AVANTE CORP.
(Formerly AVANTE LOGIXX INC.)
Consolidated Financial Statements

March 31, 2023 and 2022

TABLE OF CONTENTS

Independent Auditor's Report - 2 -
Consolidated Statements of Financial Position - 4 -
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) - 5 -
Consolidated Statements of Changes in Equity - 6 -
Consolidated Statements of Cash Flows - 7 -
1. NATURE OF BUSINESS - 8 -
2. BASIS OF PRESENTATION - 8 -
3. SUMMARY OF MATERIAL ACCOUNTING POLICIES - 9 -
4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS - 19 -
5. EARNINGS (LOSS) PER SHARE - 22 -
6. REVENUE RECOGNITION - 23 -
7. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS - 24 -
8. ACCOUNTS RECEIVABLE - 25 -
9. INVENTORIES - 25 -
10. PROPERTY, PLANT AND EQUIPMENT - 26 -
11. CAPITALIZED COMMISSION - 27 -
12. GOODWILL AND INTANGIBLE ASSETS - 27 -
13. BUSINESS ACQUISITIONS - 29 -
14. BANK INDEBTEDNESS AND VEHICLE LOANS - 30 -
15. OBLIGATIONS UNDER LEASE - 32 -
16. SHAREHOLDERS' EQUITY - 32 -
17. PERFORMANCE SHARE UNITS - 34 -
18. INCOME TAXES - 35 -
19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - 37 -
20. CAPITAL MANAGEMENT - 42 -
21. RELATED PARTY TRANSACTIONS - 42 -
22. REORGANIZATION AND ACQUISITION COSTS - 43 -
23. SEGMENT REPORTING - 44 -
24. DISCONTINUED OPERATIONS - 46 -
25. CONTINGENCIES - 47 -
26. SUBSEQUENT EVENTS - 48 -

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Avante Corp. (formerly Avante Logixx Inc.)

Opinion

We have audited the consolidated financial statements of Avante Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2023 and 2022 and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill Impairment Assessment

Refer to note 3 – summary of significant accounting policies - goodwill and indefinite life intangible assets, note 4 – critical accounting estimates and judgments – intangible assets and goodwill, and note 12 – goodwill and intangible assets to the consolidated financial statements.

As at March 31, 2023, the Company had one cash-generating unit (CGU) which included $2,971,997 of goodwill recorded on the consolidated statement of financial position in connection with the Avante Security Inc. subsidiary. Management conducts an impairment test at least annually, or more frequently if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable. The Company estimated the recoverable amount of the CGU to which goodwill was allocated using a value in use discounted cash flow model. The recoverable amount for the CGU was calculated as the greater of the fair value less costs to sell and the value in use. There was no impairment or accumulated impairment recorded as at March 31, 2023.

We identified the goodwill impairment assessment as a key audit matter because management made significant assumptions in its discounted cash flow model including but not limited to cash flow projections, pre-tax discount rates, estimated revenue growth rates, and earnings before interest tax depreciation and amortization (EBITDA) margins. These significant assumptions involved a high degree of estimation uncertainty and complexity. This resulted in significant audit effort, including the use of valuation specialists, and a high degree of auditor judgment and subjectivity to evaluate the audit evidence obtained.

RSM Canada LLP is a limited liability partnership that provides public accounting services and is the Canadian member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmcanada.com/aboutus for more information regarding RSM Canada LLP and RSM International.

How our audit addressed the Key Audit Matter

- Evaluated the appropriateness of management's determination of its CGU by considering the Company's organizational structure and cash flows generated from the Company's assets;
- Tested how management estimated the CGU's recoverable amount by:
  - Testing the mathematical accuracy of the impairment model and the underlying data used;
  - Evaluating the reasonableness of significant assumptions used by management related to revenue growth rate and EBITDA margins by considering historical and current performance of the Company and comparable market data;
- With the assistance of RSM valuation specialists, we:
  - Assessed the reasonableness of the Company's impairment model and valuation methodology;
  - Evaluated certain significant assumptions including cash flow projections, pre-tax discount rate, and terminal growth rate by comparing the risk-free rate and risk premiums to comparable market data; and
  - Compared the CGU's recoverable amount to the Company's market capitalization.
- Assessed the disclosures in the consolidated financial statements, including management's sensitivity disclosures on key assumptions related to revenue growth rates, gross margins, and the pre-tax discount rate.

<u>Occurence and Accuracy of Installation Revenue Recognition</u>

Refer to note 3 – summary of significant accounting policies - revenue from contracts with customers and revenue recognition and deferred revenue, note 4 – critical accounting estimates and judgments – revenue and contract assets, and note 6 – revenue recognition to the consolidated financial statements.

Revenue from sales of installation services were $6,775,984 for the year ended March 31, 2023. The Company recognized revenue from installation of electronic services and equipment over time as the services are provided in line with the agreement in place. Revenue is recognized based on the percentage completion method or upon acceptance of such goods and services by customers.

We identified the Company's recognition of installation revenue as a key audit matter because of the high degree of management judgement and subjectivity required to evaluate the percentage of completion of installation projects, which is directly associated with installation revenue recognized. Significant auditor judgement was required in performing procedures over management's assessment of percentage of completion and evaluating the results of those procedures.

How our audit addressed the Key Audit Matter

Our audit procedures related to occurrence and accuracy of installation revenue recognition included the following, among others:

- We evaluated management's policies and procedures for revenue recognition to assess whether installation revenue was recognized in accordance with the applicable accounting standards;
- We tested installation revenue recognized on a sample basis by agreeing sales transactions to the underlying sales invoice, cash receipts, contracts terms, and other supporting documentation;
- We tested management's assessment of installation revenue recognized based on the percentage of projects completed on a sample basis by agreeing projects in progress at year-end to the underlying contract terms, technician notes and progress billings; and

- We tested that each performance obligation included in contracts with more than one performance obligation, was measured at relative fair value based on their standalone selling prices and in the correct time period based on the percentage of the project completed.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jamie Zuk.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
July 31, 2023
Toronto, Ontario

AVANTE CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2023 AND MARCH 31, 2022

	Mar 31, 2023	Mar 31, 2022
ASSETS		
CURRENT		
Cash and cash equivalents	$ 10,114,383	$ 354,082
Accounts receivable (note 8)	5,601,479	3,519,628
Inventories (note 9)	929,375	936,246
Contract assets (note 6b)	482,029	564,669
Prepaid expenses	192,681	250,690
	17,319,947	5,625,315
Assets of disposal groups classified as held for sale (note 7)	-	29,334,844
	17,319,947	34,960,159
NON-CURRENT ASSETS		
Property, plant & equipment (note 10)	2,442,680	1,737,693
Capitalized commissions (note 11)	4,355	13,359
Deferred tax assets (note 18)	719,878	1,232,196
Intangible assets (note 12)	1,860,290	1,677,841
Goodwill (note 12)	2,971,997	2,971,997
Long term notes receivable (note 19c)	264,183	350,000
	$ 25,583,330	**$ 42,943,245**
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	4,196,532	6,163,438
Bank indebtedness (note 14)	500,000	443,379
Obligations under lease (note 15)	569,792	505,580
Contract liabilities (note 6b)	2,139,672	2,252,203
	7,405,996	9,364,600
Liabilities directly associated with assets classified as held for sale (note 7)	-	8,519,399
	7,405,996	17,883,999
NON-CURRENT LIABILITIES		
Obligations under lease (note 15)	1,064,220	335,167
Long term portion of bank indebtedness (note 14)	-	8,421,671
Deferred tax liability	332,024	250,415
	1,396,244	9,007,253
TOTAL LIABILITIES	**8,802,240**	**26,891,252**
SHAREHOLDERS' EQUITY		
Share capital (note 16a)	30,138,388	30,138,388
Contributed surplus (note 16b)	2,340,769	1,643,982
Accumulated deficit	(15,698,067)	(15,730,377)
	16,781,090	16,051,993
TOTAL EQUITY & LIABILITIES	**$ 25,583,330**	**$ 42,943,245**

Contingencies (note 25)
Subsequent events (note 26)

AUTHORIZED FOR ISSUE ON BEHALF OF THE BOARD:

Signed "Emmanuel Mounouchos" Director *Signed "Daniel Argiros" Director*

See accompanying notes to the consolidated financial statements.

AVANTE CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

	For the year ended	
	Mar 31, 2023	**Mar 31, 2022**
Revenues from continuing operations (note 6a)	$ 19,960,315	$ 18,156,148
Cost of sales	11,837,890	10,307,927
Gross profit	8,122,425	7,848,221
Operating expenses		
Salaries, benefits and commissions	3,608,018	4,989,634
Administration	3,245,567	2,887,256
Depreciation on capital assets (note 10)	706,571	869,537
Amortization on intangible assets (note 12)	392,551	354,217
Merchant transaction fees and bank charges	334,701	288,996
Share based payments (note 16b)	653,929	130,758
	8,941,337	9,520,398
Income (loss) before other income and expenses and reorganization and acquisition costs	(818,912)	(1,672,177)
Other (income) expenses		
Miscellaneous income	(337,522)	(197,097)
Interest expense	212,898	458,400
Foreign exchange loss	7,366	6,635
Loss (gain) in fair value of derivative liability (note 19a)	-	(471,017)
	(117,258)	(203,079)
Income (loss) before reorganization and acquisition costs	(701,654)	(1,469,098)
Reorganization and acquisition costs (note 22)	2,560,292	4,407,014
Income (loss) before income taxes	(3,261,946)	(5,876,112)
Provision for income taxes		
Current income tax expense (note 18)	-	-
Deferred income tax expense (note 18)	593,927	60,766
Net Income (loss) from continuing operations for the year	(3,855,873)	(5,936,878)
Net income from discontinued operations for the year net of tax (note 24)	3,888,183	1,544,975
Net income (loss) for the year	$ 32,310	$ (4,391,903)
Total comprehensive income (loss) for the year	**$ 32,310**	**$ (4,391,903)**
Basic and diluted income (loss) from continuing operations	($0.146)	($0.272)
Basic and diluted income (loss) from discontinued operations	$0.147	$0.071
Basic and diluted loss per share	$0.001	($0.201)
Weighted average number of shares outstanding for basic and diluted calculation	26,489,438	21,830,599

See accompanying notes to the consolidated financial statements.

