Court File No. 32-2701357
Estate File No. 32-2701357

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF UNIQUE RESTORATION LTD.

FIRST REPORT OF CROWE SOBERMAN INC. IN ITS CAPACITY AS PROPOSAL TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF UNIQUE RESTORATION LTD.

February 1, 2021

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February 1, 2021

I. INTRODUCTION

1. This report (the **"First Report"**) is filed by Crowe Soberman Inc. (**"Crowe"**) in its capacity as proposal trustee (the **"Proposal Trustee"**), in connection with the Notice of Intention to Make a Proposal (**"NOI"**) filed by Unique Restoration Ltd. ("**Unique**" or **"**the **"Company"**).

2. On January 4th, 2021 (the "**Filing Date**"), the Company filed an NOI and Crowe was appointed as Proposal Trustee. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy for the Company is attached hereto as **Appendix "A"**.

3. The purpose of this First Report is to provide the Ontario Superior Court of Justice (Commercial List) (the **"Court"**) with information pertaining to the following:

    a. a limited summary of certain background information about the Company;

    b. financial challenges experienced by the Company as a result of various ongoing litigation;

    c. the Company's planned restructuring steps to be undertaken during these proceedings; and

d. the Company’s request for an extension of the stay initiated on the Filing Date (the **“Stay Period”**) to March 19, 2021.

II. TERMS OF REFERENCE

4. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.

5. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited internal financial information prepared by the Company’s representatives, the Company’s books and records and discussions with their management and employees (collectively, the “**Information**”). The Proposal Trustee has not performed an audit or other verification of the Information in a manner that would comply with Generally Accepted Assurance Standards (“**GAAS**”) pursuant to the Chartered Professional Accountant of Canada Handbook (the “**CPA Handbook**”) and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

III. GENERAL BACKGROUND INFORMATION ON THE COMPANY

6. The Company is a privately held corporation. As per the Corporation Profile Report, the directors of the Company are John Kennedy, Steve Leblanc, and Martin Williams (collectively the “**Directors**”).

7. The Proposal Trustee understands that Unique was incorporated in 1984 and was amalgamated with one of its subsidiaries, 2039648 Ontario Inc. on March 1, 2020.

Overview of Operations

8. Unique was engaged in the business of building maintenance and restoration services for multi-unit residential, commercial, and industrial projects primarily in British Columbia and Ontario.

9. The Proposal Trustee understands that around March 2020, Unique ceased its day-to-day operations as a building restoration and construction company and as at the Filing Date, had no current ongoing restoration projects.

10. Unique has no employees and is being operated entirely by the Directors. The Company's only physical asset of any significance is its building which is located at 1220 Matheson Boulevard in the City of Mississauga, Ontario (the "**Building**"). The Company intends to continue its lawsuit (counterclaim) in the Supreme Court of British Columbia against IMH 415 & 435 Michigan Apartments Ltd., IMH Pool XIV LP and IMH GP XIV Ltd. and Starlight Group Property Holding Inc. (the "**BC Litigation**") and has come to a funding arrangement with the Company's lawyer (further discussed below).

The Company's Financial Position

11. Sales revenue was declining in the previous two fiscal years ($27.5 million in fiscal 2017; $24.6 million in fiscal 2018; and $17.7 million in fiscal 2019). Gross profit was declining in the previous two fiscal years ($4.3 million in fiscal 2017; $3.2 million in fiscal 2018; and $0.33 million in fiscal 2019). Income from operations was declining in the previous two fiscal years as there were significant losses from operations (gain of $823,032 in fiscal 2017; loss of $970,076 in fiscal 2018; and loss of $4,861,449 in fiscal 2019).

12. The Proposal Trustee understands that the financial statements for the fiscal year 2020 were not yet completed as at the date of this First Report. As previously noted, the Proposal Trustee understands that around March 2020, Unique ceased its day-to-day operations and as at the Filing Date, had no current ongoing restoration projects.

13. The Company's reviewed financial statements for the fiscal year ending January 31, 2019 were issued by PJ Partners Chartered Professional Accountants. A copy of the Financial Statements is attached hereto as **Appendix "B"**.

Causes of Insolvency

14. In or around 2016, Unique entered into a building envelope contract (the "**Building Envelope Contract**") with Starlight Group Property Holdings Inc., on its own behalf and on behalf of IMH 415 & 435 Michigan Apartments Ltd. IMH Pool XIV LP and IMH GP XIV Ltd. (collectively, "**Starlight**") for a renovation project in respect of several buildings located in the City of Victoria, British Columbia (the "**Starlight Project**"). In connection with the Starlight Project, Unique secured a labour and materials payment bond from Zurich Insurance Company Ltd. (the "**Bond**").

