



CONSOLIDATED FINANCIAL STATEMENTS

SOLUTION FINANCIAL INC.

FOR THE YEARS ENDED OCTOBER 31, 2020 AND 2019
(Expressed in Canadian dollars)

Unit 137 - 8680 Cambie Road
Richmond, BC
Canada
V6X 4K1

Solution.Financial

SOLUTION FINANCIAL INC.

Consolidated Financial Statements

October 31, 2020

(Expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Solution Financials Inc.

Opinion

We have audited the accompanying consolidated financial statements of Solution Financials Inc. (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in shareholders' 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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 IFRS, 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.

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

January 18, 2021

SOLUTION FINANCIAL INC.
Consolidated Statements of Financial Position
as at October 31, 2020 and 2019
(Expressed in Canadian Dollars)

	October 31, 2020	October 31, 2019
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 2,526,379	\$ 583,192
Accounts receivable	393,041	165,353
Income taxes receivable	-	118,111
Prepayment and deposits	78,042	71,732
Current portion of car loans receivable (Note 7)	6,598	30,470
Current portion of receivable under finance lease (Note 8)	328,484	226,432
Inventory (Note 6)	554,029	980,140
	3,886,573	2,175,430
Right-of-use assets (Note 4)	22,268	-
Inventory (Note 6)	-	218,000
Car loans receivable (Note 7)	-	6,599
Receivable under finance lease (Note 8)	334,222	470,825
Property under operating leases (Note 9)	24,523,140	21,297,057
Property and equipment (Note 10)	304,838	314,898
	\$ 29,071,041	\$ 24,482,809
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (Note 13)	\$ 10,062,818	\$ 5,757,033
Accounts payable and accrued liabilities	221,265	210,619
Deferred revenue (Note 15)	2,581	17,742
Lease liability (Note 4)	17,584	-
Customers' deposits and advances (Note 14)	607,740	333,671
Convertible debentures (Note 16)	2,686,146	1,255,585
Deferred tax liability	864,940	182,000
	14,463,074	7,756,650
Lease Liabilities (Note 4)	8,144	-
Customers' deposits (Note 14)	1,510,775	1,673,925
Deferred revenue (Note 15)	2,654,482	2,962,709
Convertible debentures (Note 16)	-	2,613,001
	18,636,475	15,006,285
Shareholders' equity		
Share capital (Note 17)	7,078,073	5,519,562
Warrants (Note 17)	-	634,492
Contributed surplus	872,622	675,880
Equity portion of convertible debentures (Note 16)	93,693	339,759
Retained earnings	2,390,178	2,306,831
	10,434,566	9,476,524
	\$ 29,071,041	\$ 24,482,809

Nature of Business (Note 1)

Subsequent Events (Note 25)

APPROVED ON BEHALF OF THE BOARD
"Bryan Pang" Director

"Sean Hodgins" Director

The accompanying notes are an integral part of these consolidated financial statements.

SOLUTION FINANCIAL INC.
Consolidated Statements of Comprehensive Income
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Lease and brokerage sales		
Sales and lease income (Note 21)	\$ 13,875,161	\$ 8,861,678
Brokerage commissions (Note 20)	423,909	777,885
Total Sales	14,299,070	9,639,563
Cost of Sales (Note 21)	10,873,693	6,669,192
Gross profit	3,425,377	2,970,371
Expenses		
Sales and marketing (Note 22)	1,003,985	1,216,866
General and administration (Note 22)	874,145	891,133
Interest	674,268	408,815
Amortization	38,409	32,119
Share based compensation (Note 17)	51,351	98,805
	2,642,158	2,647,738
	783,219	322,633
Other items		
Other income	7,529	7,315
Income before tax	790,748	329,948
Income taxes	390,335	148,000
Net income and comprehensive income for the year	400,413	181,948
Basic and diluted earnings per common share	\$ 0.005	\$ 0.002
Weighted average number of common shares outstanding	79,456,799	79,161,862

The accompanying notes are an integral part of these consolidated financial statements.

SOLUTION FINANCIAL INC.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended October 31, 2020 and 2019

(Expressed in Canadian Dollars)

	Share capital			Equity			shareholders' equity
	Issued and outstanding			component of		Retained earnings	
	Number	Common shares	Warrants	Contributed surplus	convertible debt		
		\$	\$	\$	\$	\$	\$
Balance, October 31, 2018	79,091,831	5,431,156	634,492	607,430	246,066	2,204,094	9,123,238
Issuance of convertible debt	-	-	-	-	93,693	-	93,693
Exercise of agents' compensation options	145,800	53,418	-	(16,967)	-	-	36,451
Exercise of stock options	86,400	34,988	-	(13,388)	-	-	21,600
Share based compensation on options	-	-	-	98,805	-	-	98,805
Net and comprehensive loss	-	-	-	-	-	181,948	181,948
Dividend	-	-	-	-	-	(79,211)	(79,211)
Balance, October 31, 2019	79,324,031	5,519,562	634,492	675,880	339,759	2,306,831	9,476,524
Exercise of agents' options	104,100	38,141	-	(12,116)	-	-	26,025
Exercise of employees' options	57,600	23,326	-	(8,926)	-	-	14,400
Share based compensation on options	-	-	-	51,351	-	-	51,351
Purchase of common shares for cancellation	(1,553,500)	(110,345)	-	(468,059)	-	-	(578,404)
Conversion of convertible debt	3,450,000	1,607,389	-	-	(246,066)	-	1,361,323
Warrants expired	-	-	(634,492)	634,492	-	-	-
Net and comprehensive loss	-	-	-	-	-	400,413	400,413
Dividend	-	-	-	-	-	(317,066)	(317,066)
Balance, October 31, 2020	81,382,231	7,078,073	-	872,622	93,693	2,390,178	10,434,566

The accompanying notes are an integral part of these consolidated financial statements.

