Consolidated Financial Statements of

6384269 CANADA INC.
(Doing business as GURU)

Years ended October 31, 2019, 2018 and 2017 and as at November 1, 2016

6384269 CANADA INC.

(Doing business as GURU)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of 6384269 Canada Inc. (doing business as GURU)

Opinion

We have audited the consolidated financial statements of 6384269 Canada Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at October 31, 2019, 2018, and 2017 and as at November 1, 2016
- the consolidated statements of income (loss) and other comprehensive income (loss) for the years ended October 31, 2019, October 31, 2018 and October 31, 2017
- the consolidated statements of changes in equity for the years ended October 31, 2019, October 31, 2018 and October 31, 2017
- the consolidated statements of cash flows for the years ended October 31, 2019, October 31, 2018 and October 31, 2017; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at October 31, 2019, 2018, and 2017, and as at November 1, 2016 and its consolidated financial performance and its consolidated cash flows for the years ended October 31, 2019, 2018, and 2017 in accordance with International Financial Reporting Standards (IFRS).

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

- 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.

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

KPMG LLP*

Montréal, Canada

October 5, 2020

*CPA auditor, CA, public accountancy permit No. A115894

6384269 CANADA INC.

(Doing business as GURU)

Consolidated Statements of Financial Position

October 31, 2019, 2018, 2017 and as at November 1, 2016

	2019	2018	2017	2016
Assets				
Current assets:				
Cash and cash equivalents	$ 149,652	$ –	$ –	$ 191,308
Trade and other receivables (note 7)	2,606,719	1,604,612	1,455,389	1,058,573
Income taxes receivable	6,877	6,865	6,735	4,845
Refundable investment tax credits	147,000	147,000	148,631	159,633
Inventories (note 8)	2,948,484	1,784,086	1,694,969	1,233,350
Prepaid expenses	230,637	398,480	103,613	157,559
	6,089,369	3,941,043	3,409,337	2,805,268
Non-current assets:				
Fixed assets (note 9)	95,866	154,198	211,503	264,795
Intangible assets	61,507	87,867	10,676	15,222
Right-of-use assets (note 10)	313,840	385,013	386,001	506,425
Other assets (note 11)	376,159	267,020	264,960	–
Deferred tax assets (note 21)	733,965	810,755	1,009,972	1,257,869
	$ 7,670,706	$ 5,645,896	$ 5,292,449	$ 4,849,579

See accompanying notes to consolidated financial statements.

6384269 CANADA INC.

(Doing business as GURU)

Consolidated Statements of Financial Position (continued)

October 31, 2019, 2018, 2017 and as at November 1, 2016

	2019	2018	2017	2016
Liabilities and Shareholders' Equity				
Current liabilities:				
Bank overdraft	$ –	$ 152,232	$ 66,416	$ –
Credit facilities (note 12)	1,327,000	1,456,670	1,568,653	1,056,000
Accounts payable and accrued liabilities (note 13)	2,865,363	1,065,594	735,038	803,450
Income taxes payable	487,667	357,147	114,933	756
Amount payable on share redemption	–	–	368,889	368,889
Current portion of long-term debt (note 14)	330,000	330,000	665,000	1,008,333
Current portion of lease liabilities (note 15)	167,635	152,011	113,948	106,088
	5,177,665	3,513,654	3,632,877	3,343,516
Non-current liabilities:				
Deferred tax liabilities (note 21)	82,439	53,798	51,625	–
Long-term debt (note 14)	275,000	605,000	–	–
Lease liabilities (note 15)	130,028	233,998	276,161	390,109
	5,665,132	4,406,450	3,960,663	3,733,625
Shareholders' equity:				
Share capital (note 16)	3,425,576	3,425,576	3,425,576	3,425,576
Contributed surplus	60,000	–	–	–
Deficit	(1,412,981)	(2,117,702)	(2,012,990)	(2,309,622)
Accumulated other comprehensive loss	(67,021)	(68,428)	(80,800)	–
	2,005,574	1,239,446	1,331,786	1,115,954
Subsequent events (note 26)				
	$ 7,670,706	$ 5,645,896	$ 5,292,449	$ 4,849,579

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_______________________ Director

_______________________ Director

6384269 CANADA INC.

(Doing business as GURU)

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Years ended October 31, 2019, 2018 and 2017

	2019	2018	2017
Revenue (note 18)	$ 17,499,415	$ 12,239,944	$ 10,303,074
Cost of goods sold	5,955,578	4,376,679	3,420,012
Gross profit	11,543,837	7,863,265	6,883,062
Selling, general and administration expenses (note 19)	10,307,462	7,360,192	5,985,741
Net financial expenses (note 20)	271,217	172,868	232,397
	10,578,679	7,533,060	6,218,138
Income before income taxes	965,158	330,205	664,924
Income taxes (note 21)			
Current	155,006	245,469	117,370
Future	105,431	189,448	250,922
	260,437	434,917	368,292
Net income (loss)	$ 704,721	$ (104,712)	$ 296,632
Other comprehensive income (loss):			
Item that is or may be reclassified subsequently to consolidated statements of income (loss):			
Foreign operations - foreign currency translation differences, net of taxes	$ 1,407	$ 12,372	$ (80,800)
Other comprehensive income (loss), net of taxes	1,407	12,372	(80,800)
Total comprehensive income (loss)	$ 706,128	$ (92,340)	$ 215,832
Basic and diluted earnings (loss) per share (note 17)	$ 28.76	$ (4.27)	$ 12.10

See accompanying notes to consolidated financial statements.

6384269 CANADA INC.

(Doing business as GURU)

Consolidated Statements of Changes in Equity

Years ended October 31, 2019, 2018 and 2017

	Share capital					
	Number	Amount	Contributed surplus	Deficit	Accumulated other comprehensive loss - foreign currency translation	Total
Balance as at November 1, 2016	24,507	$ 3,425,576	$ –	$ (2,309,622)	$ –	$ 1,115,954
Net income	–	–	–	296,632	–	296,632
Other comprehensive income (loss)						
Foreign operations - foreign currency translation differences	–	–	–	–	(80,800)	(80,800)
Balance as of October 31, 2017	24,507	$ 3,425,576	$ –	$ (2,012,990)	$ (80,800)	$ 1,331,786
Net loss	–	$ –	$ –	$ (104,712)	$ –	$ (104,712)
Other comprehensive income (loss)						
Foreign operations - foreign currency translation differences, net of income tax expense of $26,500	–	–	–	–	12,372	12,372
Balance as of October 31, 2018	24,507	$ 3,425,576	$ –	$ (2,117,702)	$ (68,428)	$ 1,239,446
Net income	–	$ –	$ –	$ 704,721	$ –	$ 704,721
Other comprehensive income (loss)						
Stock-based compensation expense	–	–	60,000	–	–	60,000
Foreign operations - foreign currency translation differences	–	–	–	–	1,407	1,407
Balance as of October 31, 2019	24,507	$ 3,425,576	$ 60,000	$ (1,412,981)	$ (67,021)	$ 2,005,574

See accompanying notes to consolidated financial statements.