AVANTE CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Deficit	Total Equity
Balance at April 1, 2021	**$21,434,492**	**$1,536,099**	**($10,335,474)**	**($1,003,000)**	**$11,632,117**
Loss for the year	-	-	(4,391,903)	-	(4,391,903)
Share based payments	-	135,409	-	-	135,409
Unvested share options forfeited	-	(27,526)	-	-	(27,526)
Debenture converted	8,703,896	-	-	-	8,703,896
Transfer to deficit	-	-	(1,003,000)	1,003,000	-
Balance at March 31, 2022	**$30,138,388**	**$1,643,982**	**($15,730,377)**	**$ -**	**$16,051,993**
Balance at April 1, 2022	**$30,138,388**	**$1,643,982**	**($15,730,377)**	**$ -**	**$16,051,993**
Income for the year	-	-	32,310	-	32,310
Share based payments	-	696,787	-	-	696,787
Balance at March 31, 2023	**$30,138,388**	**$2,340,769**	**($15,698,067)**	**$ -**	**$16,781,090**

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

	For the year ended	
	Mar 31, 2023	Mar 31, 2022
Operating activities		
Comprehensive income / (loss) for the year	$ 32,310	$ (4,391,903)
Share based payments	653,929	130,758
Interest on bank loans and leases	212,898	462,278
Depreciation on capital assets (note 10)	706,571	869,537
Amortization on intangible assets (note 12)	392,551	354,217
Amortization on capitalized commission (note 11)	9,007	17,014
Amortization of deferred financing	334,951	252,795
Provision for income tax	593,927	60,766
Loss (gain) on fair value of derivative liability (note 19a)	-	(471,017)
Capitalization of commissions	-	4,344
	2,936,144	(2,711,211)
Net change in non-cash working capital:		
Accounts receivable	(1,899,322)	(696,206)
Inventories	7,353	373,218
Contract assets (note 6b)	82,640	(25,485)
Prepaid expenses	58,009	(128,410)
Corporate tax payable	-	-
Accounts payable and accrued liabilities	(1,924,051)	3,373,459
Contract liabilities (note 6b)	(112,531)	(433,543)
	(3,787,902)	2,463,033
Cash from (used in) continuing operations	(851,758)	(248,178)
Net cash flows attributable to discontinued operations	(2,906,222)	2,073,122
Net cash from (used in) operating activities	(3,757,980)	1,824,944
Financing activities		
Proceeds from loans	500,000	13,510,000
Principal loan payments	(9,200,000)	(11,155,649)
Financing fees paid	-	(452,417)
Principal lease payments (note 15)	(519,442)	(560,524)
Interest on bank loans, convertible debenture, and leases	(212,898)	(462,278)
Promissory note payment (note 19b)	-	(155,000)
Cash from (used in) continuing operations	(9,432,340)	724,132
Net cash flows attributable to discontinued operations	(71,471)	(901,777)
Net cash from (used in) financing activities	(9,503,811)	(177,645)
Investing activities		
Net proceeds from sale of subsidiary (note 24)	23,733,248	-
Purchase of intangible assets (note 12)	(575,000)	-
Purchase of capital assets (note 10)	(379,826)	(61,296)
Disposal of capital assets (note 10)	309,419	44,015
Additions to Leases	(28,444)	(59,588)
Cash from (used in) continuing operations	23,059,397	(76,869)
Net cash flows attributable to discontinued operations	(37,305)	(724,340)
Net cash from (used in) investing activities	23,022,092	(801,209)
Increase (decrease) in cash during the year	9,760,301	846,090
Cash and cash equivalents, beginning of year	354,082	1,623,754
Cash allocated to assets held for sale	-	(2,115,762)
Cash and cash equivalents, end of year	$ 10,114,383	354,082

See accompanying notes to the consolidated financial statements

1. NATURE OF BUSINESS

Avante Corp. (the “Company”) develops security technologies, products and solutions for personal and condominium protective services, monitoring and control applications. As of June 1, 2022, all of these activities are conducted through one subsidiary, Avante Security Inc. (“Avante Security”), which is 100% owned. Logixx Security Inc. (“Logixx Security”) was 100% owned until June 1, 2022 (Note 7). 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 and condominium 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 in other market segments for various remote control and monitoring functions.

Logixx Security provided 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 Company sold its entire ownership interest in Logixx Security on June 1, 2022 (Note 24).

The address of the Company’s corporate office is 1959 Leslie Street, Toronto, Ontario, Canada. The Company is domiciled in Canada and was incorporated in Canada.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies described herein.

The consolidated financial statements were authorized for issue by the Board of Directors on July 31, 2023.

b) Basis of measurement

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Basis of Consolidation

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

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

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

	Ownership interest held at	
Name of entity	**Mar 31, 2023**	**Mar 31, 2022**
Avante Security Inc.	100%	100%
Logixx Security Inc.	0%	100%

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the consolidated statements of income (loss) and comprehensive income (loss) . In these financial statements, the financial results of Logixx Security are treated as discontinued operations along with assets and liabilities held for sale as of March 31, 2022, as the Company had executed a definitive agreement to sell Logixx Security to a third party on March 30, 2022 and this ultimately resulted in the sale of the Company's entire ownership interest in Logixx Security on June 1, 2022.

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognized.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents include cash on hand and guaranteed investment certificates (“GICs”) with financial institutions and other short-term, highly liquid investments with original maturities of three months or less and interest rates that are readily convertible to known amounts of cash and subject to an insignificant risk or change in value.

Inventories

Inventories are valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

The cost of inventories comprises costs of purchase and costs incurred bringing the inventories to their present location. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated selling costs.

In determining inventory valuation, any obsolete or damaged inventory was written down to net realizable value.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, Plant & Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation less any accumulated impairment.

Depreciation is provided for using the following rates and methods:

Computer Equipment	- 30%, declining balance basis
Computer Software	- Period of useful life (3 years), straight line basis
Equipment, furniture, and fixtures	- 20%, declining balance basis
Leasehold improvements	- Period of the lease, straight line basis
Vehicles	- 30%, declining balance basis
Right-of-use-assets	- Period of the lease, straight line basis
Buildings	- 4%, declining balance basis
Uniforms	- Period of useful life (3 years), straight line basis

Intangible assets

Externally acquired intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. The cost of intangible assets acquired through business combinations is their fair value at the acquisition date. These intangible assets are amortized on a straight-line basis over their estimated useful lives and are tested for impairment whenever events or changes indicate that their carrying amount may not be recoverable. Useful lives, residual values and amortization methods for these intangible assets with finite useful lives are reviewed at least annually.

Intangible assets are recognized on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques. The significant intangible assets recognized by the Company and their useful economic lives are as follows:

Trade name	- 1-10 years
Customer relationships	- 5-12 years
Order backlog	- 1-4 years
Non-compete agreement	- 5 years

Goodwill and Indefinite Life Intangible Assets

Goodwill arising on business combinations is recognized as an asset at the date that control is acquired. Goodwill and indefinite life intangible assets are subsequently measured at cost less any accumulated impairment losses and are not amortized but are tested for impairment on an annual basis or more frequently if there are indicators of impairment as described in the Impairment of Non-Financial Assets accounting policy. 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of Non-Financial Assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. Impairment testing of goodwill and indefinite life intangible assets is done annually at the March 31 year end or when there are indicators of impairment.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the CGU. Any impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income. The Company had two CGU's as of March 31, 2022. With the sale of Logixx Security on June 1, 2022, the Company now has one CGU as of March 31, 2023.

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss is limited to the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years, and its recoverable amount. The reversal of impairment loss of an asset is recognized in profit and loss.

Financial Instruments: Classification and Measurement

[a] Classification

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

[b] Measurement

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

Prior to the conversion of the convertible debentures to common shares on February 16, 2022, the value of the convertible debentures was allocated for accounting purposes between derivative liabilities and host debt on initial recognition with transaction costs attributable to the derivative liability expensed in the period. The host debt was net of attributable transaction costs. The derivative liability attributable to the convertible debentures was measured at FVTPL using the Black Scholes pricing model.

Summary of Financial Instruments Classification and Measurement:

Financial assets and liabilities	Classification	Measurement
Cash and cash equivalents	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Bank indebtedness	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Obligations under lease	Amortized cost	Amortized cost
Convertible debt liability	Amortized cost	Amortized cost
Derivative liability	FVTPL	Fair value
Preferred share units payable	FVTPL	Fair value

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 receivables, accounts payables and accrued liabilities, bank indebtedness and obligations under lease approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy:

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

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

Prior to the conversion of the convertible debentures to common shares on February 16, 2022, the conversion option derivative liabilities in respect of the convertible debentures issued by the Company in November 2019 (note 19a) were recognized and measured at fair value and categorized as a level 2.

Revenue from Contracts with Customers

Under IFRS 15, revenue is to be recognized in a manner that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances. The standard also specifies the accounting for the incremental cost of obtaining a contract and the costs directly related to fulfilling a contract.

The Company considered the terms of the contract in determining the five steps of the framework to recognize revenue from contracts with customers. The five-step model framework implemented by the Company is: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company enters into contracts with customers for a) protective services, b) monitoring and managed services, c) electronic services, and d) security devices and hardware.

Performance obligations for the majority of the contracts that the Company enters into are completed in less than twelve months, and as such, the Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations as the original expected durations are one year or less.

Typically, the Company does not bundle distinct services within a single contract however in some instances contracts bundle distinct services, in which case each component of bundled goods and services are measured at their relative fair values, based on stand-alone selling prices. The performance obligations for contracts, whether installations, or installations and monitoring, or protective services and monitoring contracts are distinct from one and another.

