AVANTE LOGIXX INC.

Condensed Interim Consolidated Financial Statements

Unaudited for the three and six-month periods ended September 30, 2021 and 2020

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AVANTE LOGIXX INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021 AND MARCH 31, 2021

	Sept 30, 2021	Mar 31, 2021
ASSETS	*Unaudited*	*Unaudited*
CURRENT		
Cash and cash equivalents (note 13)	$ 2,080,295	$ 1,623,754
Accounts receivable (note 7)	18,601,444	18,171,980
Inventories (note 8)	1,580,652	1,617,709
Contract assets (note 6b)	673,872	696,506
Prepaid expenses	506,802	496,589
	23,443,065	22,606,538
NON-CURRENT ASSETS		
Property, plant & equipment (note 9)	4,395,061	3,878,163
Capitalized commissions (note 10)	220,839	275,482
Deferred tax assets (note 17)	1,060,208	1,466,873
Intangible assets (note 11)	5,457,601	5,878,581
Goodwill (note 11)	9,600,477	9,600,477
Long term notes receivable (note 18c)	350,000	400,000
	$ 44,527,251	**$ 44,106,114**
LIABILITIES		
CURRENT		
Bank indebtedness and vehicle loans (note 13)	631,801	1,703,281
Accounts payable and accrued liabilities	9,757,230	10,428,220
Promissory note (note 18a)	-	155,000
Obligations under lease (note 14)	852,831	784,318
Contract liabilities (note 6b)	1,810,463	2,964,149
	13,052,325	16,034,968
NON-CURRENT LIABILITIES		
Obligations under lease (note 14)	1,601,216	1,396,607
Long term portion of bank indebtedness and vehicle loans (note 13)	8,618,721	5,067,903
Convertible debentures (note 18a)	5,113,090	4,813,389
Convertible debentures - derivative liability (note 18a)	5,853,667	3,808,402
Deferred tax liability (note 17)	1,246,141	1,352,728
	22,432,835	16,439,029
TOTAL LIABILITIES	**35,485,160**	**32,473,997**
SHAREHOLDERS' EQUITY		
Share capital (note 15a)	21,434,492	21,434,492
Contributed surplus (note 15b)	1,595,554	1,536,099
Accumulated other comprehensive deficit	(1,003,000)	(1,003,000)
Accumulated deficit	(12,984,955)	(10,335,474)
	9,042,091	11,632,117
TOTAL EQUITY	**9,042,091**	**11,632,117**
TOTAL EQUITY & LIABILITIES	**$ 44,527,251**	**$ 44,106,114**

AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD:

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

See accompanying notes to the condensed interim consolidated financial statements

AVANTE LOGIXX INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020

	For the three-month period ended		For the six-month period ended	
	Sept 30, 2021	**Sept 30, 2020**	**Sept 30, 2021**	**Sept 30, 2020**
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Revenues from continuing operations (note 6a)	$ 22,601,499	$ 23,601,835	$ 46,721,645	$ 41,805,495
Cost of sales	18,359,777	17,828,234	36,585,719	31,908,402
Gross profit	4,241,722	5,773,601	10,135,926	9,897,093
Operating expenses				
Salaries, benefits and commissions	2,185,310	2,743,798	4,740,348	4,968,354
Administration	1,425,346	1,224,068	2,683,717	2,398,175
Depreciation on capital assets (note 9)	326,637	312,414	743,718	604,055
Amortization on intangible assets (note 11)	210,490	913,252	420,980	1,826,504
Merchant transaction fees and bank charges	70,843	66,386	130,405	141,712
Share based payments (note 15b, note 16)	67,739	58,827	99,116	114,163
	4,286,365	5,318,745	8,818,284	10,052,963
Income (loss) before other income and expenses	(44,643)	454,856	1,317,642	(155,870)
Other (income) expenses				
Miscellaneous income	(2,933)	(19,963)	(24,931)	(36,212)
Interest expense	387,802	389,934	812,460	760,183
Foreign exchange (gain)/loss	(27,812)	51,787	47,908	99,741
Loss (gain) in fair value of derivative liability (note 18a)	2,220,080	572,123	2,045,265	497,210
	2,577,137	993,881	2,880,702	1,320,922
Income (loss) before reorganization and acquisition costs	(2,621,780)	(539,024)	(1,563,060)	(1,476,792)
Reorganization and acquisition costs (note 21)	435,502	(113,937)	786,344	317,498
Income (loss) before income taxes	(3,057,282)	(425,088)	(2,349,404)	(1,794,290)
Provision for income taxes				
Current income tax expense (recovery) (note 17)	(285,471)	(3,780)	-	-
Deferred income tax expense (recovery) (note 17)	154,265	107,722	300,078	50,555
Net Income (loss) from continuing operations for the period	(2,926,076)	(529,030)	(2,649,482)	(1,844,845)
Net income from discontinued operations for the period net of tax (note 23)	-	326,084	-	370,063
Net income (loss) for the period	$ (2,926,076)	$ (202,947)	$ (2,649,482)	$ (1,474,782)
Net income (loss) for the period attributable to:				
Equity holders of the parent	(2,926,076)	(297,525)	(2,649,482)	(1,576,659)
Non-controlling interests	-	94,578	-	101,877
	$ (2,926,076)	$ (202,947)	$ (2,649,482)	$ (1,474,782)
Other comprehensive income (loss) from continuing operations: Items that may be reclassified subsequently to net loss				
Unrealized gain (loss) on investments (note 18c)	-	(70,800)	-	(47,200)
	$ -	$ (70,800)	$ -	$ (47,200)
Total comprehensive income (loss) for the period	**$ (2,926,076)**	**$ (273,747)**	**$ (2,649,482)**	**$ (1,521,982)**
Total comprehensive income (loss) for the period attributable to:				
Equity holders of the parent	(2,926,076)	(368,325)	(2,649,482)	(1,623,859)
Non-controlling interests	-	94,578	-	101,877
	$ (2,926,076)	$ (273,747)	$ (2,649,482)	$ (1,521,982)
Net income (loss) per share attributable to equity holders of the parent (note 5)				
Basic and diluted income (loss) from continuing operations	($0.138)	($0.025)	($0.125)	($0.087)
Basic and diluted income (loss) from discontinued operations	$0.000	$0.011	$0.000	$0.013
Basic and diluted number of shares outstanding	21,192,004	21,192,004	21,192,004	21,192,004

See accompanying notes to the condensed interim consolidated financial statements

AVANTE LOGIXX INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Deficit	Subtotal	Non-controlling Interest	Total Equity
	(note 15a)	*(note 15b)*				*(note 23)*	
Balance at April 1, 2020	**$21,434,492**	**$1,463,025**	**($7,431,648)**	**($955,800)**	**$14,510,069**	**$365,617**	**$14,875,686**
Income (loss) for the period	-	-	(1,576,659)	(47,200)	(1,623,859)	101,877	(1,521,982)
Share based payments (note 15b)	-	117,653	-	-	117,653	-	117,653
Unvested share options forfeited (note 15b)	-	(3,491)	-	-	(3,491)	-	(3,491)
Sale of discontinued operations (note 23)	-	-	-	-	-	(467,494)	(467,494)
Balance at September 30, 2020 (Unaudited)	**$21,434,492**	**$1,577,187**	**($9,008,307)**	**($1,003,000)**	**$13,000,372**	**$ -**	**$13,000,372**
Balance at April 1, 2021	**$21,434,492**	**$1,536,099**	**($10,335,474)**	**($1,003,000)**	**$11,632,117**	**$ -**	**$11,632,117**
Income (loss) for the period	-	-	(2,649,482)	-	(2,649,482)	-	(2,649,482)
Share based payments (note 15b)	-	69,611	-	-	69,611	-	69,611
Unvested share options forfeited (note 15b)	-	(10,156)	-	-	(10,156)	-	(10,156)
Balance at September 30, 2021 (Unaudited)	**$21,434,492**	**$1,595,554**	**($12,984,956)**	**($1,003,000)**	**$9,042,090**	**$ -**	**$9,042,090**

See accompanying notes to the condensed interim consolidated financial statements