6384269 CANADA INC.

(Doing business as GURU)

Consolidated Statements of Cash Flows

Years ended October 31, 2019, 2018 and 2017

	2019	2018	2017
Cash provided by (used in):			
Operating:			
Net income (loss)	$ 704,721	$ (104,712)	$ 296,632
Adjustments for:			
Depreciation and amortization	295,895	265,771	223,020
Income tax expense	260,437	434,917	368,292
Net financial expenses	241,896	150,024	215,920
Stock-based compensation expense	60,000	–	–
Additions to other assets	(157,932)	(35,000)	(294,400)
Net change in non-cash operating working capital (note 22)	(218,014)	(195,054)	(981,427)
	1,187,003	515,946	(171,963)
Financing:			
Net change in credit facilities	(129,670)	(111,983)	512,653
Increase in long-term debt	–	270,000	–
Repayment of long-term debt	(330,000)	–	(343,333)
Repayment of balance of share redemption	–	(358,499)	–
Interest paid	(244,569)	(146,059)	(128,800)
Payment of lease obligation	(157,205)	(138,739)	(106,088)
	(861,444)	(485,280)	(65,568)
Investing:			
Acquisition of fixed assets	–	(5,320)	(15,318)
Acquisition of intangible assets	–	(97,298)	–
Deposits on leases	(22,378)	(14,472)	–
	(22,378)	(117,090)	(15,318)
Effect of movements in exchange rate on cash held	(1,297)	608	(4,875)
Increase (decrease) in cash and cash equivalents and bank overdraft	301,884	(85,816)	(257,724)
Cash and cash equivalents, net of bank overdraft beginning of year	(152,232)	(66,416)	191,308
Cash and cash equivalents, net of bank overdraft end of year	$ 149,652	$ (152,232)	$ (66,416)

Additional cash flow information is presented in Note 19.

See accompanying notes to consolidated financial statements.

1. Reporting entity:

6384269 Canada Inc. (doing business as GURU) (the "Company") was incorporated under the *Canada Business Corporations Act* on April 28, 2005. The address of its registered office is 7240 Waverly, suite 115, Montreal, QC, Canada H2R 2Y8. These consolidated financial statements comprise the Company and its wholly-owned subsidiaries GURU Beverage Inc., GURU Beverage Co. and GURU Distribution Co., (together referred as the "Group"). GURU Distribution Co. was dissolved during the year ended October 31, 2019. The Group produces, markets and distributes energy drinks in the Canadian and U.S. markets.

2. Basis of accounting:

The 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"). These are the Group’s first consolidated financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 27.

The consolidated financial statements were authorized for issue by the Board of Directors on October 5, 2020.

3. Functional and presentation currency and basis of measurement:

These consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- equity classified share-based payment arrangements which are measured at fair value at grant date pursuant to IFRS 2, *Share-based payment;* and
- lease liabilities, which are measured at the present value of minimum lease payments at lease inception.

4. Use of judgements and estimates:

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These assumptions and estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Critical estimates

The following are critical estimates that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

<u>Deferred income taxes</u>

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Company has determined that it is probable that deferred tax assets will be realized in the future (further details are given in note 21).

<u>Other assets</u>

Management estimates the expected duration of the period over which the Company will generate cash flows with its customers in order to amortize other assets. The amounts and timing of recorded expenses for amortization of other assets for any period are affected by these estimated periods. The estimates are reviewed each year and are updated if expectations change as a result of changes in relationship with customers. Changes in relationship can cause significant modifications in the estimated period over which other assets are amortized and the related amortization expense in the future.

5. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at November 1, 2016 (the "date of transition") for the purposes of the transition to IFRS, unless otherwise indicated.

5. Significant accounting policies (continued):

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation:

The consolidated financial statements of the Company include the accounts of the Company and of its subsidiaries.

Subsidiaries

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of these returns. The Company reassesses whether it controls an entity if facts and circumstances indicate that one or more of the aforementioned points have changed. A subsidiary is consolidated from the date the Company obtains control and continues to be consolidated until the date that such control ceases.

Subsidiary	Jurisdiction of incorporation	Ownership Percentage
GURU Beverage Inc.	Canada	100%
GURU Beverage Co.	United States	100%
GURU Distribution Co. (dissolved in 2019)	United States	100%

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency translation:

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in the consolidated statement of income (loss).

5. Significant accounting policies (continued):

(b) Foreign currency translation (continued):

The financial statements of foreign operations that have a functional currency different from that of the Company's presentation currency are translated into Canadian dollars. Assets and liabilities are translated at the rates in effect at the end of the reporting period; revenue and expense items are translated at the average exchange rate for the period. Gains or losses arising from translation are recorded in equity under the heading Accumulated other comprehensive loss - foreign currency translation.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition. These consolidated financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(d) Inventories:

Inventories consist of raw materials, packaging and finished goods and are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs necessary to make the sale. Included in the cost of finished goods are direct product costs, direct labour and an allocation of variable and fixed manufacturing overhead. Included in the cost of inventories are costs of purchase net of vendor allowances, plus other costs, such as transportation, duty and quality control, that are directly incurred to bring inventories to their present location and condition. Cost is determined using the average cost method based on individual products. A provision for shrinkage and obsolescence is calculated based on known damaged or expired goods.

Management reviews the provision periodically to assess whether, based on economic conditions, it is adequate.

(e) Investment tax credits:

The Company is eligible to obtain tax credits for its expenditures on eligible research and development work performed in Canada via the Scientific Research and Experimental Development ("SR&ED") Program.

5. Significant accounting policies (continued):

(e) Investment tax credits (continued):

The Company can claim SR&ED investment tax credits for expenditures such as wages, materials, machinery, equipment, qualifying overhead, and SR&ED contracts. The SR&ED tax credits are recorded when there is a reasonable assurance that the credits will be realized. The SR&ED tax credits that compensate the Company for expenses incurred are recognized in the consolidated statement of income (loss) and those that compensate for the cost of an asset are recognized against the cost of the asset and recorded in the consolidated statement of income (loss) over the useful life of the asset.

The tax credits must be reviewed and approved by the tax authorities and it is possible that the amounts granted will differ from the amounts recorded. Any difference between the tax credits accounted for and the tax credits granted by the tax authorities is accounted for in the year of assessment by the authorities as an adjustment of the items to which they relate.

(f) Fixed assets:

Items of fixed assets are recognized at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring and bringing the assets to a working condition for their intended use.

When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount and are recognized in net income (loss).

Depreciation is calculated over the cost of the asset less its residual value and is recognized in net income (loss) on a straight-line basis over the estimated useful lives of each part of an item of fixed assets or on a declining balance. Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

Assets	Method	Rate/period
Furniture and equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Leasehold improvements	Straight-line method	Term of lease

5. Significant accounting policies (continued):

(g) Intangible assets:

Intangible assets are comprised of software that have finite useful lives, are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in net income (loss) as incurred.

Amortization is calculated on their estimated useful lives using the declining balance method at the rate of 30%.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

(h) Impairment of long-lived assets:

The Company reviews the carrying amount of its non-financial assets, which include intangible assets with a finite useful life, fixed assets, other assets and right-of-use assets on each reporting date, in order to determine if specific events or changes in circumstances indicate that their carrying amounts may not be recoverable.

For impairment testing purposes, assets that cannot be tested individually are aggregated into a cash generating unit ("CGU"). An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income (loss).

(i) Stock-based compensation:

The Company has a stock-based compensation plan, which is described in note 23. The Company uses the fair value based method of accounting for employee awards granted under the plan. The Company calculates the fair value of each stock option grant using the Black Scholes Option Pricing model at the grant date. The stock-based compensation cost of the options is recognized as stock-based compensation expense on a graded-vesting basis over the relevant vesting period of the stock options. Modifications to stock options are created as exchanges of the original award for a new award, the difference in value being recognized as an expense on a straight-line basis over the remaining vesting period of the modified stock options

5. Significant accounting policies (continued):

(i) Stock-based compensation (continued):

When employees exercise their stock options, the share capital is credited by the sum of the consideration paid by employees and the related portion previously credited to contributed surplus when compensation costs were charged against earnings.

