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

OPTIVA INC.

Twelve month year ended December 31, 2020 and Fifteen month year ended December 31, 2019

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/ Ashish Joshi
Chief Financial Officer

March 3, 2021
Toronto, Canada

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' 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, 2020 and December 31, 2019
- the consolidated statements of comprehensive loss for the twelve months ended December 31, 2020 and fifteen months ended December 30, 2019
- the consolidated statements of changes in shareholder's equity (deficit) for the twelve months ended December 31, 2020 and fifteen months ended December 31, 2019
- the consolidated statements of cash flows for the twelve months ended December 31, 2020 and fifteen months ended December 31, 2019
- 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, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the twelve months ended December 31, 2020 and fifteen months ended December 31, 2019 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, 2020. 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 matters described below to be the key audit matters to be communicated in our auditors' 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") arrangements

We draw attention to Note 2(d)(i) and Note 2(e) to the financial statements. The Entity enters into arrangements that contain separately identifiable components, which may include any combination of software, services, post contract customer support ("PCS") and/or hardware. The Entity evaluates these arrangements to assess whether multiple products and services within these arrangements 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 an arrangement includes multiple components, the Entity allocates revenue to the different components 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 contract.

Why the matter is the 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 arrangements 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 arrangements 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:

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 arrangements 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:

- 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 group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- 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.

Toronto, Canada

March 3, 2021

OPTIVA INC.

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

As at December 31, 2020 and December 31, 2019

		2020		2019
Assets				
Current assets:				
Cash and cash equivalents	$	17,663,998	$	31,747,993
Trade accounts and other receivables (note 6)		7,868,501		7,808,293
Unbilled revenue		4,086,395		4,468,014
Prepaid expenses		2,752,304		1,983,391
Income taxes receivable		4,281,673		4,105,144
Other assets		222,101		243,199
Inventories		–		473,201
Total current assets		36,874,972		50,829,235
Restricted cash (note 15(b))		625,692		951,291
Deferred income taxes (note 12(d))		208,237		217,423
Other assets		624,134		–
Investment tax credits (note 12(c))		–		358,309
Long-term unbilled revenue		3,520,177		4,676,597
Intangible assets (note 8(a))		3,255,482		12,215,598
Goodwill (note 8(b))		32,271,078		32,271,078
Total assets	$	77,379,772	$	101,519,531
Liabilities and Shareholders' Equity (Deficit)				
Current liabilities:				
Trade payables	$	8,811,407	$	7,350,942
Accrued liabilities		9,677,245		10,518,015
Provisions (note 16)		5,555,373		3,630,550
Income taxes payable		4,932,157		3,644,752
Deferred revenue		4,894,195		6,363,724
Total current liabilities		33,870,377		31,507,983
Deferred revenue		661,837		702,143
Other liabilities		2,797,836		2,628,408
Pension and other long-term employment benefit plans (note 9)		15,582,459		12,486,732
Debentures (note 11)		86,338,367		–
Provisions (note 16)		–		36,611
Preferred shares (note 10(b)), (note 3(a))		–		66,345,563
Series A Warrant (note 10(b)) (note 3(a))		16,662,808		22,679,934
Deferred income taxes (note 12(d))		898,146		753,036
Total liabilities		156,811,830		137,140,410
Shareholders' equity (deficit):				
Share capital		250,904,013		250,893,223
Standby Warrant (note 10(c))		997,500		997,500
Contributed surplus		11,406,814		11,291,632
Deficit		(335,842,249)		(294,322,038)
Accumulated other comprehensive loss		(6,898,136)		(4,481,196)
Total shareholders' equity (deficit)		(79,432,058)		(35,620,879)
Total liabilities and shareholders' equity (deficit)	$	77,379,772	$	101,519,531

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

Subsequent event (note 18)

Approved by the Board of Directors

/s/ Robert Stabile Director /s/ Andrew Day Director

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

OPTIVA INC.

