Consolidated Financial Statements
(Expressed in U.S. dollars)

OPTIVA INC.

Years ended December 31, 2022 and 2021

MANAGEMENT'S RESPONSIBILITY

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of Optiva Inc. (the "Company"). Management is responsible for the information and representations contained in these consolidated financial statements.

We maintain appropriate processes to ensure that we produce relevant and reliable financial information. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The significant accounting policies, which management believes are appropriate for the Company, are described in note 2 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. The Board of Directors appoint an Audit Committee of three independent directors to review the consolidated financial statements, as well as the adequacy of its internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee reports to the Board of Directors prior to the approval of the audited consolidated financial statements for publication.

KPMG LLP, our independent auditors who were appointed by security holders at the last annual meeting, have audited the consolidated financial statements. Their report is presented below.

/s/ John Giere
Chief Executive Officer

/s/ Dinesh Sharma
VP Finance

March 8, 2023
Toronto, Canada

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Optiva Inc.

Opinion

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

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' equity (deficit) for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Description of the matter

Determination of distinct or non-distinct performance obligations and allocation of the transaction price in customer contracts containing multiple performance obligations, and estimation of hours to complete for certain percentage-of-completion (POC) customer contracts.

We draw attention to Note 2(d)(i) and Note 2(e) to the financial statements. The Entity enters into customer contracts that contain separately identifiable performance obligations, which may include any combination of software, services, post contract customer support (PCS) and/or hardware. The Entity evaluates these customer contracts to assess whether multiple products and services within these customer contracts are i) distinct performance obligations capable of being recognized separately or ii) non-distinct and must be combined with other goods and/or services as a combined performance obligation for revenue recognition purposes. Where a customer contract includes multiple performance obligations, the Entity allocates revenue to the different performance obligations based on their relative fair values or the residual method, as applicable. The Entity recognizes revenue for fixed fee services and non-distinct software using the percentage-of-completion method primarily using the ratio of labour hours incurred to estimated total labour hours as the input measure of its progress to completion on each customer contract.

Why the matter is a key audit matter

We identified the determination of distinct or non-distinct performance obligations and allocation of the transaction price in customer contracts containing multiple performance obligations and estimation of hours to complete for certain POC customer contracts as a key audit matter. This matter was a significant risk of material misstatement relating to the judgement involved in assessing each performance obligation as either distinct or non-distinct, allocation of the transaction price and the estimated hours to completion for certain POC customer contracts that are completed over an extended period. As a result, significant auditor judgment was required to evaluate the results of our procedures. There was significant auditor effort, involving more senior professionals, required to address this matter.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the design, and tested the operating effectiveness of certain controls over revenue recognition including controls related to the Entity's process to identify distinct performance obligations in customer contracts and controls over the estimation of hours to complete for POC customer contracts, inclusive of executed contract amendments and change orders.

For a sample of new customer contracts with multiple performance obligations, we assessed the Entity's determination of distinct/non-distinct performance obligations by examining the contract source documents and comparing to the Entity's past assessment for similar contracts and practices observed in the Entity's industry. We assessed the allocation of transaction price by evaluating the methodology used to determine the standalone selling price by comparing it to pricing patterns in customer contracts, historical methodologies used by the Entity, and general practices in the Entity's industry.

For a sample of POC customer contracts where revenue recognition is based on the estimated total labour hours, we performed an analysis of completed contracts to compare actual total labour hours incurred upon completion to the estimated total labour hours to completion. This was to assess the Entity's historical ability to accurately estimate total labour hours to complete. In addition, we obtained an understanding of the original estimated total labour hours to completion and any increase or decrease to the estimated total labour hours to completion as the contract progresses and inspected correspondence such as project planning documents and change requests, if any, between the Entity and its customers.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Derek Nathaniel Peters.

Vaughan, Canada

March 8, 2023

OPTIVA INC.

Consolidated Statements of Financial Position
(Expressed in thousands of U.S. dollars)
As at December 31, 2022 and December 31, 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$18,386	$29,587
Trade accounts and other receivables (note 6)	7,535	7,203
Unbilled revenue	17,821	8,209
Prepaid expenses	1,938	3,044
Income taxes receivable	3,820	4,362
Other assets	610	823
Total current assets	50,110	53,228
Restricted cash (note 15(b))	1,948	792
Property and equipment (note 7)	1,221	883
Deferred income taxes (note 12(d))	376	432
Other assets	-	372
Long-term unbilled revenue	332	2,878
Intangible assets (note 8(a))	360	1,804
Goodwill (note 8(b))	32,271	32,271
Total assets	$ 86,618	$ 92,660
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Trade payables	$ 3,147	$ 2,083
Accrued liabilities	11,624	12,905
Provisions (note 16)	-	4,200
Income taxes payable	4,365	3,468
Deferred revenue	1,995	3,995
Total current liabilities	21,131	26,651
Deferred revenue	403	151
Other liabilities	2,302	2,096
Pension and other long-term employment benefit plans (note 9)	713	9,423
Debentures (note 11)	87,716	86,990
Series A Warrant (note 10(c)) (note 3(a))	-	1,495
Standby Warrant (note 10(c)) (note 3(a))	-	172
Deferred income taxes (note 12(d))	433	746
Total liabilities	112,698	127,724
Shareholders' equity (deficit):		
Share capital	270,560	270,560
Contributed surplus	15,941	14,172
Deficit	(316,630)	(317,339)
Accumulated other comprehensive income (loss)	4,049	(2,457)
Total shareholders' equity (deficit)	(26,080)	(35,064)
Total liabilities and shareholders' equity (deficit)	$ 86,618	$ 92,660

Commitments, restricted cash, guarantees and contingent liabilities (note 15)

Approved by the Board of Directors

/s/ Robert Stabile Director /s/ Simon Parmar Director

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

OPTIVA INC.

Consolidated Statements of Comprehensive Income (Loss)
(Expressed in thousands of U.S. dollars, except per share and share amounts)
Years ended December 31, 2022 and December 31, 2021

		2022		2021
Revenue:				
Support and subscription	$	39,024	$	47,635
Software licenses, services and other		22,755		17,601
		61,779		65,236
Cost of revenue (note 4)		17,193		14,875
Gross profit		44,586		50,361
Operating expenses (note 4):				
Sales and marketing		9,872		8,130
General and administrative		11,089		16,762
Research and development		12,067		10,510
		33,028		35,402
Income from operations		11,558		14,959
Foreign exchange gain (loss) (note 3)		(1,168)		266
Finance and other income (note 5(b))		406		535
Finance (costs) recovery (note 5(a) and 11)		(7,916)		6,259
Income before income taxes		2,880		22,019
Income tax expense (recovery) (note 12(a)):				
Current		2,428		3,864
Deferred		(257)		(348)
		2,171		3,516
Net income for the year		709		18,503
Other comprehensive income:				
Items that will not be reclassified to net income:				
Actuarial gain on pension and non-pension post-employment benefit plans, net of income tax expense of nil (2021 - nil) (note 9)		6,505		4,441
Total comprehensive income	$	7,214	$	22,944
Net income per common share (Note 10(d)):				
Basic	$	0.11	$	3.12
Diluted		0.11		3.11
Weighted average number of common shares (thousands) (Note 10(d):				
Basic		6,178		5,928
Diluted		6,178		5,949

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

OPTIVA INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in thousands of U.S. dollars, except share amounts)
Years ended December 31, 2022 and December 31, 2021

	Share capital Number Outstanding (thousands) (note 10(b))	Share capital Amount	Standby Warrant	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity (deficit)
Balance, December 31, 2021	6,178	$ 270,560	$ –	$ 14,172	$ (317,339)	$ (2,456)	$ (35,063)
Net income for the year	–	–	–	–	709	–	709
Defined benefit plan actuarial gain (note 9)	–	–	–	–	–	6,505	6,505
Share-based compensation (note 10(f))	–	–	–	1,769	–	–	1,769
Balance, December 31, 2022	6,178	$ 270,560	$ –	$ 15,941	$ (316,630)	$ 4,049	$ (26,080)
Balance, December 31, 2020	5,316	$ 250,904	$ 998	$ 11,407	$ (335,842)	$ (6,898)	$ (79,431)
Income for the period	–	–	–	–	18,503	–	18,503
Defined benefit plan actuarial gain (note 9)	–	–	–	–	–	4,441	4,441
Issue of share capital (note 10(b) and 10(f))	862	19,656	–	–	–	–	19,656
Share-based compensation (note 10(f))	–	–	–	2,765	–	–	2,765
Transfer to liability (note 10 (c))	–	–	(998)	–	–	–	(998)
Balance, December 31, 2021	6,178	$ 270,560	$ –	$ 14,172	$ (317,339)	$ (2,457)	$ (35,064)

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

OPTIVA INC.

Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)
Years ended December 31, 2022 and December 31, 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the year	$ 709	$ 18,503
Adjustments for:		
Depreciation of property and equipment (note 7)	511	169
Amortization of intangible assets (note 8)	1,444	1,451
Finance income (note 5(b))	(406)	(535)
Finance costs (recovery) (note 5(a))	7,916	(6,259)
Income tax expense (note 12)	2,171	3,516
Unrealized foreign exchange (gain) / loss	(377)	(3,110)
Share-based compensation (note 10)	1,947	3,790
Pensions	(1,749)	1,614
Provisions (note 16)	(4,200)	(1,355)
Change in non-cash operating working capital (note 13)	(5,474)	(9,606)
	2,492	8,178
Interest paid	(29)	(111)
Interest received	226	24
Promissory Note Paid (note 17)	(2,000)	-
Income taxes paid	(926)	(5,444)
	(237)	2,647
Financing activities:		
Interest paid on debentures (note 11)	(8,775)	(8,764)
Issue of share capital (note 10(b) and 10(f))	-	19,656
	(8,775)	10,892
Investing activities:		
Purchase of property and equipment (note 7)	(850)	(1,053)
Increase in restricted cash	(1,156)	(166)
	(2,006)	(1,219)
Effect of foreign exchange rate changes on cash and cash equivalents	(183)	(397)
Increase (decrease) in cash and cash equivalents	(11,201)	11,923
Cash and cash equivalents, beginning of year	29,587	17,664
Cash and cash equivalents, end of year	$ 18,386	$ 29,587

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

Reporting Entity

Optiva Inc. (the "Company" or "Optiva"), through its predecessors, commenced operations on March 29, 1999 and was incorporated under the Canada Business Corporations Act on November 1, 2006. Optiva provides products to the telecommunications software market. The Company's registered head office is located at 100 King Street West, Suite 3400, Toronto, Ontario, Canada. The Company is publicly traded on the Toronto Stock Exchange under ticker symbol — TSX: OPT.

Optiva monetizes today's digital world for communications service providers. The Company’s portfolio of monetization and subscriber management solutions includes real-time billing, charging, policy, and customer care modules and is available on premise, cloud-based, or as Software-as-a-Service (“SaaS”). With a central focus on driving customer success, Optiva's products power growth and innovation for operators globally. The Company’s software products allow communication service providers to monetize various markets, including consumer, enterprise, wholesale, and the expanding SaaS and cloud ecosystems. Optiva’s software supports the introduction of new revenue streams and innovative tariffs, payment solutions, data services, and advanced customer care and subscriber self-care functionality. Optiva is the parent of the wholly owned operating subsidiary, Optiva Canada Inc., and its various subsidiaries. Subsidiaries include Optiva Solutions (UK) Limited, Redknee Techcenter GmbH, Redknee Global Operations Leadership Centre GmbH, Optiva India Technologies Pvt. Limited, Redknee Maroc S.A.R.L., PT Redknee Indonesia, Redknee (Germany) GmbH, Redknee India OS Private Limited, Redknee OS Brasil Informatica Ltda., Redknee Germany OS GmbH, Redknee Holdings (Pty) Limited, Redknee MEA SAL (Offshore), Redknee South Africa (Pty) Limited, Optiva Malta Holdings Limited, Optiva Software Limited, Redknee Mozambique Limitada, Redknee Tanzania Limited, Redknee (US) Limited, Redknee (Australia) Pty Limited and Argent Networks Pty Limited.

1. Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements for the fiscal period ended December 31, 2022 were authorized for issuance by the Board of Directors of the Company on March 8, 2023.

2. Significant accounting policies:

(a) Basis of measurement and presentation:

These consolidated financial statements have been prepared on a historical cost basis, except for:

- financial assets classified at fair value through profit and loss or as available-for-sale;
- plan assets for defined benefit pension plan is recognized as plan assets, plus unrecognized past service cost, less the present value of the defined benefit obligation and is limited as explained in note 9(b); and 9(c).
- cash-settled share-based payments, which are measured at fair value.
- Warrants, which are measured at fair value.

(b) Basis of consolidation:

The consolidated financial statements include the financial statements of the Company, Optiva Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

(c) Functional currency:

The consolidated financial statements are presented in U.S. dollars, which is the Company's functional currency.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities not denominated in the functional currency are translated at the period-end exchange rates. Foreign exchange gains and losses are recognized in the consolidated statements of comprehensive income (loss).

(d) Use of judgments and estimates:

The preparation of consolidated financial statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the year in which the estimates are revised and may impact future years as well. Other results may be derived with different judgments or

2. Significant accounting policies (continued):

using different assumptions or estimates and events may occur that could require a material adjustment.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

The Company continues to monitor the evolution of the novel coronavirus ("COVID-19") situation. The extent to which the COVID-19 pandemic may impact the Company's business and activities will depend on future developments which remain highly uncertain and cannot be predicted with confidence. The Company continues to evaluate the situation and monitoring any impacts or potential impacts on its business and recorded amounts of assets and liabilities. It is possible that estimates in the Company's financial statements could change in the near term and the effect of any such changes could be material.

The following are critical accounting polices subject to judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported consolidated results and consolidated financial position.

(i) Revenue recognition, deferred revenue and unbilled revenue:

Key sources of estimation uncertainty
In its determination of the amount and timing of revenue to be recognized, management relies on assumptions and estimates supporting its revenue recognition policy. Estimates of the percentage-of-completion for customer projects are based upon current actual and forecasted information and contractual terms.

(ii) Trade receivables:

Key sources of estimation uncertainty
The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. Credit risks for outstanding customer receivables are regularly assessed and allowances are recorded for estimated losses.

2. Significant accounting policies (continued):

(iii) Deferred taxes and Income taxes:

Key sources of estimation uncertainty

Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carryforwards. The valuation of deferred tax assets is based on management's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carryforwards may be utilized.

Income taxes comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year using enacted or substantively enacted tax rates at the end of the reporting year, and any adjustments to tax payable related to prior years. Deferred tax financial reporting purposes and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and income tax planning strategies in making this assessment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(iv) Estimate of useful lives of property and equipment and intangible assets:

Key sources of estimation uncertainty

Useful lives over which assets are depreciated or amortized are based on management's judgment of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.

(v) Pension and non-pension post-employment benefit plans:

Key sources of estimation uncertainty:

The actuarial valuation of the defined benefit obligation and the fair value of plan assets require estimates, including discount rates applied to the Company's pension plan and non-pension post-employment benefit liabilities.

2. Significant accounting policies (continued):

(vii) Goodwill valuation:

Key sources of estimation uncertainty:
We use estimates in determining the recoverable amount of our cash-generating unit ("CGU") in performing annual impairment testing of goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates, such as future cash flows, terminal growth rate and discount rate.

We estimate value in use for impairment tests by discounting estimated future cash flows for periods up to five years to their present value. The future cash flows are based on our estimates of expected future operating results of the cash generating unit ("CGU") after considering economic conditions and a general outlook for the CGU's industry. Our discount rates consider market rates of return, debt to equity ratios and certain risk premiums, among other things. The terminal value is the value attributed to the CGU's operations beyond the projected time period of the cash flows using a perpetuity rate based on expected economic conditions and a general outlook for the industry.

We make certain assumptions when deriving expected future cash flows, which may include assumptions pertaining to discount and terminal growth rates. These assumptions may differ or change quickly depending on economic conditions or other events. It is therefore possible that future changes in assumptions may negatively affect future valuations of the CGU and goodwill, which could result in impairment losses.

(e) Revenue recognition:

(i) General:

The Company's revenue is derived primarily from licensing of software products under non-cancellable license agreements, the provision of related professional services (including installation, integration and training) and post-contract customer support ("PCS"). In certain cases, the Company also provides customers with hardware in conjunction with its software offerings. Revenue comprises the fair value of consideration received or receivable from the sale or license of products or the provision of services in the ordinary course of business, net of discounts and sales taxes. Out-of-pocket expenses that are contractually reimbursable from customers are recorded as gross revenue and expenses.

2. Significant accounting policies (continued):

(ii) Arrangements with multiple performance obligations

The Company enters into arrangements that contain separately identifiable components, which may include any combination of software, services, PCS and/or hardware.

Where multiple transactions or contracts are linked, such that the individual transactions have no commercial effect on their own, the transactions are evaluated as a combined customer arrangement for purposes of revenue recognition. When two or more revenue-generating activities or deliverables are sold under an arrangement, each deliverable that is considered a separate component is accounted for separately. A deliverable is separately accounted for when a delivered item has standalone value from undelivered items based on the substance of the arrangement. When services are essential to the functionality of the software, the software does not have standalone value and is combined with the essential services as a single component.