(j) Revenue from contracts with customers:

Revenue from the sale of goods is measured at the fair value of consideration received, net of refunds, sales incentives and slotting fees paid to customers. The Company recognizes revenue when it transfers control of a product to a customer. Revenue is recognized at a point in time, which is when a customer takes possession of the goods, as it meets the criteria to satisfy the performance obligation. For all its contracts, the consideration is not adjusted for the effects of a financing component since the Company expects to be paid within one year. Consideration payable to a customer that is not considered a distinct good or service from the customer, such as onetime fees paid to customers for product placement or product introduction, is capitalized in other assets and amortized on the period over which the Company expects to generate cash flows in the future, which has been established to be 10 years and recognized as a reduction of revenue.

(k) Income taxes:

Income tax expense comprises current and deferred income taxes. It is recognized in net income (loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

<u>Current income tax</u>

Current income tax comprises the expected tax payable or receivable on the taxable income or loss for the years and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

<u>Deferred income tax</u>

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

5. Significant accounting policies (continued):

(k) Income taxes (continued):

Deferred income tax (continued)

Deferred income tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred income tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are offset only if certain criteria are met.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of sales tax included.

  The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

(l) Financial instruments:

Recognition, classification and initial measurement

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

5. Significant accounting policies (continued):

(l) Financial instruments (continued):

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") - debt investment, FVOCI - equity investment, or FVTPL.

Financial assets (continued)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL: (1) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investment

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL: (1) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. The Company has not designated any financial assets at fair value through profit or loss and does not have any financial assets at FVOCI.

Financial assets at amortised costs are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in net income (loss). Any gain or loss on derecognition is recognised in net income (loss).

5. Significant accounting policies (continued):

(l) Financial instruments (continued):

Classification and subsequent measurement (continued)

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expenses, are recognized in net income (loss). Any gain or loss on derecognition is also recognized in net income (loss). The Company has not designated any financial liabilities at fair value through profit or loss and does not have any financial liabilities at FVOCI.

Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in net income (loss).

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

5. Significant accounting policies (continued):

(l) Financial instruments (continued):

Impairment

With respect to impairment of financial assets, IFRS 9 *Financial Instruments* requires applying the expected credit losses model. Under the expected credit losses model, the Company must recognize expected credit losses and changes in such losses at each reporting date to reflect changes in credit risk since the initial recognition of the financial assets.

(m) Share capital:

Class A and Class B shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a reduction of equity, net of tax effects.

(n) Fair value measurement:

In establishing the fair value, the Company uses a fair value hierarchy based on levels as defined below:

Level 1: defined as observable inputs such as quoted prices in active markets.

Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

(o) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as net finance expenses.

Contingent liability

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Company, or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

5. Significant accounting policies (continued):

(p) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after November 1, 2016, as described in note 27 on IFRS transition.

Right-of-use asset

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 1 to 7 years for facilities, automotive equipment and other equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Company is reasonably certain to exercise, and lease payments in an optional renewal period if the Company is reasonably certain to exercise a renewal option.

5. Significant accounting policies (continued):

(p) Leases:

Lease liability (continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of income (loss) if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to exclude from lease liabilities low value leases as well as short-term leases, with a term of less than twelve months.

(q) Short-term employee benefits:

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Earnings (loss) per share:

Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of common shares outstanding during the year adjusted to include the dilutive impact of stock options.

(s) Segment reporting:

The Company determined that it operated a single operating segment for the years ended October 31, 2019, 2018 and 2017.

6. Standards issued but not yet effective:

A number of new standards are effective for annual periods beginning after November 1, 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

6. Standards issued but not yet effective (continued):

The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of Material (Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*).

7. Trade and other receivables:

	2019	2018	2017	November 1, 2016
Trade receivables	$ 2,537,114	$ 1,592,612	$ 1,441,889	$ 1,056,073
Other receivables	69,605	12,000	13,500	2,500
	$ 2,606,719	$ 1,604,612	$ 1,455,389	$ 1,058,573

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 24.

8. Inventories:

	2019	2018	2017	November 1, 2016
Finished goods	$ 2,288,901	$ 1,289,236	$ 1,359,051	$ 840,513
Raw materials	552,198	372,145	284,900	272,614
Packaging	107,385	122,705	51,018	120,223
	$ 2,948,484	$ 1,784,086	$ 1,694,969	$ 1,233,350

The amount of inventory included in cost of goods sold was $5,755,054 for the year ended October 31, 2019 (2018 - $4,111,023; 2017 - $3,300,794).

9. Fixed assets:

	Furniture and equipment	Computer hardware	Leasehold improvements	Total
Cost:				
Balance as at November 1, 2016	$ 175,460	$ 330,874	$ 186,747	$ 693,081
Additions	3,454	11,864	–	15,318
Balance as at October 31, 2017	$ 178,914	$ 342,738	$ 186,747	$ 708,399
Additions	$ –	$ 5,320	$ –	$ 5,320
Balance as at October 31, 2018	$ 178,914	$ 348,058	$ 186,747	$ 713,719
Balance as at October 31, 2019	$ 178,914	$ 348,058	$ 186,747	$ 713,719

9. Fixed assets (continued):

	Furniture and equipment	Computer hardware	Leasehold improvements	Total
Accumulated depreciation and amortization:				
Balance as at November 1, 2016	$ 115,303	$ 278,160	$ 34,823	$ 428,286
Depreciation and amortization	12,377	18,881	37,352	68,610
Balance as at October 31, 2017	$ 127,680	$ 297,041	$ 72,175	$ 496,896
Depreciation and amortization	$ 10,247	$ 15,028	$ 37,350	$ 62,625
Balance as at October 31, 2018	$ 137,927	$ 312,069	$ 109,525	$ 559,521
Depreciation and amortization	$ 8,197	$ 12,786	$ 37,349	$ 58,332
Balance as at October 31, 2019	$ 146,124	$ 324,855	$ 146,874	$ 617,853
Net carrying amounts:				
Balance as at November 1, 2016	$ 60,157	$ 52,714	$ 151,924	$ 264,795
Balance as at October 31, 2017	51,234	45,697	114,572	211,503
Balance as at October 31, 2018	40,987	35,989	77,222	154,198
Balance as at October 31, 2019	32,790	23,203	39,873	95,866

10. Right-of-use assets:

		Building		Automotive equipment		Total
Balance as at November 1, 2016	$	506,425	$	–	$	506,425
Depreciation		120,424		–		120,424
Balance as at October 31, 2017	$	386,001	$	–	$	386,001
Additions	$	–	$	149,111	$	149,111
Depreciation		120,424		29,675		150,099
Balance as at October 31, 2018	$	265,577	$	119,436	$	385,013
Additions	$	–	$	91,237	$	91,237
Depreciation		120,424		41,986		162,410
Balance as at October 31, 2019	$	145,153	$	168,687	$	313,840

11. Other assets:

In the course of its operations, the Company incurs costs paid to customers for which cash flows will be generated over several years. The following table presents these costs and their amortization:

Balance as at November 1, 2016	$	–
Additions		294,400
Amortization		(29,440)
Balance as at October 31, 2017		264,960
Additions		35,000
Amortization		(32,940)
Balance as at October 31, 2018		267,020
Additions		157,932
Amortization		(48,793)
Balance as at October 31, 2019	$	376,159

12. Credit facilities:

The Company has an authorized line of credit of a maximum amount of $1,500,000 and US$450,000, which can be used in the form of advances in Canadian dollars or in US dollars. As at October 31, 2019, the line of credit was used in the form of Canadian dollar advances for an amount of $1,327,000 (2018 - $1,367,000; 2017 $1,247,000; November 1, 2016 $1,056,000) bearing interest at the prime rate (3.95% as at October 31, 2019) plus 1.5%, and in the form of American dollar advances for an amount of nil (2018 - $89,670; 2017 - $321,653; November 1, 2016 - nil) bearing interest at the US base rate (5.25% as at October 31, 2019) plus 1%.