15. In December 2016, various complications arose in connection with the Starlight Project and a stop work order was issued by WorkSafeBC (the "**Stop Work Order**"). The Stop Work Order resulted in ongoing costs and delays incurred by Unique and Starlight. Around August 2017, Unique returned to the work site to finish its work under the Building Envelope Contract. The Proposal Trustee understands that the Starlight Project was substantially completed by June 2018 and a certificate of substantial completion was provided to Unique around that time.

16. The Proposal Trustee has been advised that Starlight in connection with the Starlight Project had not paid invoices issued by Unique in an amount totaling $2,185,391 as at June 2018. As well, the Proposal Trustee understands that Starlight commenced an action against Unique in connection with the damages it allegedly suffered as a result of the Stop Work Order. Litigation between Starlight and Unique is currently ongoing (The "**Starlight Litigation**").

17. The Building Envelope Contract has had an overall detrimental effect to Unique's cash flow. The Company has been unable to pay some of its subcontractors that it hired in connection with The Building Envelope Contract and some of these unpaid subcontractors have commenced actions against Unique in respect of the amounts Unique owed them for work performed in connection with the Starlight Project.

18. In addition, the Proposal Trustee has been advised that in or around September 2018, a large subcontractor in respect of the Starlight Project called the Bond as Unique could not pay the subcontractor's invoices due to the ongoing litigation in connection with the Building Envelope Contract. As a result of the Bond being called and Unique being unable to pay same at the time it was called, Unique was not able to secure bonding for any future projects it would have bid on. Accordingly, the Company does not have the ongoing cash flow to fund its operations or pay its debts as they come due.

19. Additional details of the Company's causes of insolvency are detailed in the affidavit of Steve Leblanc sworn January 28, 2021 in support of the Company's February 3, 2021 motion (the "**Leblanc Affidavit**") and are, therefore, not repeated herein.

The Company's Creditors

20. As detailed in the Leblanc Affidavit, Unique's two largest creditors are Royal Bank of Canada ("**RBC**") and VGNA Holdings Inc. ("**VGNA**").

21. RBC is a creditor of Unique by way of providing multiple credit facilities to Unique in connection with the operation of Unique's business over the years. As at the date of this First Report, Unique's total indebtedness to RBC is approximately $3,572,000, which is made up of the following approximate amounts: $3,100,000 in respect of principal and interest for a revolving demand facility; $390,000 in respect of principal and interest for a term loan; $60,000 in respect of a VISA credit card facility; and $22,000 in respect of legal fees and expenses.

22. The Proposal Trustee understands that RBC secured its interest against Unique through a combination of personal guarantees that were entered into by the Directors and their respective spouses, a general security agreement against the Company's assets, and a collateral mortgage against the Building in the amount of $3.6 million.

23. On or around March 26, 2020, RBC provided Unique with a demand letter and a notice of intention to enforce its security under Section 244(1) of the BIA. In addition, RBC entered into a forbearance agreement with Unique and certain guarantors on June 4, 2020, which agreement was extended on October 13, 2020 (the "**Forbearance Agreement**"). As a term of the Forbearance Agreement, Unique executed a consent to the immediate appointment of an interim receiver if Unique's indebtedness to RBC was not paid in full.

24. The Proposal Trustee understands that VGNA became a secured creditor of Unique after it took an assignment of a mortgage registered against the Building in the amount of $1.3 million.

25. The Proposal Trustee has been advised that Unique has entered into an agreement of purchase and sale in respect of the Building, which transaction, if it closes should provide sufficient funds to satisfy substantially all Unique's obligations to RBC and VGNA. This transaction is subject to conditions in favour of the purchaser, which are to be satisfied by February 2, 2021, and is scheduled to close on March 1, 2021 if the conditions are waived. If this transaction goes unconditional, the Proposal Trustee understands from discussions with the Company that the Company will bring a further motion for approval to proceed with that transaction.

26. The Company's remaining creditors mainly consist of unsecured trade creditors and suppliers that are owed money in connection services or goods previously supplied to the Company in connection with its various projects. In addition, The Proposal Trustee understands that Steve Leblanc has been funding Unique's ongoing costs by way of personal funds and is therefore an unsecured creditor.