SOLUTION FINANCIAL INC.
Consolidated Statements of Cash Flows
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Operating activities		
Net (loss) income	\$ 400,413	\$ 181,948
Items not affecting cash and cash equivalents:		
Amortization of property and equipment	38,409	32,119
Share-based compensation	51,351	98,805
Accretion expense on convertible debentures	178,883	169,483
Accretion expense on lease liabilities	2,573	-
Depreciation of property under operating lease	5,157,281	3,472,856
Depreciation of right-of-use assets	22,268	-
Deferred tax recovery	-	(34,000)
Change in non-cash working capital		
Trade receivables and due from related company	(227,688)	524,259
Prepayment and deposits	(6,310)	48,649
Inventory	644,111	(450,987)
Car loans receivables	30,471	71,118
Lease payment receivables	34,551	(446,966)
Trade and other payables	10,644	(580,354)
Income taxes payable	118,111	37,417
Deferred tax liability	682,940	182,000
Customers' deposits	110,919	650,162
Deferred revenue	(323,388)	1,377,889
	6,925,539	5,334,398
Investing activities		
Acquisition of property and equipment	(28,349)	(29,565)
Acquisition of property under operating lease (net)	(8,383,364)	(12,500,804)
Interest payment on lease liabilities	(2,573)	-
	(8,414,286)	(12,530,369)
Financing activities		
Proceeds (repayments) from bank indebtedness	4,305,785	4,663,523
Purchase of common shares for cancellation	(578,404)	-
Convertible debentures	-	2,689,162
Agents' compensation options exercises	26,025	36,450
Payment of lease liabilities	(18,806)	-
Stock options exercises	14,400	21,600
Payment of dividends	(317,066)	(79,211)
	3,431,934	7,331,524
Net increase (decrease) in cash and cash equivalents	1,943,187	135,553
Cash and cash equivalents, beginning of year	583,192	447,639
Cash and cash equivalents, end of year	\$ 2,526,379	\$ 583,192

Supplemental cash flow information (Note 12)

The accompanying notes are an integral part of these consolidated financial statements.

SOLUTION FINANCIAL INC.

Notes to the Consolidated Financial Statements For the years ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

1. Nature of Business and Share Exchange Agreement

Solution Financial Inc. (the “Company” or “Solution”), provides sourcing and leasing solutions for luxury and ultra-luxury vehicles, yachts and other high value assets in Western Canada.

The Company’s registered and records office is Unit 137, 8680 Cambie Road, Richmond, British Columbia, Canada, V6X 4K1. The Company’s shares trade on the TSX Venture exchange under the trading symbol “SFI”.

2. Background and Basis of Presentation

Basis of Presentation

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the Interpretations of the International Financial Reporting and Interpretations Committee (“IFRIC”).

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company.

These consolidated financial statements include the assets and operations of Solution, and Solution Canada.

All inter-company balances and transactions have been eliminated on consolidation.

The consolidated financial statements were approved by the Company’s Board of Directors and authorized for issue on January 15, 2021.

3. Critical Accounting Estimates and Use of Judgement

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Areas of financial reporting that require management’s estimates and judgments are discussed below.

Significant estimates used in the preparation of these financial statements include the following:

Covid-19 estimation uncertainty

During the year ended October 31, 2020, the global financial markets were negatively impacted by the novel Coronavirus (“COVID-19”), which was declared a pandemic by the World Health Organization on March 11, 2020. This has led to significant global economic uncertainty, and the current outbreak of COVID-19 could have a material adverse effect on the Company’s operations and the operations of the Company’s suppliers and customers. The Company has taken what it believes to be appropriate safety precautions at its operations to safeguard the health of its employees and there have been no outbreaks to date at any of the Company’s locations. The extent to which COVID-19 impacts the Company’s operations will depend on future developments, which continue to be highly uncertain and cannot be predicted with confidence. In addition, it is possible that estimates in the

SOLUTION FINANCIAL INC.

Notes to the Consolidated Financial Statements
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

3. Critical Accounting Estimates and Use of Judgement (continued)

Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

Determination of the Company's allowance for credit losses

Estimates and judgments are required as to the timing of establishing an allowance for credit losses and the amount of the required allowance taking into consideration counterparty creditworthiness, current economic trends, the expected residual value of leased assets and past experience.

Valuation of inventory

Inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis for new and used vehicles. In determining net realizable value for new vehicles, the Company primarily considers the age of the vehicles along with the timing of annual and model changeovers. For used vehicles, the Company considers recent market data and trends such as loss histories along with the current age of the inventory. The determination of net realizable value for inventories involves the use of estimates.

Valuation of underlying residual values of leased assets

The Company has significant investments in leased vehicles recorded as operating leases, which relate to vehicle leases. At the beginning of the lease contract a determination is made of the estimated realizable value of the vehicle at the end of the lease term, which is the critical assumption underlying the estimated carrying value of leased assets. The estimated realizable value is based on the lower of the contracted residual value or the current market estimate of residual value based on independent lease guides. Since the customer is not obligated to purchase the vehicle at the end of the contract, the Company is exposed to a risk of loss to the extent the value of the vehicle at the end of the lease term is below the residual value estimated at contract inception. Over the life of the lease, the Company evaluates the adequacy of the estimate of the residual value and may make adjustments to the extent the expected value of the vehicle at lease termination changes. Adjustments could result in a change in the depreciation rate of the leased asset or if an impairment exists, an impairment charge.

Useful lives of equipment

The Company's capitalized property and equipment balances are determined in part through the use of estimates of the useful lives of the underlying assets. In developing their accounting policy for property and equipment, the Company makes estimates of these useful lives. Changes in useful lives of property and equipment may result in adjustments to these capitalized balances in future periods if there are signs that estimates may no longer be accurate.

Income taxes

The determination of current tax expense requires estimates and assumptions. Further the Company's estimates of its deferred income tax assets and liabilities require subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these estimates and assumptions could materially affect the recorded amounts.

SOLUTION FINANCIAL INC.

Notes to the Consolidated Financial Statements For the years ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

Determination of lease type

On entering lease arrangements, the Company assesses whether the lease is a finance lease or an operating lease. As part of this determination, the Company makes a number of estimates associated with the lease, the customer, and the fair value of the underlying lying assets. The accounting for an operating lease is significantly different from that of a finance lease. As such, this determination has a significant impact on the way the leased assets are presented within Company's financial statements.