AVANTE LOGIXX INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020

	For the three-month period ended		For the six-month period ended	
	Sept 30, 2021	**Sept 30, 2020**	**Sept 30, 2021**	**Sept 30, 2020**
Operating activities	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Comprehensive loss for the period	$ (2,926,076)	$ (273,747)	$ (2,649,482)	$ (1,521,982)
Gain on disposal of capital assets	-	(123,880)	-	(143,262)
Share based payments	67,739	58,827	99,116	114,163
Interest on bank loans and leases	97,925	111,040	232,496	206,482
Accretion on convertible debt (note 18a)	298,854	266,665	588,941	526,393
Accretion on promissory note (note 18b)	-	25,358	-	50,467
Depreciation on capital assets (note 9)	326,637	312,414	743,718	604,055
Amortization on intangible assets (note 11)	210,490	913,252	420,980	1,826,504
Amortization on capitalized commission	46,922	-	86,197	6,077
Amortization of deferred financing	157,951	-	157,951	-
Provision for income tax	154,265	107,722	300,078	50,552
Loss (gain) on fair value of derivative liability (note 18a)	2,220,080	572,123	2,045,265	497,210
Capitalization of commissions	(31,554)	(1,823)	(31,554)	(1,823)
Net income (loss) from discontinued operations (note 23)	-	(325,683)	-	- 370,063
Unrealized (gain) loss on investment (18c)	-	70,800	-	47,200
	623,233	1,713,068	1,993,706	1,891,973
Net change in non-cash working capital:				
Accounts receivable	(828,333)	(1,755,548)	(379,464)	(1,737,903)
Inventories	86,834	28,632	37,057	(199,752)
Contract assets (note 6b)	(46,989)	(183,239)	22,634	(45,491)
Prepaid expenses	(132,052)	145,715	(153,706)	101,842
Current income tax	(285,471)	(289,842)	-	(285,242)
Accounts payable and accrued liabilities	859,432	2,830,844	(710,650)	2,050,924
Contract liabilities (note 6b)	(333,403)	(42,261)	(1,153,686)	(344,839)
	(679,982)	734,301	(2,337,815)	(460,461)
Cash from (used in) continuing operations	(56,749)	2,447,369	(344,109)	1,431,512
Net cash flows attributable to discontinued operations	-	193,401	-	236,016
Net cash from (used in) operating activities	(56,749)	2,640,770	(344,109)	1,667,528
Financing activities				
Proceeds from loans	37,408	3,720,000	13,510,000	8,080,000
Principal loan payments	142,776	(5,863,903)	(10,736,196)	(8,982,549)
Financing fees paid	(452,417)	-	(452,417)	-
Principal lease payments (note 14)	(154,691)	(184,319)	(396,739)	(332,463)
Interest on bank loans, convertible debenture, and leases	(242,545)	(255,660)	(521,736)	(495,722)
Promissory note payment (note 18b)	-	-	(155,000)	-
Cash from (used in) continuing operations	(669,469)	(2,583,882)	1,247,912	(1,730,734)
Net cash flows attributable to discontinued operations	-	(48,521)	-	(81,272)
Net cash from (used in) financing activities	(669,469)	(2,632,403)	1,247,912	(1,812,006)
Investing activities				
Net proceeds from sale of subsidiary (note 23)	-	1,891,500	-	1,891,500
Cash sold on disposition of subsidiary (note 23)	-	(730,218)	-	(730,218)
Purchase of capital assets (note 9)	(265,599)	(92,667)	(446,176)	(193,827)
Disposal of capital assets (note 9)	146,673	34,045	(1,427)	55,973
Additions to vehicle leases	5,300	(24,334)	341	(24,333)
Cash from (used in) continuing operations	(113,626)	1,078,326	(447,262)	999,095
Net cash flows attributable to discontinued operations	-	-	-	5,919
Net cash from (used in) investing activities	(113,626)	1,078,326	(447,262)	1,005,014
Increase (decrease) in cash during the period	(839,844)	1,086,693	456,541	860,536
Cash and cash equivalents, beginning of period	2,920,139	1,113,707	1,623,754	1,339,864
Cash and cash equivalents, end of period	$ 2,080,295	$ 2,200,400	$ 2,080,295	$ 2,200,400

**Total interest paid in the period ending September 30, 2021 is $521,737, September 30, 2020 $515,687*

***Total corporate income tax payments made in the period ending September 30, 2021 is $21,985, September 30, 2020 $285,282*

See accompanying notes to the condensed interim consolidated financial statements

1. NATURE OF BUSINESS

Avante Logixx Inc. (the "Company") develops security technologies, products and solutions for personal, condo and commercial protective services, monitoring and control applications, and sells and installs custom-made locks, doors and hardware. All of these activities are conducted through the following subsidiaries: Avante Security Inc. ("Avante Security"), which is 100% owned, Logixx Security Inc. ("Logixx Security"), which is 100% owned and City Wide Locksmiths Ltd. ("City Wide"), in which the Company held a 70% majority interest until sold on September 30, 2020 (see Note 23). The Company's common shares are listed on the TSX Venture Exchange under the symbol XX.V (OTC: ALXXF).

Avante Security provides premium security services for residential customers in Toronto and Muskoka, Ontario through the use of advanced technology and a focus on client service. Avante Security's 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 Security has a specialized skillset in 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 Security's signature offerings are its Rapid Alarm Response services, and its Intelligent Perimeter Protection Video Analytics. Avante Security also provides extensive offerings, which include Closed Circuit Television ("CCTV"), access controls and security services for travelling executives. Avante Security 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.

Logixx Security provides security services for enterprise customers across Canada. Services include protective services (also known as guarding) as well as security system design, sales, installations, and monitoring and alarm response. The development of Logixx Security into a national business has occurred through organic growth and completion of acquisitions.

City Wide provides security locks, keys and door hardware to residential and commercial customers in the greater Toronto area, with a division catering to preeminent architects, designers and builders in the high-end home markets. City Wide was a 70% owned subsidiary of the Company, but this ownership interest was sold on September 30, 2020 (see Note 23).

The address of the Company's corporate office is 130 Bloor Street West, Suite 601, 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 IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein. Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

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 consolidated 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 financial statements for the year ended March 31, 2021.

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 September 30, 2021, and 2020 are not necessarily indicative of the results to be expected for the full year.

2. BASIS OF PRESENTATION (CONTINUED)

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2021.

b) Basis of measurement

These condensed interim consolidated financial statements have been prepared using the historical cost convention. The condensed interim 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 condensed interim 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 condensed interim consolidated financial statements are prepared using uniform accounting policies by all companies in the Company. Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

Non-controlling interests are recorded in the condensed interim consolidated financial statements and represent the non-controlling shareholders' equity in an entity previously consolidated by the Company for which the Company's ownership was 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.

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

	Ownership interest held at	
Name of entity	**Sept 30, 2021**	**Mar 31, 2021**
Avante Security Inc.	100%	100%
Logixx Security Inc.	100%	100%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Standards and Interpretations

IAS 1: Presentation of Financial Statements

In January 2020, IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1 - Presentation of Financial Statements. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The implementation of these amendments is not expected to have a significant impact to the Company's classification of liabilities.

IFRS 3: Business Combinations

On May 14, 2020 the IASB published an amendment to IFRS 3 Business Combinations, and is effective on or after January 1, 2022, with earlier application permitted. The amendment has an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The Company did not have a business combination in this fiscal period, but will adopt the amendment for future business combinations.

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

In February 2021, the IASB issued narrow-scope amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The implementation of these amendments is not expected to have a significant impact to the Company.

IAS 12: Income Taxes

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is assessing the potential impact of the amendment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 16: Property, Plant and Equipment

The IASB published an amendment to IAS 16 Property, Plant and Equipment on May 14, 2020 that will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The Company is currently evaluating the impact of the standard on its condensed interim consolidated financial statements and does not expect any retrospective changes at this time.

IAS 37: Provisions, Contingent Liabilities and Contingent Assets

On May 14, 2020, the IASB published Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37). These amendments clarify which costs should be included in determining the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Early application is permitted. The Company is assessing the potential impact of these amendments and does not expect an impact at this time.

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.

In March 2020, the World Health Organization declared, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, a pandemic. This has resulted in governments worldwide enacting emergency measures to limit the spread of the virus, including closure of non-essential businesses. As of the date of these financial statements, the Company’s operations are considered essential in all provinces in which the Company operates. As such, to date the Company has been able to continue operating with no material adverse impact to operations.

There have been no material revisions to the nature and number of estimates and judgments made in prior periods. However, the effects of COVID-19 have required significant judgements and estimates to be made. For assumptions made by Avante Logixx Inc. in the estimates made to calculate the recoverable amount of CGU’s, refer to note 11. Additionally, while the changes in the estimates and judgements have not had a material adverse impact on Avante Logixx Inc. to date, the effects of COVID-19 have required revisions to estimates of expected credit losses attributed to accounts receivable arising from sales to customers on credit terms, including the incorporation of forward-looking information to supplement historical credit loss rates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Due to rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's operating results in the future, its suppliers, and its customers. Additionally, it is possible the Company's financial prospects will change in the near term as a result of COVID-19. The Company is closely monitoring the impact of the pandemic on all aspects of its business. In the three-month period ended September 30, 2021, the Company experienced a decline of COVID-19 related "specials" as compared to the prior four fiscal quarters and results for the quarter ending September 30, 2021 are closer to normal operating "revenues". Additionally, increased labour cost and supply chain delays attributable to the ongoing economic uncertainty caused by the pandemic has negatively impacted the Company's cost of goods sold and delayed electronic services installations in the three-month period ending September 30, 2021.

Judgements

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the amounts reported in these condensed interim 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.

   In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. Judgement is used to evaluate whether a deferred tax asset can be recovered based on the Company's assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

4. **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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5. Lease discount rate

The Company exercises judgement 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.

6. Intangible assets and goodwill

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 in identifying the Company's cash generating units ("CGUs").

7. 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.

8. Segment Reporting

The Company has exercised judgement in identifying its reportable segments and applying the related aggregation criteria required under IFRS 8. The Company's two reportable segments are Logixx Security and Avante Security. Logixx Security focuses on providing security services to enterprise clients across Canada, including corporations and municipalities. Avante Security focuses on providing security services to ultra-high net worth residential customers in the central Toronto and Muskoka regions of Ontario.

Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the period of the change, if the change affects that period only, or in the period of the change and future periods, 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, acquired through business combinations, the Company determines fair values using such estimates as discount rates, capitalization rates, growth 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 costs of disposal using such estimates as cash flows and discount rates. These estimates are reviewed periodically by management.

Share-based payments and derivative liabilities are determined by the Black-Scholes option pricing model, which is used by the Company to determine the fair value of stock options 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 (based on government bonds), expected stock price volatility, expected life, and expected dividend yield. The fair value of the Company's unvested performance share units is determined by a Monte Carlo valuation model and the significant estimates used to estimate the price of the Company's common shares on the vesting date which includes: the current price of the Company's common shares, the risk free interest rate over the life of the performance units (based on government bonds), the expected stock price volatility, the number of trading days between the valuation date and the vesting date and the expected return on the Company's common shares during the remaining vesting period of the performance units.

