,542	166,349	2,879,380
At March 31, 2019	**$ 7,197,966**	**$ 1,173,100**	**$ 1,303,933**	**$ 2,897,391**	**$ 495,146**	**$ 13,067,535**
Payables and accruals	7,025,995	-	-	-	-	7,025,995
Promissory note	-	2,625,000	-	-	-	2,625,000
Bank loans	1,233,662	872,964	1,197,679	2,672,424	251,018	6,227,746
Debenture interest	-	578,480	578,480	1,677,357	-	2,834,317
Lease obligations	230,924	626,170	543,858	622,688	131,411	2,155,052
At December 31, 2019	**$ 8,490,581**	**$ 2,077,614**	**$ 2,320,017**	**$ 4,972,468**	**$ 382,429**	**$ 20,868,110**

The working capital as at December 31, 2019 was $2,825,876, compared to $935,473 at March 31, 2019.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Determination of fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The balance sheet carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, bank indebtedness and vehicle loans and finance leases, other payables, and derivative liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value or disclosed at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable marker data (unobservable inputs).
- All financial instruments at fair value are level 1, except conversion option which is considered level 2.

18. CAPITAL MANAGEMENT

The Company monitors its cash, common shares, warrants and stock options as capital. The Company's objectives when maintaining capital are:

- To preserve the ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.
- To ensure adequate return for the shareholders by pricing of services that is adjusted to the level of risk in the business activity.

In order to maintain a strong credit rating and healthy capital ratio in order to support business activity and maximize shareholder value, the Company takes into consideration various factors, including the growth of the business related infrastructure and the up-front cost of taking on new customers. The Company's officers and senior management are responsible for managing the capital and do so through monthly meetings and regular review of financial information. The Board of Directors is responsible for overseeing this process. The Company manages capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the cash flows from operations and capital transactions.

19. RELATED PARTY TRANSACTIONS

The Company provided services to a private company controlled by a significant shareholder and officer of the Company. In the three and nine-months periods ended December 31, 2019 the Company billed $NIL and $4,294 (December 31, 2018: $39,233 and $39,233) at commercial rates.

The Company entered into a contract effective May 1, 2018 with a private company controlled by a significant shareholder to provide consulting services for the Company. The Company incurred $78,571 of expense in the three-month period ended December 31, 2019 (December 31, 2018: $38,565). For the nine-month period ended December 31, 2019, the Company incurred $230,821 for these services (December 31, 2018: $76,065).

The Company entered into a contract with a private company controlled by a significant shareholder and officer of the Company to provide services for the Company. For the three-month period ended December 31, 2019 the Company incurred $2,057 (December 31, 2018: $1,706) for these services, and $4,232 for the nine-month period ended December 31, 2019 (December 31, 2018: $1,706).

In the previous fiscal year ending March 31, 2019, a contract with a private company controlled by one of the directors of the Company to provide consulting services was ended. For the nine-month period ended December 31, 2019, $NIL expenses were incurred (December 31, 2018: $26,500 for the three-month period, $79,500 for the nine-month period).

Remuneration of Directors and Officers was as follows:

	Three-month period ended		Nine-month period ended	
Directors and Officers Remuneration	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**	**Dec 31, 2018**
Salaries, short term employee benefits and directors fees	$ 222,115	$ 164,294	$ 610,577	$ 392,353
Share based payments	60,953	86,707	182,860	227,559
	$ 283,068	**$ 251,001**	**$ 793,437**	**$ 619,912**

20. COMMITMENTS AND CONTINGENCIES

The Company's approximate lease obligations for the next five years are as follows:

Year 1	January 1, 2020 - December 31, 2020	$ 857,095
Year 2	January 1, 2021 - December 31, 2021	543,858
Year 3	January 1, 2022 - December 31, 2022	299,266
Year 4	January 1, 2023 - December 31, 2023	233,623
Year 5	January 1, 2024 - December 31, 2024	89,799
Over 5 years	After December 31, 2024	131,411

21. REORGANIZATION AND ACQUISITION COSTS

The Company incurred reorganization and acquisition costs in the amount of $499,628 during the three-month period ended December 31, 2019 (December 31, 2018: $258,473), and $758,270 during the nine-month period ended December 31, 2019 (December 31, 2018: $341,996). These costs included professional fees paid to consultants, financial and legal advisors for future business acquisitions.

22. SUBSEQUENT EVENTS

Financing

On January 14, 2020, the Company increased the credit card facility by $100,000 to a total of $350,000 to facilitate the operations of the December 1, 2019 acquisition of ASAP.

On January 29, 2020, the Company increased borrowings on the acquisition loan by $1,000,000, with a floating interest rate of bank prime rate + 1%.