Accounting for revenue recognition

The Company recognizes revenue from long term contracts based on the stage of completion of the performance obligation delivered. Revenue from contracts is recognized over time as the customer controls the asset as it is created, the Company's performance creates and or enhances an asset in the customer's control, and the Company has an enforceable right to payment for performance completed to date.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Contract modifications will be accounted for as a separate contract with the customer, or it will be accounted for by modifying the accounting for the current contract with the customer. Modifications that are distinct from those delivered prior to the modification will be accounted for prospectively, if the modifications are not distinct, they will be accounted for retrospectively. Any modification to the Company's customer contracts are considered distinct and separate, and, therefore are accounted for prospectively or under a new and separate contract. In the current year, the Company did not have any contract modifications.

The Company does not accept returns, with the exception of defective parts / equipment installed, which are under warranty by the parts/ equipment manufacturer, usually for a period of one year. The Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, the company does not adjust the transaction price.

Accounting for costs incurred in acquiring contracts

IFRS 15 requires the treatment of certain costs directly incurred in acquiring customer contracts (such as sales commissions) to be recognized as an asset and amortized into selling, general, and administrative expenses over time consistent with the pattern of transfer of the goods or services to which the asset relates. A significant portion of the Company's open contracts at the end of the period are to be completed within 12 months or less. In instances where the contract term is longer than 12 months, the Company recognizes an asset as capitalized commissions, and it is amortized into advertising and selling expenses over time.

Revenue Recognition and Deferred Revenue

The Company's revenue recognition policy from its various sources is as follows:

(i) Revenue from protective services subscribers includes performance obligations such as executive security services, general guarding and travel advisory services, which are recognized over the term of the subscriber agreement as the services are provided. Performance obligations on secure transportation services are satisfied point in time. Contract liabilities (deferred revenue) result from subscribers that are billed in advance of the period in which such services are provided, on a bi-monthly, quarterly, semi-annual or annual basis.

(ii) Revenue from electronic installation services includes the installation of security. The Company's contracts with customers require highly complex integration services which are not separately identifiable from other promises in the installation contracts and, therefore, are not distinct. As such, the entire contract is one performance obligation recognized over time using the percentage of completion basis, where milestones are clearly defined, and performance is tied to milestones reached and costs incurred compared to total estimated costs. A contract asset is recognized for unbilled amounts on these projects during construction.

(iii) Revenue from monitoring and managed services is a distinct performance obligation and recognized over the term of the subscriber agreement as the services are provided. Contract liabilities (deferred revenue) result from subscribers that are billed in advance of the period in which such services are provided, on a bi-monthly, quarterly, semi-annual or annual basis.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM is the person or persons who are responsible for allocating resources and assessing performance of the operating segments. The CODM for the Company has been identified as the Chief Executive Officer.

The factors used to identify the Company's reportable segments include a combination of how the businesses are managed, with separately accountable management teams, and the principal type of target customer (residential versus enterprise). Operating segments have not been aggregated as each division is a discrete reportable segment.

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings/(loss) per Share

Basic earnings/(loss) per share is computed by dividing the net income/(loss) applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per common share is computed by dividing the net income/(loss) applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Potential common shares (convertible securities such as warrants, convertible debentures and options) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share.

Share-based Payment Transactions

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statements of Income (loss) and comprehensive income (loss) over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non- vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income/loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issue of shares. Amounts related to the issue of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

The Black-Scholes option pricing model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options that are fully transferable and have no vesting restrictions. This model requires the use of highly subjective assumptions, including future stock price volatility and expected time until exercise.

Performance Share Units

On November 25, 2020 the Company's Board of Directors established a performance share unit ("PSU") plan and all such awards under this plan were cancelled as of April 8, 2022. Under this plan the holder had the opportunity to receive a cash payment based upon the relative performance measures, performance levels, and adjustment factors set out in the PSU grant. The vesting period could vary as set out in the PSU grant. The PSU plan's fair value was determined by using a Monte-Carlo simulation model at each quarterly reporting period with changes in fair value recorded to profit and loss. Share-based payments expense was recognized based on the fair value of the awards that were expected to vest and remain outstanding at the end of the reporting period. The share-based compensation liability was included in trade accounts payable and accrued liabilities in the consolidated statement of financial position and the related compensation expense was included within share-based payments on the consolidated statements of income (loss) and comprehensive income (loss).

Foreign Currency Translation

Foreign currency accounts are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the period-end date and the related translation differences are recognized in net income.
Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.
Non-monetary assets and liabilities that are measured at fair value are translated into Canadian dollars by using the exchange rate in effect at the date the fair value is determined, and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Provisions

The Company recognizes provisions when there is a present obligation as a result of a past event. Two conditions must be met: the outflow of resources with economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. This treatment is used for claims, present legal, or constructive obligations.

When all or part of an expense is expected to be reimbursed to the Company, the reimbursement is recognized as a separate asset when certain. The expense is recognized in the consolidated statements of income (loss) and comprehensive income (loss) net of any reimbursement.

Business Combinations

The Company applies the acquisition method in accounting for business combinations.

The Company measures goodwill as the difference between the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, and the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair value of the assets transferred (including cash), liabilities incurred by the Company on behalf of the acquiree, and any equity interests issued by the Company. Consideration transferred may also include the fair value of any contingent consideration.

Transaction costs that the Company incurs in connection with a business combination, such as legal fees, due diligence fees, and other professional and consulting fees, are expensed in the period as incurred.

New Standards and Interpretations

IAS 1, Presentation of Financial Statements – Classification of current and non-current liabilities

This amendment was issued originally in January 2020, then subsequently adjusted and re-released on October 31, 2022 after stakeholder feedback was considered. The amendment is effective for annual reporting periods beginning on or after January 1, 2024. The amendment:

- Creates a new section on the concept of settlement for the purpose of classifying a liability as current versus non-current. A settlement refers to a transfer to the counterparty that results in the extinguishment of the liability that can either be in cash, another economic resource, or the entity's own equity instruments;

- Clarifies that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting period, and instead focuses on the rights to defer settlement that have substance and exist at the end of the reporting period; and

- Clarifies that if the right to defer settlement is subject to the entity complying with specified conditions (i.e., covenants), this amendment will only apply to conditions that exist when compliance is measured on or before the reporting date.

Additionally, new presentation and disclosure requirements were added for debt and future covenants as a result of these amendments.

The implementation of this amendment is not expected to have a significant impact to the Company's classification of liabilities. The Company has not elected to early adopt this standard.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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. The Company has not elected to early adopt this standard.

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. The Company has not elected to early adopt this standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

There have been no material revisions to the nature and number of estimates and judgments made in prior periods. For assumptions made by Avante Corp. in the estimates made to calculate the recoverable amount of CGU's, refer to note 12.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 consolidated financial statements are discussed below:

a. 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. The Company analyzes accounts receivable for any accounts that may become uncollectable to determine the allowance. This assessment is based on discussions with clients for items that may be disputed.

At each reporting date, the Company shall measure the loss allowance on accounts receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that amounts may be credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

b. 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.

c. 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.

d. 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").

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The Company exercises judgement in the assessment of indefinite life for goodwill, considering its expected contribution to cash flows indefinitely and the insignificance of associated costs. The Company is committed to conducting annual impairment tests and promptly assessing impairment if events or changes in circumstances indicate the asset may be impaired.

e. 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.

f. Segment Reporting

The Company has exercised judgement in identifying its reportable segments and applying the related aggregation criteria required under IFRS 8. With the sale of Logixx Security in June 2022, the Company now has one reportable segment consisting of Avante Security. 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 include: 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, 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 year ended	
	Mar 31, 2023	**Mar 31, 2022**
Basic and diluted loss per share from continuing operations	$ (0.146)	$ (0.272)
Basic and diluted earnings per share from discontinued operations	0.147	0.071
Basic and diluted loss per share	0.001	(0.201)
Net income (loss) - basic and fully diluted from continuing operations	(3,855,873)	(5,936,878)
Net income (loss) - basic and fully diluted from discontinued operations	3,888,183	1,544,975
Total net income (loss) - basic and fully diluted	32,310	(4,391,903)
Weighted average number of shares outstanding for basic and diluted calculation	26,489,438	21,830,599

During the fiscal year ending on March 31, 2022, the liability classification of the convertible debentures, before their conversion to common shares, and the impact of share-based payments were found to be antidilutive. This determination was based on the adjustment made to the numerator, removing the fair value gain associated with those securities. Consequently, this adjustment resulted in a loss for the net income during the period. As such, the convertible debentures were excluded from the calculation above. The convertible debenture was converted in fiscal 2022 (refer to Note 19a).

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. Segment revenues by service type for the years ended March 31, 2023 and 2022 were as follows:

	For the year ended					
	Mar 31, 2023			Mar 31, 2022		
	Avante Security	Elimination	Total	Avante Security	Elimination	Total
Protective Services	$ 9,045,893		$ 9,045,893	$ 7,873,091		$ 7,873,091
Monitoring and Managed Services	4,138,438		4,138,438	$ 3,945,376	(2,900)	3,942,476
Electronic Services	6,776,954	(970)	6,775,984	$ 6,342,230	(1,649)	6,340,581
Total Revenue	**$ 19,961,285**	**$ (970)**	**$ 19,960,315**	**$ 18,160,697**	**$ (4,549)**	**$ 18,156,148**

(b) Contract Assets and Liabilities

	Mar 31, 2023	Mar 31, 2022
Work-in-progress - contracts in process	$ 482,029	$ 564,669

Timing differences between invoicing, cash collection, and revenue recognition results in accounts receivable and also results in unbilled work-in-progress (contract assets), and deferred revenue (contract liabilities) on the consolidated statement of financial position. Amounts are billed in accordance with the terms of each customer contract, generally subsequent to the performance of obligations and related revenue recognition, resulting in accounts receivable 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).