Where an arrangement includes multiple components, revenue is allocated to the different components based on their relative fair values or the residual method, as applicable. The Company generally uses optional stated renewal rates to evidence fair value of undelivered term-license/PCS services when the renewal fees and terms are substantive. When stated renewal rates do not exist for an arrangement, the Company considers fees charged on standalone PCS renewals in other similar arrangements to establish fair value. The Company typically evidences fair value for other products and services based on the pricing when those deliverables are sold separately. Where reasonable vendor-specific or third party inputs do not exist to reliably establish fair value, the Company allocates revenue based on its best estimate of selling price that the Company would transact at if the deliverable were sold on a standalone basis. For services, this includes the expected cost of delivery plus an estimated profit margin. Under the residual method, revenue is allocated to undelivered components of the arrangement based on their fair values and the residual amount of the arrangement revenue is allocated to delivered components.

The revenue policies below are applied to each separately identifiable component. Revenue associated with each component is deferred until the criteria required to recognize revenue have been met.

2. Significant accounting policies (continued):

The Company recognizes revenue once persuasive evidence exists, generally in the form of an executed agreement, it is probable the economic benefits of the transaction will flow to the Company and revenue and costs can be measured reliably. If collection is not considered probable, revenue is recognized only once fees are collected.

(iii) Software:

The Company sells on-premise software licenses primarily on a perpetual basis. Where licensed software is combined with non-distinct services as a combined performance obligation, revenue is recognized according to the percentage-of-completion method. The Company uses either the ratio of hours to estimated total hours or the completion of applicable milestones, as appropriate, as the measure of its progress to completion on each contract. If a loss on a contract is considered probable, the loss is recognized at the date determinable. Distinct software licenses, when not combined with services for accounting purposes, are recognized upon delivery and commencement of the customer's right to use the software.

(iv) Software-as-a-service (SaaS):

SaaS allows a customer access to the Company's software on a platform hosted by a third party without taking possession of the software. SaaS is typically offered on a fixed-term basis. Where fees are fixed for the term, revenue is recognized ratably over the term commencing when the customer has the right to access the platform. Where the fees are based on periodic activity, revenue is recognized as invoiced to the customer at each period.

(v) Services:

Revenue for installation, implementation, training and other services, when not combined with software as a combined performance obligation, is recognized as the services are delivered to the customer. Fixed fee service arrangements are recognized according to the percentage-of-completion method. The Company uses either the ratio of hours to estimated total hours or the completion of applicable milestones, as appropriate, as the measure of its progress to completion on each contract.

(vi) Post-contract support:

PCS revenue is recognized ratably over the term of the PCS agreement.

2. Significant accounting policies (continued):

(vii) Third party software and hardware:

Third party software and hardware revenue is recognized when control of the product transfers to the customer. When the products are distinct, control typically transfers upon delivery to the customer. Where such products are related to professional services as a combined performance obligation, the percentage-of-completion method is applied.

(viii) Unbilled and deferred revenue:

Amounts are generally billable on reaching certain performance milestones, as defined by individual contracts. Revenue in excess of contract billings is recorded as unbilled revenue. Cash proceeds received in advance of performance under contracts are recorded as deferred revenue. Deferred and unbilled revenue is classified as long-term if it relates to performance obligations that are expected to be fulfilled greater than 12 months from period end.

Critical judgments in applying accounting policies

A significant portion of the Company's revenue is generated from large and complex customer contracts. Management's judgment is applied regarding, among other aspects, the evaluation of multiple products and services within these arrangements to assess whether deliverables are i) distinct performance obligations capable of being recognized separately or ii) non-distinct and must be combined with other goods and/or services as a combined performance obligation for revenue recognition purposes. In evaluating whether software is separable from services, the Company's judgments include, among other things, assessing the nature and complexity of the services, the degree to which they involve significant customization of the licensed software, and whether other vendors could provide the services.

(f) Net income (loss) per common share:

Basic net income (loss) per common share is computed by dividing income (loss) for the year by the weighted average number of common shares outstanding during the year. Diluted net income per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. The diluted net income (loss) per share calculation excludes the impact of employee stock options, treasury shares and other potentially dilutive instruments when their inclusion would be anti-dilutive.

2. Significant accounting policies (continued):

(g) Financial instruments:

Cash and cash equivalents, restricted cash, trade and other receivables that were classified as loans and receivables under IAS 39, respectively, are now classified as financial assets measured at amortized cost. Trade payables, accrued liabilities provisions, long-term liabilities and debentures were classified as other financial liabilities under IAS 39, respectively, are now classified as financial liabilities measured at amortized cost. Series A and Standby warrants that were classified as financial liability at fair value through profit or loss under IAS 39, continue to be recognized as a financial liability at fair value through profit or loss under IFRS 9. There is no change to the initial measurement of the Company's financial assets. The adoption of IFRS 9 did not have any material impact on the consolidated financial statements.

(h) Cash and cash equivalents:

Cash and cash equivalents include balances with banks and highly liquid instruments with original maturities of less than 90 days at issuance.

(i) Inventories:

Inventories are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventories include hardware and software held by the Company for customer use and are also purchased when required by specific customer projects; the Company occasionally makes only minor modifications to the inventories before shipping to the customer.

(j) Property and equipment:

Property and equipment are measured at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenses that are directly attributable to the acquisition of the asset. Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 - 5 years
Furniture, fixtures and lab equipment	3 - 5 years
Leasehold improvements	Shorter of term of lease or estimated useful lives

2. Significant accounting policies (continued):

The estimated useful lives, depreciation method and residual values of each asset are evaluated annually, or more frequently, if required and are adjusted, if appropriate.

(k) Leased assets:

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased assets are measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. Minimum lease payments made under finance leases are apportioned between finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability.

Other leases are operating leases and the leased assets are not recognized in the Company's consolidated statements of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense, over the term of the lease.

The Company has applied the practical expedient not to recognize right-of-use asset and lease liability for short-term leases that have a lease term of 12 months or less and leases of low value assets. All of the existing leases in the Company as at December 31, 2022 would fall under the category of short-term leases or leases of low value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the respective lease terms.

(l) Intangible assets:

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value, based on an allocation of the purchase price.

2. Significant accounting policies (continued):

The intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1 - 3 years
Acquired technology	5 - 10 years
Customer relationships	9 - 10 years

The amortization method, estimated useful lives and residual values are reviewed annually, or more frequently, if required and are adjusted as appropriate.

(m) Business combinations and goodwill:

Acquisitions of businesses are accounted for using the acquisition method. The acquiree's identifiable assets and liabilities are generally recognized at their fair values at the date of acquisition. Acquisition-related transaction costs are expensed as incurred. The fair value of contingent consideration is considered part of the consideration transferred and included in the total purchase price on the acquisition date. Contingent consideration classified as equity is not remeasured subsequent to the acquisition date (other than for measurement period adjustments) and its subsequent settlement is accounted for within equity. Contingent consideration that is liability classified and falls within the scope of IFRS 9, Financial Instruments - Recognition and Measurement ("IFRS 9"), is remeasured to fair value at each reporting date until the contingency is resolved, with changes in fair value recorded in other income.

Goodwill is recognized at the acquisition date as the excess of the fair value of consideration transferred less the net recognized amount (generally fair value) of identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Goodwill is not subject to amortization and is measured at cost less accumulated impairment losses.

The allocation of the purchase price to the net assets acquired may be adjusted to reflect new information obtained about facts and circumstances that exist at the acquisition date, up to a maximum of 12 months following the date of acquisition. Changes to the allocation of the purchase price during this measurement period are recognized retrospectively.

2. Significant accounting policies (continued):

(n) Impairment:

At each reporting date, the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Goodwill is tested annually for impairment. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of goodwill is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. Cash-generating units are the smallest identifiable groups of assets that generate cash inflows from the continuing use that are largely independent of the cash inflows of other assets or cash-generating units. For the purposes of assessing for indications of impairment and impairment testing, assets that do not generate largely independent cash inflows are grouped into cash-generating units. The recoverable amount of a cash generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in profit or loss and allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of cash generating units), and then to reduce the carrying amounts of the other assets in the cash generating unit (group of cash generating units) on a pro rata basis.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount, with the exception of impairment losses on goodwill, which are not reversed. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed what the carrying amount would have been had no impairment losses been recognized for the asset in prior years.

(o) Provisions:

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

2. Significant accounting policies (continued):

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract less the expected benefits to be derived by the Company.

(p) Research and development costs:

Internally generated expenses on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in profit or loss as an expense in the period in which they are incurred. Internally generated development costs are capitalized when the costs are expected to provide future benefits with reasonable certainty and the costs meet all the criteria for capitalization. No internal development costs have been capitalized as at and during the years ended December 31, 2022 and December 31, 2021.