IV. THE NOI PROCEEDINGS

27. Based on the foregoing, it was determined that Unique is insolvent and the best option available to the Company would be to enter into the notice of intention process under the BIA. The stay of proceedings afforded by the BIA would allow the Company to (a) sell the Building in order to satisfy by the claims of Unique's

secured creditors, that is, RBC and VGNA, and (b) pursue the Starlight Litigation in the hopes that Unique can recover additional amounts to partially or fully satisfy the claims of its unsecured creditors.

28. Accordingly, the Company engaged Crowe to act as Proposal Trustee and on January 4, 2021, the Proposal Trustee filed an NOI with the Official Receiver, on behalf of Unique.

The Company's Activities Since NOI was Filed

29. Since the NOI was filed on January 4, 2021, the Company has been engaged in, among other things:

   i. working with the Proposal Trustee to prepare various cash flow projections;

   ii. working with RBC to protect RBC's interest in respect of the Building; and

   iii. communicating with the Proposal Trustee and the Company's legal counsel on various matters in connection with the NOI Proceedings.

30. The Proposal Trustee has been provided with correspondence from counsel for two private investors who appear to contemplate entering into a transaction with VGNA in respect of the second mortgage against the Building. The Proposal Trustee is attempting to determine if this possible transaction may have any impact on the estate or stakeholders of Unique.

V. EXTENSION OF THE STAY PERIOD TO MARCH 19, 2021

31. The current stay of proceedings will expire on February 3, 2021. Accordingly, the Company is seeking a 45-day extension of time pursuant to Section 50.4(9) of the *Bankruptcy and Insolvency Act* to March 19, 2021 (the "**Stay Extension**").

32. The Company with the assistance of the Proposal Trustee has prepared Cash Flow Projections. A copy of the Cash Flow Projections is attached hereto as **Appendix "B"** and is summarized below.

Unique Restoration Ltd.
Cash Flow Projections
For the period from January 25, 2021 to April 19, 2021

		$
Cash-in	**A**	-
Cash-out		
Building Insurance		2,580
Utilities/maintenance		4,200
	B	6,780
Net Cash inflow (outflow)	**C=A-B**	(6,780)
Opening cash balance (per the Cash Flow Projections)	**D**	10,035
Net Cash (above)	**C**	(6,780)
Closing cash balance	**D+C**	3,255

33. Notwithstanding that the Company does not have ongoing cash flows (operations ceased in March 2020), the Company advises that it plans to rely on the cash on hand as at the Date of this First Report (approximately $10,000) and a retainer provided by the Directors to fund both ongoing maintenance and insurance costs of the Building and the costs of these Proposal proceedings, respectively, for the duration of the Stay Extension, if granted.

34. The Proposal Trustee supports the Company's request for the Stay Extension for the following reasons:

    a. More time is required to enable Unique to work towards putting a proposal forward to its creditors which will hopefully result in a favourable outcome for Unique's stakeholders;

    b. The main asset of the Company is the BC Litigation, which the Company and its principals as well as current counsel for the Company is likely in the best position in order to achieve the maximum recovery for creditors;

    c. The Company is acting in good faith and with due diligence;

d. It is the Proposal Trustee's view that the Stay Extension will not materially prejudice any creditors.

VI. CONCLUSION AND RECOMMENDATIONS

35. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honorable Court grant the Order approving the extension of the Stay Period to March 19, 2021.

All of which is respectfully submitted this 1st day of February 2021.

CROWE SOBERMAN INC.
Trustee acting under a Notice of Intention to Make a Proposal of
Unique Restoration Ltd.

Appendix “A”

District of	Ontario
Division No.	09 - Mississauga
Court No.	32-2701357
Estate No.	32-2701357

In the Matter of the Notice of Intention to make a proposal of:

UNIQUE RESTORATION LTD.
Insolvent Person

CROWE SOBERMAN INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: January 04, 2021

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforenamed insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act.*

Pursuant to subsection 69(1) of the Act, all proceedings against the aforenamed insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: January 05, 2021, 10:43

E-File/Dépôt Electronique — Official Receiver

Appendix “B”

UNIQUE RESTORATION LTD.

Financial Statements

January 31, 2019

(Unaudited)

PARTNERS

UNIQUE RESTORATION LTD.

Index to Financial Statements

Year Ended January 31, 2019

(Unaudited)

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PJ PARTNERS CHARTERED PROFESSIONAL ACCOUNTANTS
3380 South Service Rd., Suite 205, Burlington, Ontario L7N 3J5 Bus: (905) 634-8999 Fax: (905) 634-5057

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Shareholders of UNIQUE RESTORATION LTD.