The Company also has an authorized line of credit that can be used in the form of a foreign exchange contract for a maximum amount of US$1,200,000; this credit facility was not used as at October 31, 2019 (2018 - nil; 2017 - nil; November 1, 2016 - nil).

The credit facilities noted above and the long-term debt as described in note 14 are secured by the universality of the Company's movable assets, a joint guarantee of 6384269 Canada Inc. to a maximum of $3,000,000, a joint guarantee of GURU Beverage Co. to a maximum of $3,000,000 and a personal guarantee of shareholders for an amount of $646,667, renewable annually. These credit facilities and the long-term debt as described in note 14 are subject to certain conditions; as at October 31, 2019, these conditions were met.

See note 26(b) for changes to credit facilities after year-end.

13. Accounts payable and accrued liabilities:

	2019	2018	2017	November 1, 2016
Accounts payable	$ 1,934,700	$ 689,388	$ 385,099	$ 426,464
Accrued liabilities	679,397	76,427	125,394	147,629
Salaries	169,111	141,868	98,558	72,468
Sales tax payable	51,998	105,318	73,509	43,027
Government payroll remittances	30,157	52,593	52,478	113,862
	$ 2,865,363	$ 1,065,594	$ 735,038	$ 803,450

14. Long-term debt:

	2019	2018	2017	November 1, 2016
Term loan, repayable in monthly payments of $17,500 in principal only plus interest at prime rate (3.95% as at October 31, 2019) plus 2.50%, with additional repayments if free cash flows are available up to a maximum of $130,000, maturing in December 2020 [i]	$ 245,000	$ 455,000	$ 665,000	$ 875,000
Term loan, repayable in monthly payments of $10,000 in principal only plus interest at prime rate (3.95% as at October 31, 2019) plus 2.50%, maturing in October 2022 [i]	360,000	480,000	–	133,333
	605,000	935,000	665,000	1,008,333
Current portion of long-term debt	(330,000)	(330,000)	(665,000)	(1,008,333)
	$ 275,000	$ 605,000	$ –	$ –

[i] These term loans are secured by the guarantees as stated in note 12.

The adjusted estimated principal instalments payable over the next years, and debts maturing during that period, are as follows:

	Total
Less than 1 year	$ 330,000
Between 1 and 5 years	275,000
More than 5 years	–

15. Lease liabilities:

The following table presents the lease obligations of the Company :

Balance as at November 1, 2016	$	496,197
Payment of lease obligations		(125,185)
Interest expense on lease obligations		19,097
Lease obligations as at October 31, 2017		390,109
Additions		134,639
Payment of lease obligations		(160,122)
Interest expense on lease obligations		21,383
Lease obligations as at October 31, 2018		386,009
Additions		68,859
Payment of lease obligations		(175,217)
Interest expense on lease obligations		18,012
Lease obligations as at October 31, 2019	$	297,663

15. Lease liabilities (continued):

The following table presents the lease obligations of the Company :

	2019	2018	2017	November 1, 2016
Contractual undiscounted cash flows:				
Less than 1 year	$ 178,133	$ 166,335	$ 128,250	$ 125,185
Between 1 and 5 years	138,385	244,525	289,022	417,272
More than 5 years	–	–	–	–
Total undiscounted lease liabilities	$ 316,518	$ 410,860	$ 417,272	$ 542,457
Lease liabilities included in the statement of financial position	$ 297,663	$ 386,009	$ 390,109	$ 496,197
Current	167,635	152,011	113,948	106,088
Non-current	130,028	233,998	276,161	390,109

Amounts recognized in consolidated statement of income (loss)	2019	2018	2017
Interest on lease liabilities	$ 18,012	$ 21,383	$ 19,097
Variable lease payments not included in the measurement of lease liabilities	25,500	24,330	24,500
Expenses relating to short-term leases	40,576	56,689	119,201
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	–	185	1,839

No renewal options have been considered in the lease liabilities.

16. Share capital:

Authorized, an unlimited number of shares without par value:

Class A shares: voting and participating, convertible at the holder's option to Class D shares

Class B shares: voting and participating

Class C shares: voting, non-participating, priority upon dissolution or liquidation of the entity, redeemable upon the death of the holder, redeemable at any time at the Company's option

Class D shares: non-voting and non-participating, non-cumulative preferred dividend of 1% monthly calculated on redeemable value of shares, priority redemption right upon dissolution or liquidation of the entity before Classes A, B, E, F and G shares and after Class C shares, redeemable at any time at the holder's option

Class E shares: non-voting and non-participating, non-cumulative preferred dividend of 1% monthly calculated on redeemable value of shares after Class D shares, priority redemption right upon dissolution or liquidation of the entity before Classes A, B, F and G shares and after Classes C and D shares, redeemable at any time at the holder's option, redeemable at any time at the Company's option

Class F shares: non-voting and non-participating, non-cumulative preferred dividend before Classes A, B and G shares but after Classes D and E shares of $1 per share, priority redemption right upon dissolution or liquidation of the entity before Classes A, B and G shares and after Classes C and D and E shares, redeemable at any time at the holder's option, redeemable at any time at the Company's option

Class G shares: non-voting and non-participating, non-cumulative preferred dividend before Classes A and B shares but after Classes D, E and F shares of $1 per share, priority redemption right upon dissolution or liquidation of the entity before Classes A and B shares and after Classes C, D, E and F shares, redeemable at any time at the Company's option

	2019	2018	2017	November 1, 2016
Issued:				
21,200 Class A shares	$ 1,226,730	$ 1,226,730	$ 1,226,730	$ 1,226,730
3,307 Class B shares	2,198,846	2,198,846	2,198,846	2,198,846
	$ 3,425,576	$ 3,425,576	$ 3,425,576	$ 3,425,576

17. Earnings per share:

	2019	2018	2017
Net income (loss)	$ 704,721	$ (104,712)	$ 296,632
Basic weighted average number of common shares	24,507	24,507	24,507
Basic earnings (loss) per share, also being diluted earnings (loss) per share	$ 28.76	$ (4.27)	$ 12.10

For the period ended October 31, 2019, which is the only year where potentially dilutive instruments were issued and outstanding, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the stock option as it is not dilutive.

18. Revenue and assets by geography:

The following tables include sales and non-current assets other than deferred tax assets by geography:

Revenue	2019	2018	2017
Canada	$ 13,229,938	$ 8,258,516	$ 6,670,670
United States	4,269,477	3,981,428	3,632,404
	$ 17,499,415	$ 12,239,944	$ 10,303,074

Non-current assets other than deferred tax assets	2019	2018	2017	2016
Canada	$ 622,104	$ 781,292	$ 873,140	$ 786,442
United States	225,268	112,806	–	–
	$ 847,372	$ 894,098	$ 873,140	$ 786,442

19. Additional information on consolidated statement of income (loss):

	2019	2018	2017
Employee benefit expense	$ 2,978,327	$ 2,254,320	$ 1,801,818
Depreciation and amortization	295,895	265,771	223,020
Grants recognized as income in selling, general and administrative expenses	13,067	24,511	6,000

20. Net financial expenses:

	2019	2018	2017
Interest on long-term debt	$ 50,970	$ 52,340	$ 43,937
Interest on line of credit	75,976	63,872	53,776
Interest on lease liabilities	18,012	21,383	19,097
Bank fees	48,660	25,404	28,466
Financing fees	80,273	5,904	–
Foreign exchange (gain) loss	(2,674)	3,965	87,121
	$ 271,217	$ 172,868	$ 232,397

21. Income taxes:

The reconciliation of income taxes calculated at the statutory income tax rate to the income tax expense is as follows:

	2019	2018	2017
Income before income taxes	$ 965,158	$ 330,205	$ 664,924
Income tax expense calculated at the statutory tax rate of 26.62% (2018 - 26.72%; 2017 – 26.82%) [(1)]	256,925	88,231	178,333
Non-deductible items and other	12,742	78,728	28,729
Change in unrecognized deductible temporary differences	–	(29,125)	31,828
Reduction for small business rate	(60,836)	(39,666)	–
Effect of foreign tax differences	(4,856)	16,091	39,267
Difference between statutory tax rate and deferred tax rate	2,827	(5,071)	(13,350)
Impact of tax rate changes [(2)]	30,732	367,239	–
Tax adjustment related to previous years	22,903	(41,510)	103,485
Income taxes	$ 260,437	$ 434,917	$ 368,292

[(1)] The Company's applicable tax rate corresponds to the combined Canadian tax rates applicable in the provinces where the Company operates. The decrease is due to the reduction of the Quebec income tax rate.