Contract liabilities balance at March 31, 2021	$	2,964,149
Additions during the year		10,020,873
Additions during the year from discontinued operations		431,990
Recognized during the year		(10,454,417)
Recognized during the year from discontinued operations		(411,383)
Adjustment for Discontinued operations		(299,010)
Contract liabilities balance at March 31, 2022 to be recognized in fiscal year 2023		2,252,203
Contract liabilities balance at March 31, 2022	$	2,252,203
Additions during the period		12,056,924
Recognized during the period		(12,169,455)
Contract liabilities balance at March 31, 2023 to be recognized in fiscal year 2024		2,139,672
Contract liabilities balance at March 31, 2023 to be recognized after fiscal year 2024		-
Contract liabilities balance at March 31, 2023	**$**	**2,139,672**

7. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

On March 30, 2022, the Company entered into a definitive share purchase agreement (the "SPA") with SSC Security Services Corp. ("SSC") pursuant to which SSC agreed to acquire all of the Company's ownership interest in Logixx Security. Under the terms of the SPA, the Company would receive $23,950,000 in cash including repayment of intercompany loans of $7,802,074 less reimbursement of SSC's costs related to a prior transaction agreement of $750,000 plus or minus closing working capital compared to an agreed minimum threshold. On June 1, 2022, the Company sold Logixx Security to SSC and received $23,733,248, net of the expense reimbursement and estimated working capital surplus. In addition, the Company will receive the benefit of Logixx Security's collected accounts receivable since closing that was older than 90 days old as of closing net of a 5% collection fee payable to SSC (included in the estimated working capital adjustment), and the parties will settle any surplus or deficiency between the closing working capital balance estimated before closing versus the final closing working capital amount.

The estimated total amount due from SSC is included within non-trade receivables within "Accounts receivable" on the consolidated statements of financial position as at March 31, 2023 and consists of the unpaid portion of the cost of agreed transition services provided by the Company to SSC since the closing of the transaction as well as estimates for the potential excess working capital delivered at closing and Logixx Security accounts receivable older than 90 days at closing (net of SSC's collection fee) that the Company anticipates will be collected by SSC in accordance with the SPA.

As at March 31, 2022, the assets and liabilities of Logixx Security were classified as assets held for sale and liabilities directly associated with assets classified as held for sale. The Logixx Security (sold on June 1, 2022) financial results for the year ended March 31, 2023 and March 31, 2022, net of eliminations, have been presented as discontinued operations on the consolidated statement of income (loss) and comprehensive income (loss). Unless otherwise specified, all other notes to the consolidated financial statements include amounts from both Continuing and Discontinued Operations. The following table summarizes the carrying value of the major classes of assets and liabilities of the Logixx Security business which were classified as held for sale as of March 31, 2022:

Held for sale assets		**Mar 31, 2022**
Cash and cash equivalents	$	2,115,762
Accounts receivable		14,637,766
Inventories		236,069
Contract Assets		34,184
Other current assets		63,263
Property, plant and equipment		1,682,779
Commissions Long Term		577,759
Other non-current assets		2
Identifiable intangible assets		3,358,780
Goodwill		6,628,480
Assets held for sale	**$**	**29,334,844**

Held for sale liabilities		**Mar 31, 2022**
Accounts payable and accrued liabilities	$	6,650,790
Obligations under lease		758,359
Contract liabilities		299,010
Deferred tax liability		809,375
Other payables		1,865
Liabilities held for sale	**$**	**8,519,399**

8. ACCOUNTS RECEIVABLE

The accounts receivable on the financial statements are net of allowance for doubtful accounts of $160,716 as at March 31, 2023 (March 31, 2022: $115,958). Changes in the allowance for doubtful accounts during the year were as follows:

		Mar 31, 2023		Mar 31, 2022
Allowance for doubtful accounts - opening balance	$	115,958	$	461,284
Net increase/(decrease) during the period		44,758		(10,301)
Transferred to assets held for sale		-		(335,025)
Allowance for doubtful accounts - closing balance	$	160,716	$	115,958

As at March 31, 2023 and March 31, 2022, 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	$3,181,548	$1,520,374	$421,910	$302,389	$936,875
Unbilled trade receivables	367,281	367,281	-	-	-
Non-trade receivables	30,257	30,257	-	-	-
Allowance for doubtful accounts	(115, 958)	-	-	-	(115,958)
Current portion vendor take back loan	56,500	56,500	-	-	-
Balance at March 31, 2022	**$3,519,628**	**$1,974,412**	**$421,910**	**$302,389**	**$820,917**
Trade receivables	$4,481,098	$1,843,636	$489,851	$193,805	$1,953,806
Unbilled trade receivables	531,526	486,037	-	7,451	38,038
Non-trade receivables	693,946	693,946	-	-	-
Allowance for doubtful accounts	(160,716)	-	-	-	(160,716)
Current portion vendor take back loan	55,625	55,625	-	-	-
Balance at March 31, 2023	**$5,601,479**	**$3,079,244**	**$489,851**	**$201,256**	**$1,831,128**

The consolidated entity has recognized a loss of $63,000 from continuing operations at March 31, 2023 (March 31, 2022: $81,647) in profit or loss in respect of the expected credit losses for the year and $10,000 in discontinued operations at March 31, 2023 (March 31, 2022: $25,000). As at March 31, 2023, there was $1,991,844 (March 31, 2022: $936,875) of accounts receivable outstanding for over 90 days of which management did not consider $1,831,128 (March 31, 2022: $820,917) impaired.

9. INVENTORIES

		Mar 31, 2023		Mar 31, 2022
Inventory	$	929,375	$	936,246

All inventory is considered finished goods. Inventory expensed to cost of sales during the year ended March 31, 2023, amounted to $2,418,152 continuing operations and $135,450 discontinued operations (March 31, 2022: $2,597,155 continuing operations, $1,286,580 discontinued operations).

10. 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, 2022	**$ 482,056**	**$ 634,310**	**$ 737,145**	**$ 345,418**	**$ 1,622,744**	**$ -**	**$ 68,881**	**$ 473,300**	**$ 4,363,854**
Additions from continuing operations	30,842	50,992	10,651	-	1,566,943	241,179	46,162	-	1,946,769
Disposals from continuing operations	(26,642)	(8,250)	(24,752)	-	(1,553,047)	(182,165)	-	-	(1,794,856)
Balance at March 31, 2023	**486,256**	**677,052**	**723,044**	**345,418**	**1,636,640**	**59,014**	**115,043**	**473,300**	**4,515,767**
Accumulated depreciation									
Balance at March 31, 2022	**333,622**	**388,348**	**738,497**	**282,302**	**803,770**	**-**	**14,937**	**64,685**	**2,626,161**
Depreciation from continuing operations for the year	46,460	49,056	(706)	44,068	511,043	8,419	29,299	18,932	706,571
Disposals from continuing operations for the year	-	(3,353)	(14,747)	-	(1,255,289)	13,744	-	-	(1,259,645)
Balance at March 31, 2023	**380,082**	**434,051**	**723,044**	**326,370**	**59,524**	**22,163**	**44,236**	**83,617**	**2,073,087**
Carrying Amounts									
Balance at March 31, 2022	**148,434**	**245,962**	**(1,352)**	**63,116**	**818,974**	**-**	**53,944**	**408,615**	**1,737,693**
Balance at March 31, 2023	**$ 106,174**	**$ 243,001**	**$ -**	**$ 19,048**	**$ 1,577,116**	**$ 36,851**	**$ 70,807**	**$ 389,683**	**$ 2,442,680**

	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**	**$ 727,000**	**$ 764,363**	**$ 398,833**	**$ 2,990,909**	**$ 103,248**	**$ 749,583**	**$ 473,300**	**$ 6,775,969**
Additions from continuing operations	45,404	37,908	475	-	669,987	-	36,236	-	790,010
Additions from discontinued operations	4,958	7,976	-	64,870	836,494	-	548,702	-	1,463,000
Disposals from continuing operations	-	-	-	-	(470,409)	-	-	-	(470,409)
Disposals from discontinued operations	-	-	-	-	(973,764)	-	-	-	(973,764)
Transfer to assets held for sale	(137,039)	(138,574)	(27,693)	(118,285)	(1,430,473)	(103,248)	(1,265,640)	-	(3,220,952)
Balance at March 31, 2022	**482,056**	**634,310**	**737,145**	**345,418**	**1,622,744**	**-**	**68,881**	**473,300**	**4,363,854**
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	46,654	52,838	48,102	95,227	574,988	18,948	13,848	18,932	869,537
Depreciation from discontinued operations	5,325	3,981	27,342	8,723	315,258	-	334,689		695,318
Disposals from continuing operations	-	-	-	-	(180,993)	-	-	-	(180,993)
Disposals from discontinued operations	-	-	-	-	(112,373)	-	-	-	(112,373)
Transfer to assets held for sale	(123,537)	(115,633)	(15,110)	(59,320)	(743,212)	(64,979)	(421,343)	-	(1,543,134)
Balance at March 31, 2022	**333,622**	**388,348**	**738,497**	**282,302**	**803,770**	**-**	**14,937**	**64,685**	**2,626,161**
Carrying Amounts									
Balance at March 31, 2021	**163,553**	**279,838**	**86,200**	**161,161**	**2,040,807**	**57,217**	**661,840**	**427,547**	**3,878,163**
Balance at March 31, 2022	**$ 148,434**	**$ 245,962**	**$ (1,352)**	**$ 63,116**	**$ 818,974**	**$ -**	**$ 53,944**	**$ 408,615**	**$ 1,737,693**

Depreciation expense included in the statement of loss from continuing operations is $706,571 and $nil from discontinued operations for the year ended March 31, 2023 (March 31, 2022: $869,537 from continuing operations and from $695,318 discontinued operations).

The Company carries two categories of right-of-use assets: vehicles and property. At March 31, 2023 the carrying amount of vehicles under lease was $798,350 (March 31, 2022: $611,424), with $385,388 of depreciation included in the statement of loss for the year ended March 31, 2023 continuing operations and $nil included in discontinued operations (March 31, 2022: $373,721 continuing operations, $250,030 discontinued operations).

The right-of-use asset property had a carrying amount of $778,765 at March 31, 2023 (March 31, 2022: $207,550). Depreciation in the amount of $125,655 is included in the statement of income for continuing operations and $nil in discontinued operations for the year ended March 31, 2023 (March 31, 2022: $201,267 continuing operations, $65,228 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 14). Gains and losses on disposals are booked in the miscellaneous (income) expense line on the consolidated statement of income (loss) and comprehensive income (loss).