We have reviewed the accompanying financial statements of UNIQUE RESTORATION LTD. that comprise the balance sheet as at January 31, 2019 and the statements of loss and deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of UNIQUE RESTORATION LTD. as at January 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian accounting standards for private enterprises.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 3 in the financial statements, which indicates that the company incurred significant losses over the past two years. This condition along with other matters set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

PJ Partners

Burlington, Ontario
October 31, 2019

PJ Partners, Chartered Professional Accountants
Licensed Public Accountants

UNIQUE RESTORATION LTD.

Balance Sheet

January 31, 2019

(Unaudited)

		2019		2018		2017
ASSETS						
CURRENT						
Accounts receivable *(Note 4)*	$	**2,125,376**	$	9,707,669	$	7,453,257
Work in progress		**388,766**		93,616		218,748
Income taxes recoverable		-		123,680		-
Prepaid expenses and deposits		**185,478**		199,558		222,938
		2,699,620		10,124,523		7,894,943
PROPERTY AND EQUIPMENT *(Note 5)*		**708,246**		951,664		735,007
LONG TERM TRADE RECEIVABLE *(Note 6)*		**2,128,042**		-		-
LONG TERM INVESTMENTS *(Note 7)*		**23,011**		23,011		142,656
DUE FROM RELATED PARTIES *(Note 8)*		**596,203**		462,747		1,350,734
	$	**6,155,122**	$	11,561,945	$	10,123,340

See notes to financial statements

UNIQUE RESTORATION LTD.

Balance Sheet

January 31, 2019

(Unaudited)

	2019	2018	2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT			
Bank indebtedness *(Note 9)*	$ **13,662**	$ 110,675	$ 629,417
Line of credit *(Note 9)*	**2,820,000**	3,020,000	2,250,000
Accounts payable and accrued liabilities *(Note 10)*	**5,409,602**	5,823,859	3,816,204
Income taxes payable	**-**	-	58,335
Current portion of long term debt *(Note 11)*	**126,416**	122,599	59,883
	8,369,680	9,077,133	6,813,839
LONG TERM DEBT *(Note 11)*	**189,454**	314,347	186,727
DUE TO SHAREHOLDERS *(Note 12)*	**271,887**	-	-
	461,341	314,347	186,727
	8,831,021	9,391,480	7,000,566
SHAREHOLDERS' EQUITY			
Share capital *(Note 13)*	**81**	81	81
Retained earnings (deficit)	**(2,675,980)**	2,170,384	3,122,693
	(2,675,899)	2,170,465	3,122,774
	$ **6,155,122**	$ 11,561,945	$ 10,123,340

CONTINGENT LIABILITY *(Note 15)*

LEASE COMMITMENTS *(Note 16)*

ON BEHALF OF THE BOARD

________________________ *Director*

See notes to financial statements

PJ PARTNERS

UNIQUE RESTORATION LTD.

Statement of Loss and Deficit

Year Ended January 31, 2019

(Unaudited)

	2019	2018	2017
REVENUE *(Note 14)*	**$ 17,711,804**	$ 24,647,289	$ 27,537,110
COST OF SALES			
Sub-contractors	**8,680,496**	9,248,822	9,208,812
Direct wages	**5,440,020**	6,992,011	9,026,961
Equipment rental expense	**1,891,906**	2,752,155	2,423,540
Materials	**1,091,829**	2,167,236	1,930,596
Other operating costs	**176,775**	109,526	254,372
Travel	**97,726**	187,802	349,949
	17,378,752	21,457,552	23,194,230
GROSS PROFIT	**333,052**	3,189,737	4,342,880
EXPENSES *(Schedule 1)*	**5,194,501**	4,159,813	3,519,848
INCOME (LOSS) FROM OPERATIONS	**(4,861,449)**	(970,076)	823,032
OTHER INCOME (EXPENSES)			
Gain on disposal of assets	**-**	13,732	16,658
Loss on disposal of investments	**-**	(119,645)	-
	-	(105,913)	16,658
INCOME (LOSS) BEFORE INCOME TAXES	**(4,861,449)**	(1,075,989)	839,690
INCOME TAXES (RECOVERED) *(Note 17)*	**(15,085)**	(123,680)	63,347
NET INCOME (LOSS)	**(4,846,364)**	(952,309)	776,343
RETAINED EARNINGS - BEGINNING OF YEAR	**2,170,384**	3,122,693	2,346,350
RETAINED EARNINGS (DEFICIT) - END OF YEAR	**$ (2,675,980)**	$ 2,170,384	$ 3,122,693

See notes to financial statements

UNIQUE RESTORATION LTD.