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 ended		For the six-month period ended	
	Sept 30, 2021	**Sept 30, 2020**	**Sept 30, 2021**	**Sept 30, 2020**
Earnings (loss) per share - basic and diluted from continuing operations	$ (0.138)	$ (0.025)	$ (0.125)	$ (0.087)
Earnings (loss) per share - basic and diluted from discontinued operations	-	0.011	-	0.013
Net income (loss) attributable to equity holders of the parent - basic and fully diluted from continuing operations	(2,926,076)	(529,030)	(2,649,482)	(1,844,845)
Net income (loss) attributable to equity holders of the parent - basic and fully diluted from discontinued operations	-	231,505	-	268,186
fully diluted	$ (2,926,076)	$ (297,525)	$ (2,649,482)	$ (1,576,659)
Weighted average number of shares outstanding - basic and dilutive	21,192,004	21,192,004	21,192,004	21,192,004

Potential common shares are antidilutive when their conversion to common shares increases earnings per share or decreases loss per share from continuing operations. Antidilutive common shares are excluded from weighted average number of shares outstanding for the purposes of calculating the diluted earnings per share.

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 majority of accounts receivable for the Company, with a few commercial guarding exceptions up to 180-day payment terms. Segment revenues by type of service for the three months ended September 30, 2021 were as follows:

For the three-month period ended

	Sept 30, 2021				Sept 30, 2020			
	Logixx Security	**Avante Security**	**Intersegment elimination**	**Total**	**Logixx Security**	**Avante Security**	**Intersegment elimination**	**Total**
Protective Services	$ 17,679,744	$ 1,718,384	$ (83,932)	$ 19,314,197	18,194,701	$ 1,522,031	$ (62,328)	$ 19,654,404
Monitoring and Managed Services	63,022	963,328	-	1,026,350	64,794	863,605	(2,900)	$ 925,499
Electronic Services	502,182	1,758,770	-	2,260,952	953,964	2,067,968	-	$ 3,021,932
Total Revenue	**$ 18,244,948**	**$ 4,440,482**	**$ (83,932)**	**$ 22,601,499**	**19,213,459**	**$ 4,453,604**	**$ (65,228)**	**$ 23,601,835**

Segment revenues by type of service for the six months ended September 30, 2021 were as follows:

For the six-month period ended

	Sept 30, 2021				Sept 30, 2020			
	Logixx Security	**Avante Security**	**Intersegment elimination**	**Total**	**Logixx Security**	**Avante Security**	**Intersegment elimination**	**Total**
Protective Services	$ 37,016,562	$ 3,377,821	$ (152,810)	$ 40,241,574	32,577,496	$ 2,968,827	$ (288,283)	$ 35,258,040
Monitoring and Managed Services	123,124	1,936,390	-	2,059,514	130,366	1,745,193	(2,900)	1,872,659
Electronic Services	1,265,276	3,155,281	-	4,420,557	1,227,667	3,447,129	-	4,674,796
Total Revenue	**$ 38,404,962**	**$ 8,469,492**	**$ (152,810)**	**$ 46,721,645**	**33,935,529**	**$ 8,161,149**	**$ (291,183)**	**$ 41,805,495**

(b) Contract Assets and Liabilities

	Sept 30, 2021	**Mar 31, 2021**
Work-in-progress - contracts in process	$ 673,872	$ 696,506

6. REVENUE RECOGNITION (CONTINUED)

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 condensed interim 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 with standard payment terms of 'Net 30 Days' for these types of contracts. For certain contracts, the Company receives customer payment prior to satisfying contracted obligations and recognizing revenue, resulting in deferred revenue (contract liabilities). During Fiscal 2021, the Company began a project within Avante Security to convert billing cycles from annual to monthly resulting in a decrease in contract liabilities.

Contract liabilities balance at March 31, 2021	$	2,964,149
Additions during the period		4,037,521
Recognized during the period		(5,191,207)
Contract liabilities balance at September 30, 2021 to be recognized in fiscal year 2022		1,228,698
Contract liabilities balance at September 30, 2021 to be recognized after fiscal year 2022		581,764
Contract liabilities balance at September 30, 2021	**$**	**1,810,463**

Contract liabilities balance at March 31, 2020	**3,249,301**
Additions during the period	13,597,140
Recognized during the period	13,561,561
Adjustment for Discontinued Operations	1,093,643
Contract liabilities balance at September 30, 2020 to be recognized in fiscal year 2021	2,005,434
Contract liabilities balance at September 30, 2020 to be recognized after fiscal year 2021	185,803
Contract liabilities balance at September 30, 2020	**2,191,237**

7. ACCOUNTS RECEIVABLE

The accounts receivable on the financial statements are net of allowance for doubtful accounts of $397,872 as at September 30, 2021 (March 31, 2021: $461,284). Changes in the allowance for doubtful accounts during the period were as follows:

		Sept 30, 2021		**Mar 31, 2021**
Allowance for doubtful accounts - opening balance	$	461,284	$	415,077
Net increase/(decrease) during the year		(63,412)		46,207
Allowance for doubtful accounts - closing balance	$	397,872	$	461,284

As at September 30, 2021 and March 31, 2021, the aging of the Company's accounts receivables was as follows:

	Balance Due	**1 - 30 Days**	**31 - 60 Days**	**61 - 90 Days**	**Over 90 Days**
Trade receivables	17,081,383	8,014,716	4,874,552	1,149,631	3,042,484
Unbilled trade receivables	1,412,986	1,412,986	-	-	-
Non-trade receivables	82,145	82,145	-	-	-
Allowance for doubtful accounts	(461,284)	-	-	-	(461,284)
Current portion vendor take back loan	56,750	56,750	-	-	-
Balance at March 31, 2021	**$18,171,980**	**$9,566,597**	**$4,874,552**	**$1,149,631**	**$2,581,200**
Trade receivables	16,690,220	11,957,284	856,094	784,141	3,092,701
Unbilled trade receivables	2,187,260	2,187,260	-	-	-
Non-trade receivables	72,336	72,336	-	-	-
Allowance for doubtful accounts	(397,872)	-	-	-	(397,872)
Current portion vendor take back loan	49,500	49,500	-	-	-
Balance at September 30, 2021	**$18,601,444**	**$14,266,380**	**$856,094**	**$784,141**	**$2,694,829**

7. ACCOUNTS RECEIVABLE (CONTINUED)

The consolidated entity has recognized a loss of $31,500 at September 30, 2021 (September 30, 2020: $31,350) in profit or loss in respect of the expected credit losses for the year. As at September 30, 2021, there was $3,092,701 (March 31, 2021: $3,042,484) of accounts receivable outstanding for over 90 days of which management did not consider $2,694,829 (March 31, 2021: $2,581,200) impaired.

8. INVENTORIES

	Sept 30, 2021	Mar 31, 2021
Inventory	$ 1,580,652	$ 1,617,709

All inventory is considered finished goods. Inventory expensed to cost of sales during the three and six-month periods ended September 30, 2021, amounted to $1,133,512 and $1,563,867 respectively (September 30, 2020: Continuing operations $526,322 and $1,886,642 for the three and six-month periods).

9. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Equipment, furniture and fixtures	Leasehold improvements	Computer software	Right-of-use asset	Vehicles	Uniforms	Buildings	Total
Cost	$	$	$	$	$	$	$	$	$
Balance at March 31, 2021	**568,733**	**727,001**	**764,363**	**398,833**	**2,990,909**	**103,248**	**749,583**	**473,300**	**6,775,969**
Additions during the period	14,315	28,465	475	53,740	964,824	-	349,181	-	1,411,000
Disposals during the period	-	-	-	-	201,089	-	-	-	201,089
Balance at September 30, 2021	**583,048**	**755,466**	**764,838**	**452,573**	**3,754,644**	**103,248**	**1,098,764**	**473,300**	**7,985,880**
Accumulated depreciation									
Balance at March 31, 2021	**405,180**	**447,162**	**678,163**	**237,672**	**950,102**	**46,031**	**87,743**	**45,753**	**2,897,806**
Depreciation from continuing operations for the period	25,662	28,017	64,305	50,868	399,626	15,151	150,623	9,466	743,718
Disposals during the period	-	-	-	-	50,704	-	-	-	50,704
Balance at September 30, 2021	**430,842**	**475,179**	**742,468**	**288,540**	**1,299,024**	**61,182**	**238,366**	**55,219**	**3,590,820**
Carrying Amounts									
Balance at March 31, 2021	**163,552**	**279,839**	**86,200**	**161,161**	**2,040,807**	**57,216**	**661,840**	**427,548**	**3,878,163**
Balance at September 30, 2021	**152,206**	**280,287**	**22,370**	**164,033**	**2,455,620**	**42,066**	**860,398**	**418,081**	**4,395,061**

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer equipment	Equipment, furniture and fixtures	Leasehold improvements	Computer software	Right-of-use asset	Vehicles	Uniforms	Buildings	Total
Cost	$	$	$	$	$	$	$	$	$
Balance at March 31, 2020	**$ 577,386**	**$ 900,768**	**$ 1,085,837**	**$ 392,198**	**$ 3,178,780**	**$ 521,711**	**$ -**	**$ 473,300**	**$ 7,129,980**
Additions during the Period	9,293	11,800	-	5,180	555,093	-	167,554	-	748,920
Disposals during the Period	-	4,000	-	-	120,271	-	-	-	124,271
Disposal of discontinued operations (note 23)	66,533	241,361	371,741	6,200	865,189	418,463			1,969,488
Balance at September 30, 2020	**$ 520,146**	**$ 667,206**	**$ 714,096**	**$ 391,178**	**$ 2,748,413**	**$ 103,248**	**$ 167,554**	**$ 473,300**	**$ 5,785,141**
Accumulated depreciation									
Depreciation from continuing operations for the Period	25,331	23,045	78,890	80,470	368,766	2,222	15,866	9,466	604,055
Depreciation from discontinuing operations for the Period (note 23)	978	3,268	19,158	1,550	45,192	15,865			86,011
On disposals during the Period	-	-	-	-	68,298	-	-	-	68,298
Disposal of discontinued operations (Note 23)	60,991	211,951	144,914	1,808	179,670	324,407			923,741
Balance at September 30, 2020	**381,275**	**421,963**	**596,522**	**312,643**	**1,061,115**	**12,795**	**15,866**	**36,287**	**2,838,465**
Carrying Amounts									
Balance at March 31, 2020	**161,429**	**293,167**	**442,449**	**159,767**	**2,283,655**	**202,595**	**-**	**446,479**	**3,989,542**
Balance at September 30, 2020	**$ 138,871**	**$ 245,243**	**$ 117,574**	**$ 78,535**	**$ 1,687,298**	**$ 90,452**	**$ 151,688**	**$ 437,013**	**$ 2,946,676**

Depreciation expense included in the condensed interim consolidated statement of loss and comprehensive loss is $326,637, (September 30, 2020: $313,414 continuing operations, $40,902 discontinued operations) for the three-month period ended September 30, 2021. The six-month period ended September 30, 2021 included $743,718 of depreciation expense (September 30, 2020: $604,055 continuing operations, $86,011 discontinued operations).