[(2)] On December 22, 2017, the U.S. *Tax Cuts and Jobs Act* ("TCJA") was enacted. The TCJA significantly reforms the U.S. federal tax legislation, including, but not limited to, reducing the U.S. federal corporate income tax rate from a progressive tax rate of up to 34% to a fixed rate of 21%.

21. Income taxes (continued):

The components of current and deferred income tax expense are as follows:

	2019	2018	2017
Current tax expense:			
Current year	$ 149,995	$ 245,469	$ 117,370
Tax adjustment related to previous years	5,011	–	–
	155,006	245,469	117,370
Deferred tax expense:			
Origination and reversal of temporary differences	56,807	(107,156)	115,609
Impact of tax rate change	30,732	367,239	–
Tax adjustment related to previous years	17,892	(41,510)	103,485
Change in unrecognized deductible temporary differences	–	(29,125)	31,828
	105,431	189,448	250,922
Income taxes	$ 260,437	$ 434,917	$ 368,292

The movements in deferred income tax assets and liabilities, prior to the offsetting of balances, are shown below:

					October 31, 2019
	Opening balance	Recognized in net income (loss)	Recognized in other comprehensive loss	Effects of fluctuations in exchange rates	Closing balance
Non-capital loss (gain) carryforwards	$ 789,703	$ (61,979)	$ –	$ –	$ 727,724
Right-of-use assets	(85,803)	(4,698)	–	–	(90,501)
Fixed assets and intangibles assets	23,217	4,062	–	–	27,279
Lease liabilities	91,111	8,248	–	–	99,359
Other assets	(45,394)	(54,566)	–	–	(99,960)
Financing fees	1,123	(248)	–	–	875
Investment tax credits	(17,000)	3,750	–	–	(13,250)
Deferred income tax assets (liabilities)	$ 756,957	$ (105,431)	$ –	$ –	$ 651,526

21. Income taxes (continued):

The movements in deferred income tax assets and liabilities, prior to the offsetting of balances, are shown below (continued):

					October 31, 2018
	Opening balance	Recognized in net income (loss)	Recognized in other comprehensive loss	Effects of fluctuations in exchange rates	Closing balance
Non-capital loss (gain) carryforwards	$ 994,831	$ (219,686)	$ –	$ 14,558	$ 789,703
Right-of-use assets	(83,490)	(2,313)	–	–	(85,803)
Fixed assets and intangibles assets	32,521	(9,304)	–	–	23,217
Lease liabilities	86,441	4,670	–	–	91,111
Other assets	(49,018)	3,624	–	–	(45,394)
Capital (gain) loss on foreign exchange	(5,997)	32,497	(26,500)	–	–
Financing fees	1,834	(711)	–	–	1,123
Investment tax credits	(18,775)	1,775	–	–	(17,000)
Deferred income tax assets (liabilities)	$ 958,347	$ (189,448)	$ (26,500)	$ 14,558	$ 756,957

					October 31, 2017
	Opening balance	Recognized in net income (loss)	Recognized in other comprehensive loss	Effects of fluctuations in exchange rates	Closing balance
Non-capital loss (gain) carryforwards	$ 1,251,788	$ (208,357)	$ –	$ (48,600)	$ 994,831
Right-of-use assets	(93,689)	10,199	–	–	(83,490)
Fixed assets and intangibles assets	22,799	9,722	–	–	32,521
Lease liabilities	93,689	(7,248)	–	–	86,441
Other assets	–	(49,018)	–	–	(49,018)
Capital (gain) loss on foreign exchange	(16,718)	10,721	–	–	(5,997)
Financing fees	–	1,834	–	–	1,834
Investment tax credits	–	(18,775)	–	–	(18,775)
Deferred income tax assets (liabilities)	$ 1,257,869	$ (250,922)	$ –	$ (48,600)	$ 958,347

21. Income taxes (continued):

The following table presents components of the deferred tax assets and liabilities:

	October 31, 2019		October 31, 2018		October 31, 2017		October 31, 2016	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-capital loss (gain) carryforwards	$ 727,724	$ –	$ 789,703	$ –	$ 994,831	$ –	$ 1,251,788	$ –
Right-of-use assets	–	90,501	–	85,803	–	83,490	–	93,689
Fixed assets and intangibles assets	27,279	–	23,217	–	32,521	–	22,799	–
Lease liabilities	99,359	–	91,111	–	86,441	–	93,689	–
Other assets	–	99,960	–	45,394	–	49,018	–	–
Capital loss (gain) on foreign exchange	–	–	–	–	–	5,997	–	16,718
Financing fees	875	–	1,123	–	1,834	–	–	–
Investment tax credits	–	13,250	–	17,000	–	18,775	–	–
	855,237	203,711	905,154	148,197	1,115,627	157,280	1,368,276	110,407
Offsetting of assets and liabilities	(121,272)	(121,272)	(94,399)	(94,399)	(105,655)	(105,655)	(110,407)	(110,407)
	$ 733,965	$ 82,439	$ 810,755	$ 53,798	$ 1,009,972	$ 51,625	$ 1,257,869	$ –

21. Income taxes (continued):

Unused tax losses

The Company has non-capital losses carried forward in the amount of $2,983,459 (2018 - $3,176,024; 2017 - $2,730,171). These losses expire in the following years:

Year	2019	2018	2017
2027	$ 19,243	$ 19,243	$ 19,243
2028	664,675	866,245	885,779
2029	1,218,846	1,216,809	1,193,754
2030	281,277	280,817	275,611
2031	251,856	251,436	246,684
2032	77,701	77,572	76,108
2033	368	368	368
2034	369	369	369
2035	10,231	10,231	10,231
2036	15,388	15,388	15,388
2037	6,636	6,636	6,636
2038	431,622	430,910	–
2039	5,247	–	–
	$ 2,983,459	$ 3,176,024	$ 2,730,171

The above table represents tax losses carried forward as per federal jurisdiction.