Statement of Cash Flows

Year Ended January 31, 2019

(Unaudited)

	2019	2018
OPERATING ACTIVITIES		
Net loss	$ **(4,846,364)**	$ (952,307)
Items not affecting cash:		
Amortization	**254,416**	249,858
Gain on disposal of assets	**-**	(13,732)
Loss on disposal of investments	**-**	119,645
	(4,591,948)	(596,536)
Changes in non-cash working capital:		
Accounts receivable	**7,582,293**	(2,254,412)
Work in progress	**(295,150)**	125,132
Accounts payable and accrued liabilities	**(414,255)**	2,007,654
Income taxes payable	**123,680**	(182,015)
Prepaid expenses and deposits	**14,080**	23,380
Long term receivables	**(2,128,042)**	-
	4,882,606	(280,261)
Cash flow from (used by) operating activities	**290,658**	(876,797)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(12,500)**	(495,184)
Proceeds on disposal of equipment	**1,500**	42,400
Due to (from) related parties	**(133,456)**	887,987
Cash flow from (used by) investing activities	**(144,456)**	435,203
FINANCING ACTIVITIES		
Line of credit	**(200,000)**	770,000
Advances from shareholders	**271,887**	-
Proceeds from long term financing	**-**	318,300
Repayment of long term debt	**(121,076)**	(127,964)
Cash flow from (used by) financing activities	**(49,189)**	960,336
INCREASE IN CASH FLOW	**97,013**	518,742
Bank indebtedness - beginning of year	**(110,675)**	(629,417)
BANK INDEBTEDNESS - END OF YEAR	$ **(13,662)**	$ (110,675)

See notes to financial statements

1. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises and are in accordance with Canadian generally accepted accounting principles.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments policy

The company initially measures its financial assets and liabilities at fair value. The company subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include accounts receivable, long term investments (non-quoted shares) and amounts due from related parties. Long term receivables have been measured at present value.

Financial liabilities measured at amortized cost include bank indebtedness, line of credit, accounts payable and accrued liabilities and long term debt.

Financial assets measured at fair value include investment of quoted shares.

Cash and cash equivalents

Cash and cash equivalents consist of cash and indebtedness in the bank only. Lines of credit are considered financing.

Work in progress

The value of work in progress is the unbilled amount of a given project and is determined based on chargeable hours worked. It corresponds to the cost by the company to date, net of amounts billed. If the amounts collected for a project exceed the revenue recognized by the company, the difference is then presented as deferred revenue.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Tools and equipment	20%	declining balance method
Trucks and vehicles	30%	declining balance method
Leasehold improvements	5 years	straight-line method

All additions made during the year are amortized at 50% of the above rates and the company regularly reviews its property and equipment to eliminate obsolete items.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments

The company's investments which are not quoted in an active market are valued using the cost method of accounting since the company does not exercise any significant influence over the companies.

Revenue Recognition

The company performs its services primarily under fixed-price contracts and recognizes revenue and costs from construction projects using the percentage-of-completion method. The use of this method for revenue recognition requires that estimates of progress towards completion must be developed to determine the amount of revenue and profit to recognize. Under the percentage-of-completion method, profit margins to be recognized are dependent upon the accuracy of a variety of estimates, including engineering progress, materials quantities, achievement of milestones, cost estimates, site conditions and others. Such estimates are dependent upon various judgments made with respect to those factors, and some are difficult to accurately determine until the project is significantly underway.

Due to uncertainties inherent in the estimation process, it is possible that actual completion costs may vary from estimates. Provisions for estimated losses on uncompleted contracts are made in the period a loss becomes determinable. Change orders and claims are common on construction contracts when changes occur once contract performance is underway. Change orders are included in total estimated contract revenues when it is probable that the change order will result in an addition to contract value and it can be reasonably estimated, whereas costs related to such potential change orders are recorded when incurred.

The cumulative effect of revisions to revenues and estimated costs is recorded in the period when the amounts are known and can be reasonably estimated. These revisions can occur at any time and the effects can be significant, especially when the delay between recognizing costs and revenues is significant.

Construction contracts with customers generally provide that billings are to be made periodically in amounts, which are commensurate with the extent of performance under the contracts. Contract receivables arise principally from the balance of amounts due on progress billings on jobs under construction. Holdbacks on contract receivables are amounts due on progress billings, which are withheld until the customer has accepted the completed project.