Share-based payments

The Company uses the Black-Scholes option pricing model to determine the fair value of options and warrants in order to calculate share-based compensation expense and the fair value of agent warrants. The Black-Scholes model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

4. Significant Accounting Policies

Adoption of new accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after December 31, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded from the summary below. The following have been adopted effective November 1, 2019:

IFRS 16 – Leases:

The Company adopted accounting standard IFRS 16, Leases, effective for annual period beginning on or after January 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this will be for leases that are one year or less in duration or for leases of assets with low values.

Under IFRS 16 a lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. As at the date of transition, management assessed that it did not have any leases to which IFRS 16 applied. The adoption of the new IFRS pronouncement therefore did not result in adjustments to previously reported figures and there has been no change to the opening deficit balance as at November 1, 2019.

During the year ended, October 31, 2020, the Company entered into a new lease, resulting in additions to right of use assets and lease liabilities of \$45,536. The two-year lease value was recognized utilizing a discount rate of 7.65%.

SOLUTION FINANCIAL INC.

Notes to the Consolidated Financial Statements For the years ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

The Company amortizes its right of use assets over the term of the lease. The Company recognized amortization of \$22,268 during the year ended October 31, 2020, resulting in a net book value of right of use assets at October 31, 2020 of \$22,268. The Company made payments of lease liabilities and interest during the year ended October 31, 2020 of \$22,424. Lease liabilities at October 31, 2020 were \$25,728, including a current portion of lease liabilities of \$17,584.

IFRIC 23 – Uncertainty over Income Tax Treatments:

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. This interpretation specifies that if an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, it shall determine the tax result consistently with the tax treatment used or planned to be used in its income tax filing. If it is not probable, the entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which one the entity expects to better predict the resolution of the uncertainty:

Most likely amount: single most likely amount in a range of possible outcomes;

Expected value: sum of the probability-weighted amounts in a range of possible outcomes.
The Company adopted IFRIC 23, Uncertainty over Income Tax Treatments, on November 1, 2019.

Standards Issued or Amended Which Will be Adopted in Future Periods

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

IFRS 3 – Business Combinations (“IFRS 3”) was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive, and the inputs and process must together significantly contribute to operating outputs. In addition, it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs, and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

SOLUTION FINANCIAL INC.

Notes to the Consolidated Financial Statements
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

Cash and cash equivalents

Cash consists of amounts held in banks with maturities less than three months at inception. Interest from cash is recorded on an accrual basis. The Company's cash equivalents consist of term deposits maturing within the next year.

Lease receivables

The Company provides financing to customers through direct leases and loans.

Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the lessor to the lessee at the inception of the leases transaction.

Direct financing leases, which are contracts under terms that provide for the transfer of substantially all the benefits and risks of the equipment ownership to customers, are carried at amortized cost. These leases are recorded at the aggregate minimum payments plus guaranteed residual values less unearned finance income. Unearned finance income includes origination fees earned.

Direct financing leases and loans are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, a direct financing lease or a loan is deemed to be impaired at the earlier of the date it has been individually provided for when timely collection is not assured or when it has been in arrears for 120 days. When amounts receivable are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable, net of any costs of realization, by totally or partially writing off the loan and/or establishing an allowance for credit losses.

Revenue recognition

Brokerage Commissions

The Company facilitates vehicle sales through third-party dealerships where customers have low or limited credit history. The Company bears limited inventory risk in the transaction and does not have latitude in setting vehicle prices and therefore the Company only recognizes the net fees. In these situations, the fees are recorded as revenue at the time the customer enters into the contract and the Company is entitled to the fee. The Company is not the obligor under any of these contracts.

Automobile sales

Revenue is recognized when the risks and rewards of ownership have been transferred to the customer and the revenue and costs can be reliably measured and it is probable that economic benefits will flow to the Company. In practice, this means that revenue is recognized when vehicles are invoiced and physically delivered to the customer and payment has been received or credit approval has been obtained by the customer.

Lease interest and rental income

Finance lease interest income is included in the statement of comprehensive income for all financial assets measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset.

SOLUTION FINANCIAL INC.

Notes to the Consolidated Financial Statements For the years ended October 31, 2020 and 2019 (Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

The calculation takes into account all contractual terms of the financial instrument including prepayment options, fee income charged to the customer on the origination of all financial assets, and all purchase premiums or discounts, net of any transaction costs that are directly attributable to the financial instrument, but not future credit losses. The application of the method has the effect of recognizing revenue on the financial instrument evenly in proportion of the amount outstanding over the period to maturity or repayment. Once the recorded value of a financial asset has been reduced due to an impairment loss, interest revenue continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. This is offset by a corresponding adjustment to the loan loss provision charge to reflect the fact that this additional revenue may not be collectible.

Rental income on operating leases is recognized on a straight-line basis over the lease term.

Taxation

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Company follows the liability method to provide for income taxes on all transactions recorded in its financial statements. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused losses, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings or equity in the period that includes the substantive enactment date. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

Inventories

New, used and demonstrator vehicle inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis.

In determining net realizable value for new vehicles, the Company primarily considers the age of the vehicles along with the timing of annual and model changeovers. For used vehicles, the Company considers recent market data and trends such as loss histories along with the current age of the inventory.

The Company retains security over the vehicles associated with each lease. Subject to certain conditions, the Company may repossess a vehicle provided a notice of default has been issued to the customer, or upon the customer voluntarily terminating their contract. The Company attempts to negotiate with customer to avoid the need for repossession whenever possible. Vehicles that are repossessed are either disposed of at the wholesale used vehicle market price or re-leased to new customers with the proceeds offsetting any outstanding balance. The customer is liable for any shortfall.

SOLUTION FINANCIAL INC.

Notes to the Consolidated Financial Statements
For the years ended October 31, 2020 and 2019
(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

Share capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Deferred financing costs incurred in connection with the issuance of common shares are capitalized until the financing is completed. In the event the financing is not completed, these costs are expensed to profit or loss.

Proceeds that are received in advance of the completion of an issuance of common shares are recorded within equity as subscriptions received in advance.

Convertible debentures

Convertible debentures, where all significant terms of the agreement are known, are separated into their liability and equity components and accounted for using effective interest rate method. The fair value of the liability component at the time of issue was determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value and the fair value of the liability component.

Convertible debentures for which the conversion price is not known are recorded as liabilities in their entirety.

