

GROUNDPEOPLE APPAREL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended May 31, 2023

(Unaudited - Expressed in Canadian Dollars)

Notice to Readers

The accompanying unaudited, condensed interim consolidated financial statements of Grounded People Apparel Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The financial statements do not include all the information and notes required by International Financial Reporting Standards ("IFRS") for annual financial statements and should be read in conjunction with the Company's annual financial statements and notes for the year ended February 28, 2023, which are available on SEDAR at www.sedar.com.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants ("CICPA") for a review of interim financial statements by an entity's auditor.

GROUNDED PEOPLE APPAREL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at May 31, 2023 and February 28, 2023

(Unaudited - Expressed in Canadian Dollars)

	May 31, 2023	February 28, 2023
	(Unaudited)	(Audited)
ASSETS		
Cash	\$ 573,318	\$ 1,153,119
Amounts receivable (Note 5)	82,200	70,289
Prepaid expense (Note 6)	768,589	785,510
Inventory (Note 7)	226,395	139,689
	\$ 1,650,502	\$ 2,148,607
LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	\$ 309,414	\$ 227,360
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	4,469,000	4,469,000
Reserves (Note 9)	351,728	351,728
Deficit	(3,479,640)	(2,899,481)
	1,341,088	1,921,247
	\$ 1,650,502	\$ 2,148,607

Going concern (Note 2)

APPROVED ON BEHALF OF THE BOARD:

“Maximilian Justus” Director
Maximilian Justus

“Geoff Balderson” Director
Geoff Balderson

GROUNDPEOPLE APPAREL INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended May 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	Three months ended May 31, 2023	Three months ended May 31, 2022
Sales	\$ 10,462	\$ 48,696
Cost of goods sold (Note 7)	2,904	15,662
Gross Profit	7,558	33,034
EXPENSES		
Advertising and marketing (Note 7)	327,029	236,373
Consulting fees	91,768	17,000
General and administrative	86,903	52,801
Professional fees	32,418	44,755
Selling expenses	21,149	16,149
Share-based compensation (Note 9)	-	109,000
Transfer agent and filing fees	2,789	-
	(587,717)	(476,078)
Net loss and comprehensive loss for the year	\$ (580,159)	\$ (443,044)
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	23,212,006	18,070,085

GROUNDPEOPLE APPAREL INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the three months ended May 31, 2023 and 2022

(Unaudited – Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves	Deficit	Total Shareholders' Equity
Balance, February 28, 2022	15,466,669	\$ 719,000	\$ 414,000	\$ (934,427)	\$ 198,573
Private placement, net of share issue costs	2,885,714	1,000,000	-	-	1,000,000
Forfeiture of stock options and warrants	-	-	(136,272)	136,272	-
Cancellation of warrants	-	-	(35,000)	-	(35,000)
Share-based compensation	-	-	109,000	-	109,000
Net loss for the period	-	-	-	(443,044)	(443,044)
Balance, May 31, 2022	18,352,383	\$ 1,719,000	\$ 351,728	\$ (1,241,199)	\$ 829,529
Balance, February 28, 2023	23,212,006	\$ 4,469,000	\$ 351,728	\$ (2,899,481)	\$ 1,921,247
Net loss for the period	-	-	-	(580,159)	(580,159)
Balance, May 31, 2023	23,212,006	\$ 4,469,000	\$ 351,728	\$ (3,479,640)	\$ 1,341,088

GROUNDPEOPLE APPAREL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended May 31, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

	Three months ended May 31,	
	2023	2022
Operating Activities		
Net loss for the period	\$ (580,159)	\$ (443,044)
Items not involving cash:		
Share-based compensation	-	109,000
Changes in non-cash working capital items related to operations:		
Amounts receivable	(11,911)	(9,636)
Prepaid expense	16,921	49,196
Inventory	(86,706)	(209,274)
Accounts payable and accrued liabilities	82,054	(50,314)
Cash used in operating activities	(579,801)	(554,072)
Financing Activities		
Proceeds from private placement	-	1,000,000
Cash provided by financing activities	-	1,000,000
Change in cash during the period	(579,801)	(445,928)
Cash, beginning of period	1,153,119	21,422
Cash, end of period	\$ 573,318	\$ 467,350
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2023
(Unaudited – Expressed in Canadian Dollars)

1. CORPORATE INFORMATION

Grounded People Apparel Inc. (the “Company”) was incorporated on April 20, 2020 in British Columbia under the Business Corporations Act. The head office of the Company is located at 800 – 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5. The registered and records office of the Company is located at 2200 HSBC Building – 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8. On October 5, 2022, the Company commenced trading under the trading symbol “SHOE” on the Canadian Securities Exchange (“CSE”).

The Company is primarily engaged in the business of fair trade, sustainable and earth-conscious fashion. The Company’s initial focus is on the design and production of shoes, and more specifically, high-top and low-cut canvassed sneakers.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed interim 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”), interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), and in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 4, 2023.