Consolidated Statements of Comprehensive Loss
(Expressed in U.S. dollars, except per share and share amounts)

Twelve months ended December 31, 2020 and Fifteen months ended December 31, 2019

	2020	2019
Revenue:		
Support and subscription	$ 58,288,775	$ 86,859,693
Software licenses, services and other	17,626,729	34,022,831
	75,915,504	120,882,524
Cost of revenue (note 4)	19,603,845	39,351,285
Gross profit	56,311,659	81,531,239
Operating expenses (note 4):		
Sales and marketing	7,952,320	12,552,570
General and administrative	30,058,707	22,585,631
Research and development	25,537,279	35,156,577
Restructuring costs (recovery) (note 16(a))	162,713	(1,715,241)
	63,711,019	68,579,537
Income (loss) from operations	(7,399,360)	12,951,702
Foreign exchange loss	(1,999,216)	(1,475,908)
Finance income (note 5(b))	405,810	604,885
Finance costs (note 5(a) and 11)	(26,253,579)	(14,190,135)
Loss before income taxes	(35,246,345)	(2,109,456)
Income tax expense (note 12(a)):		
Current	5,801,865	9,162,706
Deferred	472,001	2,478,943
	6,273,866	11,641,649
Loss for the year	(41,520,211)	(13,751,105)
Other comprehensive income (loss):		
Items that will not be reclassified to net income:		
Actuarial (loss) / gain on pension and non-pension post-employment benefit plans, net of income tax expense of nil (2019 - nil) (note 9)	(2,416,940)	3,590,172
Total comprehensive loss	$ (43,937,151)	$ (10,160,933)
Loss per common share (Note 10(d)):		
Basic	$ (7.81)	$ (2.60)
Diluted	(7.81)	(2.60)
Weighted average number of common shares:		
Basic	5,315,940	5,280,662
Diluted	5,315,940	5,280,662

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

OPTIVA INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in U.S. dollars, except share amounts)

Twelve months ended December 31, 2020 and Fifteen months ended December 31, 2019

	Share capital Number Outstanding (note 10(b))	Share capital Amount	Standby Warrant	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity (deficit)
Balance, December 31, 2019	5,315,757	$ 250,893,223	$ 997,500	$ 11,291,632	$ (294,322,038)	$ (4,481,196)	$ (35,620,879)
Loss for the year	–	–	–	–	(41,520,211)	–	(41,520,211)
Defined benefit plan actuarial (loss) (note 9)	–	–	–	–	–	(2,416,940)	(2,416,940)
Issue of shares under RSU (note 10(e))	300	10,790	–	(10,790)	–	–	–
Share-based compensation (note 10(g))	–	–	–	125,972	–	–	125,972
Balance, December 31, 2020	5,316,057	$ 250,904,013	$ 997,500	$ 11,406,814	$ (335,842,249)	$ (6,898,136)	$ (79,432,058)
Balance, September 30, 2018	5,233,047	$ 248,680,325	$ 997,500	$ 13,386,978	$ (285,318,990)	$ (8,071,368)	$ (30,325,555)
Impact of IFRS 15 Adoption	–	–	–	–	4,748,057	–	4,748,057
Loss for the year	–	–	–	–	(13,751,105)	–	(13,751,105)
Defined benefit plan actuarial gain (note 9)	–	–	–	–	–	3,590,172	3,590,172
Issue of shares under RSU (note 10(e))	82,710	2,212,898	–	(2,212,898)	–	–	–
Share-based compensation (note 10(g))	–	–	–	117,552	–	–	117,552
Balance, December 31, 2019	5,315,757	$ 250,893,223	$ 997,500	$ 11,291,632	$ (294,322,038)	$ (4,481,196)	$ (35,620,879)

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

OPTIVA INC.

Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)

Twelve months ended December 31, 2020 and Fifteen months ended December 31, 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (41,520,211)	$ (13,751,105)
Adjustments for:		
Depreciation of property and equipment (note 7)	–	166,698
Amortization of intangible assets (note 8)	8,960,116	5,828,932
Finance income (note 5(b))	(405,810)	(604,885)
Finance costs (note 5(a))	26,253,579	14,190,135
Income tax expense (note 12)	6,273,866	11,641,649
Unrealized foreign exchange (gain) / loss	(1,683,892)	39,847
Share-based compensation (note 10)	151,979	2,175,412
Pensions	1,236,746	(684,984)
Provisions	1,888,212	(9,650,047)
Loss on disposal of property and equipment (note 7)	–	307,707
Change in non-cash operating working capital (note 13)	(4,153,635)	(7,094,600)
	(2,999,050)	2,564,759
Interest paid	(38,897)	(77,487)
Interest received	78,201	281,776
Income taxes paid	(4,940,550)	(5,028,410)
	(7,900,296)	(2,259,362)
Financing activities:		
Issuance of debentures (note 11)	90,000,000	–
Transaction costs on debentures (note 11)	(3,933,723)	–
Redemption of preferred shares (note 10(b))	(80,000,000)	–
Dividends paid (note 10(b))	(13,588,145)	(4,264,969)
	(7,521,868)	(4,264,969)
Investing activities:		
Sale of property and equipment (note 7)	–	67,456
Decrease in restricted cash	325,599	2,556,468
	325,599	2,623,924
Effect of foreign exchange rate changes on cash and cash equivalents	1,012,570	(526,463)
Decrease in cash and cash equivalents	(14,083,995)	(4,426,870)
Cash and cash equivalents, beginning of year	31,747,993	36,174,863
Cash and cash equivalents, end of year	$ 17,663,998	$ 31,747,993