Earnings per share ("EPS")

Basic EPS amounts are calculated by dividing net income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS amounts are calculated with consideration given to convertible preferred shares, stock options and warrants, and assumes that any proceeds received on exercise of options or warrants would be used to purchase common shares at the average market price during the period. Diluted EPS amounts also include exchangeable shares using the "if-converted" method to determine the dilutive effect of convertible and subordinate debentures, whereby it is assumed the conversion of the exchangeable shares occurs at the beginning of the reporting period (or at the time of issuance, if later) where applicable. The weighted average number of common shares outstanding is then adjusted by the net change.

Share-based compensation

Equity-settled share-based compensation to employees and others providing similar services are measured at the fair value of equity instruments at the grant date. The fair value is measured at grant date, using the Black-Scholes option pricing model, and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of the reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

SOLUTION FINANCIAL INC.

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Share-based compensation (continued)

Equity-settled share-based compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Consideration received on the exercise of the stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity.

4. Significant Accounting Policies (continued)

Dividends

Dividends on common shares are recognized in the Company's consolidated financial statements in the period the dividends are declared by the Company's Board of Directors.

Property under operating leases

The Company determines the classification of a lease at its lease inception date. An operating lease is one that does not transfer substantially all of the risks and rewards of ownership to the lessee.

Property classified as operating leases are carried at cost less accumulated depreciation and are being depreciated to their estimated residual values using the straight-line method over the lease term.

Property under operating leases are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use. The Company has not been required to record an impairment loss to date.

Property, plant and equipment

Property and equipment are stated at cost less accumulated amortization and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Residual values, useful lives and methods of amortization are reviewed, and adjusted if appropriate, at each financial year end. Land is not amortized. Unless noted otherwise, amortization of property and equipment is provided for over the estimated useful life of the assets on the declining balance basis at the following annual rates:

Land	0%
Buildings	4%
Vehicles	Straight line basis over the term of the lease
Furniture & Equipment	20%
Computer Equipment	30%
Software	4 years straight line method

SOLUTION FINANCIAL INC.

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4. Significant Accounting Policies (continued)

Impairment of non-current assets

The carrying amounts of the Company's non-current assets are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the Cash Generating Unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value less cost to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. 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.

Financial instruments

Classification

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income (loss) ("FVOCI"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. A financial liability is classified as measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

SOLUTION FINANCIAL INC.

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4. Significant Accounting Policies (continued)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company

may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

Asset or Liability	Classification IFRS 9
Cash and cash equivalents	FVTPL
Accounts receivables	Amortized cost
Due from related company	Amortized cost
Car loan receivable	Amortized cost
Receivable under finance leases	Amortized cost
Bank indebtedness	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Customers' deposits and advances	Amortized cost
Convertible debentures	Amortized cost

Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

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4. Significant Accounting Policies (continued)

Impairment of financial instruments

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information

Government assistance

Government grants, including grants from similar bodies, consisting of investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Research grants that compensate the Company for expenses incurred are recognized in profit or loss in reduction thereof on a systematic basis in the same years in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

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5. Financial Instruments and Risk Management

Fair value

The Company's financial instruments recognized on the statements of financial position consist of cash, term deposits, accounts receivable, due from related company, car loans receivable, receivable under finance lease, bank indebtedness, accounts payable and accrued liabilities, customers' advances, customers' deposits, due to shareholder and short-term loans payable. The fair values of the Company's short term financial instruments approximate their carrying values due to their short-term maturity. The fair values of the Company's long term financial assets and liabilities approximate their carrying values based on market interest rates. The Company has classified financial instruments as follows:

	Classification	Measurement
Financial assets:		
Cash and cash equivalents	FVTPL	Fair Value
Accounts receivable	Loans and receivables	Amortized cost
Due from related company	Loans and receivables	Amortized cost
Car loan receivable	Loans and receivables	Amortized cost
Lease receivables	Loans and receivables	Amortized cost
Financial liabilities:		
Bank indebtedness	Financial liabilities	Amortized cost
Accounts payable accrued liabilities	Financial liabilities	Amortized cost
Customers' advances	Financial liabilities	Amortized cost
Customers' deposits	Financial liabilities	Amortized cost
Convertible debentures	Financial liabilities	Amortized cost

The following is an analysis of the Company's financial instruments measured using the fair value hierarchy as at October 31, 2020 and 2019:

October 31, 2020					
		Level 1	Level 2	Level 3	
Cash	\$	2,514,011	\$ -	\$ -	
Cash equivalents	\$	12,368	\$ -	\$ -	
October 31, 2019					
		Level 1	Level 2	Level 3	
Cash	\$	563,553	\$ -	\$ -	
Cash equivalents	\$	19,639	\$ -	\$ -	

SOLUTION FINANCIAL INC.

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5. Financial Instruments and Risk Management (continued)

(Level 1) – Based on quoted market prices in active markets.

(Level 2) – Inputs, other than quoted prices in active markets, that are observable, either directly or indirectly.

(Level 3) – Unobservable inputs that are not corroborated by market data.

The Company's cash equivalents consist of term deposits maturing within the next year.

The Company has exposure to the following risks from its use of financial instruments: credit, interest rate, liquidity, and price risk. The Company reviews its risk management framework on a quarterly basis and makes adjustments as necessary. The fair values of the Company's financial assets and liabilities held at amortized cost approximates their book values.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, accounts receivable, due from related company, car loans receivable, and lease receivables. The Company attempts to mitigate the risks associated with cash and term deposits by dealing only with major Canadian financial institutions with good credit ratings and performs credit assessments of all customers making material orders. The Company attempts to mitigate the risks associated with car loans receivable and lease receivables through its credit check process performed before entering into any sales arrangement.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company's financial instruments that are exposed to concentrations of interest rate risk consist of bank indebtedness and short-term loans. A change in the prime rate of interest of 1% would result in additional interest expense for the Company of \$10,935.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due. The Company currently settles all of its financial obligations out of cash generated from operations. The ability to do so relies on the Company maintaining sufficient cash in excess of anticipated needs. To help manage its liquidity the Company has obtained an operating loan agreement through the Bank of Montreal (Note 14).

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The Company is at risk to changes in commodity prices, which may affect financing options available to the Company.