(q) Income taxes:

Income taxes comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year using enacted or substantively enacted tax rates at the end of the reporting year, and any adjustments to tax payable related to prior years. Deferred tax assets and liabilities are determined based on differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and income tax planning strategies in making this assessment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(r) Investment tax credits ("ITCs"):

The Company is entitled to certain Canadian ITCs for qualifying research and development activities performed in Canada. The Company records ITCs when qualifying expenses have been made, provided there is reasonable assurance that the credits will be realized. The

2. Significant accounting policies (continued):

amount of ITCs recorded can vary, based on estimates of future taxable income. These credits can be applied against income tax liabilities and are subject to a 20-year carryforward period or, in some cases, are refundable. Accrued ITCs are accounted for as a reduction of the related expenses for items expensed in profit or loss or a reduction of the related asset's cost for items capitalized in the consolidated statements of financial position.

(s) Employee benefits:

(i) Termination benefits:

Termination benefits are recognized for restructuring in the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, that includes the payment of termination benefits and when the Company can no longer withdraw the offer of those benefits. Termination benefits for voluntary redundancies are recognized if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If recognized termination benefits are payable more than 12 months after the reporting date, the liability is discounted to its present value.

(ii) Short-term employee benefits:

Employee benefit obligations are short-term in nature and are measured on an undiscounted basis and are recognized as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plan if the Company has a present legal or constructive obligation to pay this amount, as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based compensation:

The Company issues stock options, restricted share units ("RSUs") and performance share units ("PSUs") pursuant to several share-based compensation plans. Stock options are settled with common shares of the Company. RSUs and PSUs are settled with either cash or common shares of the Company at the discretion of the board. Compensation costs for options, RSUs and PSUs settled in equity are measured based on the grant date fair value of the award and recognized, net of estimated forfeitures, over the vesting period with a corresponding credit to contributed surplus. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the period. Compensation

2. Significant accounting policies (continued):

cost for PSUs intended to be settled in cash is measured based on the fair value of the PSUs liability at the reporting date.

The Company also has a deferred share units ("DSUs") plan. The plan allows for settlement of DSUs by cash or other assets. The fair value of the Company's DSUs is recognized using the liability method. Since the DSUs will be settled in cash or other assets, the fair value of the vested DSUs is revalued each period until the settlement date and any changes in the fair value of the liability are recognized in profit or loss. The Company has recognized a liability in the consolidated statements of financial position for the total fair value of the vested DSUs included in other long-term liabilities.

(iv) Other long-term employee benefits:

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the year in which they arise.

(v) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are payable more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(vi) Defined benefit plans:

A defined benefit plan is a post-employment benefit plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in their current and prior years. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

2. Significant accounting policies (continued):

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan's liabilities. When the benefits of a plan are increased, the portion of the increased benefit related to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the consolidated statements of comprehensive income (loss).

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in the consolidated statements of comprehensive income (loss).

(t) Segment reporting:

The Company has one reportable segment, the telecommunications software market. The single reportable operating segment derives its revenue from the sale of software products, related services and hardware.

3. Financial instruments and capital management:

(a) Accounting classifications and fair values:

The Company adopts a three-level fair value hierarchy that reflects the significance of the inputs used to measure fair value. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities;

- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

3. Financial instruments and capital management (continued):

- Level 3 - inputs for the financial asset or financial liability that are not based on observable market data (i.e. unobservable inputs that represent the Company's own judgments about what assumptions market place participants would use in pricing the asset or liability developed, based on the best information available in the circumstances).

In the table below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date.

Financial assets and liabilities measured at fair value are summarized below:

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Series A Warrant classified as liability (Level 2)	–	–	1,495	1,495
Standby Warrant classified as liability (Level 2)	–	–	172	172

There were no transfers of financial assets between levels during the fiscal periods ended December 31, 2022 and 2021.

The Company's financial instruments are classified as financial assets and financial liabilities at fair value through profit or loss or as financial assets and financial liabilities measured at amortized cost.

The carrying values of cash and cash equivalents, restricted cash, trade accounts and other receivables, trade payables, accrued liabilities, provisions and other liabilities approximate fair values because of the short-term nature of these financial instruments. The carrying value of debentures approximate their fair values because the interest rates approximate the market interest rates for similar debts.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. The estimates are subjective in nature and involve uncertainties and matters of judgment.

3. Financial instruments and capital management (continued):

(b) Financial risk management:

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

(i) Risk management framework:

The Board of Directors has the overall responsibility and oversight of the Company's risk management practices. The Company does not follow a specific risk model, but rather includes risk management analysis in all levels of strategic and operational planning. The Company's management, specifically the Senior Leadership Team, is responsible for developing and monitoring the Company's risk strategy. The Company's management reports regularly to the Board of Directors on its activities.

The Company's management identifies and analyzes the risks faced by the Company. Risk management strategy and risk limits are reviewed regularly to reflect changes in the market conditions and Company's activities. The Company's management aims to develop and implement a risk strategy that is consistent with the Company's corporate objectives.

(ii) Credit risk:

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from banks and customers.

The Company has credit risk relating to cash and cash equivalents and restricted cash, which it manages by dealing with large chartered Canadian and international banks and investing in highly liquid investments of a rating of no less than R1, the credit rating assigned to those who pay on time.

(Expressed in thousands of U.S. dollars)

3. Financial instruments and capital management (continued):

The Company's exposure to credit risk geographically for cash and cash equivalents and restricted cash as at December 31, 2022 and 2021 was as follows:

	2022	2021
Europe, Middle East and Africa	45%	34%
North America, Latin America and Caribbean	39%	60%
Asia and Pacific Rim	16%	6%
	100%	100%

For the year ended December 31, 2022, the Company had no customers (twelve months ended December 31, 2021 – none) that accounted for greater than 10% of revenue. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed. The Company also insures accounts receivable balances in certain countries.

Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful accounts as soon as the account is perceived not to be fully collectible. The Company's trade receivables had a carrying value of $4,758 as at December 31, 2022 (2021 - $4,357), representing the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers varies based upon the size of the customer, type of revenue and geographic region, and generally call for payment within 30 to 120 days. At December 31, 2022, approximately 8% of gross trade receivables, or $474 was outstanding for more than 120 days (2021 – 41% or $1,797).

(Expressed in thousands of U.S. dollars)

3. Financial instruments and capital management (continued):

The activity of the allowance for doubtful accounts for the years ended December 31, 2022 and December 31, 2021 is as follows:

	2022	2021
Allowance for doubtful accounts, beginning of year	$ 188	$ 893
Bad debt expense (recovery)	(102)	(318)
Write-off of bad debts	(9)	(387)
Allowance for doubtful accounts, end of year	$ 77	$ 188

Allowance for doubtful accounts is charged to general and administrative expense. Estimates for allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each consolidated statement of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and going concern risks.

The Company's exposure to credit risk for trade receivables by geographic area as at December 31, 2022 and December 31, 2021 was as follows:

	2022	2021
Europe, Middle East and Africa	59%	66%
North America, Latin America and Caribbean	31%	11%
Asia and Pacific Rim	10%	23%
	100%	100%

3. Financial instruments and capital management (continued):

(iii) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities as they come due. The Company's financial liabilities as at December 31, 2022 will mature as follows:

		Less than 1 year		1 - 2 years		2 years and thereafter
Trade payables	$	3,147	$	–	$	–
Accrued liabilities		11,624		–		–
Other liabilities		–		–		2,302
Debentures		–		–		90,000
	$	14,771	$	–	$	92,302

The Company also has contractual obligations in the form of operating leases and certain purchase commitments (note 15(a)).

Management believes the Company's existing cash and cash equivalents, restricted cash and cash from operating activities will be adequate to support all of its financial liabilities and contractual commitments as they become due.

The Company operates in a number of jurisdictions, some of which impose currency remittance restrictions and income tax withholdings, which impacts the timing and amount of cash which can be repatriated from these countries.

(iv) Market risk:

Market risk is the risk that the value of the Company's financial instruments will fluctuate due to changes in the market risk factors. The market risk factors which affect the Company are foreign currency and interest rates.

Foreign currency risk:

The Company conducts a significant portion of its business activities in foreign countries. Foreign currency risk arises because of fluctuations in foreign currency exchange rates. The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by converting foreign-denominated cash

3. Financial instruments and capital management (continued):

balances into U.S. dollars to the extent practical to match U.S. dollar obligations. The monetary assets and liabilities that are denominated in foreign currencies are affected by changes in the exchange rate between the U.S. dollar and these foreign currencies. The Company recognized a foreign currency exchange loss of $1,168 during the year ended December 31, 2022 (year ended December 31, 2021 – gain of $266).