(b) Basis of Measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

(c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary at the end of the reporting period:

	Incorporated	Nature	Ownership May 31, 2023	Ownership February 28, 2023
Grounded People Apparel (US) SPC	Washington, USA	Social Purpose Apparel	100%	100%

The results of the wholly owned subsidiary will continue to be included in the condensed interim consolidated financial statements of the Company until the date that the Company’s control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated upon consolidation. During the three months ended May 31, 2023 and year ended February 28, 2023, Grounded People Apparel (US) SPC remained inactive with minimal operations.

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2023
(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

(d) Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the parent company's functional currency. The functional currency of Grounded People Apparel (US) SPC is the US dollar, which is determined by the currency of the primary economic environment in which it operates.

(e) Going Concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At May 31, 2023, the Company has not achieved profitable operations, has an accumulated deficit of \$3,479,640 (February 28, 2023 - \$2,899,481) since inception and expects to incur further losses in the development of its business.

The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts of the conflict in the Ukraine to the business to be limited, the indirect impacts on the economy and industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its operations, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. These condensed interim consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amount on its consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements for the year ended February 28, 2023. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended February 28, 2023.

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2023
(Unaudited - Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgments

Management has made critical judgments in the process of applying accounting policies. The one has the most significant effect on the amounts recognized in the condensed interim consolidated financial statements include:

- i. The assessment of the Company's ability to continue as a going concern and its ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 2(e).

Significant estimates

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

- i. The Company determines its allowance for inventory obsolescence based upon expected inventory turnover, inventory aging, and current and future expectations with respect to product sales. Assumptions underlying the allowance for inventory obsolescence include future sales trends, marketing strategy and others. These estimates could materially change from period to period due to changes in various factors.

5. AMOUNTS RECEIVABLE

	May 31, 2023	February 28, 2023
Accounts receivable	\$ 1,380	\$ 4,341
GST receivable	80,820	65,948
	\$ 82,200	\$ 70,289

GROUNDED PEOPLE APPAREL INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended May 31, 2023

(Unaudited - Expressed in Canadian Dollars)

6. PREPAID EXPENSE

	May 31, 2023	February 28, 2023
Prepaid expense	\$ 638,223	\$ 641,003
Prepaid inventory	130,366	144,507
	\$ 768,589	\$ 785,510

7. INVENTORY

Inventory is comprised of finished goods held on hand. During the three months ended May 31, 2023, the Company recognized \$2,904 (year ended February 28, 2023 – \$298,351) of inventory as cost of goods sold, including an impairment of inventory of \$Nil (year ended February 28, 2023 - \$256,758) for discontinued products. In addition, there was \$Nil (year ended February 28, 2023 – \$42,062) of inventory given out for promotion, which is recognized as advertising and marketing expenditures.

8. OPERATING SEGMENTS

As at May 31, 2023, the Company is operating its business in one reportable segment: the sale of shoes.

During the three months ended May 31, 2023 and year ended February 28, 2023, the Company did not have any customers who accounted for more than 10% of revenues from operations. The Company's revenues allocated by geography for the three months ended May 31, 2023 and year ended February 28, 2023 are as follows:

	Three months ended May 31, 2023	Year ended February 28, 2023
United States of America	\$ 6,011	\$ 65,473
Canada	4,451	55,692
Other	-	86
Total	\$ 10,462	\$ 121,251

GROUNDPEOPLE APPAREL INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

9. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

During the three months ended May 31, 2023:

During the three months ended May 31, 2023, the Company had no share capital activity.

During the year ended February 28, 2023:

On January 13, 2023, the Company closed a non-brokered private placement of 4,464,286 units of the Company at a price of \$0.56 per unit for gross proceeds of \$2,500,000. Each unit is comprised of one common share and one warrant with each warrant entitling the holder to purchase an additional share at a price of \$0.70 with an expiry date of January 13, 2025. The Company issued 44,643 common shares with a fair value of \$26,786 for administrative services in connection with the private placement, recognized as share issuance costs.

On November 4, 2022, the Company closed a non-brokered private placement of 347,222 units of the Company at a price of \$0.72 per unit for gross proceeds of \$250,000. Each unit is comprised of one common share and one warrant with each warrant entitling the holder to purchase an additional share at a price of \$0.90 with an expiry date of November 4, 2025. The Company issued 3,472 common shares with a fair value of \$3,125 for administrative services in connection with the private placement, recognized as share issuance costs.