6. Inventory

Inventory at October 31, 2020 and 2019 consists of vehicles held for sale. Inventory is carried at the lower of cost or net realizable value.

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7. Car Loans Receivable

Car loans consist of loan agreements at interest rates ranging from 11% to 18% made to vehicle owners. In these agreements, the borrower has acquired the vehicle outright and the Company is providing financing to the purchaser that is secured by a lien against the underlying vehicle. As a result of the adoption of IFRS 9 Financial Instruments, the Company records a provision for expected credited losses. Using the expected credit loss model these car loan receivables were classified as Stage 1 “performing” at October 31, 2020 and 2019.

	31-Oct-20			31-Oct-19		
	Gross receivable	Unearned income	Net receivable	Gross receivable	Unearned income	Net receivable
	\$	\$	\$	\$	\$	\$
Maturity						
Within 1 year	6,822	(224)	6,598	32,691	(2,221)	30,470
In 1 to 3 years	-	-	-	6,822	(223)	6,599
	6,822	(224)	6,598	39,513	(2,444)	37,069

The unearned income in the above table represents the unearned portion of interest receivable over the remaining term of the loan.

8. Receivable Under Finance Lease

Finance lease receivables consist of conditional sales contracts, which have terms of 24 to 60 months with fixed rates of interest. All lease receivables are secured by the corresponding vehicle. As a result of the adoption of IFRS 9 Financial Instruments, the Company records a provision for expected credit losses for receivables under finance lease. Using the expected credit loss model these receivables under finance lease were classified as Stage 1 “performing” at both October 31, 2020 and October 31, 2019.

The contractual maturity of the portfolio outstanding of continuing operations as at October 31, 2020 and 2019, assuming no prepayments, is as follows:

	31-Oct-20			31-Oct-19		
	Gross receivable	Unearned income	Net receivable	Gross receivable	Unearned income	Net receivable
	\$	\$	\$	\$	\$	\$
Maturity						
Within 1 year	403,921	(75,437)	328,484	308,889	(82,457)	226,432
In 1 to 3 years	341,142	(43,238)	297,904	460,333	(65,432)	394,901
After 3 years	39,037	(2,719)	36,318	81,680	(5,756)	75,924
	784,100	(121,394)	662,706	850,902	(153,645)	697,257

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8. Receivable Under Finance Lease (continued)

Included in the above table, the residual interest of assets as at October 31, 2020 are \$98,450 (2019 - \$90,700). As at October 31, 2020, the Company has recognized \$75,099 (2019 - \$63,880). This recognized portion is included in the net receivable column in the above table of the amounts receivable under finance lease.

The Company has a history with limited payment defaults and no credit losses. The lease agreements include security deposits and the Company has a history of releasing or selling vehicles repossessed without taking any losses. As such, the Company has no provisions for credit losses.

9. Property Under Operating Leases

The Company acts as a lessor in connection with operating leases and recognizes the leased assets in its statements of financial position. The lease payments received, are recognized in net income as rental revenue, a sub-category with sales and lease income (Note 21).

	For the Year Ended	
	31-Oct-20	31-Oct-19
	\$	\$
COST		
At the beginning of the period	24,941,758	14,461,033
Additions	15,273,379	15,567,274
Disposals	(9,617,698)	(5,086,549)
At the the end of the period	30,597,439	24,941,758
ACCUMULATED DEPRECIATION		
At the beginning of the period	3,644,701	2,191,924
Depreciation charge for the period	5,157,281	3,472,856
Disposals	(2,727,683)	(2,020,079)
At the the end of the period	6,074,299	3,644,701
Net carrying amount	24,523,140	21,297,057

The above depreciation charge for the year is included within the Company's cost of sales in the statements of comprehensive income (Note 21).

Below are the future minimum lease payments arising from non-cancellable operating leases of continuing operations:

	31-Oct-20	31-Oct-19
Within 1 year	5,003,596	4,527,858
In 1 to 3 years	3,914,321	4,628,736
After 3 years	138,304	282,995
\$	9,056,221	\$ 9,439,589

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10. Property and Equipment

		Land	Buildings	Furniture and Equipment	Computer Equipment	Software	Total
Cost							
Balance, October 31, 2018	\$	161,883	\$ 94,025	\$ 118,915	\$ 6,086	\$ 31,640	\$ 412,549
Additions		-	-	-	2,143	27,422	29,565
Balance, October 31, 2019	\$	161,883	\$ 94,025	\$ 118,915	\$ 8,229	\$ 59,062	\$ 442,114
Accumulated Amortization							
Balance, October 31, 2018		-	37,197	54,874	3,026	-	95,097
Additions		-	2,273	12,808	2,272	14,766	32,119
Balance, October 31, 2019	\$	-	\$ 39,470	\$ 67,682	\$ 5,298	\$ 14,766	\$ 127,216
Net Book Value							
Balance, October 31, 2019	\$	161,883	\$ 54,555	\$ 51,233	\$ 2,931	\$ 44,296	\$ 314,898

		Land	Buildings	Furniture and Equipment	Computer Equipment	Software	Total
Cost							
Balance, October 31, 2019	\$	161,883	\$ 94,025	\$ 118,915	\$ 8,229	\$ 59,062	\$ 442,114
Additions		-	-	7,550	2,515	18,285	28,349
Balance, October 31, 2020	\$	161,883	\$ 94,025	\$ 126,465	\$ 10,744	\$ 77,347	\$ 470,463
Accumulated Amortization							
Balance, October 31, 2019		-	39,470	67,682	5,298	14,766	112,450
Additions		-	2,182	14,021	2,869	19,337	38,409
Balance, October 31, 2020	\$	-	\$ 41,652	\$ 81,703	\$ 8,167	\$ 34,103	\$ 165,625
Net Book Value							
Balance, October 31, 2020	\$	161,883	\$ 52,373	\$ 44,762	\$ 2,577	\$ 43,244	\$ 304,838

11. Related Party Transactions

The Company uses an office leased by Solution Lease Club, a Company controlled by the CEO the Company for administration and promotional purposes. Solution Lease Club's office is at Unit 6, 11220 Voyager Way, Richmond. The Company pays Solution Lease Club a \$125 fee for each sales and lease transaction for property usage. The Company paid a total of \$40,800 during the year ended October 31, 2020 (2019- \$45,800).