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 d.o.o. Beograd, Redknee BH d.o.o., Redknee Italy OS S.R.L., Redknee Maroc S.A.R.L., PT Redknee Indonesia, Redknee (Germany) GmbH, Redknee India OS Private Limited, Redknee OS Brasil Informatica Ltda., Redknee Argentina S.R.L., Redknee Germany OS GmbH, Redknee Holdings (Pty) Limited, Redknee MEA SAL (Offshore), Redknee South Africa (Pty) Limited, Redknee Malaysia Sdn. Bhd., 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"). On December 12, 2018, the Board of Directors approved a change in the Company's fiscal year end from September 30, to December 31. The Company's 2020 fiscal reporting period is for the twelve months ended December 31, 2020. The comparatives are for the fifteen months ended December 31, 2019.

These consolidated financial statements for the fiscal period ended December 31, 2020 were authorized for issuance by the Board of Directors of the Company on March 3, 2021.

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 are measured at fair value.

(b) Basis of consolidation:

These consolidated financial statements include the financial statements of the Company, and its wholly owned subsidiary companies. All significant intercompany balances and transactions have been eliminated on 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 year-end rates of exchange. Foreign exchange gains and losses are recognized in the consolidated statements of comprehensive 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.

The Company continues to monitor the evolution of the novel coronavirus ("COVID-19") pandemic. 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, such as the spread and severity of the disease, the duration of the outbreak including any possible resurgence, and actions taken by authorities to control the spread of the virus, the impact of the pandemic on spending, and the ability or willingness of suppliers and vendors to provide products and services.

Any of these developments, and others, could have a material adverse effect on the Company's business, affairs, operations, results of operations, financial condition, liquidity, availability of credit and foreign exchange exposure. In addition, because of the severity and global nature of the COVID-19 pandemic, 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, which could result in, among other things, an impairment of non-current assets and a change in the expected credit losses on accounts receivable. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts on its business.

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

2. Significant accounting policies (continued):

balances will be paid. Credit risks for outstanding customer receivables are regularly assessed and allowances are recorded for estimated losses.

(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.

2. Significant accounting policies (continued):

(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.

(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

2. Significant accounting policies (continued):

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.

(ii) Arrangements with multiple components:

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 loss per common share:

Basic net loss per common share is computed by dividing loss for the year by the weighted average number of common shares outstanding during the year. Diluted net loss 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 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:

Effective October 1, 2018, the Company adopted IFRS 9, which sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard simplifies the classification of financial assets as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39, Financial Instruments: recognition and measurement ("IAS 39"). This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39.

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 warrant that was classified as financial liability at fair value through profit or loss under IAS 39, continues 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.

2. Significant accounting policies (continued):

(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

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.

On January 13, 2016, the IASB issued IFRS 16, Leases (“IFRS 16”). IFRS 16 replaces IAS 17, Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

2. Significant accounting policies (continued):

The Company has adopted the standard effective January 1, 2020. Management assessed the extent of the impact of adoption of this standard and interpretations on the consolidated financial statements of the Company and found them not to have a material impact on the Company's consolidated financial statements. 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 at January 1, 2020 would fall under the category of short-term leases or leases of low value assets. The lease payments associated with these leases will be 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.

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 International Accounting Standard ("IAS") 39, Financial Instruments - Recognition and Measurement ("IAS 39"), is

2. Significant accounting policies (continued):

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.

(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.

2. Significant accounting policies (continued):

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.