Income taxes

The company accounts for Income taxes using the taxes payable method. This method is based on the corporate income tax return and only current income tax assets and liabilities are recognized.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. GOING CONCERN

These financial statements have been prepared on a going-concern basis. Under the going concern assumption, a business is viewed as being able to realize its assets and discharge its liabilities in the normal course of operations. However, the use of this assumption may be inappropriate because there is significant doubt about the company's ability to continue as a going concern. Given the significant operating losses of the last two years and the negative working capital, the company's ability to realize its assets and discharge its liabilities depends on continued support from the shareholders and on renewing its credit facility.

Management has adopted a plan to streamline its operations to address this issue and is planning to obtain the necessary financing from shareholders, a lending institution or new business partners. The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate, because management believes the measures described above will mitigate the effect of the conditions and events that cast doubt on the appropriateness of this assumption.

4. ACCOUNTS RECEIVABLE

		2019		2018
Accounts receivable from trade	$	**1,582,366**	$	8,672,971
Holdbacks receivable		**525,242**		1,256,327
Employee advances		**17,768**		97,419
Allowance for doubtful accounts		**-**		(319,048)
	$	**2,125,376**	$	9,707,669

5. PROPERTY AND EQUIPMENT

		Cost		Accumulated amortization		**2019 Net book value**		2018 Net book value
Tools and equipment	$	2,187,133	$	1,917,613	$	**269,520**	$	323,060
Trucks and vehicles		1,644,539		1,275,244		**369,293**		538,945
Leasehold improvements		652,493		583,060		**69,433**		89,659
	$	4,484,165	$	3,775,917	$	**708,246**	$	951,664

6. LONG TERM TRADE RECEIVABLES

The company has classified some of it's trade receivables as long term. The project related to these amounts is in litigation and the outcome is not known and therefore there is no impairment at this time. Repayment would not be expected until fiscal 2022 therefore the company has measured this receivable at present value which is the discounted amount of future cash flows expected to be received. The amount due of $2,477,579 has been discounted at rate of 5.2% with repayment commencing in fiscal 2022. The fair value as at January 31, 2019 is $2,128,042 The interest rate was estimated based on interest rate for credit facilities charged by the bank to Unique Restoration Ltd.

7. LONG TERM INVESTMENTS

		2019		2018
Common shares of Delivra Corp., at fair value	$	**23,011**	$	23,011

8. DUE FROM RELATED PARTIES

		2019		2018
Amount due from 2327096 Ontario Inc., in which all shareholders of Unique Restoration Ltd. own 100% of the outstanding shares.	$	**1,137**	$	117,555
Amount due from 2378192 Ontario Inc., in which all shareholders of Unique Restoration Ltd. own 33.33% of the outstanding shares.		**301,102**		229,875
Amount due from 2384963 Ontario Ltd., in which all shareholders of Unique Restoration Ltd. own 100% of the outstanding shares.		**-**		848,941
Amount due from (to) 2039638 Ontario Inc., in which two of the shareholders of Unique Restoration Ltd own 100% of the outstanding shares.		**118,010**		(77,124)
Amount due from (to) Green Relief Inc., in which one of the shareholders of Unique Restorations Ltd. own 17% of the outstanding shares and holds a position as a director.		**49,624**		(656,500)
Amount due from Earthscapes Landscape Design in which the shareholders of Unique Restorations Ltd. owns 25% of the outstanding shares.		**30,000**		-
Amount due from Cannoleum Inc. in which Green Relief owns 60% of the outstanding shares.		**96,330**		-
	$	**596,203**	$	462,747

Advances to and from related companies are non-interest bearing and have no set repayment terms.

9. BANK INDEBTEDNESS

The company has available to them a demand line of credit of $3,100,000 with interest payable at prime plus 1.25%. At year end the company had borrowing on the line of credit of $2,820,000 (2018 - $3,020,000). The credit line is secured by a guarantee and postponement of claim for $3,600,000 signed by 2039638 Ontario Inc., a collateral mortgage for $3,600,000 constituting a first fixed charge on the lands and improvements at 1220 Matheson Boulevard East, Mississauga, and guarantee and postponement of claim by the shareholders. The shareholders have not charged a fee to the company for this guarantee.

The demand line of credit is subject to certain non-financial restrictive covenants. The company is not in compliance with the non-financial covenant relating to the reporting timeline.