For the year ended October 31, 2020, remuneration of directors and other members of key management personnel are \$274,776 (2019 – \$329,288). During the year ended October 31, 2020, the Company declared dividends of \$ 317,066 (2019 - \$ 79,211).

For the year ended October 31, 2020, the Company paid a total of \$35,724 (2019- \$93,299) to law firms where a partner is a director of the Company.

12. Supplemental Cash Flow Information

Significant non-cash transactions during the years ended October 31, 2020 and 2019 affecting cash flows from investing and financing activities included:

October 31,	2020	2019
Conversion of convertible debentures into units	\$ 1,361,323	\$ -
Recognition of equity portion on convertible debt on issuance	(246,066)	127,693

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13. Bank Indebtedness

On September 21, 2020, the Company amended its Credit Loan Facility with a \$2,500,000 increase to \$12,500,000. The secured line of credit facility bears interest at prime plus 1.20% per annum.

The loan agreement allows the Company to draw on funds as needed and is secured by a personal guarantee of the Company's CEO and certain assets of the Company.

As at October 31, 2020, the total outstanding balance on the loan agreement is \$10,062,818 (October 31, 2019 - \$5,757,033). As part of the bank covenants, the Company is required to maintain a cash flow coverage ratio of not less than 1.25:1 and a debt to tangible net worth ratio not greater than 2.25:1

Interest expense recognized in relation to bank facility during the year ended October 31, 2020 was \$313,569 (2019- \$82,860).

14. Customers' Deposits

Customers' deposits are refundable security deposits received by the Company at lease inception. They are applied to residual balance if buyout option is exercised or will be refunded at the maturity of the lease upon return of the vehicle. As at October 31, 2020, the Company has deposits of \$600,100 on leases coming due in the next year (2019 - \$355,887) and \$1,510,775 deposits coming due in more than a year (2019 - \$1,673,925).

15. Deferred Revenue

Deferred revenue are lease down payment received by the Company at lease inception. They are recognized as rental income on a straight-line basis over the terms of the lease. In case of pre-mature termination, any balance of the unrealized down payment will be recognized at the same time.

16. Convertible Debenture

	Liability Portion of Convertible Debentures	Equity Portion of Convertible Debentures
Balance, October 31, 2018	\$ 1,137,635	\$ 246,066
Convertible Debentures Issued (net of costs)	2,561,468	93,693
Interest Accrued	325,955	-
Cash Interest	(156,472)	-
Balance, October 31, 2019	3,868,586	339,759
Interest Accrued	358,173	-
Cash Interest	(179,290)	-
Converted into common shares	(1,361,323)	(246,066)
Balance, October 31, 2020	\$ 2,686,146	\$ 93,693

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16. Convertible Debenture (continued)

On October 3, 2018, the Company closed the first tranche of its previously announced non-brokered financing of unsecured convertible debentures ("October 3, 2018 Debentures") in the principal amount of \$1,380,000. The Debentures will mature on October 3, 2020 ("Maturity Date") and bear interest at a rate of 3.99% per annum, calculated and paid semi-annually. The principal amount and any accrued and unpaid interest on the Debenture may be converted into common share in the capital of the Company ("Shares"), in whole or in part, at any time following the Issue Date but on or before the Maturity Date at a conversion price of \$0.40 per Share.

On issuance, the Company recognized the fair value of the liability component of \$1,133,934 based on the terms of the Debentures and a discount rate of 15.22%. The residual amount of \$246,066 was allocated to the equity portion. Transaction costs of \$5,257 were recognized.

For the year ended October 31, 2020, accretion expense of \$105,740 and interest expense of \$43,271 were recognized.

For the year ended October 31, 2019, accretion expense of \$117,950 and interest expense of \$55,062 were recognized.

During the year ended October 31, 2020, all of the October 3, 2018 Debentures were converted at \$0.40 per share for a total of 3,450,000 shares.

On January 7, 2019, the Company closed the first tranche of its previously announced non-brokered financing of unsecured convertible debentures ("January 7, 2019 Debentures") in the principal amount of \$2,000,000.

The Debentures will mature on January 4, 2021 ("Maturity Date") and bear interest at a rate of 5.0% per annum, calculated and paid semi-annually. The principal amount and any accrued and unpaid interest on the Debenture may be convertible into common shares in the capital of the Company ("Shares"), in whole or in part, at any time following the Issue Date but on or before the Maturity Date at a conversion price of \$0.50 per Share.

On issuance, the Company recognized the fair value of the liability component of \$1,895,50 based on the terms of the Debentures and a discount rate of 7.93%. The residual amount of \$94,494 was allocated to the equity portion. Transaction costs of \$10,000 were recognized.

For the year ended October 31, 2020, accretion expense of \$53,579 and interest expense of \$100,160 were recognized.

For the year ended October 31, 2019, accretion expense of \$41,306 and interest expense of \$81,919 were recognized.

On April 15, 2019, the Company closed a non-brokered private placement of unsecured convertible debentures ("April 15, 2019 Debentures") in the principal amount of \$705,000. The Debentures will mature on April 15, 2021 ("Maturity Date") and bear interest at a rate of 5.0% per annum, calculated and paid semi-annually. The principal amount and any accrued and unpaid interest on the Debenture may be convertible into common shares in the capital of the Company ("Shares"), in whole or in part, at any time following the Issue Date but on or before the Maturity Date at a conversion price of \$0.50 per share.

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16. Convertible Debenture (continued)

On issuance, the Company recognized the fair value of the liability component of \$665,963 based on the terms of the Debentures and a discount rate of 8.11%. The residual amount of \$33,199 was allocated to the equity portion. Transaction costs of \$5,838 were recognized.

For the year ended October 31, 2020, accretion expense of \$19,566 and interest expense of \$35,342 were recognized.

For the year ended October 31, 2019, accretion expense of \$10,227 and interest expense of \$19,215 were recognized.