The Company carries two categories of right-of-use assets: vehicles and property. At September 30, 2021 the carrying amount of vehicles under lease was $2,062,282 (March 31, 2021: $1,629,601), with $112,892 of depreciation included in the condensed interim consolidated statement of loss and comprehensive loss for the three-month period ended September 30, 2021, (September 30, 2020: $117,888 continuing operations, $8,192 discontinued operations). For the six-month period ended September 30, 2021 $282,365 is included in depreciation expense (September 30, 2020: $220,295 continuing operations. $16,488 discontinued operations).

The right-of-use asset property had a carrying amount of $393,338 at September 30, 2021 (March 31, 2021: $411,206). Depreciation in the amount of $108,314 is included in the statement of income for the three-month period ended September 30, 2021, (September 30, 2020: $78,681 continuing operations, $12,351 discontinued operations). For the six-month period ended September 30, 2021 $117,261 is included in depreciation expense (September 30, 2020: $148,471 continuing operations, $28,703 discontinued operations).

All assets of the Company, including its Accounts Receivables, Inventories and Property, Plant and Equipment, have been pledged as general security against the senior credit facilities established with the Company's bankers (Note 13). Gains and losses on disposals are booked in the miscellaneous (income) expense line on the condensed interim consolidated statement of loss and comprehensive loss.

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. The unamortized amount of commission on long-term contracts as of September 30, 2021 was $220,839 (March 31, 2021: $275,482), with $46,922 amortized included in salaries & wages for the three-month period ended September 30, 2021 (September 30, 2020: $6,077), and $86,197 for the six-month period ended September 30, 2021 (September 30, 2020: $6,077).

11. GOODWILL AND INTANGIBLE ASSETS

A. INTANGIBLE ASSETS

	Tradename City Wide	Tradename Others	Customer relationships	Backlog	Non-compete	Total
	$	$	$	$	$	$
Cost						
Balance at March 31, 2021	$ -	$ 3,585,266	$ 8,658,097	$ 262,000	$ 200,000	$ 12,705,364
Balance at September 30, 2021	**-**	**3,585,266**	**8,658,097**	**262,000**	**200,000**	**12,705,364**
Amortization						
Balance at March 31, 2021	$ -	$ 3,585,266	$ 2,926,183	$ 262,000	$ 53,333	$ 6,826,783
Amortization for the period	-	-	400,980	-	20,000	420,980
Balance at September 30, 2021	**-**	**3,585,266**	**3,327,163**	**262,000**	**73,333**	**7,247,763**
Carrying amounts						
Balance at March 31, 2021	**$ -**	**$ -**	**$ 5,731,914**	**$ -**	**$ 146,667**	**$ 5,878,581**
Balance at September 30, 2021	**$ -**	**$ -**	**$ 5,330,934**	**$ -**	**$ 126,667**	**$ 5,457,601**

	Tradename City Wide	Tradename Others	Customer relationships	Backlog	Non-compete	Total
	$	$	$	$	$	$
Cost						
Balance at March 31, 2020	$ 677,000	$ 3,585,266	$ 9,460,097	$ 293,000	$ 200,000	$ 14,215,364
Disposal of discontinued operations (note 23)	677,000	-	802,000	31,000	-	1,510,000
Balance at September 30, 2020	**-**	**3,585,266**	**8,658,097**	**262,000**	**200,000**	**12,705,364**
Amortization						
Balance at March 31, 2020	$ 6,510	$ 854,418	$ 2,445,023	$ 293,000	$ 13,333	$ 3,612,285
Amortization for the period	-	1,365,424	441,080	-	20,000	1,826,504
Amortization for the period from discontinued operations	1,563	-	-	-	-	1,563
Disposal of discontinued operations (note 23)	8,073	-	360,900	31,000	-	399,973
Balance at September 30, 2020	**-**	**2,219,842**	**2,525,203**	**262,000**	**33,333**	**5,040,379**
Carrying amounts						
Balance at March 31, 2020	**$ 670,490**	**$ 2,730,848**	**$ 7,015,074**	**$ -**	**$ 186,667**	**$ 10,603,078**
Balance at September 30, 2020	**$ -**	**$ 1,365,424**	**$ 6,132,894**	**$ -**	**$ 166,667**	**$ 7,664,985**

On company amalgamations, the previously acquired intangible asset tradename from externally acquired entities useful life decreases as operations are merged. The Company's management assessed that no impairment had occurred as there was a period of operations during which both the purchased tradename and the existing tradename were utilized during the fiscal year ended March 31, 2021. The purchased tradename assets for Intelligarde (rebranded to Logixx Security effective June 21, 2019), Veridin (amalgamated into Logixx Security on December 2, 2019), and ASAP (amalgamated into Logixx Security on April 1, 2020) were amortized in full over the fiscal year ending March 31, 2021.

11. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Intangible amortization expensed in the condensed interim consolidated statement of loss and comprehensive loss is $210,490 for the three-month period ended September 30, 2021 (September 30, 2020: Continuing operations $913,252, Discontinued operations $781), and $420,980 for the six-month period ended September 30, 2021 (September 30, 2020: Continuing operations $1,826,504, Discontinued operations $1,563).

B. GOODWILL

Balance at March 31, 2020	**$ 10,533,743**
Disposal of discontinued operations (Note 23)	**(896,712)**
Settlement of purchase holdback of ASAP (note 18b)	**(36,554)**
Balance at March 31, 2021	**$ 9,600,477**
Balance at September 30, 2021	**$ 9,600,477**

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, Architronics Limited (“Architronics”) at March 1, 2017, Watermark Security Inc. at August 1, 2018, Veridin Systems Canada Inc. 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.

As at March 31, 2020, the goodwill balance also reflected goodwill acquired upon the acquisition of City Wide Locksmiths Ltd. on April 1, 2016. However, such goodwill balance was removed as of September 30, 2020 concurrent with the Company’s sale of this ownership interest on September 30, 2020 (Note 23).

The key assumptions used to calculate the fair value of these intangible assets include discount rates, growth rates and margins. 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. During the fourth quarter of the fiscal year ended March 31, 2020, and after the sale of City Wide on September 30, 2020, management determined with recent amalgamations, that the Company has two CGU’s consisting of Avante Security and Logixx Security consistent with how the Company now manages its operations. Previously, each acquisition made by the Company was treated as a distinct CGU.

Amortization

The amortization of tradenames, customer relationships, order backlog and non-compete agreement is included in amortization on intangible assets on the condensed interim consolidated statements of loss and comprehensive loss.

12. BUSINESS ACQUISITIONS

Acquisition of Veridin Systems Canada Inc. (rebranded and amalgamated with Logixx Security Inc. at December 2, 2019)

On September 17, 2018, the Company acquired all the outstanding shares of Veridin Systems Canada Inc. ("Veridin") pursuant to a share purchase agreement between the Company 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.

Within an escrow account, the Company held back $94,923 of the purchase price against certain representations and warranties. The parties are engaged in litigation processes to settle the amounts owing between the parties.

Acquisition of Intelligarde International Inc. (renamed Logixx Security Inc. as of June 21, 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.

Within an escrow account, the Company held back $712,500 ($679,430 as of September 30, 2021) of the purchase price against certain representations and warranties of the vendors. The parties are engaged in litigation processes to settle the amounts owing between the parties.

13. BANK INDEBTEDNESS AND VEHICLE LOANS

Current and non-current bank indebtedness and vehicle loans was comprised of the following as at September 30, 2021 and March 31, 2021:

	Sep 30, 2021			Mar 31, 2021		
	Current Portion	**Long-Term Portion**	**Total**	**Current Portion**	**Long-Term Portion**	**Total**
Line of credit	$ -	$ 3,650,000	$ 3,650,000	$ -	$ -	$ -
Term Loans	713,426	5,286,574	6,000,000	1,713,331	4,778,003	$ 6,491,334
Deferred Financing	(89,968)	(339,828)	(429,796)	(45,110)	(90,220)	(135,330)
Mortgage	-	-	-	8,942	345,371	$ 354,313
Total credit facilities	623,458	8,596,746	9,220,204	1,677,163	5,033,154	6,710,317
Vehicle Loans	8,343	21,974	30,318	26,118	34,749	60,867
Balance at March 31	**$ 631,801**	**$ 8,618,721**	**$ 9,250,522**	**$ 1,703,281**	**$ 5,067,903**	**$ 6,771,184**

On June 30, 2021, the Company entered into a senior secured credit agreement with a bank that fully replaced the Company's senior secured banking arrangements and mortgage provided by its former bank. The new credit agreement provides an $8,000,000 revolving credit facility ("Facility A"), a $10,000,000 non-revolving term loan facility ("Facility B") and a $3,000,000 delayed-draw non-revolving term loan credit facility ("Facility C"), each with a three-year maturity date ending May 19, 2024. The Company has the ability to draw upon Facility A and is subject to a borrowing base consisting of eligible cash, accounts receivable, and inventory. The Company may draw upon Facility B in two tranches; Tranche 1 has a limit of $6,000,000 and Tranche 2 has a limit of $4,000,000. The ability to draw on Tranche 2 expired on July 31, 2021 reducing the available limit to zero. Facility C is available until December 31, 2022, to fund delayed purchase price payments or other funding requirements applicable to future permitted acquisitions. Repayment of drawings under the term loan and delayed-draw credit facilities will occur at the rate of 2.50% per quarter with the remaining balance due on the maturity date. The new credit agreement also provides for a corporate credit card facility and hedge-transaction credit facilities.