The following is the Company's exposure to foreign currency risk for significant currencies:

	Currency of exposure in thousands of U.S. dollars	
2022	CAD	Euro
Cash and cash equivalents	$ 1,827	$ 2,448
Trade accounts and other receivables	1,837	114
Trade payables	(1,554)	(51)
Accrued liabilities	(6,202)	(198)
Net exposure	$ (4,092)	$ 2,313

	Currency of exposure in thousands of U.S. dollars	
2021	CAD	Euro
Cash and cash equivalents	$ 7,206	$ 4,762
Trade accounts and other receivables	875	492
Trade payables	(1,218)	(67)
Accrued liabilities	(1,628)	(626)
Net exposure	$ 5,235	$ 4,561

If an increase in foreign currency exchange rates of 10% were to occur, the foreign currency exchange gain or loss on the Company's net monetary assets / (liabilities) could change by approximately $152 (2021 - $1,153) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive income (loss).

3. Financial instruments and capital management (continued):

Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its cash and cash equivalents, and restricted cash. If a shift in interest rates of 10% were to occur, the impact on cash and cash equivalents and restricted cash and the related income for the year ended December 31, 2022 would not be material.

(c) Management of capital:

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its strategy of 100% customer success, fund R&D, leading to innovative and market-leading products, and implement its strategic plan that will help towards increasing shareholder value, while managing financial risk. The Company's capital is currently composed of Debentures and Series A Warrant (classified as liability), Common Shares and Standby Warrant (classified as liability). The Company's primary uses of capital are financing its operations including restructuring, increases in working capital, capital expenditures, and acquisitions. The Company currently funds these requirements from cash flows from operations and cash raised through past share and debt issuances.

(Expressed in thousands of U.S. dollars)

4. Costs of revenue and operating expenses, excluding acquisition and related costs and restructuring costs:

The Company presents functional consolidated statements of comprehensive income (loss) in which expenses are aggregated according to the function to which they relate. The Company has identified the major functions as costs of revenue, sales and marketing, general and administrative and research and development activities.

2022	Cost of revenue	Sales and marketing	General and administrative	Research and development
Personnel expenses	$ 11,738	$ 8,629	$ 3,970	$ 7,540
Share based compensation	50	–	1,474	423
Third party software support and hardware	1,696	–	–	–
Other operating expenses	3,709	1,243	4,140	3,653
Depreciation and amortization	–	–	1,505	451
	$ 17,193	$ 9,872	$ 11,089	$ 12,067

2021	Cost of revenue	Sales and marketing	General and administrative	Research and development
Personnel expenses	$ 9,269	$ 6,239	$ 4,911	$ 6,763
Share based compensation	–	–	3,136	654
Third party software support and hardware	1,210	–	–	–
Other operating expenses	4,396	1,891	7,258	2,930
Depreciation and amortization	–	–	1,457	163
	$ 14,875	$ 8,130	$ 16,762	$ 10,510

(Expressed in thousands of U.S. dollars)

5. Finance costs and finance income:

(a) Finance costs (recovery):

		2022		2021
Preferred shares dividend, accretion and amortization of deferred financing costs	$	726	$	652
Series A and Standby Warrant fair value adjustment (note 10(d))		(1,667)		(15,993)
Interest on debentures (note 11)		8,775		8,775
Other finance costs		82		307
	$	7,916	$	(6,259)

(b) Finance and other income:

Finance income includes interest income on bank accounts and term deposits of $406 for the year ended December 31, 2021 (year ended December 31, 2021 - $535).

6. Trade accounts and other receivables:

		2022		2021
Trade receivables, net of allowance for doubtful accounts (note 3(b)(ii))	$	4,681	$	4,169
Other receivables (a)		2,854		3,034
	$	7,535	$	7,203

(a) At December 31, 2022 and December 31, 2021, the other receivables balance mainly includes amounts relating to indirect taxes receivable.

OPTIVA INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in thousands of U.S. dollars)
Years ended December 31, 2022 and December 31, 2021

7. Property and equipment:

		Computer equipment		Furniture, fixtures and lab equipment		Leasehold improvements		Total
Cost								
Balance, December 31, 2020	$	–	$	–	$	–	$	–
Additions		1,053		–		–		1,053
Balance, December 31, 2021		1,053		–		–		1,053
Additions		850		–		–		850
Disposals		–		–		–		–
Balance, December 31, 2022	$	1,903	$	–	$	–	$	1,903
Accumulated depreciation								
Balance, December 31, 2020	$	–	$	–	$	–	$	–
Depreciation		169		–		–		169
Disposals		–		–		–		–
Foreign exchange impact		1		–		–		1
Balance, December 31, 2021		170		–		–		169
Depreciation		511		–		–		511
Disposals		–		–		–		–
Foreign exchange impact		1		–		–		1
Balance, December 31, 2022	$	682	$	–	$	–	$	682
Net book values								
December 31, 2021		883		–		–		883
December 31, 2022		1221		–		–		1,221

(Expressed in thousands of U.S. dollars)

8. Intangible assets and goodwill:

(a) Intangible assets

	Computer software	Acquired technology	Customer relationships	Total
Cost				
Balance, December 31, 2020	$ 5,951	$ 33,767	$ 29,565	$ 69,283
Disposals	–	–	–	–
Balance, December 31, 2021	5,951	33,767	29,565	69,283
Additions	–	–	–	–
Balance, December 31, 2022	$ 5,951	$ 33,767	$ 29,565	$ 69,283
Accumulated amortization				
Balance, December 31, 2020	5,951	33,767	26,310	66,028
Amortization	–	–	1,451	1,451
Balance, December 31, 2021	5,951	33,767	27,761	67,479
Amortization	–	–	1,444	1,444
Balance, December 31, 2022	$ 5,951	$ 33,767	$ 29,205	$ 68,923
Net book values				
Balance, December 31, 2021	–	–	1,804	1,804
Balance, December 31, 2022	–	–	360	360

8. Intangible assets and Goodwill (continued):

(b) Goodwill:

The carrying value of goodwill at December 31, 2022 was $32,271 (December 31, 2021 - $32,271).

Goodwill is tested annually for impairment at the CGU level. The annual impairment test of goodwill was performed as at December 31, 2022 and December 31, 2021 and did not result in any impairment loss. At the December 31, 2022 and December 31, 2022 impairment testing date, the Company identified a single CGU and performed it's testing of the valuation of goodwill at the consolidated level.

In performing the annual impairment test for the Company's CGU, the Company measured the value-in-use of the single CGU using certain key management assumptions. Cash flow projections, which were made over a five-year period, were based primarily on the Board approved financial budget plus a terminal value using a 3% terminal growth rate. The Company discounted these estimates of future cash flows to their present value using a range of 17% to 19% pre-tax discount rate which reflects the entity's weighted average cost of capital. The fair value less costs to sell, primarily based on the Company's market capitalization as at December 31, 2022, also significantly exceeded the net carrying amount of the CGU.

Management performs sensitivity analysis on the key assumptions. Sensitivity analysis indicates reasonable changes to key assumptions will not result in an impairment loss.

9. Pension and other long-term employment benefit plans:

The Company's subsidiaries in Germany have certain pension and post-employment benefit plans, including a cash balance plan that provides benefits on retirement, disability and death, as well as other post-employment benefit schemes. The plan assets are held in a separate Contractual Trust Arrangement with Deutsche Pensions Treuhand GmbH. The German pension plans operate under the legal framework of the German Company Pension Law and under the German Labour Law.

The other post-employment employee benefit plans relate to India. These plans are generally unfunded. The Company's pensions and post-employment benefit plans are subject to risks from changes in the market discount rate, the rate of salary and pension increases and longevity. A lower discount rate results in a higher defined benefit obligation and/or higher benefit costs.

(Expressed in thousands of U.S. dollars)

9. Pension and other long-term employment benefit plans (continued):

The Company has assessed the valuation for pension and non-pension post-employment benefits. Pension fund assets are invested primarily in fixed income and equity securities. The Company's pension funds do not invest directly in the Company's shares, but may invest indirectly, as a result of the inclusion of the Company's shares in certain market investment funds. These plan assets are maintained in segregated accounts by a custodian that is independent from the fund managers. The Company believes that the counterparty credit risk is low.

		2022		2021
German plans				
Fair value of plan assets (a)	$	(24,830)	$	(28,566)
Present value of obligations (b)		25,408		37,858
Total German employee benefit liability		578		9,292
Other plans				
Present value of obligations (b)		135		131
Total other employee benefit liability		135		131
Total employee benefit liability	$	713	$	9,423

(Expressed in thousands of U.S. dollars)

9. Pension and other long-term employment benefit plans (continued):

The following tables analyze plan assets, present value of defined benefit obligations, expense recognized in profit or loss, actuarial assumptions and other information for the German plans and other plans.