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 fiscal periods ended December 31, 2020 and December 31, 2019.

(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

2. Significant accounting policies (continued):

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 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 at the earlier of recognizing costs 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.

2. Significant accounting policies (continued):

(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 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 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.

2. Significant accounting policies (continued):

(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.

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

2. Significant accounting policies (continued):

extent that the benefits vest immediately, the expense is recognized immediately in the consolidated statements of comprehensive 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 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
- 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).

(Expressed in U.S. dollars)

3. Financial instruments and capital management (continued):

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:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Warrant classified as liability (Level 2)	16,662,808	16,662,808	22,679,934	22,679,934
Preferred Shares (Level 2)	–	–	66,345,563	66,345,563

In addition to the foregoing, the Company has an issued and outstanding warrant, as described in note 10, to purchase 50,000 Subordinated Voting Shares at $25.00 per share (the "Standby Warrant"). The fair value of the Standby Warrant, was classified as equity upon issuance at September 6, 2017, was $1.0 million. The Standby Warrant expires on September 5, 2027

There were no transfers of financial assets between levels during the fiscal periods ended December 31, 2020 and 2019.

Financial instruments are classified into one of the following categories: financial assets and financial liabilities at fair value.

The carrying values of 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 values 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 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, 2020 and 2019 was as follows:

	2020	2019
Europe, Middle East and Africa	31%	36%
North America, Latin America and Caribbean	33%	48%
Asia and Pacific Rim	36%	16%
	100%	100%

For the year ended December 31, 2020, the Company had no customers (fifteen months ended December 31, 2019 – 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 $5,641,232 as at December 31, 2020 (2019 - $8,379,591), 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, 2020, approximately 27.5% of gross trade receivables, or $2,162,646 was outstanding for more than 120 days (2019 – 17.7% or $2,108,402).

(Expressed in U.S. dollars)

3. Financial instruments and capital management (continued):

The activity of the allowance for doubtful accounts for the twelve and fifteen months ended December 31, 2020 and December 31, 2019 is as follows:

	2020	2019
Allowance for doubtful accounts, beginning of year	$ 1,584,427	$ 2,093,128
Bad debt expense	888,922	791,954
Write-off of bad debts	(1,579,860)	(1,300,655)
Allowance for doubtful accounts, end of year	$ 893,489	$ 1,584,427

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, 2020 and December 31, 2019 was as follows:

	2020	2019
Europe, Middle East and Africa	68%	55%
North America, Latin America and Caribbean	18%	36%
Asia and Pacific Rim	14%	9%
	100%	100%

(Expressed in U.S. dollars)

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. The Company's financial liabilities as at December 31, 2020 will mature as follows:

	Less than 1 year	1 - 2 years	2 years and thereafter
Trade payables	$ 8,811,407	$ –	$ –
Accrued liabilities	9,677,245	–	–
Provisions	5,555,373	–	–
Other liabilities	–	–	2,797,836
Debentures	–	–	86,338,367
	$ 24,044,025	$ –	$ 89,136,203

The Company also has contractual obligations in the form of operating leases (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 $1,998,445 during the twelve months ended December 31, 2020 (fifteen months ended December 31, 2019 – loss of $1,475,908).

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

	Currency of exposure in U.S. dollars	
2020	CAD	Euro
Cash and cash equivalents	$ 400,876	$ 2,204,885
Trade accounts and other receivables	995,464	475,529
Trade payables	(2,220,402)	(190,568)
Accrued liabilities	(1,692,899)	(582,990)
Net exposure	$ (2,516,961)	$ 1,906,856

	Currency of exposure in U.S. dollars	
2019	CAD	Euro
Cash and cash equivalents	$ 896,116	$ 2,655,406
Trade accounts and other receivables	1,954,127	1,017,934
Restricted cash	363,005	588,286
Trade payables	(761,308)	(543,947)
Accrued liabilities	(2,466,202)	(2,865,862)
Net exposure	$ (14,262)	$ 851,817

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 $952,675 (2019 - $1,166,427) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive 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, 2020 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 research and development leading to innovative and market leading products and implement its strategic plan that will help towards increasing shareholder value, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is currently composed of Debentures and Series A Warrant (classified as liability), Subordinated Voting Shares and Standby Warrant (classified as equity). 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 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 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.