11. 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 March 31, 2023 was $4,355 (March 31, 2022: $13,359), with $9,007 amortized in the year ended March 31, 2023 from continuing operations and $nil from discontinued operations (March 31, 2022: $17,014 from continuing operations $321,146 from discontinued operations).

12. GOODWILL AND INTANGIBLE ASSETS

A. INTANGIBLE ASSETS

	Trade name	Customer relationships	Order backlog	Non-compete agreement	Total
	$	$	$	$	$
Cost					
Balance at March 31, 2022	$80,873	$4,180,673	$262,000	-	$4,523,546
Acquisitions	-	$575,000	-	-	$575,000
Balance at March 31, 2023	**80,873**	**4,755,673**	**262,000**	**-**	**5,098,546**
Amortization					
Balance at March 31, 2022	$80,873	$2,502,832	$262,000	-	$2,845,705
Amortization from continuing operations for the year	-	392,551	-	-	392,551
Balance at March 31, 2023	**80,873**	**2,895,383**	**262,000**	**-**	**3,238,256**
Carrying amounts					
Balance at March 31, 2022	**-**	**$1,677,841**	**-**	**-**	**$1,677,841**
Balance at March 31, 2023	**$ -**	**$1,860,290**	**$ -**	**$ -**	**$1,860,290**

	Trade name	Customer relationships	Order backlog	Non-compete agreement	Total
	$	$	$	$	$
Cost					
Balance at March 31, 2021	$3,585,266	$8,658,097	$262,000	$200,000	$12,705,363
Transferred to assets held for sale	$3,504,393	$4,477,424	-	$200,000	8,181,817
Balance at March 31, 2022	**80,873**	**4,180,673**	**262,000**	**-**	**4,523,546**
Amortization					
Balance at March 31, 2021	$3,585,266	$2,926,183	$262,000	$53,333	$6,826,783
Amortization from continuing operations for the year	-	354,217	-	-	354,217
Amortization from discontinued operations for the year	-	447,742	-	40,000	487,742
Transferred to assets held for sale	3,504,393	1,225,310	-	93,333	4,823,036
Balance at March 31, 2022	**80,873**	**2,502,832**	**262,000**	**-**	**2,845,705**
Carrying amounts					
Balance at March 31, 2021	**-**	**$5,731,914**	**$ -**	**$146,667**	**$5,878,580**
Balance at March 31, 2022	**$ -**	**$1,677,841**	**$ -**	**$ -**	**$1,677,841**

On December 1, 2022 the Company acquired the customer list of C & B Alarms Ltd (“C&B Alarms”) pursuant to an Asset Purchase Agreement between the Company and C & B Alarms Ltd. (“C&B”) in the Muskoka region. The total purchase price was $575,000, $431,250 was paid in cash, the Company held back $143,750 of the purchase price against certain representations and warranties. The full amount of the acquisition was allocated to the intangible asset Customer Relationships on the Consolidated Statement of Financial Position.

12. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Intangible amortization expensed in the consolidated statement of income (loss) and comprehensive income (loss) in continuing operations is $392,551 and from discontinued operations $nil for the year ended March 31, 2023, (March 31, 2022: $354,217 from continuing operations and $487,742 from discontinued operations).

B. GOODWILL

Balance at March 31, 2021	**$ 9,600,477**
Goodwill transferred to assets held for sale	(6,628,480)
Balance at March 31, 2022	**$ 2,971,997**
Balance at March 31, 2023	**$ 2,971,997**

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 and Watermark Security Inc. at August 1, 2018. Goodwill related to the former Logixx Security business was transferred to assets held for sale during the year ended March 31, 2022 and disposed during the year ended March 31, 2023.

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. For the year ended March 31, 2022, that the Company had two CGU’s consisting of Avante Security and Logixx Security consistent with how the Company managed its operations at that time. With the sale of Logixx Security on June 1, 2022, the Company now has one CGU consisting of Avante Security.

Amortization

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

12. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)
Impairment testing for cash generating units with goodwill

For purposes of impairment testing, goodwill has been allocated to cash generating units ("CGUs") as follows:

	2023	2022
Avante Security Inc.	$ 2,971,997	$ 2,971,997

The recoverable amount of the Avante Security CGU was based on value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. As at March 31 2022, the recoverable amount of the Logixx Security CGU was based on the fair value less costs of disposal, determined by considering the sale price agreed with a third party on March 3, 2022, and obtained on June 1, 2022, for the sale of Logixx Security. As at March 31 2023, following the sale of Logixx Security, there is no goodwill related to Logixx Security CGU in the company. In all cases, the recoverable amount was determined to exceed the carrying amount of the CGU and there was no impairment.

The key assumptions used in the estimation of value in use were as follows:

	Avante Security Inc.	
	2023	2022
Pre-tax discount rate	21.51%	20.2%
Discount rate	17.0%	17.0%
Terminal value growth rate	2.5%	2.5%
Budgeted revenue growth rate (average)	3.5%	4.1%
Gross margin	40.0%	42.3%
EBITDA margin (average)	6.9%	7.7%
Cash flow period	5 years	5 years

Avante Security

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was based on management's estimate of the long-term annual EBITDA growth rate.

In respect of the recoverable amounts as of March 31, 2023 and March 31, 2022, budgeted EBITDA margin was estimated taking into account the revenue history of the past five years and estimated sales volume over the next five years. The Company has made a number of assumptions around future gross margin, inflation, weighted average cost of capital, Capex, and sales growth rates. The Company believes that the assumptions are accurate based on management's assessment at this time.

13. 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.

13. BUSINESS ACQUISITIONS (CONTINUED)

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.

The Company held back $712,500 of the purchase price in an off-balance sheet escrow account against certain representations and warranties of the vendors. There is $530,159 remaining in the account as of March 31, 2023 ($679,430 as of March 31, 2022). The parties are engaged in litigation processes to settle the amounts owing between the parties.

14. BANK INDEBTEDNESS

Current and non-current bank indebtedness and vehicle loans was comprised of the following as at March 31, 2023 and March 31, 2022:

	Mar 31, 2023			Mar 31, 2022		
	Current Portion	Long-Term Portion	Total	Current Portion	Long-Term Portion	Total
Line of credit	$ 500,000	$ -	$ 500,000	$ -	$ 3,650,000	$ 3,650,000
Term Loans	-	-	-	600,000	4,950,000	5,550,000
Deferred Financing	-	-	-	(156,621)	(178,329)	(334,950)
Total credit facilities	**$ 500,000**	**$ -**	**$ 500,000**	**$ 443,379**	**$ 8,421,671**	**$ 8,865,050**

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. On June 1, 2022, the Company replaced that with a new credit agreement. The June 30, 2021 credit agreement provided 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 had the ability to draw upon Facility A that was subject to a borrowing base consisting of eligible cash, accounts receivable, and inventory. The Company was permitted to draw upon Facility B in two tranches; Tranche 1 had a limit of $6,000,000 and Tranche 2 had 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 was 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 occurred at the rate of 2.50% per quarter with the remaining balance due on the maturity date. The June 30, 2021 credit agreement also provided for a corporate credit card facility and hedge-transaction credit facilities.

Security for the June 30, 2021 credit agreement consisted 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 the June 30, 2021 senior secured credit facilities, on a rolling four-quarter basis, the Company was required to 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 March 31, 2022. Interest and standby fees in respect of the credit facilities were subject to a leverage-ratio based pricing grid and, as at March 31, 2022, was the bank's prime rate plus 0.25%, and standby fees of 0.44%.

14. BANK INDEBTEDNESS AND VEHICLE LOANS (CONTINUED)

On June 1, 2022, the Company applied proceeds from the sale of Logixx Security on June 1, 2022 to permanently repay the credit facilities pursuant to the June 30, 2021 Credit Agreement. As of June 1, 2022, the Company entered into amended credit facilities with the same bank consisting of a $2 million revolving credit facility, together with credit card facilities for each of Avante Corp. and Avante Security, supported by a first fixed security interest in favour of the bank over all assets of Avante Corp. and Avante Security. Such credit arrangements are provided by the bank on a demand basis, and the revolver is subject to a borrowing base consisting of 75% of eligible accounts receivable and 50% of inventory, minus priority payables. The provision of the credit facilities is subject to a minimum consolidated current ratio of 1.20 as of March 31, 2023, and thereafter, and the Company was in compliance with that covenant as of March 31, 2023. The agreement further stipulates that the advances cannot exceed 75% of accounts receivable and 50% of inventory less priority payables; Avante corp. is in compliance with these requirements as of March 31, 2023. Drawings under the revolver are permitted by way of letters of credit (at 2.00% per annum), prime rate advances (at the bank's prime rate plus 0.50%) and bankers' acceptances (stamping fee of 2.00%). As of March 31, 2023 the Company has drawn $500,000.

The Company incurred deferred financing fees of $452,417 in connection with the June 30, 2021 credit agreement and the prior credit facilities also had applicable deferred financing fees. The remainder of these costs in the amount of $295,795 were written-off. In the year ended March 31, 2023 the Company recognized the deferred financing fees on a monthly basis for a total amount of $39,155 (in the year ended March 31, 2022: $117,466).

On July 7, 2022, the Company executed an unsecured Loan Agreement with affiliates of Fairfax Financial Holdings Limited ("Fairfax"), who collectively own 19.99% of the Company's common shares. This note should be read in conjunction with the related-party transactions Note 21 to fully understand the nature and impact of the Loan Agreement with Fairfax affiliates. Interest on bank loans expensed in the consolidated statement of income (loss) and comprehensive income (loss) for the year ended March 31, 2023 is $51,741 in continuing operations and $nil in discontinued operations (year ended March 31, 2022: $223,349 continuing operations, $1,071 discontinued operations).