(a) Plan assets:

Plan assets comprise:

	2022			2021		
	Germany	Other	Total	Germany	Other	Total
Short-term Eurozone bonds	$ 51	$ –	$ 51	$ 105	$ –	$ 105
Mixed funds	23,580	–	23,580	27,634	–	27,634
Cash	1,199	–	1,199	827	–	827
Fair value of plan assets	$ 24,830	$ –	$ 24,830	$ 28,566	$ –	$ 28,566
Return (loss) on plan assets	$ (2,330)	$ –	$ (2,330)	$ 3,753	$ –	$ 3,753

All asset classes in which plan assets are invested are traded freely and have quoted market prices in an active market.

(Expressed in thousands of U.S. dollars)

9. Pension and other long-term employment benefit plans (continued):

(b) Movement in the present value of the defined benefit obligations:

	2022			2021		
	Germany	Other	Total	Germany	Other	Total
Defined benefit obligations, beginning of period	$ 37,858	$ 131	$ 37,989	$ 42,428	$ 106	$ 42,534
Current service cost	–	31	31	–	18	18
Interest costs	411	7	418	401	5	406
Contributions by plan participants	–	–	–	–	–	–
Benefits paid by the employer	(1,171)	(12)	(1,183)	(855)	(12)	(867)
Benefits paid by the plan assets	–	–	–	(391)	–	(391)
Actuarial loss (gains) in other comprehensive income	(9,287)	(8)	(9,295)	(829)	16	(813)
Loss (gain) on movement in exchange rates	(2,403)	(14)	(2,417)	(2,896)	(2)	(2,898)
Defined benefit obligations, end of period	$ 25,408	$ 135	$ 25,543	$ 37,858	$ 131	$ 37,989

(Expressed in thousands of U.S. dollars)

9. Pension and other long-term employment benefit plans (continued):

(c) Movement in the fair value of plan assets:

	2022			2021		
	Germany	Other	Total	Germany	Other	Total
Fair value of plan assets, beginning of period	$ 28,566	$ –	$ 28,566	$ 26,951	$ –	$ 26,951
Contributions paid by the employer	1,171	–	1,171	855	–	855
Benefits paid by the employer	(1,171)	–	(1,171)	(855)	–	(855)
Benefits paid by the plan assets	–	–	–	(391)	–	(391)
Interest income from plan assets	314	–	314	258	–	258
Gain / (Loss) on plan assets	(2,330)	–	(2,330)	3,753	–	3,753
Gain / (Loss) on movement in exchange rates	(1,720)	–	(1,720)	(2,005)	–	(2,005)
Fair value of plan assets, end of period	$ 24,830	$ –	$ 24,830	$ 28,566	$ –	$ 28,566

(Expressed in thousands of U.S. dollars)

9. Pension and other long-term employment benefit plans (continued):

(d) Actuarial assumptions:

The determination of the value of the liabilities for defined benefit plans is based upon statistical and actuarial valuations. In particular, the present value of the defined benefit obligation is driven by financial variables (such as, the discount rates or future increases in salaries) and demographic variables (such as, mortality and employee turnover). The actuarial assumptions may differ significantly from the actual circumstances and could lead to different cash flows. The following are the principal actuarial assumptions:

	2022		2021	
	Germany	Other	Germany	Other
Discount rate	4.20%	7.40%	1.20%	6.12%
Future salary increases	0.00%	7.00%*	0.00%	7.00%*
Future pension increases	0.00%	n/a	0.00%	n/a

* *10% for the first year and 7% thereafter.*

Assumptions regarding future mortality are based on published statistics and mortality tables based on statistical information available in the various countries. In Germany, the Heubeck RT 2018G mortality tables were used in 2022 and 2021. The calculation of the pension liabilities in Germany is based on a discount rate determined using the Mercer Yield Curve approach for an average duration of 12 years at December 31, 2022 and an average duration of 13 years at December 31, 2021.

The following table shows the effects of possible changes in the actuarial assumptions on the present value of the obligation from defined benefit pension plans that are analysed. A change in the discount rate by 50-basis-points is considered for German plans. In addition, the average duration of the obligation is shown:

Effect on defined benefit obligation	50-basis-points increase	50-basis-points decrease
Impact of discount rate change to recorded obligation	$ (1,038)	$ 1,150
Revised defined benefit obligation	$ 24,370	$ 26,558
Weighted average duration of defined benefit obligation	8.34	8.86

10. Share Capital:

(a) Authorized:

Unlimited Preferred Shares, issuable in series
Unlimited Common Shares

(b) Private Placement:

On April 9, 2021, the Company closed a private placement of its common shares (the "Offering"). A total of 834,500 Shares were issued by the Company at a price of CDN$30.00 per Share for aggregate gross proceeds of $19,883 (CDN$25,035). All Shares issued under the Offering were subject to a hold period of four months and one day from the date of issuance of the Shares. The Offering and listing of the Shares was approved by the Toronto Stock Exchange (the "TSX").

Transaction costs directly associated with this issuance of shares of $794 (CAD $1,000) have been recognized as a reduction of the proceeds.

(c) Series A Warrant and Standby Warrant:

On January 26, 2017, the Company issued 800,000 Series A Preferred Shares (the "Preferred Shares") and a warrant ("the "Series A Warrant") (collectively the "Financing Transaction") to ESW Holdings, Inc. (formerly known as Wave Systems Corp.) (the "Investor"), an affiliate of ESW Capital LLC ("ESW Capital").

On July 20, 2020, the Company fully redeemed all of the Preferred Shares including all accrued and unpaid dividends thereon, beneficially owned or controlled by ESW Capital and its affiliates, in accordance with the terms of the Preferred Shares.

As part of the Financing Transaction, the Company issued a Series A Warrant that entitles the Investor to subscribe for 925,712 Subordinate Voting Shares at $34.00 per share. The Series A Warrant is classified as a liability and measured at its estimated fair value. The decrease in fair value of the warrant liability of $1,495 during the year ended December 31, 2022 (year ended December 31, 2021 – decrease of $15,168) is recorded in finance costs (recovery) in the consolidated statements of comprehensive income (loss).

10. Share Capital (continued):

Upon closing of a rights offering of its Common Shares on September 6, 2017, the Company issued a warrant to the Investor that entitles the Investor to subscribe for 50,000 Common Shares at $25.00 per share (the “Standby Warrant”). The fair value of the Standby Warrant, classified as equity upon issuance at September 6, 2017, was $998.

On March 11, 2021, the Company completed a transaction with ESW Capital whereby ESW Capital agreed to sell all of the Optiva common shares it owned in a private sale. ESW Capital also agreed to terminate all of its related party agreements with Optiva and to waive certain provisions of the Series A and Standby Warrants held directly or indirectly by ESW Capital (the “Separation Agreement”). In connection with amendments to certain provisions of the Standby Warrant, this instrument is now classified as a financial liability and measured at its estimated fair value. The decrease in fair value of the warrant liability of $172 during the year ended December 31, 2022 (year ended December 31, 2021 – $825) is recorded in finance costs (recovery) in the consolidated statements of comprehensive income (loss).

Under the Separation Agreement, any unexercised portion of the Series A Warrant and the Standby Warrant expires on March 1, 2023. No Series A or Standby Warrants have been exercised as at December 31, 2022 (year ended December 31, 2021 – none).

(d) Income (loss) per share:

A reconciliation of the number of common shares used for purposes of calculating basic and diluted income (loss) per common share for the year ended December 31, 2022 and 2021, is as follows (number of shares in thousands):

	2022	2021
Basic weighted average number of common shares outstanding	6,178	5,928
Effect of dilutive securities	–	21
Diluted weighted average number of common shares outstanding	6,178	5,949

The total number of stock options that were excluded from the calculation for the year ended December 31, 2022 were 380,000, as their inclusion would be anti-dilutive. The total number of shares issuable under the Series A Warrant and the Standby Warrant, that were excluded from the calculation for the twelve months ended December 31, 2022 were 975,712 as their inclusion would be anti-dilutive.

10. Share Capital (continued):

The total number of stock options that were excluded from the calculation for the year ended December 31, 2021 were 357,087, as their inclusion would be anti-dilutive. The total number of shares issuable under the Series A Warrant and the Standby Warrant, that were excluded from the calculation for the twelve months ended December 31, 2021 were 954,585 as their inclusion would be anti-dilutive.

(e) Share unit plan:

On July 29, 2010, the Company established a share unit plan for the purpose of providing additional compensation for certain employees, officers or consultants. Units granted under the share unit plan may be PSUs or RSUs.