	2020	2019
Interest Accrued on Convertible Debentures	\$ 358,173	\$ 325,955
Interest on Lease Liabilities	2,573	-
Interest on Bank Loan Facility	313,522	82,860
Total Interest Expense	\$ 674,268	\$ 408,815

17. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the year ended October 31, 2020 the Company completed the following transactions:

- (i) The Company issued 104,100 common shares for cash proceeds of \$26,025 pursuant to the exercise of agents' compensation options. On exercise, the Company transferred \$12,116 from contributed surplus to common shares representing the fair value of agents' compensation options on grant.
- (ii) The Company issued 57,600 common shares for cash proceeds of \$14,400 pursuant to the exercise of employees' stock options. On exercise, the Company transferred \$8,926 from contributed surplus to common shares representing the fair value of stock options on grant.
- (iii) The Company purchased and cancelled 1,553,500 of its common shares on the open market at an average price of \$0.37 for total cost of \$578,404 pursuant to a normal course of issuer bid (the "NCIB"). Under the NCIB, a total of up to 3,966,2020 common shares may be purchased through the facilities of the TSXV, and any such purchases will be at market prices. The NCIB commenced on or after December 16, 2019 and will end on December 16, 2020 or on such earlier date as the Company may complete its purchase pursuant to the NCIB or as it may otherwise determine.
- (iv) The Company issued 3,450,000 common shares pursuant to the conversion of the October 3, 2018 Debentures. On conversion, the Company transferred \$246,066 from equity component of convertible debt to share premium.

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- (v) The Company paid dividends of \$317,066 or \$0.004 per share.

17. Share Capital (continued)

During the year ended October 31, 2019 the Company completed the following transactions:

- (i) The Company issued 145,800 common shares for cash proceeds of \$36,450 pursuant to the exercise of agents' compensation options. On exercise, the company transferred \$16,967 from contributed surplus to common shares representing the fair value of agents' compensation options on grant.
- (ii) The Company issued 86,400 common shares for cash proceeds of \$21,600 pursuant to the exercise of employees' stock options. On exercise, the company transferred \$13,388 from contributed surplus to common shares representing the value of stock options on grant.
- (iii) The Company paid dividends of \$79,211 or \$0.001 per share.

Escrow shares

At October 31, 2020, 146,870 (October 31, 2019- 293,750) common shares were held in escrow and deposited with a trustee under a CPC escrow agreement. Under the escrow agreement, 10% of the escrowed shares will be released on completion of a QT, 15% of the escrowed shares will be released every 6 months following the initial release on completion of a QT over a period of 36 months.

At October 31, 2020, 29,744,879 (October 31, 2019- 43,265,279) common shares were held in escrow and deposited with a trustee under the Surplus escrow agreement. Under the surplus escrow agreement, 5% of escrowed shares will be released on completion of a QT and 6 months from the release date, 10% release 12 and 18 months from QT completion date and 15% release 24 and 30 from QT completion date, and 40% release 36 months from QT completion date.

Stock options and warrants

The Company follows the policies of the TSX-V under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price, or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of three years and vest at the discretion of the Board of Directors.

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17. Share Capital (continued)

Stock option transactions are summarized as follows:

	Stock Options	
	Number	Weighted Average Exercise Price
Outstanding, October 31, 2018	4,769,900	\$ 0.25
Exercised-Agents' options	(145,800)	\$ 0.25
Exercised-Employees' options	(86,400)	\$ 0.25
Outstanding, October 31, 2019	4,537,700	\$ 0.25
Exercised-Agents' options	(104,100)	\$ 0.25
Expired-Agents' options	(30,000)	\$ 0.25
Granted-Employees' options	250,000	\$ 0.37
Exercised-Employees' options	(57,600)	\$ 0.25
Outstanding, October 31, 2020	4,596,000	\$ 0.26
Exercisable, October 31, 2020	4,471,000	\$ 0.26

Stock option activities during the year ended October 31, 2020:

- (i) The Company issued 104,100 common shares for cash proceeds of \$26,025 pursuant to the exercise of agents' compensation options.
- (ii) 30,000 agents' compensation options expired on December 22, 2019
- (iii) The Company granted an aggregate of 250,000 fully vested stock options to a member of the Board of Directors, each such option being exercisable into one common share at a price of \$0.37 per share.
- (iv) The Company issued 57,600 common shares for cash proceeds of \$14,400 pursuant to the exercise of employees' stock options.

Stock option activities during the year ended October 31, 2019:

- (i) The Company issued 145,800 common shares for cash proceeds of \$36,450 pursuant to the exercise of agents' compensation options.
- (ii) The Company issued 86,400 common shares for cash proceeds of \$21,600 pursuant to the exercise of employees' stock options.

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17. Share Capital (continued)

Warrant transactions are summarized as follows:

	Warrants	
	Number	Weighted Average Exercise Price
Outstanding, October 31, 2018	9,545,900	\$ 0.40
Warrants issued on exercise of Agents' options	72,900	0.40
Outstanding, October 31, 2019	9,618,800	\$ 0.40
Warrants issued on exercised of Agents' options	52,050	\$ 0.40
Warrants expired	(9,670,850)	\$ 0.40
Outstanding, October 31, 2020	-	\$ -
Exercisable, October 31, 2020	-	\$ -

Warrant activities during the year ended October 31, 2020:

- (i) 52,050 warrants were issued from the exercise of 104,100 agents' compensation options.
- (ii) 9,670,850 warrants expired on December 22, 2019.

Warrant activity during the year ended October 31, 2019:

- (i) The Company issued 72,900 were issued pursuant to the exercise of the 145,800 agents' options.

As at October 31, 2020, the following were outstanding:

	Expiry Date	Number of Shares	Weighted Average	Weighted average
Options	June 25, 2021	4,346,000	\$ 0.25	0.6 years
	November 6, 2022	250,000	\$ 0.37	2.0 years
		4,596,000	\$ 0.26	0.7 years

Share-based compensation

During the year ended October 31, 2020, the company recognized \$51,351 (2019- \$98,805) as share-based compensation for options granted to directors, officers, and employees.

Options and warrants granted with vesting terms are recalculated each period to adjust for the changes in the variables used in determining the fair value.

The Company applies the fair value method in accounting for its stock options using the Black-Scholes option pricing model using the following estimates: expected dividend yield of 0%; risk-free interest rate of 1.10%; expected life of 3 years; common share price of \$0.25-0.37; and expected volatility of 50%-100%. Volatility is based on a range of comparable companies operating in the same industry, adjusted for the Company's limited history.