15. 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:

	Vehicle lease liability	Property lease liability	Total liability
Balance at March 31, 2021	**$ 1,733,060**	**$ 447,865**	**$ 2,180,925**
Additions during the year from continuing operations	648,662	-	648,662
Additions during the year from discontinued operations	555,588	179,950	735,538
Disposals during the year from continuing operations	(892,248)	-	(892,248)
Disposals during the year from liabilities held for sale	(242,758)	-	(242,758)
Principal payments from continuing operations	(360,109)	(200,415)	(560,524)
Principal payments from liabilities held for sale	(217,880)	(52,609)	(270,489)
Transfers to liabilities held for sale	(628,630)	(129,729)	(758,359)
Balance at March 31, 2022	**$ 595,685**	**$ 245,062**	**$ 840,747**
Additions during the year from continuing operations	732,879	805,620	1,538,499
Disposals during the year from continuing operations	(208,455)	(17,337)	(225,792)
Disposals during the year from liabilities held for sale	-	-	-
Principal payments from continuing operations	(322,350)	(197,092)	(519,442)
Balance at March 31, 2023	**$ 797,759**	**$ 836,253**	**$ 1,634,012**
Current obligations under lease	381,206	188,586	569,792
Long-term obligations under lease	416,553	647,667	1,064,220
Balance at March 31, 2023	**$ 797,759**	**$ 836,253**	**$ 1,634,012**

The Company leased certain vehicles with a value of $797,759 (March 31, 2022: $595,685), at an effective annual rate of interest of 12.06% (March 31, 2022: 7.17%). The payment terms include blended monthly payments of $73,228 plus applicable taxes (March 31, 2022: $43,037) for 48 to 60 months ending between May 2022 and July 2027, with an aggregate buy out obligation of $78,700 as of March 31, 2023 (March 31, 2022: $nil). Interest expense from these leases, included in the statement of income (loss) and comprehensive Income (loss) for the year ended March 31, 2023 was $109,895 continuing operations and $10,398 discontinued operations (March 31, 2022: $86,962 continuing operations and $47,639 discontinued operations).

Various office properties with a value of $836,253 (March 31, 2022: $245,062), are leased with blended monthly payments of $21,796 plus applicable taxes (March 31, 2022: $18,457). An incremental borrowing rate of 7.20% is used. The property leases end between December 2023 and January 2028. Interest expense from these leases, included in the statement of income (loss) and comprehensive income (loss) for the year ended March 31, 2023 was $16,214 continuing operations and $558 discontinued operations (March 31, 2022: $17,028 continuing operations and $9,147 discontinued operations).

16. SHAREHOLDERS' EQUITY

[a] Share capital issued and outstanding

Unlimited common shares	Number of Shares	Amount
Balance at March 31, 2021	21,192,004	$21,434,492
Issue of shares on convertible debenture	5,297,434	$8,703,896
Balance at March 31, 2022	26,489,438	30,138,388
Balance at March 31, 2023	26,489,438	30,138,388

16. SHAREHOLDERS' EQUITY (CONTINUED)

[b] Share options

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

Options for Directors vest when granted, while vesting of options for non-directors is as follows: 33.33% on the first anniversary; 33.33% on the second anniversary; and the remainder on the third anniversary following the grant date. For the chairman of the Board vesting of the options is as follows: 25% of the option will vest on the first anniversary; 25% on the second anniversary; 25% on the third anniversary; and the remainder on the fourth anniversary following 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 29, 2022. Accordingly, the Company has a total of 1,165,610 options available to be issued as at March 31, 2023, with the maximum term remaining at 10 years (March 31, 2022: 759,200).

	Number of Options	Weighted Average Exercise Price
Balance at March 31, 2021	**1,440,000**	**$1.97**
Options forfeited during the year	(146,667)	1.55
Balance at March 31, 2022	**1,293,333**	**$1.98**
Options forfeited during the year	(1,330,000)	$1.79
Options expired during the year	(30,000)	$1.30
Option granted during the year	1,550,000	$0.93
Balance at March 31, 2023	**1,483,333**	**$1.05**

During the year ended March 31, 2023, 1,550,000 share options were issued to members of the board of directors and other key management personnel, including the Chief Executive Officer, the Chief Financial Officer and the strike prices were $0.77 for 200,000 options, $0.88 for 500,000 options, $0.97 for 200,000 options, $1.07 for 200,000 options, $1.18 for 200,000 options and $0.80 for 250,000 options. In addition, during the year ended March 31, 2023, 1,330,000 share options were forfeited and 30,000 share options expired. No share options were granted during the year ended March 31, 2022. 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. None of the outstanding options were exercised in the year ended March 31, 2023 or during the year ended March 31, 2022.

Using the Black-Scholes pricing model, the Company recognized $468,298 net of $nil for forfeited options for the year ended March 31, 2023 (March 31, 2022: $107,883 net of $27,526 for forfeited options).

16. 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 and there were no grants awarded during the year ended March 31, 2023:

	Fiscal 2023	Fiscal 2022
Risk-free interest rate	1% - 3.62%	NA
Expected volatility	51.05% - 92.11%	NA
Expected time until exercise	5 years	NA
Expected dividend yield	NIL	NA
Expected forfeiture	0-5%	NA
Share price	$0.77 - $1.18	NA

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 March 31, 2023:

Grant Date	Number of Options Outstanding	Remaining Years	Number of Options Vested	Exercise Price	Expiry Date
2018-10-02	133,333	0.51	133,333	2.25	2023-10-02
2022-04-28	200,000	4.08	-	0.88	2027-04-28
2022-04-28	200,000	4.08	-	0.97	2027-04-28
2022-04-28	200,000	4.08	-	1.07	2027-04-28
2022-04-28	200,000	4.08	-	1.18	2027-04-28
2022-04-28	100,000	4.08	100,000	0.88	2027-04-28
2022-09-26	250,000	4.49	-	0.80	2027-09-26
2022-10-11	200,000	4.53	200,000	0.77	2027-10-11
	1,483,333	3.89	433,333		

17. PERFORMANCE SHARE UNITS

On November 25, 2020, the Company's Board of Directors established a performance share unit ("**PSU**") compensation program, which as of April 8, 2022 was terminated. That program provided 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 was 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, would have been settled in cash within 150 days following March 31, 2023.

17. PERFORMANCE SHARE UNITS (CONTINUED)

In each fiscal year end thereafter, the Company used 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 was then discounted based on the risk-free interest rate as of the valuation date. Other assumptions included in the fair value of the unvested PSU grants included:

- The Company's share price on the valuation date;
- 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 as of the valuation date; and
- The expected volatility of the price of the Company's common shares as of the valuation date.

The present value of such estimated potential liability was recalculated by the Company every fiscal quarter end. Within accounts payable and accrued liabilities on the consolidated statement of financial position, the Company reflected 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 was reflected as an expense, or recovery, within share based payments on the consolidated statements of income (loss) and comprehensive income (loss).

At March 31, 2022, the present value of the estimated potential liability was $42,857. However, the PSU's had no value following the departure in April 2022 of the one executive benefiting from the PSU grant. A recovery of $42,857 is reflected in profit or loss in the year ended March 31, 2023 (year ended March 31, 2022: an expense of $22,875).

18. 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.

The reconciliation of Income taxes computed at the Canadian statutory tax rates to income tax expense was as follows:

		Mar 31, 2023		**Mar 31, 2022**
Loss before income taxes	$	(3,261,946)	$	(5,876,112)
Statutory tax rates		26.5%		26.5%
Expected income tax recovery based on statutory rate		(864,000)		(1,557,000)
Change in unrecognized deferred tax asset		1,224,000		257,000
Prior year differences and other		(28,073)		382,766
Permanent differences, including non-deductible expenses and non-taxable gains/losses		262,000		978,000
Deferred tax expense / (recovery) from continuing operations	**$**	**593,927**	**$**	**60,766**

18. INCOME TAXES (CONTINUED)

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities are as follows:

Deferred Tax Assets	**Mar 31, 2023**	**Mar 31, 2022**
Losses carried forward	1,915,447	1,181,842
Issuance costs	99,827	146,070
Finance lease	511,517	385,532
SR&ED tax credits	419,291	688,651
Reserves	42,590	90,854
Fixed Assets	35,413	-
Capital losses	243,446	72,096
Investments	-	132,898
	$ 3,267,530	$ 2,697,943
Unrecognized deferred tax asset	(2,336,080)	(1,119,114)
Assets used against liabilities	(211,571)	(346,633)
Net deferred tax assets	$ 719,878	$ 1,232,196
Deferred Tax Liabilities		
Fixed assets	(211,571)	(346,633)
Intangible assets	(332,024)	(250,415)
Assets used against liabilities	211,571	346,633
Net deferred tax liabilities	$ (332,024)	$ (250,415)

When assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. The amount of the tax asset considered realizable could change materially in the near term, based on deferred taxable income during the carry forward period.

As at March 31, 2023, the Company has operating losses for income tax purposes in the amount of $7,228,100 which may be carried forward to reduce taxable income of future years (March 31, 2022: $4,459,780).

The losses expire as follows:

Expiry	**Total**
2034	19,029
2035	92,531
2036	83,822
2037	84,256
2038	84,009
2039	144,706
2040	1,188,261
2042	674,251
2043	4,857,235
	$ 7,228,100

18. INCOME TAXES (CONTINUED)

Tax credits recoverable at March 31, 2023 represents Scientific Research & Experimental Development ("SR&ED") tax credits received by the Company in fiscal years 2009, 2010, and 2011.

For the year ending March 31, 2023, the Company recognized a deferred income tax expense of $593,927 from continuing operations and recovery of $nil from discontinued operations, and current income tax expense of $nil from continuing operations (March 31, 2022: expense of $60,766 continuing operations and recovery of $119,030 from discontinued operations, and current income tax expense of $21,985 from discontinued operations).

19. 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 and these were converted to common shares on February 16, 2022. The debentures were due to mature on November 27, 2024 and had an annual interest rate of 7%, due semi-annually. The debentures were 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 directly or indirectly through its conversion right 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) was not to exceed 6.5 times Adjusted EBITDA on a rolling four quarter basis and consolidated senior indebtedness was not to 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 March 31, 2021 and, with the conversion of the debentures into common shares on February 16, 2022, the Company is no longer required to comply with such financial covenants.

While the total contractual liability excluding future interest payments was $8,264,000, for accounting purposes prior to the conversion to common shares on February 16, 2022, the convertible debentures were treated as compound financial instruments containing a principal debt and interest component and a conversion option.