PSUs granted are subject to vesting contingent on the achievement of performance conditions based on certain Company performance metrics. The related compensation expense is recognized over the related service period, which is based on management's best estimate of the outcome of the performance conditions.

During the year ended December 31, 2022, the Company granted no PSUs (year ended December 31, 2021 – none) under the share unit plan. The total expense recorded in the year ended December 31, 2022 was nil (year ended December 31, 2021 - nil).

RSUs are subject to a vesting term at the compensation committee's discretion provided that the vesting term does not exceed three years from the grant date. The associated share-based compensation is measured at fair value and is amortized over the appropriate vesting period using the straight-line method.

During the year ended December 31, 2022, the Company granted 14,318 RSUs (year ended December 31, 2021 – nil) under the share unit plan to non-directors. The fair value of RSUs granted were established based on the fair value of the underlying stock on the grant date. There were total of nil share units exercised during the year ended December 31, 2022 (year ended December 31, 2021 – nil). The share-based compensation relating to the Company's share unit plan during the year ended December 31, 2022 was $73 (year ended December 31, 2021 – $nil).

(Expressed in thousands of U.S. dollars)

10. Share Capital (continued):

Performance and restricted share units	2022	2021
Outstanding, beginning of year	–	–
Granted	14,318	–
Forfeited	–	–
Outstanding, end of year	14,318	–

The fair value of RSUs and PSUs granted in previous years were established based on the fair value of the underlying stock on the grant date.

(f) Deferred share unit plan:

Under the Deferred share unit (“DSU”) plan, established August 11, 2010, the Company may grant DSUs to eligible members of the Board of Directors. DSU grants and vesting conditions are at the discretion of the Board of Directors. An eligible director may elect to receive their annual cash remuneration in the form of DSUs, cash or any combination thereof. DSUs are classified as cash-settled share-based compensation and are remeasured to fair value at each reporting period.

An eligible director is entitled to receive a cash payment equal to the fair value of the DSUs at the date of redemption.

During the year ended December 31, 2022, the Company granted 44,620 DSUs (year ended December 31, 2021 – 63,175) under the DSU plan. The total compensation expense recorded was $178 (year ended December 31, 2021 - $1,025. The value of the liability related to the DSUs as at December 31, 2022 was $1,472 (as at December 31, 2021 - $1,496) and is included in other long-term liabilities.

Deferred share units	2022	2021
Outstanding, beginning of year	69,214	74,135
Granted	44,620	63,175
Exercised	(7,190)	(66,880)
Cancelled	–	(1,216)
Outstanding, end of year	106,644	69,214

(Expressed in thousands of U.S. dollars)

10. Share Capital (continued):

In 2021, a total of 27,024 common shares were issued by the Company for aggregate proceeds of $567 (CDN$724) to three former directors of the Company.

(g) Employee stock option plan:

The Company's stock option plan was implemented to encourage ownership of the Company by directors, officers, employees and consultants of the Company. The maximum number of common shares that may be issued under the current plan is 10% of the issued and outstanding common shares of the Company on the date of grant. The total number of stock options outstanding under the current plan does not exceed this threshold.

(i) Stock options:

Stock options are non-transferable and vest up to 25% at the end of the first year from date of grant and an additional 25% on each of the second, third and fourth anniversaries of grant. Stock options are priced in CAD.

	Number of stock options	Weighted average exercise price per share (CAD)
Outstanding, December 31, 2020	270,239	51.20
Granted	100,000	32.45
Forfeited	(13,152)	171.37
Outstanding, December 31, 2021	357,087	41.52
Granted	30,000	23.74
Forfeited	(7,087)	152.08
Outstanding, December 31, 2022	380,000	$ 38.06

(Expressed in thousands of U.S. dollars)

10. Share Capital (continued):

Summary information about stock options outstanding and exercisable as at December 31, 2021 is as follows:

	Stock options outstanding		Stock options exercisable	
Exercise Price (CAD)	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable	Weighted average remaining contractual life (years)
CAD $23.74	30,000	9.61	–	–
CAD $32.45	100,000	8.19	50,000	8.19
CAD $42.02	250,000	7.93	125,000	7.93
	380,000	8.13	175,000	8.01

The common share price of the Company as at December 31, 2022 was CAD $18.70 (December 31, 2021 - CAD $27.36) per share.

(ii) Fair values and share-based compensation expense:

There were 30,000 options granted during the year ended December 31, 2022 (year ended December 31, 2021 – 100,000).

During the twelve months ended December 31, 2022, the Company recorded a share-based compensation expense of $1,696 (year ended December 31, 2021 – $2,765) related to stock options granted under this Plan.

During the year the Company issued 30,000 stock options to certain employees that vest over 10 years, the options were valued using the Black-Scholes option pricing model with key inputs as follows: volatility – 56.79% (2021 – 62.6%), estimated life – 6.2 years (2021 – 6.2 years), discount rate – 2.8% (2021 – 1.2%), Dividends – nil (2021 – nil).

(Expressed in thousands of U.S. dollars)

11. Debentures:

On July 20, 2020, the Company closed a $90,000 financing (the “Debenture Financing“) of 9.75% secured PIK toggle debentures due in 2025 (the “Debentures“). The Debentures are guaranteed by certain of the Company’s subsidiaries and constitute senior secured obligations of the Company. The net proceeds from the Debenture Financing were used towards the redemption of all the Series A Preferred shares and accrued dividends. The Debenture Financing was completed on a private placement basis pursuant to certain prospectus exemptions.

		December 31, 2022		December 31, 2021
Debenture financing, bearing interest at 9.75%, per annum, payable semi-annually, maturing July 20, 2025	$	90,000	$	90,000
Less unamortized deferred financing costs		(2,284)		(3,010)
Long-term portion of loans and borrowings	$	87,716	$	86,990

As at December 31, 2022, $90,000 (2021 - $90,000) is outstanding and interest computed on a 365-day (or 366-day, as applicable) basis, payable semi-annually on July 20 and January 20 of each year commencing on January 20, 2021. The Company had incurred $3,933 of transaction costs and has recorded these costs as deferred financing costs that are being amortized over the expected five-year term of the Debentures. During the year ended December 31, 2022, $726 of deferred financing cost was amortized (year ended December 31, 2021 - $652).

For the year ended December 31, 2022, interest expense of $8,775 (year ended December 31, 2021 - $8,775) in connection with Debenture Financing has been recognized in the consolidated statements of comprehensive income (loss).

(Expressed in thousands of U.S. dollars)

12. Income tax expense:

(a) Income tax expense recognized in profit or loss:

		2022		2021
Current income tax expense:				
Current year	$	2,220	$	3,431
Adjustment for prior years		208		433
		2,428		3,864
Deferred income tax expense (recovery):				
Origination and reversal of temporary differences		(257)		(358)
Change in recognized tax benefits		–		10
		(257)		(348)
Total income tax expense	$	2,171	$	3,516

(Expressed in thousands of U.S. dollars)

12. Income tax expense (continued):

(b) Reconciliation of effective income tax rate:

The Company's effective income tax rate differs from the statutory rate that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to loss before income taxes. These differences result from the following items:

		2022		2021
Income (loss) before income taxes	$	2,880	$	22,019
Statutory income tax rate		26.50%		26.50%
Expected income tax expense (recovery) based on loss before income taxes	$	763	$	5,835
Increase (decrease) in income taxes resulting from:				
Non-(taxable)/deductible items		923		(3,552)
Differences due to different income tax rates for foreign subsidiaries		408		421
Withholding taxes		1,215		2,004
Change in unrecognized temporary Differences and prior year losses		(1,796)		(180)
Impact of foreign exchange and other items		658		(1,012)
Income tax expense	$	2,171	$	3,516

(Expressed in thousands of U.S. dollars)

12. Income tax expense (continued):

(c) Unrecognized deferred tax assets:

The Company has approximately $366,000 (December 31, 2021 - $386,000) of unrecognized loss carryforwards and other deductible temporary differences. As of December 31, 2022, management has not recognized these deferred tax assets in certain jurisdictions as it is not probable that the benefit of these assets can be realized in the foreseeable future. Management will continue to monitor the situation and revise its estimates as appropriate.

Included in the above amount is $155,000 (December 31, 2021 - $158,000) of Canadian unclaimed scientific research and experimental development ("SR&ED") expenses and non-capital losses, which are available to reduce future years' income for Canadian income tax purposes.

The Company's Canadian unclaimed SR&ED expenses do not expire, while the Canadian non-capital losses available for carryforward of $136,000 expire as follows:

2034	$	29,000
2035		14,000
2036		30,000
2037		59,000
2042		4,000
	$	136,000

In addition, the Company has $1,000 of capital loss carry forwards which do not expire (2021 - $2,000).