On March 10, 2022, the Company closed a non-brokered private placement of 2,857,143 units of the Company at a price of \$0.35 per unit for gross proceeds of \$1,000,000. Each unit is comprised of one common share and one warrant with each warrant entitling the holder to purchase an additional share at a price of \$0.50 with an expiry date of October 5, 2024. The Company issued 28,571 common shares with a fair value of \$10,000 for administrative services in connection with the private placement, recognized as share issuance costs.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2023
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9. SHARE CAPITAL (continued)

(c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Three months ended May 31, 2023		Year Ended February 28, 2023	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning	7,668,651	\$ 0.63	7,000,000	\$ 1.30
Issued	-	-	7,668,651	0.63
Cancelled	-	-	(7,000,000)	1.30
Outstanding, ending	7,668,651	\$ 0.63	7,668,651	\$ 0.63

The following warrants were outstanding and exercisable at May 31, 2023:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
October 5, 2024	1.35	\$ 0.50	2,857,143	2,857,143
January 13, 2025	1.62	\$ 0.70	4,464,286	4,464,286
November 4, 2025	2.43	\$ 0.90	347,222	347,222
	1.56		7,668,651	7,668,651

On May 17, 2022, 7,000,000 warrants which were initially issued on June 28, 2021 for total proceeds of \$35,000 were cancelled and \$35,000 will be returned to the former warrant holders, which is included in accounts payable and accrued liabilities on the consolidated statement of financial position as at February 28, 2023.

(d) Stock Options

The Company has a stock option plan (the "Plan") to grant incentive stock options to directors, officers, employees, and consultants. Under the Plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date. Options granted may not exceed a term of 10 years. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a twelve-month period with no more than 25% of the options vesting in any three-month period.

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9. SHARE CAPITAL (continued)

(d) Stock Options (continued)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Three months ended May 31, 2023		Year Ended February 28, 2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,501,000	\$ 0.31	1,700,000	\$ 0.30
Granted	-	-	413,000	0.35
Forfeited	-	-	(612,000)	0.30
Outstanding, end of year	1,501,000	\$ 0.31	1,501,000	\$ 0.31

The following stock options were outstanding and exercisable at May 31, 2023:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
June 28, 2026	3.08	\$ 0.30	888,000	888,000
December 1, 2026	3.51	\$ 0.30	200,000	200,000
May 19, 2027	3.97	\$ 0.35	413,000	413,000
	3.38		1,501,000	1,501,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. During the three months ended May 31, 2023, Nil (February 28, 2023 – 413,000) stock options were granted with a fair value of \$Nil (February 28, 2023 - \$109,000).

During the three months ended May 31, 2023, Nil (February 28, 2023 – 612,000) stock options were forfeited with a fair value of \$Nil (February 28, 2023 - \$136,272). The fair value of the options were transferred from reserves to deficit upon forfeiture.

The fair value of stock options issued was calculated using the following weighted average assumptions:

	Three months ended May 31, 2023	Year ended February 28, 2023
Expected life (years)	-	5
Risk-free interest rate	-%	2.75%
Annualized volatility*	-%	100%
Dividend yield	-%	0.00%
Stock price at issue date	-	\$0.35
Exercise price	-	\$0.35
Weighted average issue date fair value	-	\$0.26

* The annualized volatility was determined using the average of three comparable entities' historical volatility in share price.

GROUNDPEOPLE APPAREL INC.
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10. RELATED PARTY TRANSACTIONS

Key management personnel are those having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, and include the Company's executive officers and members of the Board of Directors.

	For the three months ended May 31,	
	2023	2022
Key Management Compensation		
Wages and salaries	\$ 30,000	\$ -
	\$ 30,000	\$ -

As at May 31, 2023 there are \$8,320 (February 28, 2023 - \$9,258) balances owing to related parties, which are unsecured, non-interest bearing, and due on demand.

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain credit worthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject to. Capital of the Company comprises of cash and shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

There were no changes to the Company's approach to capital management during the period.

12. FINANCIAL INSTRUMENTS AND RISKS

The Company is exposed through its operations to the following financial risks:

- Liquidity risk
- Market risk
- Credit risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these condensed interim consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them unless otherwise stated in the note.

12. FINANCIAL INSTRUMENTS AND RISKS (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections.

The Company monitors its cash flows to meet the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at May 31, 2023, the Company had a working capital of \$1,341,088 (February 28, 2023 - \$1,921,247).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's operations, income, or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns. The Company is exposed to market risk as follows:

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk due to the short-term to maturity of its financial instruments. As at May 31, 2023, the Company has no interest-bearing financial liabilities and considers interest rate risk to be negligible.

(ii) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates. As at May 31, 2023, the Company had US \$90,452 in cash and US \$26,001 in accounts payable in US dollars, \$47,153 in accounts payable in European Euros and considers foreign currency risk to be negligible. A fluctuation in the exchange rates between the Canadian dollar, US dollars and European Euro of 10% would result in an approximately \$23,000 change in the Company's net assets. The Company does not use any techniques to mitigate currency risk.

Credit Risk

Financial instruments that potentially expose the Company to credit risk include cash and accounts receivable. The carrying amount of these financial assets represent the maximum credit exposure. The Company holds cash at a major Canadian financial institution, and management believes the exposure to credit risk with respect to these institutions is not significant. Accounts receivable has been subsequently collected.

Fair Values

The Company's financial instruments include cash, accounts receivable, and accounts payable and accrued liabilities. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. It is impractical to determine the fair value of these financial instruments with sufficient reliability due to the nature of these financial instruments, the absence of secondary market and the significant cost of obtaining external appraisals. The fair value of the financial instruments, accounts receivable and accounts payable and accrued liabilities approximates their carrying value under the effective interest method.