The conversion option was classified as a derivative financial liability, as the option was not closely related to the principal debt and features of the conversion option could have resulted in conversion of debt into a variable number of common shares. The debentures did 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. At previous quarterly and fiscal year end dates 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 based on government bonds, volatility 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.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

As of the February 16, 2022 conversion date and prior, the principal debt and interest component of the convertible debentures was 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.

Following the conversion of the convertible debentures into 5,297,434 common shares on February 16, 2022, the liability component and the derivative liability component were eliminated with share capital increased by the amount of the debenture's fair value immediately prior to conversion of $8,703,896.

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 was reported at fair value, with gains and losses included in the consolidated statements of income and comprehensive income. For the year ended March 31, 2023 no gain or loss was recognized as the convertible debentures no long existed during the period (year ended March 31, 2022: $471,017 gain).

No accretion charges attributable to the debenture were incurred on the consolidated statement of income (loss) and comprehensive income (loss) in the year ended March 31, 2023 as the convertible debentures no longer existed during the period (year ended March 31, 2022: $1,062,509 of which $509,384 related to interest paid).

[b] Financial liabilities

On December 1, 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 14).

Promissory note (issued December 1, 2019)	**Carrying amount**	
Balance at March 31, 2021	**$**	**155,000**
Payment		(155,000)
Balance at March 31, 2022	**$**	**-**
Balance at March 31, 2023	**$**	**-**

[c] Financial assets

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 non-discounted value of the note on March 31, 2023 is $355,625, (March 31, 2022: $406,500), with $55,625 recorded in accounts receivable representing the current portion and interest of the note receivable and $264,183 recorded as a long term note receivable at its fair value on the consolidated statement of financial position (March 31, 2022: $350,000). 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 (Note 26).

19. 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 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 primarily comprised of two types of risk: foreign currency risk and interest rate 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. This risk was more significant for the Company prior to its sale of Logixx Security on June 1, 2022 as significant revenue streams within that segment were settled in U.S. dollars.

19. 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. The Company has an available revolving credit facility limit, provided on a demand basis, from its bank of $2,000,000 (as of June 1, 2022) and an unsecured term loan facility from its largest shareholder of $10,000,000 (as of July 7, 2022).

At March 31, 2023, the Company had a revolving credit facility and bank loans subject to floating interest rates amounting to $500,000, a 1% change in interest rates would be a $5,000 impact to the Company's net income (loss) for the period and total comprehensive income (loss) for the period. Prior to the sale of Logixx Security on June 1, 2022, the Company had bank loans subject to floating interest rates amounting to $9,350,000 as of March 31, 2022. At that time, a 1% change in interest rates would have impacted interest costs by $93,500 to the Company's net income for the period and total comprehensive income for the fiscal year ended March 31, 2022. That interest rate risk was offset by the potential changes in the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions at that time. During late June 2022 the Company began investing surplus funds in one-year, cashable guaranteed investment certificates issued by its bank at fixed interest rates, so interest rate risk to rising market interest rates now exists in respect of such investments offset by the Company's ability to cash the guaranteed investment certificate and reinvest the proceeds following the initial one month non-redeemable period.

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 8. Financial instruments, which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents, guaranteed investment certificates, accounts receivables as well as the secured vendor take back note due from the purchasers of City Wide, that was collected on June 15, 2023 (note 26), and amounts due from the purchasers of Logixx Security. The carrying amounts of financial assets represent the maximum credit exposure. The Company has gross credit exposure at March 31, 2023 relating to cash of $500,000 (March 31, 2022: $354,082) and guaranteed investment certificates of $9,164,850 (March 31, 2022: $nil). All cash and guaranteed investment certificates are held in or with 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.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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, 2022	**$ 6,511,567**	**$ 1,189,199**	**$ 1,099,032**	**$ 8,445,861**	**$ -**	**$ 17,245,659**	**$ 15,869,235**
Accounts payable and accrued liabilities	4,196,532		-	-	-	4,196,532	4,196,532
Bank Indebtedness	500,000					500,000	500,000
Obligations under lease	211,534	520,181	419,054	877,892	-	2,028,661	1,634,012
At March 31, 2023	**$ 4,908,066**	**$ 520,181**	**$ 419,054**	**$ 877,892**	**$ -**	**$ 6,725,193**	**$ 6,330,544**

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 March 31, 2023, was $9,913,951 compared to $17,076,160 at March 31, 2022. For accounting purposes, all of the assets and liabilities of Logixx Security are reflected in working capital as at March 31, 2022. Following the sale of Logixx Security on June 1, 2022, the Company had no bank indebtedness.

Determination of fair value

Fair values have been determined for measurement and/or disclosure purposes based on the Black-Scholes option pricing model. 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 the prior year end's 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 for the conversion option derivative liability that existed prior to the conversion of the convertible debentures and the performance share units' liability that existed prior to its cancellation which are considered level 2.

20. 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 developing new services. 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. As of June 1, 2022, and July 7, 2022, the Company's senior secured credit facility provided on a demand basis and its unsecured term loan facility, respectively, are both subject to financial covenants, draw conditions and other terms that must be complied with in order for such sources of financing to be used by the Company (refer to Note 14). The Company has compiled with all the terms of both facilities as at March 31, 2023 and for the year then ended.

21. RELATED PARTY TRANSACTIONS

The Company entered into a contract effective May 1, 2018, with a private company controlled by an officer and director to provide consulting services for the Company. The Company incurred $67,624 of expense in the year ended March 31, 2023 (March 31, 2022: $311,969). The balance outstanding payable by the Company at March 31, 2023, is $nil (March 31, 2022: $52,729).

The Company entered into a contract with a private company controlled by a significant shareholder and, prior to April 9, 2022, an officer of the Company to provide services for the Company. For the year ended March 31, 2023, the Company incurred $1,880 (March 31, 2022: $11,725) for these services. The balance outstanding payable by the Company at March 31, 2023, is $nil (March 31, 2022: $859).

The Company provides service to and receives service from a private company controlled by a significant shareholder and, prior to April 9, 2022, an officer of the Company. In the year ended March 31, 2023, the Company billed $17,256 and incurred $43,786 of expense for services (March 31, 2022: $82,804 billed and $53,002 expensed). The outstanding accounts receivable balance at March 31, 2023, is $8,331 (March 31, 2022: $1,147) and outstanding accounts payable balance is $nil (March 31, 2022: $11,169).

The Company provides service to and receives service from a private company controlled by a significant shareholder and officer of the Company. For the year ended March 31, 2022, the Company had a receivable of $1,806 (March 31, 2022:$nil). For the year ended March 31, 2023, the Company incurred $606,443 (March 31, 2022: $nil) for these services. The balance outstanding payable by the Company at March 31, 2023, is $330,525 (March 31, 2022: $nil).

The Company entered into a contract with a private company controlled by a former director to provide services for the Company. For the year ended March 31, 2023, the Company incurred $40,000 (March 31, 2022: $nil) for these services. The balance outstanding payable by the Company at March 31, 2023, is $nil (March 31, 2022: $nil).

On July 7, 2022, the Company executed an unsecured Loan Agreement with affiliates of Fairfax Financial Holdings Limited that also collectively own 19.99% of the Company's common shares. Pursuant to the Loan Agreement, the Company is permitted to draw, on a non-revolving basis, up to $10 million of loans until July 7, 2027 for terms to maturity ending on July 7, 2027, at an interest rate of 5.0% that can be paid by the Company in cash or in kind. A standby fee of 0.5% per annum is charged by Fairfax on the unused portion of the term loan facility, and the fee is recorded within the interest expense on the consolidated statement of income (loss) and comprehensive income (loss) in the amount of $36,575 (March 31, 2022: $nil)

21. RELATED PARTY TRANSACTIONS (CONTINUED)

Loan Agreement rank junior to the senior secured credit facilities provided by the Company's bank, but are guaranteed on an unsecured basis by all subsidiaries of the Company.

Pursuant to the Loan Agreement, the Company's consolidated senior indebtedness (excluding drawings under the Term Loan and net of permitted cash balances) shall not exceed 3.5 times Adjusted EBITDA (as defined in the Loan Agreement) on a rolling four quarter basis. In addition, further drawings under the Loan Agreement are conditional on the Company's existing Chief Executive Officer being involved in the day-to-day operations of the Company. To date, there have not been any drawings advanced under the Loan Agreement.

Interest on bank loans expensed in the consolidated statement of income (loss) and comprehensive income (loss) for the year ended March 31, 2023 is $51,741 in continuing operations and $nil in discontinued operations (year ended March 31, 2022: $223,349 continuing operations, $1,071 discontinued operations).

Remuneration of Directors and Officers was as follows:

		For the year ended		
Directors and Officers Remuneration		**Mar 31, 2023**		**Mar 31, 2022**
Salaries, short term employee benefits	$	563,498	$	1,593,571
Bonus		375,000		-
Termination benefits		1,040,000		-
Director fees		190,011		285,000
Share based payments		670,096		108,480
	$	2,838,605	$	1,987,051

Directors are eligible for an annual allowance of $5,000 towards security services from the Company.

On April 8, 2022, the Company offered a long term incentive plan to a director and officer of the Corporation. 1 million shares will be granted on April 1, 2027, and 1 million shares will be granted after the Company's earnings per share in respect of the fiscal year 2027 will be announced and certain targets are met. The Company accrued $175,000 as a stock-based compensation expense for the period ended March 31, 2023 within the contributed surplus.

During the fiscal year ended March 31, 2022, the Company incurred $0.6 million for services provided by a private company that is an affiliate of a director of the Company for proxy-advisory services provided to two large shareholders of the Company. One of the shareholders became an officer and director of the Company on March 30, 2022, and a representative of the other shareholder became a board member on July 18, 2022. The services were in relation to negotiating on behalf of those shareholders termination of the Company's February 2022 agreement with SSC Security Services Corp for the sale of the entire Company and the concurrent replacement of the Company's board of directors on March 30, 2022. The cost was accrued as of March 31, 2022, within “Accounts payable and accrued liabilities” on the Consolidated Statements of Financial Position and reflected in “Reorganization and acquisition costs” on the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). The amount was paid on June 3, 2022.