13. BANK INDEBTEDNESS AND VEHICLE LOANS (CONTINUED)

Security for the new credit agreement consists of upstream guarantees by the Company's subsidiaries, supported by general security agreements providing for a first secured pledge of all assets of the Company and its subsidiaries. In accordance with the terms of these senior secured credit facilities, on a rolling four-quarter basis, the Company must maintain a minimum Fixed Charge Coverage Ratio of 1.10 times and a maximum leverage ratio of Funded Debt (net of permitted cash balances and excluding the convertible debentures) to Adjusted EBITDA of 3.25 times with a permitted two-quarter step up following a permitted acquisition of 3.50 times. The Company was in compliance with such financial covenants at September 30, 2021. Interest and standby fees in respect of the credit facilities are subject to a leverage-ratio based pricing grid and, as at September 30, 2021, was the bank's prime rate plus 0.25%, and standby fees of 0.44%.

Term loans pursuant to Facility B, and the former acquisition facility provided by the prior bank, consisted of the following drawings:

			Balance Due		
	Initial Draw	**Interest Rate**	**Sep 30, 2021**	**Mar 31, 2021**	**Maturity Date**
Facility 1	$ 3,000,000	4.90%	$ -	$ 1,740,885	-
Facility 2	1,750,000	Prime rate + 1%	-	1,358,782	-
Facility 3	1,000,000	Prime rate + 1%	-	766,667	-
Facility 4	2,625,000	Prime rate +1%	-	2,625,000	-
Facility B	6,000,000	Prime rate + 0.5%	6,000,000	-	May 2024
Deferred Financing	(452,417)	-	(429,796)	(135,330)	May 2024
	$ 5,547,583		**$ 5,570,204**	**$ 6,356,004**	

The Company incurred deferred financing fees of $452,417 in connection with the new credit agreement. The previously unamortized balance of $135,330 was extinguished on the termination of the former credit agreement and included on the condensed interim statement of loss and comprehensive loss. The deferred financing charges are amortized over the term of the credit agreement. Deferred financing amortization recognized in the condensed interim consolidated statements of loss and comprehensive loss for the three-month period ending September 30, 2021 was $22,621 (September 30, 2020: $11,951) and $30,588 for the six-month period ending September 30, 2021 (September 30, 2020: $25,267).

To facilitate transfer to new banking arrangements on June 30, 2021, the former bank is holding a specific pledge against guaranteed investment certificates owned by the Company amounting to $384,500 as of September 30, 2021 (September 30, 2020: $NIL) in support of usage under corporate credit cards provided by that bank. Such guaranteed investment certificates are included within cash and cash equivalents on the condensed interim consolidated statements of financial position.

14. OBLIGATIONS UNDER LEASE

The Company's 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 and property lease liabilities as of the respective note period ends were as follows:

14. OBLIGATIONS UNDER LEASE (CONTINUED)

	Vehicle lease liability	Property lease liability	Total liability
Balance at March 31, 2021	**1,733,060**	**447,865**	**2,180,925**
Additions during the period	865,771	99,394	965,165
Disposals during the period	(295,304)	-	(295,304)
Principal payments	(278,694)	(118,045)	(396,739)
Balance at September 30, 2021	**2,024,834**	**429,213**	**2,454,047**
Current obligations under lease	630,196	222,635	852,831
Long-term obligations under lease	1,394,638	206,578	1,601,216
Total Balance at September 30, 2021	**2,024,834**	**429,213**	**2,454,047**

The Company leased certain vehicles with a value of $2,024,834 (March 31, 2021: $1,733,060), at an effective annual rate of interest of 7.56% (March 31, 2021: 8.49%). The payment terms include blended monthly payments of $56,833 plus applicable taxes (March 31, 2021: $56,279) for 48 to 60 months ending between October 2021 and January 2026, with an aggregate buy out obligation of $907,002 as of September 30, 2021 (March 31, 2021: $977,741). Interest expense from these leases, included in the condensed interim statement of loss and comprehensive loss for the three and six-month periods ended September 30, 2021 was $67,148 (September 30, 2020: $17,576), and $100,606 (September 30, 2020: $30,241).

Various office properties with a value of $429,213 (March 31, 2021: $447,865), are leased with blended monthly payments of $29,133 plus applicable taxes (March 31, 2021: $18,964). An incremental borrowing rate of 4.80% is used. The property leases end between February 2022 and December 2025. Interest expense from these leases, included in the condensed interim statement of loss and comprehensive loss for the three and six-month periods ended September 30, 2021 was $(5,915) and $11,842 (September 30, 2020: $7,592 and $16,235).

15. SHAREHOLDERS' EQUITY

[a] Share capital issued and outstanding

Unlimited common shares	Number of Shares	Amount
Balance at March 31, 2020	21,192,004	$21,434,492
Balance at March 31, 2021	21,192,004	$21,434,492
Balance at September 30, 2021	21,192,004	$21,434,492

[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.

15. SHAREHOLDERS' EQUITY (CONTINUED)

Options for Directors vest when granted, while vesting of options for non-directors is as follows: 33.33% on the 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 23, 2021. Accordingly, the Company has a total of 729,200 options available to be issued as at September 30, 2021, with the maximum term remaining at 10 years (March 31, 2021: 679,200). 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.

	Number of Options	Weighted Average Exercise Price
Balance at March 31, 2020	**1,770,333**	**$1.97**
Options forfeiture during the year	(325,000)	1.99
Options expired during the year	(55,333)	1.58
Option granted during the year	50,000	1.55
Balance at March 31, 2021	**1,440,000**	**$1.97**
Options forfeiture during the period	(50,000)	1.55
Balance at September 30, 2021	**1,390,000**	**$1.85**

No share options were granted during the three and six-month periods ended September 30, 2021, (September 30, 2020: NIL). The weighted average grant date fair values of share options granted during the year ended March 31, 2021 were $0.75 per option, (March 31, 2020: $0.89). 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 in the year ending March 31, 2021 totaling 50,000 options at an excise price of $1.55. None of the outstanding options were exercised in the three and six-month periods ended September 30, 2021 or during the twelve-month period ended March 31, 2021. All options granted in the year ending March 31, 2021 expire in October 2025. Where the Company has received a notice to exercise options that expire within the period ending September 30, 2021 and fall within a blackout period placed on directors and management, the expiry dates of such share options have been extended to December 31, 2021 in accordance with the share option plan.

Using the Black-Scholes pricing model, the Company recognized $34,346 of share based compensation, during the three-month period ending September 30, 2021 (September 30, 2020: $58,827) and $59,455 for the six-month period ended September 30, 2021 (September 30, 2020: $114.163).

15. SHAREHOLDERS' EQUITY (CONTINUED)

In calculating the share-based compensation expense, the Company used the assumptions as listed below as at the date of grants in prior years:

	Fiscal 2021	Fiscal 2020
Risk-free interest rate	0.80%	1.75%
Expected volatility	80.51%	55.33 to 66.31%
Expected time until exercise	5 years	5 years
Expected dividend yield	NIL	NIL
Expected forfeiture	5%	5%
Share price	$0.99	$1.50 to $1.55

The expected price volatility is based on the historic volatility (based on the expected 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 September 30, 2021:

Grant Date	Numer of Options Outstanding	Remaining Years	Number of Options Vested	Exercise Price	Expiry Date
2016-09-06 [1]	15,000	0.25	15,000	$1.30	2021-12-31
2017-10-29	15,000	1.08	15,000	1.30	2022-10-29
2018-01-10	200,000	1.28	200,000	1.65	2023-01-10
2018-01-10	200,000	1.28	200,000	1.90	2023-01-10
2018-01-10	200,000	1.28	200,000	2.20	2023-01-10
2018-01-10	200,000	1.28	-	2.55	2023-01-10
2018-09-19	65,000	1.97	43,333	2.25	2023-09-19
2018-10-02	200,000	2.01	66,667	2.25	2023-10-02
2019-12-02	95,000	3.18	-	1.55	2024-12-02
2020-01-20	200,000	3.31	-	1.55	2025-01-20
	1,390,000	1.69	740,000	$1.85	

1. Expiry date extended in accordance with the share option plan.

16. PERFORMANCE SHARE UNITS

On November 25, 2020, the Company's Board of Directors established a performance share unit ("**PSU**") compensation program. It provides for a cash payment to eligible participants equal to the number of PSUs granted multiplied by the Company's volume weighted average share price ("**VWAP**") in effect during the thirty days prior to a future valuation date scaled downwards for vesting criteria linked to that VWAP in effect during the thirty days prior to the valuation date.

On November 25, 2020, the Company announced that the Chief Executive Officer was awarded 200,000 performance stock units payable on March 31, 2023 at the Corporation's 30-day volume weighted share price in effect on that date, scaled downward to 0% payout if that VWAP is less than $3.39 per share, 50% payout if great than or equal to $3.39 per share, 75% payout if greater than or equal to $3.75 per share or 100% payout if greater than or equal to $4.00 per share. Such award, if any, will be settled in cash within 150 days following March 31, 2023.