The bank indebtedness at January 31, 2019 is a result of cheques issued but not cleared the bank.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Trade payables	$ **4,268,820**	$ 2,966,450
Accrued liabilities	**635,002**	2,035,491
Government remittances payable	**385,967**	788,308
Holdbacks payable	**119,813**	33,610
	$ **5,409,602**	$ 5,823,859

11. LONG TERM DEBT

	2019	2018
Vehicle loan bearing interest at 0% per annum, repayable in monthly payments of $304. The loan matures on October 30, 2021 and is secured by the vehicle.	$ **9,526**	$ 13,180
Vehicle loan bearing interest at prime plus 1% per annum, repayable in monthly principal payments of $1,435. The loan matures on October 31, 2020 and is secured by the vehicle.	**29,089**	44,843
Truck loan bearing interest at 0% per annum, repayable in monthly payments of $556. The loan matures on February 21, 2021 and is secured by the truck.	**14,459**	21,132
Vehicle loan bearing interest at 0% per annum, repayable in monthly payments of $888. The loan matures on September 30, 2022 and is secured by the vehicle.	**39,051**	49,701
Truck loan bearing interest at 3.49% per annum, repayable in monthly blended payments of $685. The loan matures on November 18, 2020 and is secured by the truck.	**14,579**	22,148
Vehicle loan bearing interest at 3.9% per annum, repayable in monthly blended payments of $1,662. The loan matures on March 31, 2021 and was secured by the vehicle.	**42,904**	59,333
Vehicle loan bearing interest at 4.97% per annum, repayable in monthly blended payments of $449. The loan matures on February 19, 2021 and is secured by the vehicle.	**10,649**	15,383
Truck loan bearing effective interest at 7.75% per annum, repayable in monthly blended payments of $1,373. The loan matures on April 15, 2020 and is secured by the truck.	**19,201**	33,578

(continues)

11. LONG TERM DEBT *(continued)*

	2019	2018
Vehicle loan bearing interest at 6.24% per annum, repayable in monthly blended payments of $381. The loan matures on July 30, 2020 and is secured by the vehicle.	**10,239**	14,043
Vehicle loan bearing interest at 0.99% per annum, repayable in monthly blended payments of $1,034. The loan matures on April 30, 2022 and is secured by the vehicle.	**39,686**	51,643
Vehicle loan bearing interest at 1.99% per annum, repayable in monthly blended payments of $1,145. The loan matures on April 30, 2022 and is secured by the vehicle.	**43,191**	55,929
Vehicle loan bearing interest at 1.99% per annum, repayable in monthly blended payments of $1,145. The loan matures on April 30, 2022 and is secured by the vehicle.	**43,296**	56,033
	315,870	436,946
Amounts payable within one year	**(126,416)**	(122,599)
	$ 189,454	$ 314,347

Principal repayment terms are approximately:

2020	$ 126,416
2021	111,682
2022	60,625
2023	17,147
	$ 315,870

12. ADVANCES FROM SHAREHOLDERS

The amounts due to shareholder are non-interest bearing and have no set repayment terms. The shareholder consented to subordinating his advances in favour of the bank and as a result, the advances were classified as non-current liabilities.

13. SHARE CAPITAL

Authorized:

3,000	Class "A" Common voting shares, redeemable at option of corporation
1,000	Class "B" Cumulative shares redeemable at option of corporation

	2019	2018
Issued and fully paid:		
2,500 Class A shares	$ **81**	$ 81

14. RELATED PARTY TRANSACTIONS

The company made sales of $5,980 (2018 - $2,002,480) to a related company, First Ontario Street Inc.. The shareholders of Unique Restoration Ltd. control 2384963 Ontario Ltd. which owns 62.50% First Ontario Street Inc.

The company made sales of $1,186,075 (2018 - $847,788) to a related company, Green Relief Inc.. One of Unique's shareholders is a director and also owns 17% of the outstanding shares of the company, Green Relief Inc.

The company made sales of $650,000 (2018 - NIL) to a related company, 2327096 Ontario Inc. Unique's shareholders owns 100% of the outstanding shares of 2327096 Ontario Inc.

The company made sales of $884,956 (2018 - $NIL) to a shareholder and a director of this Unique Restorations Ltd.

During the year, the company paid rent of $168,000 (2018 - $168,000) to 2039638 Ontario Inc. The companies are related by virtue of common shareholders.

There are no trade receivable or payable for any of the above transactions at the end of the year. All of these amounts are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

15. CONTINGENT LIABILITY

The company provided its related company, 2039638 Ontario Inc. a guarantee of its mortgage by a general security agreement. The balance outstanding at January 31, 2019 was $485,474 (2018 - $570,962), the mortgage is secured by the asset purchased. The company cannot estimate the amount it could be liable should the related company default on its obligation.

In the ordinary course of business activities, the company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material effect on the financial position of the company.