22. REORGANIZATION AND ACQUISITION COSTS

On March 30, 2022, the Company entered into a definitive share purchase agreement (the "SPA") with SSC Security Services Corp. ("SSC") pursuant to which SSC agreed to acquire all of the Company's ownership interest in Logixx Security.

The Company incurred reorganization and acquisition costs in the amount in continuing operations of $2,560,292 and $22,636 in discontinued operations for the year ended March 31, 2023, (March 31, 2022: $4,407,014 continuing operations, $217,096 discontinued operations). These costs included $443,610 of bank and legal fees related to the terminated credit agreement (note 14), $2,116,682 of professional fees paid to consultants, financial and legal advisors, fees related to business amalgamations, rebranding and reorganization expenses including severance expense. During the year ended March 31, 2022, 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.

23. 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. With the sale of Logixx Security on June 1, 2022, Logixx Security is treated as a discontinued operation.

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.

Segment statements of income (loss) and comprehensive income (loss) for the year ended March 31, 2023, are included below:

23. SEGMENT REPORTING (CONTINUED)

	For the year ended March 31, 2023			
	Avante Security	**Corporate**	**Intersegment eliminations**	**Total**
Revenues	$ 19,961,285	$ -	$ (970)	$ 19,960,315
Cost of sales	11,913,494		(75,604)	11,837,890
Gross profit	8,047,791	-	74,634	8,122,425
Operating expenses				-
Salaries, benefits and commissions	1,915,002	1,693,016	-	3,608,018
Administration	2,862,118	383,449	-	3,245,567
Depreciation on capital assets	641,106	65,465	-	706,571
Amortization on intangible assets		392,551	-	392,551
Merchant transaction fees and bank charges	308,054	26,647	-	334,701
Share based payments	-	653,929	-	653,929
	5,726,280	3,215,057	-	8,941,337
Income (loss) before other income and expenses	2,321,511	(3,215,057)	74,634	(818,912)
Other (income) expenses				-
Miscellaneous (income) expense	(45,149)	(292,373)	-	(337,522)
Interest expense	115,101	97,797	-	212,898
Foreign exchange (gain) loss	7,360	6	-	7,366
Loss in fair value of derivative liability	-	-	-	-
Total other (income) expenses	77,312	(194,570)	-	(117,258)
				-
Income (loss) before reorganization, and acquisition costs	2,244,199	(3,020,487)	74,634	(701,654)
				-
Reorganization and acquisition costs	174,286	2,386,006	-	2,560,292
				-
Income (loss) before income taxes	2,069,913	(5,406,493)	74,634	(3,261,946)
Provision for income taxes				-
Current income tax expense (recovery)	-	-	-	-
Deferred income tax expense (recovery)	28,674	565,253	-	593,927
	28,674	565,253	-	593,927
Net Income (loss) for the year from continuing operations	**$ 2,041,239**	**$ (5,971,746)**	**$ 74,634**	**$ (3,855,873)**
Total comprehensive income (loss) from continuing operations for the period	**$ 2,041,239**	**$ (5,971,746)**	**$ 74,634**	**$ (3,855,873)**

23. SEGMENT REPORTING (CONTINUED)

Segment statements of income (loss) and comprehensive income (loss) for the comparative year ended March 31, 2022, are included below:

	For the year ended March 31, 2022			
	Avante Security	Corporate	Intersegment eliminations	Total
Revenues	$ 18,160,696	$ -	$ (4,548)	$ 18,156,148
Cost of sales	10,844,309	-	(536,382)	10,307,927
Gross profit	7,316,387	-	531,834	7,848,221
Operating expenses				
Salaries, benefits and commissions	2,694,724	2,294,910	-	4,989,634
Administration	2,992,708	(105,452)	-	2,887,256
Depreciation on capital assets	692,000	177,537	-	869,537
Amortization on intangible assets	-	354,217	-	354,217
Merchant transaction fees and bank charges	260,750	28,246	-	288,996
Share based payments	-	130,758	-	130,758
	6,640,182	2,880,216	-	9,520,398
Income (loss) before other income and expenses	676,205	(2,880,216)	L';kj 531,834	(1,672,177)
Other (income) expenses				
Miscellaneous (income) expense	(22,187)	(190,210)	15,300	(197,097)
Interest expense	94,558	363,842	-	458,400
Foreign exchange (gain) loss	6,998	(363)	-	6,635
Loss in fair value of derivative liability	-	(471,017)	-	(471,017)
Total other (income) expenses	79,369	(297,748)	15,300	(203,079)
Income (loss) before reorganization, and acquisition costs	596,836	(2,582,468)	516,534	(1,469,098)
Reorganization and acquisition costs	25,937	4,381,077	-	4,407,014
Income (loss) before income taxes	570,899	(6,963,545)	516,534	(5,876,112)
Provision for income taxes				
Current income tax expense (recovery)	-	-	-	-
Deferred income tax expense (recovery)	143,748	(82,982)	-	60,766
	143,748	(82,982)	-	60,766
Net income (loss) for the year from continuing operations	**$ 427,151**	**$ (6,880,563)**	**$ 516,534**	**$ (5,936,878)**

23. SEGMENT REPORTING (CONTINUED)

Segment assets and liabilities as at March 31, 2023 and March 31, 2022 are as follows:

Segment assets are as follow:	**Discontinued Operations**	**Avante Security**	**Corporate**	**Total**
As at March 31, 2022	$ 29,334,843	$ 8,438,482	$ 5,169,920	$ 42,943,245
As at March 31, 2023	$ -	$ 6 ,729,083	$ 18,854,247	$ 25,583,330
Segment liabilities are as follow:				
As at March 31, 2022	$ 8,519,399	$ 10,304,500	$ 8,067,353	$ 26,891,252
As at March 31, 2023	$ -	$ 5,851,933	$ 2,950,307	$ 8,802,240

24. DISCONTINUED OPERATIONS

Logixx Security:

On March 30, 2022, the Company entered into a definitive share purchase agreement (the “SPA”) with SSC Security Services Corp. (“SSC”) pursuant to which SSC agreed to acquire all of the Company’s ownership interest in Logixx Security. Under the terms of the SPA, the Company would receive $23,950,000 in cash including repayment of intercompany loans of $7,802,074 less reimbursement of SSC’s costs related to a prior transaction agreement of $750,000 plus or minus closing working capital compared to an agreed minimum threshold. On June 1, 2022, the Company sold Logixx Security to SSC and received $23,733,248, net of the expense reimbursement and estimated working capital surplus. In addition, the Company will receive the benefit of Logixx Security’s collected accounts receivable since closing that was older than 90 days old as of closing net of a 5% collection fee payable to SSC (included in the estimated working capital adjustment), and the parties will settle any surplus or deficiency between the closing working capital balance estimated before closing versus the final closing working capital amount.

Gross cash proceeds of sale	$ 23,733,248
Estimated working capital adjustment	1,254,764
Total consideration	24,988,012
Less:	
Intercompany loans payment	7,802,075
Transaction costs	199,416
Net proceeds of sale	**16,986,521**
Assets	
Total current assets	17,979,906
Total non-current assets	12,141,531
Total assets	**30,121,437**
Liabilities	
Total current liabilities	15,559,895
Total non-current liabilities	1,233,822
Total liabilities	**16,793,717**
Total net assets	13,327,720
Gain on disposal, before tax	**$ 3,658,801**
Gain on disposal, after tax	$ 3,658,801

24. DISCONTINUED OPERATIONS (CONTINUED)

The gain or loss on the sale of Logixx Security will be finalized when the purchaser and the Company determine the final post-closing adjustments to the purchase price, which is expected to occur during August 2023. Based on information available at this time, the Company does not expect the gain on disposal to be subject to tax.

	For the year ended	
	June 1, 2022	March 31, 2022
Revenues from discontinued operations	$ 12,278,154	$ 75,909,983
Cost of sales	10,549,156	64,275,455
Gross profit	1,728,998	11,634,528
Operating expenses		
Salaries, benefits and commissions	740,714	4,387,142
Administration	458,029	3,032,230
Depreciation on capital assets (note 10)	143,028	695,318
Amortization on intangible assets (note 12)	81,290	487,742
Merchant transaction fees and bank charges	7,353	29,392
	1,430,414	8,631,824
Income before other income and expenses	298,584	3,002,704
Other expenses		
Miscellaneous expense	28,867	214,759
Interest expense	10,983	1,039,396
Foreign exchange loss	6,716	83,523
Total other expenses	46,566	1,337,678
Income before reorganization, and acquisition costs	252,018	1,665,026
Reorganization and acquisition costs	22,636	217,096
Income before income taxes	229,382	1,447,930
Provision for income taxes		
Current income tax expense (recovery)	-	21,985
Deferred income tax expense (recovery)	-	(119,030)
Net income from discontinued operations for the period	229,382	1,544,975
Gain on disposal, net of tax	3,658,801	-
Net income from discontinued operations	3,888,183	1,544,975

25. CONTINGENCIES

From time to time, the Company may become liable for legal, contractual and other claims by various parties, including customers, suppliers, former employees and vendors of businesses acquired by the Company. Depending on the nature or duration of any potential proceedings or claims, the Company may incur substantial costs and expenses, be required to devote significant management time and resources to the matters and suffer adverse judgements or outcomes in respect of these claims, although it is difficult to predict final outcomes with any degree of certainty. Except as disclosed from time to time in the Company's consolidated financial statements, the Company does not believe that any of the claims to which the Company is currently a party will have a material adverse effect on the Company's profitability or financial condition; however, the Company cannot provide any assurance to that effect.

26. SUBSEQUENT EVENTS

1*) CWL settlement*

The company has settled the outstanding balance with City Wide Locksmith's. The original vendor take back was for $450,000 originating on October 31, 2020. CWL made annual payments in accordance to the parameters set out in the VTB. Interest charges ranged between 3-4%. CWL cleared the remaining balance on June 15, 2023. The Company extended a 10% discount on the remaining balance for the accelerated payment for a net amount received of $322,350.