16. PERFORMANCE SHARE UNITS (CONTINUED)

The Company uses Monte-Carlo simulation valuation techniques to estimate the potential future value that might exist as of March 31, 2023 in respect of issued but unvested PSU grants. Such estimate is then discounted based on the risk-free interest rate as of the valuation date. Assumptions included in the fair value of the unvested PSU grants include:

- The Company's share price on the valuation date, which was $2.09 per share on September 30, 2021;
- The remaining number of trading days from the valuation date until the vesting date of March 31, 2023;
- The average expected annual return on the Company's shares of 15.0% as of September 30, 2021;
- The expected volatility of the price of the Company's common shares as of the valuation date, which was 70.0% on September 30, 2021; and
- The average risk-free interest rate over the remaining term of 2.06% as of September 30, 2021.

The present value of such estimated potential liability is recalculated by the Company every fiscal quarter end. Within Accounts Payable and Accrued Liabilities on the Condensed Interim Consolidated Statement of Financial Position, the Company reflects the net present value of the potential obligation, prorated by the number of months that have elapsed since the date of grant versus the total number of months from the PSU grant date to the maturity date. The difference between the Statement of Financial Position liability amounts at the balance sheet date versus the fiscal period's opening liability is reflected as an expense, or recovery, within Share Based Payments on the Condensed Interim Consolidated Statements of loss and Comprehensive loss. At September 30, 2021, the present value of the estimated potential liability on March 31, 2023 is $167,000 of which $59,643 is included in AP and Accrued Liabilities on the condensed interim consolidated statement of financial position at September 30, 2021 (September 30, 2020: $NIL). The expense reflected in the three-month period ending September 30, 2021 is $6,268 (September 30, 2020: $NIL) and in the six-month period ending September 30, 2021 $39,661 (September 30, 2020: $NIL).

17. 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 management's estimate of tax rates of 26.5% expected to be in effect for the Company's full financial year.

For the three-month period ending September 30, 2021, the Company recognized current income tax recovery of $285,471 (September 30, 2020: $3,780 recovery) and $NIL for the six-month period ending September 30, 2021 (September 30, 2020: $NIL). For the three-month period ending September 30, 2021 the Company recognized deferred income tax expense of $154,265 (September 30, 2020: expense of $107,722) and expense of $300,078 for the six-month period ending September 30, 2021 (September 30, 2020: expense of $50,555). 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, 2022 and future taxable periods.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

[a] Convertible debentures

On November 27, 2019, the Company issued 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, at the option of the holder, in whole or in part, at a conversion price per share of $1.56 at any time prior to the maturity date into common shares of the Company. Total professional and legal fees of $301,311 were incurred on the transaction. The Company decided not to draw up to $9,736,000 under a second tranche under the convertible debenture agreement that was previously available to the Company until August 27, 2020 and such option to draw expired on that date.

So long as the holder of the convertible debentures owns at least 10% of the Company's common shares, it has the right to maintain the same percentage ownership of the Company's common shares subsequent to an issuance of the Company's common shares as held by the holder immediately prior to such issuance. If the holder owns more than 10% of the Company's common shares, the holder is entitled to nominate one member to the Company's board of directors.

Pursuant to the indenture, the Company's consolidated total indebtedness (excluding the Convertible Debentures) shall not exceed 6.5 times Adjusted EBITDA on a rolling four quarter basis and consolidated senior indebtedness shall not exceed 3.5 times Adjusted EBITDA on a rolling four quarter basis. The Company was in compliance with the financial covenants applicable to the debenture for the reporting period on September 30, 2021.

While the total contractual liability excluding future interest payments is $8,264,000, 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 International Accounting Standard ("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 0.73% (based on government bonds) (March 31, 2020: 1.52%), volatility of 66.82% (March 31, 2020: 68.56%), which is based on historical volatility of the Company's common shares, an expected maturity date of five years from the date of issue and no dividends issued by the Company over that time frame.

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 year ending March 31, 2020 attributable to the conversion option. The conversion option derivative liability is reported at fair value, with gains and losses included in the condensed interim consolidated statements of loss and comprehensive loss. For the three-month period ended September 30, 2021 a loss of $2,220,080 was recognized (September 30, 2020: $572,123 loss) and a loss of $2,045,265 for the six-month period ending September 30, 2021 (September 30, 2020: $497,210 loss).

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Accretion charges attributable to the debenture of $298,854 were included in interest expense on the statement of loss and comprehensive loss in the three-month period ending September 30, 2021, of which $144,620 relates to interest paid or owing (September 30, 2020: $266,665 of which $144,620 related to interest paid or owing). In the six-month period ending September 30, 2021 $588,941 (September 30, 2020: $526,393) accretion charges were included in the interest expense on the statement of loss and comprehensive loss of which $289,240 pertains to interest paid or owing (September 30, 2020: $289,240).

7% Debenture (Issued November 27, 2019)	Liability component	Derivative liability	Total carrying amount
Balance at March 31, 2020	**$ 4,309,637**	**$ 1,738,308**	**$ 6,047,945**
Accretion of debenture	1,082,232	-	1,082,232
Interest	(578,480)	-	(578,480)
Fair value loss	-	2,070,094	2,070,094
Balance as of March 31, 2021	**$ 4,813,389**	**$ 3,808,402**	**$ 8,621,791**
Accretion of debenture	588,941	-	588,941
Interest	(289,240)	-	(289,240)
Fair value (gain)/loss	-	2,045,265	2,045,265
Balance as of September 30, 2021	**$ 5,113,090**	**$ 5,853,667**	**10,966,757**

[b] Financial liabilities

On December 2, 2019, the Company issued a Promissory Note as part of the acquisition of A.S.A.P. Secured Inc. The Promissory Note was payable on March 4, 2021 and the amount payable ranged from $NIL to $2,625,000 depending on the performance of the acquired business over the first twelve months from acquisition closing. On the date of issue in November 2020, the Promissory Note was discounted at a rate of 3.95% for accounting purposes. The face value of the Promissory Note was paid in two installments on March 4, 2021 and April 5, 2021 net of $36,554 for a purchase price reduction agreed between the parties and legal fees in respect of third-party claims paid by the Company but attributable to the vendor. This total net payment was funded by drawing on the unused portion of the $10,000,000 acquisition facility provided by the Company's former bank (Note 13).

Promissory note (issued December 1, 2019)		Carrying amount
Balance at March 31, 2020	**$**	**2,534,341**
Accretion for the period		90,659
Payment		(2,429,501)
Reduction in purchase price (note 11)		(36,554)
Reimbursement of expenses		(3,945)
Balance at March 31, 2021	**$**	**155,000**
Payment		(155,000)
Balance at September 30, 2021	**$**	**-**

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[c] Financial assets

On October 23, 2018, the Company subscribed to a private placement by 3|Sixty Secure Corp. ("3 Sixty") of 1,180,000 Purchased Subscription Receipts, at the price of $0.85 per Purchased Subscription Receipt, 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 Reverse Take-Over ("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.

On July 15, 2020, 3 Sixty announced a delay to filing 2019 fiscal year end financial results and the intention to file amended and restated interim financial statements. In response, the Ontario Securities Commission issued a cease trade order on 3 Sixty's shares. Effective July 14, 2021 the shares were delisted. On September 13, 2021, the Ontario Superior Court of Justice Commercial List appointed a receiver in respect of 3 Sixty on behalf of one of its secured creditors. No unrealized gains or losses were recognized in the three-month and six-month periods ended September 30, 2021 and a loss of $47,200 was recognized during the six-months ended September 30, 2020 and a loss of $70,800 in the three-month period ended September 30, 2020.

	Subscription receipts	Investment
Balance at March 31, 2019	1,180,000	590,000
Change in fair value		(542,800)
Balance at March 31, 2020		$ 47,200
Change in fair value		(47,200)
Balance at March 31, 2021		$ -
Balance at September 30, 2021		$ -

In connection with the sale of its 70% ownership interest of City Wide on September 30, 2020, the Company received a vendor take back note of $450,000 benefiting from a second secured lien on all assets of City Wide. The balance of the note on September 30, 2021 is $399,500, (September 30, 2020: $450,000), with $49,500 recorded in accounts receivable representing the current portion of the note receivable and $350,000 recorded as a long term note receivable on the statement of financial position. The note bears interest at 3.0% until September 30, 2021, 3.5% until September 30, 2022, 4.0% until September 30, 2023, 5.0% until September 30, 2024, and then 6.0% until September 30, 2025. Installments of $50,000 plus interest are due annually and the note is fully repayable on or before September 30, 2025.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[d] 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 condensed interim 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 this note.

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 management. The Board of Directors receive quarterly reports from the Company's management, 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 other foreign currencies will affect the Company's operations and financial results.

During the six-month period ended September 30, 2021, approximately 14.5% of the Company's revenues were received or receivable in U.S. dollars, while a smaller percentage of its total costs were paid or payable in U.S. dollars. The impact of a 1% change in the foreign exchange rate would be a $68,000 or a 2.97% change to the Company's net loss for the year and total comprehensive loss for the year on the statements of loss and comprehensive loss. A significant change in the currency exchange rates of the U.S. dollar relative to the Canadian dollar could have an adverse effect on the Company's results of operations, financial position and cash flows.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest Rate Risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. At September 30, 2021, the Company has a revolving credit facility and bank loans subject to floating interest rates amounting to $9,650,000 (March 31, 2021: $4,750,449), a 1% change in interest rates would be a $96,500 impact to the Company's net loss for the period and total comprehensive loss for the period. This interest rate risk is offset by the potential changes in the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions.