Also included in the above amount is $130,000 (December 31, 2021 - $137,000) of Maltese non-capital losses, which are available to reduce future years' income for Maltese income tax purposes, and do not expire.

The Company has approximately $7,000 (December 31, 2021 - $7,000) of Canadian ITCs, which can also be used to reduce future federal income taxes. These credits have a life of 20 years and begin to expire in 2025. The Company has not recognized these credits as it is not probable that future taxable profit will be available against which the company can utilize the benefits therefrom.

(Expressed in thousands of U.S. dollars)

12. Income tax expense (continued):

(d) Recognized deferred income tax assets and deferred income tax liabilities:

Deferred income tax assets and liabilities are attributable to the following:

	Corporate minimum taxes and other deductions	Unclaimed SR&ED expenses and non-capital losses	Unrealized foreign exchange	Pensions	Set-off of deferred tax assets and liabilities	Total
Deferred income tax assets:						
Balance, December 31, 2021	$ 466	$ 208	$ –	$ –	$ (242)	$ 432
Credited (charged) to loss before income tax expense	(4)	(9)	–	–	–	(13)
Credited (charged) to income tax expense	(136)	49	–	–	–	(87)
Set-off of deferred tax assets and liabilities	–	–	–	–	44	44
Balance, December 31, 2022	$ 326	$ 248	$ –	$ –	$ (198)	$ 376
Deferred income tax liabilities:						
Balance, December 31, 2021	$ (453)	$ –	$ (62)	$ (473)	$ 242	$ (746)
Credited (charged) to loss before income tax expense	–	–	–	13	–	13
Credited (charged) to income tax expense	178	–	62	104	–	344
Set-off of deferred tax assets and liabilities	–	–	–	–	(44)	(44)
Balance, December 31, 2022	$ (275)	$ –	$ –	$ (356)	$ 198	$ (433)

(Expressed in thousands of U.S. dollars)

12. Income tax expense (continued):

	Corporate minimum taxes and other deductions	Unclaimed SR&ED expenses and non-capital losses	Unrealized foreign exchange	Pensions	Set-off of deferred tax assets and liabilities	Total
Deferred income tax assets:						
Balance, December 31, 2020	$ 53	$ 399	$ –	$ –	$ (244)	$ 208
Credited (charged) to loss before income tax expense	(3)	(9)	–	–	–	(12)
Credited (charged) to income tax expense	416	(182)	–	–	–	234
Set-off of deferred tax assets and liabilities	–	–	–	–	2	2
Balance, December 31, 2021	$ 466	$ 208	$ –	$ –	$ (242)	$ 432
Deferred income tax liabilities:						
Balance, December 31, 2020	$ (288)	$ –	$ (244)	$ (610)	$ 244	$ (898)
Credited (charged) to loss before income tax expense	–	–	–	39	–	39
Credited (charged) to income tax expense	(165)	–	182	98	–	115
Set-off of deferred tax assets and liabilities	–	–	–	–	(2)	(2)
Balance, December 31, 2021	$ (453)	$ –	$ (62)	$ (473)	$ 242	$ (746)

(Expressed in U.S. dollars)

13. Change in non-cash operating working capital:

The change in non-cash operating working capital for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Trade accounts and other receivables	$ (152)	$ 1,177
Unbilled revenue	(7,066)	(3,480)
Prepaid expenses	1,106	(292)
Inventories	–	–
Other assets	585	(349)
Trade payables	1,063	(6,728)
Accrued liabilities and other liabilities	801	1,441
Deferred revenue	(1,748)	(1,410)
Income taxes receivable/payable	(63)	35
	$ (5,474)	$ (9,606)

14. Segment reporting:

The Company has determined that it operates in a single reportable operating segment, the telecommunications software market. The single reportable operating segment derives its revenue from the sale of software products and related services and hardware.

The Company's revenue by geographic area for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Europe, Middle East and Africa	$ 31,948	$ 31,824
North America, Latin America and Caribbean	18,955	19,213
Asia and Pacific Rim	10,876	14,199
	$ 61,779	$ 65,236

(Expressed in U.S. dollars)

14. Segment reporting (continued):

Revenue is attributed to geographic locations, based on the location of the external customer.

	2022	2021
Revenue by type:		
Support and subscription	$ 39,024	$ 47,635
Software and services	22,447	17,147
Third party software and hardware	308	454
	$ 61,779	$ 65,236

The Company's intangible assets by geographic area are as follows:

	2022	2021
United Kingdom	$ 361	$ 1,804
	$ 1,804	$ 1,804

(Expressed in U.S. dollars)

15. Commitments, restricted cash, guarantees and contingent liabilities:

(a) Commitments:

As at December 31, 2022, the Company had various lease payments and purchase commitments in normal course of operations. Below is a summary of future minimum payments for contractual obligations that are not recognized as liabilities as at December 31, 2022:

Less than 1 year		2,903
Between 1 and 5 years		9,744
More than 5 years		–
	$	12,647

(b) Restricted cash:

As at December 31, 2022, the Company had $1,948 (December 31, 2021 - $792) in cash allocated for performance guarantees, which are secured by restricted cash. The restricted cash is shown separately in the consolidated statements of financial position.

(c) Guarantees and contingent liabilities:

From time to time, the Company has provided routine indemnifications to its customers against liability if the Company's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated. In some cases, the Company has recourse against other parties to mitigate its risk of loss from these guarantees.

In the normal course of operations, the Company is subject to claims from time to time, relating to labour, customers and other matters. The Company vigorously defends itself against such claims and reviews the probability of outcome that may result in an outflow of its cash or other resources as at each consolidated statement of financial position date. Where an outflow of resources is considered probable, a provision is recognized in the consolidated statements of financial position as the best estimate of the probable costs that the Company will incur associated with the claim. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

(Expressed in U.S. dollars)

16. Provisions:

	Restructuring (a)	Other (b)	Total
Balance, December 31, 2020	$ 42	$ 5,514	$ 5,556
Cash payments	(43)	–	(43)
Release of provision	–	(1,314)	(1,314)
Foreign exchange	1	–	1
Balance, December 31, 2021	$ –	$ 4,200	$ 4,200
Cash payments	–	(3,255)	(3,255)
Amount transferred to Accrued liabilities	–	(723)	(723)
Release of provision	–	(155)	(155)
Foreign exchange	–	(67)	(67)
Balance, December 31, 2022	$ –	$ –	$ –
Current			$ 4,200
Non-current			–
Balance, December 31, 2021			$ 4,200
Current			$ –
Non-current			–
Balance, December 31, 2022			$ –

The balance at December 31, 2021 in provisions included estimated costs to settle contractual disputes. During the year ended December 31, 2022 these contractual disputes were settled and the remaining provision was released which has been recorded as a recovery in General and administrative costs in consolidated statements of comprehensive income (loss).

(Expressed in U.S. dollars)

17. Related party transactions:

Compensation of key management personnel:

Key management personnel comprise the Company's directors and executive officers.

The aggregate remuneration of key management personnel during the years ended December 31, 2022 and 2021 is as follows:

		2022		2021
Salaries and employee benefits	$	3,718	$	4,300
Share-based compensation (a)		2,449		3,720
	$	6,167	$	8,020

(a) Share-based compensation includes cash-settled and equity-settled awards, as described in note 2(s)(iii).

Service agreements:

In September 2017, the Company entered into service agreements with Crossover Markets Inc. ("Crossover") and DevFactory FZ-LLC ("DevFactory"), (collectively the “Service Agreements”) who provide cross functional and specialized technical services. Each of Crossover and DevFactory is an affiliate of ESW Capital.

On March 11, 2021 the Company completed a transaction with ESW Capital, whereby ESW Capital agreed to sell all of its common shares of Optiva in a private sale. As part of the transaction, ESW Capital also agreed to terminate all of its related party agreements (the “Separation Agreement”) with Optiva.

Crossover provided Optiva with access to skilled temporary employees. These resources provided a variety of services, including HR, operations, finance, and support functions, at any global location for pricing agreed to in the Crossover service agreement. During the year ended December 31, 2022, the Company incurred $nil of costs associated with services provided by Crossover (year ended December 31, 2021 – $586). The costs have been recorded in cost of revenue or operating expenses in accordance with the department of the contract resource in the consolidated statements of comprehensive income (loss).

In connection with the termination of the DevFactory Agreements, the Company delivered to DevFactory a promissory note in the principal amount of $2,000 that was accepted as full and complete satisfaction of the $4,054 owing by the Company to DevFactory under the DevFactory

17. Related party transactions (continued):

Agreements. The maturity date of the promissory note was twelve months from date of the agreement. The promissory note was paid in full in February 2022.

The forgiveness of $2,054 was credited to research and development expenses in the consolidated statements of comprehensive income (loss) during the year-ended December 31, 2021.