As at October 31, 2017, 2018 and 2019, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries because the Company controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

22. Additional cash flow information:

The following details the change in non-cash operating working capital:

	2019	2018	2017
Trade and other receivables	$ (1,004,643)	$ (141,648)	$ (410,453)
Income taxes receivable	–	–	(6,835)
Inventories	(1,164,096)	(75,686)	(489,451)
Prepaid expenses	169,874	(289,430)	50,386
Refundable investment tax credits	–	1,631	11,002
Accounts payable and accrued liabilities	1,803,049	285,338	(132,370)
Income taxes payable	(22,198)	24,741	(3,706)
	$ (218,014)	$ (195,054)	$ (981,427)

23. Stock option plan:

Under its stock option plan (the "Plan"), established on October 1, 2019, the Company may grant its key employees, directors and consultants options to purchase common shares. Changes in the number of outstanding options related to the Plan were as follows:

	Number	Weighted average exercise price
Options outstanding as at October 31, 2018	–	$ –
Options granted	58.542	2,190
Options outstanding as at October 31, 2019	58.542	$ 2,190

The following table summarizes information about stock options outstanding as at October 31, 2019:

			Outstanding options	Vested options
Year granted	Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable
2019	$ 2,190	58.542	10	58.542

23. Stock option plan (continued):

During the year ended October 31, 2019, compensation costs recorded in the consolidated statement of income (loss) for options granted amounted to $60,000 (2018- nil; 2017- nil).

The fair value of the options granted during the year ended October 31, 2019 was calculated using the Black-Scholes option model with the following assumptions and results:

Weighted average fair value of options at grant date	$ 1,025
Share price	2,190
Risk-free interest rate	1.65%
Dividend yield	–
Expected volatility	35%
Expected life	10 years

The risk-free interest rate is based on the yield of a risk-free Canadian government security with a maturity equal to the expected life of the option from the date of the grant. The assumption of expected volatility is based on the average historical volatility of comparable companies for the period immediately preceding the option grant. The Company does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option-pricing model.

24. Financial instruments:

Financial risks

(a) Liquidity risk:

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Company's bank and other lenders. The Company's policy is to ensure adequate funding is available from operations and other sources as required.

24. Financial instruments (continued):

Financial risks (continued)

(a) Liquidity risk (continued):

The following are the contractual maturities of financial obligations:

As at October 31, 2019	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Credit facilities	$ 1,327,000	$ 1,327,000	$ 1,327,000	$ –	$ –
Trade and other payables	2,865,263	2,865,263	2,865,263	–	–
Lease liabilities, including current portion [1]	297,663	316,518	178,133	138,385	–
Long-term debt, including current portion [1] [2]	605,000	650,703	359,323	291,380	–

As at October 31, 2018	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Credit facilities	$ 1,456,670	$ 1,456,670	$ 1,456,670	$ –	$ –
Trade and other payables	1,065,594	1,065,594	1,065,594	–	–
Lease liabilities, including current portion [1]	386,009	410,860	166,335	244,525	–
Long-term debt, including current portion [1] [2]	935,000	1,031,218	380,515	650,703	–

24. Financial instruments (continued):

Financial risks (continued)

(a) Liquidity risk (continued):

The following are the contractual maturities of financial obligations: (continued)

As at October 31, 2017	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Credit facilities	$ 1,568,653	$ 1,568,653	$ 1,568,653	$ –	$ –
Trade and other payables	735,038	735,038	735,038	–	–
Amount payable on share redemption	368,889	368,889	358,000	10,390	–
Lease liabilities, including current portion [1]	390,109	417,272	128,250	289,022	–
Long-term debt, including current portion [1] [2]	665,000	703,190	703,190	–	–

As at November 1, 2016	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
Credit facilities	$ 1,056,000	$ 1,056,000	$ 1,056,000	$ –	$ –
Trade and other payables	803,450	803,450	803,450	–	–
Amount payable on share redemption	368,889	368,889	358,000	10,390	–
Lease liabilities, including current portion [1]	496,197	542,457	125,185	417,272	–
Long-term debt, including current portion [1] [2]	1,008,333	1,087,383	1,087,383	–	–

[1] Contractual cash flows include principal and interests.

[2] As at October 31, 2019, an interest rate of 6.45% (2018 - 6.45% ; 2017 - 5.70%; 2016 - 5.20%) was used to determine the estimated interest payments on the Company's long-term debt.

24. Financial instruments (continued):

Financial risks (continued)

(a) Liquidity risk (continued):

Capital management

The Company's capital is composed of shareholders' equity, credit facilities, and long-term debt. The Company's objective in managing its capital is to ensure a sufficient liquidity position to finance its operations, to maximize the preservation of capital and to deliver competitive returns on invested capital. To fund its activities, the Company has relied on private financing, credit facilities and long-term debt. The Company manages its excess cash to ensure that it has sufficient reserves to fund its operations and capital expenditures.

The Company is not subject to any capital requirements imposed by a regulator.

(b) Credit risk:

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Company by failing to discharge an obligation. The Company's credit risk is mainly related to accounts receivable.

The Company provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. However, the Company deals with a majority of well-established banners and distributors, thus reducing its credit risk. As of the current balance sheet date, 47% (2018 - 47%; 2017 - 48%; 2016 - 66%) of accounts receivable are concentrated with two (2018 - three; 2017 - three; 2016 - four) clients who represent together 39% (2018 - 44%; 2017 - 43%; 2016 - 57%) of the year's sales. The Company does not normally require a guarantee.

Pursuant to their respective terms, net trade receivables are aged as follows since issuance of the invoice:

	2019	2018	2017	November 1, 2016
0-30 days	$ 1,879,755	$ 1,225,909	$ 1,179,338	$ 672,553
30-60 days	508,120	279,826	160,796	347,153
60-90 days	143,439	15,477	38,547	24,448
over 90 days	5,800	71,400	63,208	11,919
	$ 2,537,114	$ 1,592,612	$ 1,441,889	$ 1,056,073

24. Financial instruments (continued):

Financial risks (continued)

(c) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company realizes sales and purchases in foreign currency. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. Assets and liabilities denominated in foreign currency are the following:

	2019	2018	2017	November 1, 2016
	USD	USD	USD	USD
Cash and cash equivalents	$ 1,994	$ –	$ 5,669	$ 5,618
Bank overdraft	–	49,087	67,366	275
Accounts payable and accrued liabilities	310,353	127,938	19,500	52,882

During the year ended October 31, 2019, all else being equal, a hypothetical strengthening of 5.0% of the U.S. dollar against the Canadian dollar would not have a material impact on the Company's consolidated statement of income (loss) and comprehensive income (loss) for the years ended October 31, 2019, October 31, 2018 and October 31, 2017.

(d) Interest rate risk:

The Company's credit facility and long-term debt have a variable rate based on the bank's prime rate plus a margin. As a result, the Company is exposed to interest rate risk due to fluctuations in the bank's prime rate during the year.

Sensitivity analysis for interest rate risk

An increase or decrease of 100 basis points in the interest rate would have an impact of $22,297 on the Company’s consolidated net income for the period ended October 31, 2019.

Fair value measurement

The Company has determined that the fair values of cash and cash equivalents, trade and other receivables, bank overdraft, credit facilities, accounts payable and accrued liabilities and amount payable on share redemption approximate their respective carrying amounts at the consolidated statement of financial position date, due to the short-term maturity of those instruments.

24. Financial instruments (continued):

Fair value measurement (continued)

The Company determined that the fair value of its long-term debt approximates its carrying amount as it bears interest at market interest rates for financial instruments with similar terms and risks.

For the year ended December 31, 2019, no financial instruments were recorded at fair value and transferred between levels 1, 2 and 3.

25. Key management personnel:

Key management personnel includes the members of the Board as well as the chief executive officer and chief financial officer.

The following table presents the compensation of the key management personnel recognized in net loss:

	2019	2018	2017
Short-term employee benefits (includes directors' fees) [(i)]	$ 631,740	$ 259,850	$ 218,750

[(i)] Includes $233,553 of management fees (2018 - $225,305 and 2017 - $181,250) charged by an entity owned by a key management personnel.