16. LEASE COMMITMENTS

The company has a long term lease with respect to its premises in British Columbia. The lease expires November 30, 2024. Future minimum lease payments as at January 31, 2019, are as follows:

2020	$	91,500
2021		99,000
2022		99,000
2023		99,667
2024		103,000
2024		85,833
	$	578,000

17. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26% (2018 - 26%) to the income for the year and is reconciled as follows:

		2019		2018
Loss before income taxes	$	**(4,861,449)**	$	(1,075,989)
Income tax expense at the combined basic Federal and Provincial tax rate:	$	**(1,288,283)**	$	(285,137)
Increase (decrease) resulting from:				
Small business deduction		**67,480**		133,598
Amortization claimed in excess of capital cost allowance		**29,339**		31,096
Non-deductible expenses		**109,285**		16,665
Change in non taxable holdback receivable		**216,581**		(62,850)
Tax losses carry forward		**865,598**		16,411
Loss (Gain) on disposal of assets		-		26,537
Prior year loss carry back adjustment		**(15,085)**		-
Effective tax expense	$	**(15,085)**	$	(123,680)

18. LOSS CARRY FORWARDS

The company has taxable losses that can be applied against future income taxes. These losses expire as follows:

		2019
2037	$	**61,743**
2038		**3,870,589**
	$	**3,932,332**

PARTNERS

19. FINANCIAL INSTRUMENTS

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of January 31, 2019.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company's credit risk is mainly related to accounts receivable. The company provides credit to its clients in the normal course of operations.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, and accounts payable.

Market risk

Market Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The company is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the company manages exposure through its normal operating and financing activities. The company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

All secured financial liabilities have a combined carrying amount of $312,048 (2018- $445,769).

20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

UNIQUE RESTORATION LTD.

Expenses

Year Ended January 31, 2019

(Unaudited)

(Schedule 1)

		2019		2018		2017
EXPENSES						
Bad debts	$	**1,107,965**	$	309,048	$	-
Office and administrative salaries		**1,070,566**		1,158,986		827,005
Management salaries and related costs		**448,839**		498,042		495,001
Vehicle costs		**447,044**		487,430		484,184
Interest and bank charges		**356,689**		220,295		168,834
Rent and other occupancy costs *(Note 14)*		**349,962**		373,851		396,280
Discounted value of accounts receivables *(Note 6)*		**349,537**		-		-
Insurance		**286,012**		397,979		425,680
Amortization		**254,416**		249,858		208,872
Professional fees		**144,455**		53,100		28,437
Office and general administration		**132,173**		166,680		199,789
Advertising and promotion		**89,680**		96,507		137,493
Telephone		**83,746**		86,618		55,586
Meals and entertainment		**63,460**		47,355		82,315
Interest on long term debt		**9,957**		14,064		10,372
	$	**5,194,501**	$	4,159,813	$	3,519,848

See notes to financial statements

Appendix “C”

Unique Restoration Ltd.
Cash Flow Projections
For the period from January 25, 2021 to April 19, 2021

For The Week Beginning	**25-Jan**	**01-Feb**	**08-Feb**	**15-Feb**	**22-Feb**	**01-Mar**	**08-Mar**	**15-Mar**	**22-Mar**	**29-Mar**	**05-Apr**	**12-Apr**	**19-Apr**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Opening Cash Balance	**10,035**	**9,175**	**9,175**	**7,675**	**7,675**	**6,815**	**6,815**	**5,315**	**4,455**	**4,455**	**4,455**	**4,455**	**3,255**	**10,035**
Receipts														
Receivable collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Disbursements (Note 1)														
Building Insurance	860				860			860						**2,580**
Utilities/maintenance			1,500				1,500					1,200		**4,200**
Professional fees (Note 2)														
Total Disbursements	**860**	**-**	**1,500**	**-**	**860**	**-**	**1,500**	**860**	**-**	**-**	**-**	**1,200**	**-**	**6,780**
Net cash flow	**(860)**	**-**	**(1,500)**	**-**	**(860)**	**-**	**(1,500)**	**(860)**	**-**	**-**	**-**	**(1,200)**	**-**	**(6,780)**
Closing Cash Balance	**9,175**	**9,175**	**7,675**	**7,675**	**6,815**	**6,815**	**5,315**	**4,455**	**4,455**	**4,455**	**4,455**	**3,255**	**3,255**	**3,255**

Notes:

1. Although the company is no longer operating from 1220 Matheson Blvd. East, Mississauga ON, the Company has agreed to continue to pay for buidling insurance, utilities and maintenance until the building is sold

2. Ongoing professional fees are being funded by way of a retainer that was provided by the Company's Directors prior to the filing of the NOI.