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 Company is exposed to equity price risk related to its performance share units which are cash settled and stock options which are equity settled. As the market price of the Company's common shares increases, the likelihood of the Company having an obligation on March 31, 2023 under the PSU's increases (refer to Note 16).

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. For credit risk on accounts receivable see Note 7. Financial instruments, which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents, accounts receivables as well as the secured vendor take back note due from the purchasers of City Wide. The carrying amounts of financial assets represent the maximum credit exposure. The Company has gross credit exposure at September 30, 2021 relating to cash of $2,080,295 (March 31, 2021: $1,623,754). All cash is held in Canadian banks which have credit ratings of A+ and Aa2 from rating agencies Standard & Poor's and Moody's respectively. 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.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of approximately 90 days. To achieve this objective, the Company prepares annual financial budgets and updates short-term liquidity requirements at least monthly based on revised estimates. Further, the Company utilizes delegated authorizations for varying expenditure levels and types to further manage expenditure. The Company also 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 including interest) of financial liabilities and derivatives:

	Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Contractual amount	Carrying amount
At March 31, 2021	**$ 11,551,632**	**$ 2,309,150**	**$ 3,321,513**	**$12,869,974**	**$ 1,032,887**	**$ 31,085,156**	**$ 28,157,120**
Accounts payable and accrued liabilities	9,757,230	-	-	-	-	9,757,230	9,757,230
Bank indebtedness and vehicle loans	341,892	546,456	664,002	8,544,598	3,411	10,100,359	9,250,522
Obligations under lease	256,076	766,223	1,029,417	651,871	-	2,703,587	2,454,047
Convertible debentures	144,620	433,860	578,480	8,929,252	-	10,086,212	10,966,757
At September 30 2021	**$ 10,499,818**	**$ 1,746,539**	**$ 2,271,899**	**$18,125,721**	**$ 3,411**	**$ 32,647,388**	**$ 32,428,556**

Contractual amounts reflect undiscounted principal payments and future interest payments. Carrying amount excludes interest, is discounted, includes any residual value and is adjusted for the derivative component where applicable.

The working capital as at September 30, 2021 was $10,390,740 compared to $6,571,570 at March 31, 2021.

d) The Covid-19 Pandemic

While the Company is not immune to the impacts of the Covid-19 pandemic, the majority of the Company's services remain ongoing, certain of which have been deemed "essential" by governing authorities. However, there remains some risk that certain project work will be deferred, or restricted and new orders delayed or that certain customers could become adversely affected by the pandemic.

The Company sold its non-wholly owned subsidiary, City Wide, on September 30, 2020 (Note 23). City Wide qualified for the Government of Canada's Canada Emergency Wage Subsidy ("CEWS") program and recorded $125,412 in government grants earned and received during the six-month period ending September 30, 2020 reflected within the loss from discontinued operations for the Company's fiscal year ended March 31, 2021. There were no unfilled conditions or other contingencies attached to the government assistance that was recognized.

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, notes receivable, accounts payable and accrued liabilities, bank indebtedness and vehicle loans and finance leases, and derivative liabilities approximate fair value due to their short-term nature.

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).
- 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 derivative liability and promissory note which are considered level 2.

19. CAPITAL MANAGEMENT

The Company defines its cash, common shares 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.

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 with the objective of maintaining adequate capital resources through the optimization of the cash flows from operations and capital transactions.

In the prior year, the Company received a waiver of the financial covenant breaches before the reporting period ended, September 30, 2020. At September 30, 2021, the Company was in compliance with all covenants with its lenders (notes 13 and 18a).

20. RELATED PARTY TRANSACTIONS

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 $90,255 of expense in the three-month period ended September 30, 2021 (September 30, 2020: $62,281) and $160,822 in the six-month period (September 30, 2020: $105,325). The balance outstanding at September 30, 2021 is $27,876 (March 31, 2021: $19,859)

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 September 30, 2021 the Company incurred $2,443 (September 30, 2020: $2,132) for these services and $7,718 in the six-month period ending September 30, 2021 (September 30, 2020: $3,627). The balance outstanding at September 30, 2021 is $1,726 (March 31, 2021: $1,554)

Remuneration of Directors and Officers was as follows:

	For the three-month period ended		For the six-month period ended	
Directors and Officers Remuneration	**Sept 30, 2021**	**Sept 30, 2020**	**Sept 30, 2021**	**Sept 30, 2020**
Salaries, short term employee benefits	421,359	161,538	634,082	350,000
Share based payments	27,120	49,135	54,240	98,270
	448,479	210,673	688,322	448,270

21. REORGANIZATION AND ACQUISITION COSTS

The Company incurred reorganization and acquisition costs in the amount of $435,502 for the three-month period ended September 30, 2021, (September 30, 2020: recovery of $113,937). During the six-month period ended September 30, 2021 the Company incurred $786,344 (September 30, 2020: $317,498) of reorganization and acquisition costs. These costs included $270,268 of bank and legal fees related to the terminated credit agreement (note 13), $366,716 of professional fees related to the Board of Directors strategic review announced by the Company on August 25, 2021, and $149,360 of professional fees paid to consultants, financial and legal advisors for business acquisitions undertaken by the Company, fees related to business amalgamations, rebranding, reorganization expenses including severance expense related to amalgamations. During the three-month period ended September 30, 2020 costs included professional fees paid to consultants, financial and legal advisors for business acquisitions, fees related to business amalgamations, rebranding expenses, and severance expense for terminations as part of a restructuring effort.

22. SEGMENT REPORTING

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assessing their performance. The Company's chief operating decision maker is the Chief Executive Officer. The Company operates in two reportable segments described below and accounts for intersegment sales as if they were to external customers.

Logixx Security provides security services for enterprise customers across Canada. Services include protective services (also known as guarding) as well as security system design, sales, installations, and monitoring and alarm response.

Avante Security provides premium security services for residential customers in Toronto and Muskoka, Ontario through the use of advanced technology and a focus on client service. Avante Security's 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.

Revenues from one customer of the Company's Logixx Security segment represents approximately $5,780,000, or 12.4% of the Company's consolidated revenues during the six-month period ended September 30, 2021.

22. SEGMENT REPORTING (CONTINUED)

Segment statements of loss and comprehensive loss for the three-month period ending September 30, 2021 are included below:

	For the three-months ended September 30, 2021				
	Logixx Security	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 18,244,948	$ 4,440,483	$ -	$ (83,932)	$ 22,601,499
Cost of sales	15,764,181	2,676,628	-	(81,032)	18,359,777
Gross profit	2,480,767	1,763,855	-	(2,900)	4,241,722
Operating expenses					
Salaries, benefits and commissions	987,899	760,935	436,476	-	2,185,310
Administration	1,159,915	679,719	(403,738)	(10,550)	1,425,346
Depreciation on capital assets	109,649	171,551	45,437	-	326,637
Amortization on intangible assets	-	-	210,490	-	210,490
Merchant transaction fees and bank charges	7,208	55,713	7,922	-	70,843
Share based payments	-	-	67,739	-	67,739
	2,264,671	1,667,918	364,326	(10,550)	4,286,365
Income (loss) before other income and expenses	216,096	95,937	(364,326)	7,650	(44,643)
Other (income) expenses					
Miscellaneous (income) expense	48,967	(3,825)	(55,725)	7,650	(2,933)
Interest expense	300,969	22,222	64,611	-	387,802
Foreign exchange (gain) loss	(30,693)	3,157	(276)	-	(27,812)
Loss in fair value of derivative liability	-	-	2,220,080	-	2,220,080
Total Other (income) expenses	319,243	21,554	2,228,690	7,650	2,577,137
Income (loss) before reorganization, and acquisition costs	(103,147)	74,383	(2,593,016)	-	(2,621,780)
Reorganization and acquisition costs	(7,229)	-	442,731	-	435,502
Income (loss) before income taxes	(95,918)	74,383	(3,035,747)	-	(3,057,282)
Provision for income taxes					
Current income tax expense (recovery)	(285,471)	-	-	-	(285,471)
Deferred income tax expense (recovery)	(37,988)	245,790	(53,537)	-	154,265
	(323,459)	245,790	(53,537)	-	(131,206)
Net Income (loss) for the period	227,541	(171,407)	(2,982,210)	-	(2,926,076)
Total comprehensive income (loss) for the period	**$ 227,541**	**$ (171,406)**	**$ (2,982,210)**	**$ -**	**$ (2,926,076)**

22. SEGMENT REPORTING (CONTINUED)

Segment statements of profit and comprehensive profit for the three-month comparative period ending September 30, 2020 are included below:

	For the three-months ended Sept 30, 2020				
	Logixx Security	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 19,213,459	$ 4,453,204	$ -	$ (64,828)	$ 23,601,835
Cost of sales	15,256,136	2,634,026	-	(61,928)	17,828,234
Gross profit	3,957,323	1,819,178	-	(2,900)	5,773,601
Operating expenses					
Salaries, benefits and commissions	950,147	732,236	1,061,415	-	2,743,798
Administration	899,402	508,723	(181,157)	(2,900)	1,224,068
Depreciation on capital assets	79,687	173,203	58,742	-	311,633
Amortization on intangible assets	-	-	914,033	-	914,033
Merchant transaction fees and bank charges	18,059	45,541	2,786	-	66,386
Share based payments	-	-	58,827	-	58,827
	1,947,296	1,459,703	1,914,647	(2,900)	5,318,745
Income (loss) before other income and expenses	2,010,027	359,476	(1,914,647)	-	454,856
Other (income) expenses	-	-	-	-	-
Miscellaneous (income) expense	23,841	(19,963)	(23,841)	-	(19,963)
Interest expense	278,924	28,847	82,163	-	389,934
Foreign exchange (gain) loss	50,605	3,003	(1,821)	-	51,787
Loss in fair value of derivative liability	-	-	572,123	-	572,123
Total Other (income) expenses	353,370	11,887	628,624	-	993,881
Income (loss) before reorganization, and acquisition costs	1,656,657	347,589	(2,543,271)	-	(539,025)
Reorganization and acquisition costs	(163,743)	-	49,807	-	(113,936)
Income (loss) before income taxes	1,820,400	347,589	(2,593,078)	-	(425,089)
Provision for income taxes					
Current income tax expense (recovery)	10,112	15,456	(29,348)	-	(3,780)
Deferred income tax expense (recovery)	455,485	136,580	(484,343)	-	107,722
Net Income (loss) for the period	1,354,803	195,553	(2,079,387)	-	(529,030)
Other comprehensive income (loss)					
Unrealized gain on investments	-	-	(70,800)	-	(70,800)
	-	-	(70,800)	-	(70,800)
Total comprehensive income (loss) for the period from continuing operations	**$ 1,354,803**	**$ 195,553**	**$ (2,150,187)**	**$ -**	**$ (599,830)**