2020	Cost of revenue	Sales and marketing	General and administrative	Research and development
Personnel expenses (a)	$ 11,528,445	$ 4,397,454	$ 4,162,917	$ 4,702,625
Share based compensation	–	–	151,979	–
Third party software support and hardware	2,389,790	–	–	–
Other operating expenses (b)	5,685,610	3,554,866	16,783,695	20,834,654
Depreciation and amortization	–	–	8,960,116	–
	$ 19,603,845	$ 7,952,320	$ 30,058,707	$ 25,537,279

2019	Cost of revenue	Sales and marketing	General and administrative	Research and development
Personnel expenses (a)	$ 17,999,463	$ 6,045,025	$ 4,971,403	$ 10,188,991
Share based compensation	(45,661)	(9,362)	2,230,779	(344)
Third party software support and hardware	4,910,344	–	–	–
Other operating expenses (b)	16,487,139	6,516,907	9,529,945	24,825,803
Depreciation and amortization	–	–	5,853,504	142,127
	$ 39,351,285	$ 12,552,570	$ 22,585,631	$ 35,156,577

(a) Personnel expenses include the cost of services provided by the contractors from Crossover, a related party, as described in note 17.

(b) Other operating expenses include the cost of services provided by DevFactory, a related party, as described in note 17.

(Expressed in U.S. dollars)

5. Finance costs and finance income:

(a) Finance costs:

	2020	2019
Preferred shares dividend, accretion and amortization of deferred financing costs (note 10(b))	$ 27,514,672	$ 12,748,114
Series A Warrant fair value adjustment (note 10(c))	(6,017,126)	925,711
Interest on debentures (note 11)	3,966,781	–
Other finance costs	789,252	516,310
	$ 26,253,579	$14,190,135

(b) Finance income:

Finance income includes interest income on bank accounts and term deposits of $405,810 for the twelve months ended December 31, 2020 (fifteen months ended December 31, 2019 - $604,885).

6. Trade accounts and other receivables:

	2020	2019
Trade receivables, net of allowance for doubtful accounts (note 3(b)(ii))	$ 4,747,743	$ 6,795,164
Other receivables (a)	3,120,758	972,093
Employee receivables (b)	–	41,036
	$ 7,868,501	$ 7,808,293

(a) At December 31, 2020 and December 31, 2019, the other receivables balance mainly includes amounts relating to indirect taxes receivable.

(b) Employee receivables represent advances for business travel and are adjusted as travel is completed and an expense reimbursement is claimed by the employees.

(Expressed in U.S. dollars)

7. Property and equipment:

	Computer equipment	Furniture, fixtures and lab equipment	Leasehold improvements	Total
Cost				
Balance, September 30, 2018	$ 196,742	$ 12,797,585	$ –	$ 12,994,327
Disposals	–	(2,309,415)	–	(2,309,415)
Balance, December 31, 2019	196,742	10,488,170	–	10,684,912
Disposals	(196,742)	(10,488,170)	–	(10,684,912)
Balance, December 31, 2020	$ –	$ –	$ –	$ –
Accumulated depreciation				
Balance, September 30, 2018	$ 155,536	$ 12,296,930	$ –	$ 12,452,466
Depreciation	41,206	125,492	–	166,698
Disposals	–	(1,973,668)	–	(1,973,668)
Foreign exchange impact	–	39,416	–	39,416
Balance, December 31, 2019	196,742	10,488,170	–	10,684,912
Disposals	(196,742)	(10,488,170)	–	(10,684,912)
Balance, December 31, 2020	$ –	$ –	$ –	$ –
Net book values				
December 31, 2019	$ –	$ –	$ –	$ –
December 31, 2020	–	–	–	–

(Expressed in U.S. dollars)

8. Intangible assets and goodwill:

(a) Intangible assets

	Computer software	Acquired technology	Customer relationships	Total
Cost				
Balance, September 30, 2018	$ 5,950,822	$ 33,766,688	$ 29,565,712	$ 69,283,222
Disposals	–	–	–	–
Balance, December 31, 2019	5,950,822	33,766,688	29,565,712	69,283,222
Additions	–	–	–	–
Balance, December 31, 2020	$ 5,950,822	$ 33,766,688	$ 29,565,712	$ 69,283,222
Accumulated amortization				
Balance, September 30, 2018	$ 5,937,872	$ 30,708,070	$ 14,592,750	$ 51,238,692
Amortization	12,950	2,215,763	3,600,219	5,828,932
Balance, December 31, 2019	5,950,822	32,923,833	18,192,969	57,067,624
Amortization	–	842,855	8,117,261	8,960,116
Balance, December 31, 2020	$ 5,950,822	$ 33,766,688	$ 26,310,230	$ 66,027,740
Net book values				
Balance, December 31, 2019	$ –	$ 842,855	$ 11,372,743	$ 12,215,598
Balance, December 31, 2020	–	–	3,255,482	3,255,482