26. Subsequent events:

(a) COVID 19 outbreak:

Subsequent to year-end, the COVID-19 pandemic is causing significant financial market and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. While the Company has experienced the impact of the outbreak of the Coronavirus (COVID-19) on its operations, it had continued to operate during the current pandemic as it is considered an essential service in Canada and in the United States. As a result, the Company only suffered a negative impact on its overall business and operations at the peak of the pandemic. Subsequent to year-end, the Company recognized payroll subsidies totaling $145,307 principally under the Canada Emergency Wage Subsidy program. The Company will continue to monitor developments of the pandemic and continuously assess its potential further impact on its operations to prevent any disruptions to customer demand. The Company has put in place multiple contingency plans to ensure its supply chain and general operations can be maintained with minimal disruption throughout the crisis. In the event of a prolonged continuation of the pandemic, it is not clear what the potential impact may be on the Company’s business, financial position and financial performance.

(b) Financing:

Subsequent to year-end, the Company amended its credit facility increasing the Canadian line of credit from $1,500,000 to $4,500,000 and decreased the related interest rate from prime + 1.5% to prime + 1%. As for the U.S. credit facility, the limit increased from $592,380 (US$450,000) to $1,316,400 (US$1,000,000). In addition, the unused foreign exchange facility limit decreased from $1,050,000 to $550,000. A facility for the issuance of letters of credit and letters of guarantee was also added. None have been issued since the modification.

(c) Redemption of Class A shares:

In August 2020, the Company repurchased 50.42 Class A shares from one of the shareholders for a total amount of $10,000.

(d) Proposed Reverse Takeover Transaction and Private Placement:

On August 24, 2020, the Company entered into a letter of intent with Mira X Acquisition Corp. ("Mira X") to complete a going-public transaction in Canada for the Company (the "Proposed Transaction").

26. Subsequent events (continued):

(d) Proposed Reverse Takeover Transaction and Private Placement (continued):

The Company and Mira X entered into a definitive agreement in respect of the Proposed Transaction on September 28, 2020. Under the Proposed Transaction, the existing holders of common shares of the Company (the "GURU Common Shares") will receive common shares of the Resulting Issuer ("Resulting Issuer Common Shares") in exchange for their GURU Common Shares. In addition, upon the completion of the Proposed Transaction, all of the Company's outstanding securities exercisable or exchangeable for, or convertible into, or other rights to acquire GURU Common Shares (the "GURU Convertible Securities") will be exchanged for securities exercisable or exchangeable for, or convertible into, or other rights to acquire Resulting Issuer Common Shares on the same economic terms and conditions as such original outstanding GURU Convertible Securities.

In the context of the Proposed Transaction, the common shares of Mira X (the "Mira X Common Shares") will be consolidated on a one (1) for 83.846 basis (the "Consolidation") prior to the closing of the Proposed Transaction ("Closing").

Following a reorganization that will include a share split of the outstanding shares of the Company, it is expected that 175,321 post-Consolidation Mira X Common Shares will be issued to the shareholders of Mira X on a one (1) for one (1) basis. Upon completion of the Proposed Transaction, the security holders of the Company will hold approximately 28,732,446 Resulting Issuer Common Shares representing approximately 99.4% of the Resulting Issuer Common Shares taking into account the issuance of the 6,330,750 Subscription Receipts pursuant to the Private Placement described below and taking into account the secondary offering.

Completion of the Proposed Transaction is subject to a number of conditions, including, but not limited to, the completion of the Consolidation, the receipt of regulatory approval, including the approval of the TSXV, in addition to the approval from Mira X and the Company’s shareholders in addition to certain standard closing conditions, including there being no material adverse change in the business of Mira X or the Company prior to completion of the Proposed Transaction. Mira X expects to hold an annual general and special meeting of its shareholders on or about October 28, 2020, to approve the Consolidation, continuation of its corporate jurisdiction from Ontario to the federal jurisdiction of the Canada Business Corporations Act and certain other related matters in connection with the Proposed Transaction.

26. Subsequent events (continued):

(d) Proposed Reverse Takeover Transaction and Private Placement (continued):

Concurrent Private Placement and Secondary Offering

On September 30, 2020, in conjunction with the Proposed Transaction, the Company has closed a brokered private placement of 6,330,750 Subscription Receipts at $5.45 per receipt for gross proceeds of approximately $34,500,000, completed through a syndicate of agents led by Stifel Nicolaus Canada Inc., and including CIBC World Markets Inc. and Laurentian Bank Securities Inc. Each Subscription Receipt will be automatically exchanged for or converted automatically into one (1) Class A share of the Company (each, a "GURU Share"), which will then be exchanged for common shares of the Resulting Issuer in the context of the Proposed Transaction.

In addition to the private placement, certain shareholders of the Company will be offering and selling, on a prospectus exempt basis, approximately $5,300,000 of GURU Common Shares held by them by way of a secondary offering to new investors prior to the Closing.

27. IFRS transition:

As stated in note 2, these are the Company’s first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 5 have been applied in preparing the financial statements for the year ended October 31, 2019, the comparative information presented in these financial statements for the years ended October 31, 2018 and 2017 and in the preparation of an opening IFRS statement of financial position at November 1, 2016 (the Company’s date of transition).

27. IFRS transition (continued):

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with the Accounting standards for private enterprises ("ASPE"). An explanation of how the transition from ASPE to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables:

	November 1, 2016				October 31, 2019				
	Note	ASPE	Effect of transition to IFRS	IFRS	Note	ASPE	Effect of transition to IFRS	IFRS	IFRS accounts
		$	$	$		$	$	$	
Current assets:									
Cash		191,308	–	191,308		149,652	–	149,652	Cash and cash equivalents
Accounts receivable		1,058,573	–	1,058,573		2,606,719	–	2,606,719	Trade and other receivables
Income taxes receivable		4,845	–	4,845		6,877	–	6,877	Income taxes receivable
Inventories		1,233,350	–	1,233,350		2,948,484	–	2,948,484	Inventories
Prepaid expenses	(a)	167,787	(10,228)	157,559	(a)	240,865	(10,228)	230,637	Prepaid expenses
Refundable investment tax credits		159,633	–	159,633		147,000	–	147,000	Refundable investment tax credits
		2,815,496	(10,228)	2,805,268		6,099,597	(10,228)	6,089,369	
Non-current assets:									
Capital assets		264,795	–	264,795		95,866	–	95,866	Fixed assets
Intangible assets		15,222	–	15,222		61,507	–	61,507	Intangible assets
Right-of-use assets	(a)	–	506,425	506,425	(a)	–	313,840	313,840	Right-of-use assets
Other assets		–	–	–	(b)	–	376,159	376,159	Other assets
Future income taxes		1,257,869	–	1,257,869	(e)	742,629	(8,664)	733,965	Deferred tax assets
		4,353,382	496,197	4,849,579		6,999,599	671,107	7,670,706	