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18. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2020		2019	
Loss for the year	\$	790,749	\$	329,948
Expected income tax (recovery)	\$	214,000	\$	89,000
Change in statutory rates and other		(4,665)		(1,000)
Permanent differences		16,000		33,000
Adjustment to prior years provision versus statutory tax returns		84,000		130,000
Change in unrecognized deductible temporary differences		81,000		(103,000)
Total income tax expense	\$	390,335	\$	148,000
Current income tax recovery	\$	(290,665)	\$	-
Deferred income tax expense	\$	681,000	\$	148,000

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

	2020		2019	
Deferred tax assets (liabilities)				
Property and equipment		(2,572,000)		(1,468,000)
Share issue costs		48,000		69,000
Debt with accretion		(5,000)		(59,000)
Non-capital losses available for future period		2,169,000		1,698,000
		(360,000)		240,000
Unrecognized deferred tax assets		(503,000)		(422,000)
Net deferred tax liability	\$	(863,000)	\$	(182,000)

The change for the year in the Company's net deferred tax liability was as follows:

	2020		2019	
Balance, beginning of year	\$	182,000	\$	-
Deferred income tax expense		681,000		148,000
Amount charged to equity		-		34,000
Balance, end of year	\$	863,000	\$	182,000

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2020	Expiry Date Range	2019	Expiry Date Range
Temporary Differences				
Share issue costs	176,000	2041 to 2043	254,000	2040 to 2043
Non-capital losses available for future periods	1,685,000	2027 to 2040	1,309,000	2027 to 2039

The attributes are subject to review, and potential adjustments, by tax authorities.

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19. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share:

For the years ended October 31,	2020	2019
Net income available to common shareholders for basic and diluted earnings per share	\$ 400,413	\$ 181,948
Weighted average number of common share outstanding - basic	79,456,799	79,161,862
Effect of dilutive securities - share-based payments	1,692,629	1,315,399
Weighted average number of common shares outstanding-diluted	81,149,428	80,477,261
Earnings per share - reported:		
Basic	\$ 0.005	\$ 0.002
Diluted	\$ 0.005	\$ 0.002

20. Brokerage Commissions

The gross sales through third-party dealerships were:

For the year ended October 31	2020	2019
Brokerage lease	\$ 8,409	\$ 5,103,388
Cost of brokerage lease	-	(4,761,543)
	8,409	341,845
Brokerage sale	9,888,484	9,831,209
Cost of brokerage sale	(9,472,984)	(9,395,169)
	415,500	436,040
Total brokerage commissions	\$ 423,909	\$ 777,885

21. Sales and Cost of Sales by Nature

Sales and lease income includes the following major categories by nature:

For the year ended October 31	2020	2019
Vehicle sales	\$ 5,860,943	\$ 2,927,105
Finance lease vehicle sales	232,771	574,879
Interest and administrative income	2,237,775	1,428,816
Rental revenue	5,342,613	3,689,774
Registration fees	201,059	241,104
Total	\$ 13,875,161	\$ 8,861,678

Included within cost of sales for the year ended October 31, 2020 is amortization of property under operating lease of \$5,157,281 (2019 - \$3,472,856) (Note 9).

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22. Expense by Nature

Sales and marketing expenses include the following major expenses by nature:

For the year ended October 31	2020	2019
Advertising and promotion	\$ 76,564	\$ 109,911
Commissions	731,618	746,140
Marketing	75,952	100,080
Meals and entertainment	18,932	42,802
Demo vehicle rental	100,919	217,933
Total	\$ 1,003,985	\$ 1,216,866

General and administrative expenses include the following major expenses by nature:

For the year ended October 31	2020	2019
Accounting and legal	\$ 171,264	\$ 177,910
Consulting fees	84,284	102,971
Regulatory and transfer agent	77,173	75,276
Insurance, license and permit	62,311	58,234
Office and miscellaneous	113,961	71,926
Repairs and maintenance	2,450	2,543
Salaries and wages	362,702	402,273
Total	\$ 874,145	\$ 891,133

23. Capital Management

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its businesses.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue shares or issue debt (secured, unsecured, convertible and/or other types of available debt instruments). The Company is subject to certain externally imposed capital requirements as described in Note 13. The Company did not change its capital management strategy in the year ended October 31, 2020.

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24. Segmented Information

The Company is currently generating a substantial amount of its brokerage commission revenue through the sales and leases of vehicles brokered to one leasing company ("the Dealership"), an arm's length third party, based on a mutual arrangement.

During the year ended October 31, 2020, the Company generated \$423,909 of brokerage commission through sales and leases transactions within the Dealership (2019- \$ 777,885) (Note 20), which represent 3% of total revenue (2019- 8%).

The Company operates in one business segment being retail sales, leases, and financing for high-end automotive vehicles, boats, and commercial equipment and out of one location being Western Canada.

25. Subsequent Events

On November 16, 2020, the Company appointed Randy Smyth as Director and Chairman of the Board and granted him 350,000 fully vested stock options with an exercise price of \$0.40 per share.

On December 18, 2020, the Company renewed its Normal Course Issuer Bid ("the NCIB") program. Under the renewed NCIB, a total of 4,068,111 common shares may be purchased through the facilities of the TSXV, representing 5% of the issued and outstanding common shares of the Company, and any such purchases will be at market prices and will remain in effect until December 19, 2021.

On December 29, 2020, the Company issued 40,000 common shares for cash proceeds of \$10,000 pursuant to the exercise of employees' stock options. On exercise, the Company transferred \$6,199 from contributed surplus to common shares representing the fair value of stock options on grant.

On January 4, 2021, the Company announced a non-brokered financing up to \$5,000,000 principal amount convertible debentures ("Debentures"). The Debentures will mature on the second anniversary of the date of issuance and bear interest at a rate of 5% per annum, the principal amount and any accrued and unpaid interest on the Debenture may be converted into common shares, in whole or in part, at any time following the issue date but on or before the maturity date at a conversion price of \$0.50 per share.

Subsequent to year end and up to January 18, 2021, the Company purchased and cancelled 20,000 of its common shares on the open market at an average price of \$0.45 for total cost of \$9,000 pursuant to Company's NCIB program.