22. SEGMENT REPORTING (CONTINUED)

Segment statements of loss and comprehensive loss for the six-month period ending September 30, 2021 included below

	For the six-months ended September 30, 2021				
	Logixx Security	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 38,404,962	$ 8,469,493	$ -	$ (152,810)	$ 46,721,645
Cost of sales	31,737,512	4,998,117	-	(149,910)	36,585,719
Gross profit	6,667,450	3,471,376	-	(2,900)	10,135,926
Operating expenses					
Salaries, benefits and commissions	2,096,091	1,468,617	1,175,640	-	4,740,348
Administration	2,191,301	1,351,361	(848,395)	(10,550)	2,683,717
Depreciation on capital assets	287,590	365,790	90,338	-	743,718
Amortization on intangible assets	-	-	420,980	-	420,980
Merchant transaction fees and bank charges	14,743	106,645	9,017	-	130,405
Share based payments	-	-	99,116	-	99,116
	4,589,725	3,292,413	946,696	(10,550)	8,818,284
Income (loss) before other income and expenses	2,077,725	178,963	(946,696)	7,650	1,317,642
Other (income) expenses					
Miscellaneous (income) expense	33,390	(20,063)	(45,908)	7,650	(24,931)
Interest expense	626,780	49,362	136,318	-	812,460
Foreign exchange (gain) loss	43,929	4,254	(275)	-	47,908
Loss in fair value of derivative liability	-	-	2,045,264	-	2,045,264
Total Other (income) expenses	704,099	33,553	2,135,399	7,650	2,880,701
Income (loss) before reorganization, and acquisition costs	1,373,626	145,410	(3,082,095)	-	(1,563,059)
Reorganization and acquisition costs	27,408	-	758,936	-	786,344
Income (loss) before income taxes	1,346,218	145,410	(3,841,031)	-	(2,349,403)
Provision for income taxes					
Current income tax expense (recovery)	-	-	-	-	-
Deferred income tax expense (recovery)	98,933	307,732	(106,587)	-	300,078
	98,933	307,732	(106,587)	-	300,078
Net Income (loss) for the period	1,247,285	(162,322)	(3,734,444)	-	(2,649,481)
Total comprehensive income (loss) for the period	**$ 1,247,285**	**$ (162,322)**	**$ (3,734,444)**	**$ -**	**$ (2,649,481)**

22. SEGMENT REPORTING (CONTINUED)

Segment statements of loss and comprehensive loss for the six-month comparative period ending September 30, 2020 are included below

	For the six-months ended Sept 30, 2020				
	Logixx Security	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 33,935,529	$ 8,161,149	$ -	$ (291,183)	$ 41,805,495
Cost of sales	27,482,022	4,714,663	-	(288,283)	31,908,402
Gross profit	6,453,507	3,446,486	-	(2,900)	9,897,093
Operating expenses					
Salaries, benefits and commissions	1,958,534	1,416,463	1,593,358	-	4,968,354
Administration	1,988,287	1,198,704	(785,915)	(2,900)	2,398,175
Depreciation on capital assets	146,247	343,281	112,964	-	602,492
Amortization on intangible assets	-	-	1,828,066	-	1,828,066
Merchant transaction fees and bank charges	32,854	103,674	5,184	-	141,712
Share based payments	-	-	114,163	-	114,163
	4,125,921	3,062,121	2,867,820	(2,900)	10,052,963
Income (loss) before other income and expenses	2,327,586	384,364	(2,867,820)	-	(155,870)
Other (income) expenses					
Miscellaneous (income) expense	42,760	(23,231)	(55,741)	-	(36,212)
Interest expense	573,755	54,801	131,626	-	760,183
Foreign exchange (gain) loss	55,601	45,961	(1,821)	-	99,741
Loss in fair value of derivative liability	-	-	497,210	-	497,210
Total Other (income) expenses	672,117	77,531	571,274	-	1,320,922
Income (loss) before reorganization, and acquisition costs	1,655,469	306,833	(3,439,094)	-	(1,476,791)
Reorganization and acquisition costs	165,024	-	152,474	-	317,498
Income (loss) before income taxes	1,490,445	306,833	(3,591,568)	-	(1,794,290)
Provision for income taxes					
Current income tax expense (recovery)	-	-	-	-	-
Deferred income tax expense (recovery)	445,128	90,660	(485,234)	-	50,554
Net Income (loss) for the period	1,045,317	216,173	(3,106,334)	-	(1,844,845)
Other comprehensive income (loss)					
Unrealized gain on investments	-	-	(47,200)	-	(47,200)
	-	-	(47,200)	-	(47,200)
Total comprehensive income (loss) for the period from continuing operations	**$ 1,045,317**	**$ 216,173**	**$ (3,153,534)**	**$ -**	**$ (1,892,045)**

22. SEGMENT REPORTING (CONTINUED)

Segment assets and liabilities as at September 30, 2021 and March 31, 2021 are as follows:

Segment assets are as follow:	**Logixx Security**	**Avante Security**	**Corporate**	**Total**
As at March 31, 2021	$ 19,088,781	$ 8,560,906	$ 16,456,427	$ 44,106,114
As at September 30, 2021	$ 19,173,013	$ 9,241,970	$ 16,112,268	$ 44,527,251

Segment liabilities are as follow:	**Logixx Security**	**Avante Security**	**Corporate**	**Total**
As at March 31, 2021	$ 15,242,268	$ 10,854,073	$ 6,377,656	$ 32,473,997
As at September 30, 2021	$ 7,328,404	$ 5,274,638	$ 22,882,116	$ 35,485,158

23. DISCONTINUED OPERATIONS

On August 10, 2020, the Company announced its intention to sell its 70% majority interest in City Wide for $2,341,500. The subsidiary was sold on September 30, 2020 resulting in a loss on disposition before income tax of $9,627 and is reported in the twelve-month period ending March 31, 2021 (and the three and six-months ended September 30, 2020) as a discontinued operation. The Company received $1,891,500 in cash and issued an interest bearing vendor take back note of $450,000 receivable on or before September 30, 2025. The ownership interest in City Wide was acquired by the Company on April 1, 2016. The Company's financial results for the prior fiscal periods reported throughout these condensed interim consolidated financial statements have been adjusted to reflect continuing operation results and figures that exclude these City Wide discontinued operations.

As a result of the sale on September 30, 2020, during the twelve-month period ending March 31, 2021, the Company recognized the following loss on disposition in the consolidated statement of loss and comprehensive loss:

Gross cash proceeds of sale	$ 1,891,500
Vendor take back loan	450,000
Total consideration	2,341,500
Less: transaction costs	85,944
Net proceeds of sale	**2,255,556**
Assets	
Total current assets	2,661,109
Total non-current assets	3,234,948
Total assets	**5,896,057**
Liabilities	
Total current liabilities	1,952,782
Total non-current liabilities	1,210,598
Total liabilities	**3,163,380**
Total net assets	**2,732,677**
Non-Controlling Interest	(467,494)
Loss on disposal, before tax	**$ (9,627)**

The Company lost control of $730,218 of cash balance included in the total current assets disposed. Such balances were restricted by minimum working capital requirements set out in the shareholder agreement. In addition, at the time of the sale, City Wide had vehicle loans reflected within the liabilities disclosed in the above table.

23. DISCONTINUED OPERATIONS (CONTINUED)

The results of the discontinued operations are presented below for the following periods of April 1, 2020 to September 30, 2020:

	For the three-month period ended		For the six-month period ended	
	Sept 30, 2020	**Sept 30, 2019**	**Sept 30, 2020**	**Sept 30, 2019** *re-presented*
Revenues	$ 1,880,134	$ 1,520,858	$ 3,102,511	$ 3,080,494
Cost of sales	983,770	924,338	1,735,589	1,852,327
Gross profit	896,364	596,520	1,366,922	1,228,167
Operating expenses	426,208	476,479	801,830	1,043,351
Income before other income and expenses	470,156	120,041	565,092	184,816
Other (income) expenses				
Interest expense	9,786	(2,218)	19,965	(3,589)
Foreign exchange loss (gain)	4,803	(10,218)	26,458	(8,123)
	14,589	(12,436)	46,423	(11,712)
Income before income taxes	455,567	132,477	518,669	196,528
Provision for income taxes				
Current income tax expense	118,156	115,273	136,469	139,475
Deferred income tax expense (recovery)	1,700	(18,204)	2,510	(18,204)
Net Income from discontinued operations for the period	335,711	35,409	379,690	75,257
Loss on disposal	(9,627)	-	(9,627)	-
Net income (loss) from discontinued operations for the period	$ 326,084	$ 35,409	$ 370,063	$ 75,257