27. IFRS transition (continued):

	November 1, 2016				October 31, 2019				
	Note	ASPE	Effect of transition to IFRS	IFRS	Note	ASPE	Effect of transition to IFRS	IFRS	IFRS accounts
		$	$	$		$	$	$	
Current liabilities:									
Credit facilities		1,056,000	–	1,056,000		1,327,000	–	1,327,000	Credit facilities
Accounts payable and accrued liabilities		803,450	–	803,450		2,865,363	–	2,865,363	Accounts payable and accrued liabilities
Income taxes payable		756	–	756		487,667	–	487,667	Income taxes payable
Balance of sale on share redemption		368,889	–	368,889		–	–	–	Amount payable on share redemption
Current portion of long-term debt	(c)	343,333	665,000	1,008,333		330,000	–	330,000	Current portion of long-term debt
Current portion of lease liabilities	(a)	–	106,088	106,088	(a)	–	167,635	167,635	Current portion of lease liabilities
		2,572,428	771,088	3,343,516		5,010,030	167,635	5,177,665	
Non-current liabilities:									
Future tax liabilities		–	–	–	(e)	–	82,439	82,439	Deferred tax liabilities
Long-term debt	(c)	665,000	(665,000)	–		275,000	–	275,000	Long-term debt
Lease liabilities	(a)	–	390,109	390,109	(a)	–	130,028	130,028	Lease liabilities
		3,237,428	496,197	3,733,625		5,285,030	380,102	5,665,132	
Shareholder's equity:									
Share capital		3,425,576	–	3,425,576		3,425,576	–	3,425,576	Share capital
Contributed surplus		–	–	–		60,000	–	60,000	Contributed surplus
Deficit		(2,309,622)	–	(2,309,622)		(1,703,986)	291,005	(1,412,981)	Deficit
Cumulative translation adjustment		–	–	–	(d)	(67,021)	–	(67,021)	Accumulated other comprehensive income
		1,115,954	–	1,115,954		1,714,569	291,005	2,005,574	
		4,353,382	496,197	4,849,579		6,999,599	671,107	7,670,706	

27. IFRS transition (continued):

	Note	ASPE	Effect of transition to IFRS	IFRS	IFRS accounts
		October 31, 2019			
		$	$	$	
Sales	(b)	17,889,790	(390,375)	17,499,415	Revenue
Cost of goods sold		5,955,578	–	5,955,578	Cost of goods sold
Gross profit		11,934,212	(390,375)	11,543,837	Gross profit
Expenses:					
Selling, general and administration	(a), (b)	10,840,007	(532,545)	10,307,462	Selling, general and administration expenses
Financial	(a)	255,359	15,858	271,217	Net financial expenses
		11,095,366	(516,687)	10,578,679	
Earnings before taxes		838,846	126,312	965,158	Income before taxes
Income taxes					Income taxes
Current		155,006	–	155,006	Current
Future	(e)	54,414	51,017	105,431	Deferred
		209,420	51,017	260,437	
Net earnings		629,426	75,295	704,721	Net income (loss)
Other comprehensive income:					
Item that is or may be reclassified subsequently to consolidated statement of income (loss):					Item that is or may be reclassified subsequently to consolidated statement of income (loss)
Foreign operations - foreign currency translation differences	(d)	–		(1,407)	
Other comprehensive income for the period, net of taxes		–		(1,407)	Other comprehensive income for the period, net of taxes
Total comprehensive income for the period		–		703,314	Total comprehensive income for the period

27. IFRS transition (continued):

(a) IFRS 16 application - *Leases* ("IFRS 16"):

Under ASPE, leases are categorized in either one of capital or operating leases categories and operating leases are not capitalized but rather expensed as the lease payments are incurred. Under IFRS 16, the distinction no longer exists and if the Company concludes it is party to a lease, the liability is recorded in "Lease liabilities" as the present value of all future lease payments (including renewal periods if probable to be used) and the corresponding asset is recorded in "Right-of-use assets" for the same amount on the day of the recognition, adjusted for any payments recorded on the statement of financial position that would be related to the lease. The Company has therefore included all leases in Lease liabilities and Right-of-use assets using the modified retrospective approach at date of transition, being only required for leases outstanding at date of transition. The Company also used the transition exemption of not recording in Lease liabilities and Right-of-use assets short-term leases of less than twelve months and of low value. The depreciation of right-of-use assets was recorded in general and administration expense and the interest on lease liabilities in net finance expenses, whereas the expense recorded under ASPE for the leases recognized on the consolidated statement of financial position was removed from general and administrative expense.

The Company applied the practical expedient to rely on its assessment if leases were onerous under IAS 37, *Provisions, contingent liabilities and contingent assets* and therefore adjusted the right-of-use asset at the date of initial application by the onerous lease provision rather than conduct an impairment test. No loss was recognized at date of transition.

The above application had the following impacts on the Company's consolidated statement of financial position and consolidated statement of income:

Increase (decrease)	As at November 1, 2016	As at October 31, 2019 and for the year then ended
Prepaid expenses	$ (10,228)	$ (10,228)
Right-of-use assets	506,425	313,840
Current portion of lease liabilities	106,088	167,635
Lease liabilities	390,109	130,028
Deficit, opening	–	(11,224)
General and administrative expense	–	(33,031)
Finance expenses	–	15,858

27. IFRS transition (continued):

(b) IFRS 15 application - *Revenue from Contracts with Customers* ("IFRS 15"):

Under ASPE, there are no specific guidance on presentation of slotting fees in the statement of income nor regarding consideration paid to customers. The Company recorded the slotting fees and consideration paid to its customers as selling expenses in the year in which they occurred. Under IFRS 15, the slotting fees paid for specific contracts are to be presented as a reduction of revenue. The Company therefore reclassified its slotting fees from selling expenses as a reduction of Revenue.

Regarding consideration paid to its customers, the Company needs to assess if the payments are related to distinct goods or services or to the overall relationship with the client. The Company has assessed that the payments could not be related to distinct goods or services and capitalized the payments in "Other assets" to be amortized over a period of ten years which best represented the future expected cash flows with its clients, therefore, decreasing the selling expenses in the year in which the payments were made.

The above adjustment had the following impact on the Company's consolidated statement of financial position as at October 31, 2019 and on the consolidated statement of income and comprehensive income for the year ended October 31, 2019:

Financial statement caption	Increase (Decrease)
Other assets	$ 376,159
Revenue	(390,375)
Selling expenses	(499,514)

The above adjustment had no impact on the statement of financial position as at November 1, 2016, as the Company has used the practical expedient for terminated contracts which allowed the Company not to revisit slotting fees made for specific terminated contracts.

(c) Long-term debt presentation:

The Company had a debt with a covenant violation as at November 1, 2016 and October 31, 2017. Under ASPE, the covenant violation was subsequently resolved and cured after these balance sheet dates, and the debt was classified as non-current as at November 1, 2016 and October 31, 2017. Under IFRS, because the breach was still in effect as of November 1, 2016 and October 31, 2017, the debt is required to be presented as a current liability in the consolidated statement of financial position. The breach was settled in 2018 and the Company has not been in breach ever since.

27. IFRS transition (continued):

(c) Long-term debt presentation (continued):

The impact arising from the change is a $665,000 increase of the current portion of long-term debt and a $665,000 decrease of long-term debt as at November 1, 2016.

(d) Consolidated statement of comprehensive income (loss):

Under ASPE, the cumulative translation adjustments are recorded in equity. Under IFRS, the cumulative effect of conversion of foreign operations with a different functional currency is also recorded in equity, but the current period conversion impacts are recorded in the consolidated statement of comprehensive income (loss).

(e) Income tax:

The above changes decreased (increased) the deferred tax liability as follows:

As at October 31, 2019 and for the year then ended Increase (decrease)	Note	Deferred tax expense	Deferred tax assets	Deferred tax liabilities
IFRS 16 application - *Leases*	(a)	$ (3,550)	$ 3,173	$ 5,684
IFRS 15 *Revenue from contract with customers*	(b)	54,567	(11,837)	(88,123)
Total		$ 51,017	$ (8,864)	$ (82,439)

There were no tax impacts as at November 1, 2016.

(f) Material adjustments to the consolidated statement of cash flows:

Consistent with the Company's accounting policy choice under IAS 7, *Statement of Cash Flows*, interest paid and income taxes paid have been presented into the body of the statement of cash flows, whereas they were previously disclosed as supplementary information. There are no other material differences between the consolidated statement of cash flows presented under IFRS and the consolidated statement of cash flows presented under ASPE.

In addition, the Company has elected to present interest received in financing activities and interest received in investing activities as it best reflects the nature of the cash flows.