Amortization on customer relationships associated with certain non-core business was accelerated to be fully amortized during the fiscal period ended December 31, 2020. Original amortization was estimated over a period of 10 years. The acceleration of amortization shortened the useful life of customer relationships by 4.5 years and resulted in an incremental $5,296,444 of amortization in the year ended December 31, 2020.

8. Intangible assets and Goodwill (continued):

(b) Goodwill:

The carrying value of goodwill at December 31, 2020 was $32,271,078 (December 31, 2019 - $32,271,078).

Goodwill is tested annually for impairment at the CGU level. The annual impairment test of goodwill was performed as at December 31, 2020 and December 31, 2019 and did not result in any impairment loss. At the December 31, 2020 impairment testing date, the Company identified a single CGU and performed its 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, 2020, 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:

In Germany, there are a number of pensions 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 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.

	2020	2019
German plans		
Fair value of plan assets (a)	$ (26,951,492)	$ (25,230,895)
Present value of obligations (b)	42,427,947	37,578,282
Total German employee benefit liability	15,476,455	12,347,387
Other plans		
Present value of obligations (b)	106,004	139,345
Total other employee benefit liability	106,004	139,345
Total employee benefit liability	$ 15,582,459	$ 12,486,732

(Expressed in 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:

	2020			2019		
	Germany	Other	Total	Germany	Other	Total
Short-term Eurozone bonds	$ 144,890	$ –	$ 144,890	$ 134,852	$ –	$ 134,852
Mixed funds	25,862,390	–	25,862,390	24,486,906	–	24,486,906
Cash	944,212	–	944,212	609,137	–	609,137
Fair value of plan assets	$ 26,951,492	$ –	$ 26,951,492	$ 25,230,895	$ –	$ 25,230,895
Return (loss) on plan assets	$ (486,208)	$ –	$ (486,208)	$ 1,102,562	$ –	$ 1,102,562

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

(Expressed in U.S. dollars)

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

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

	2020			2019		
	Germany	Other	Total	Germany	Other	Total
Defined benefit obligations, beginning of period	$ 37,578,282	$ 139,345	$ 37,717,627	$ 41,111,659	$ 283,102	$ 41,394,761
Current service cost	–	16,992	16,992	31,686	92,964	124,650
Curtailment loss (gain)	–	–	–	–	(72,864)	(72,864)
Interest costs	491,739	9,421	501,160	916,056	24,449	940,505
Contributions by plan participants	–	–	–	5,048	–	5,048
Benefits paid by the employer	(687,840)	(46,751)	(734,591)	(560,859)	(186,839)	(747,698)
Benefits paid by the plan assets	(305,958)	–	(305,958)	(45,465)	–	(45,465)
Settlements paid by the employer	–	–	–	–	(22,388)	(22,388)
Actuarial loss (gains) in other comprehensive income	1,932,946	(9,579)	1,923,367	(2,500,836)	24,815	(2,476,021)
Loss (gain) on movement in exchange rates	3,418,778	(3,424)	3,415,354	(1,379,007)	(3,894)	(1,382,901)
Defined benefit obligations, end of period	$ 42,427,947	$ 106,004	$ 42,533,951	$ 37,578,282	$ 139,345	$ 37,717,627

(Expressed in U.S. dollars)

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

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

	2020			2019		
	Germany	Other	Total	Germany	Other	Total
Fair value of plan assets, beginning of period	$ 25,230,895	$ –	$ 25,230,895	$ 24,485,792	$ –	$ 24,485,792
Contributions paid by plan participants	–	–	–	5,048	–	5,048
Contributions paid by the employer	687,840	–	687,840	519,147	–	519,147
Benefits paid by the employer	(687,840)	–	(687,840)	(560,859)	–	(560,859)
Benefits paid by the plan assets	(305,958)	–	(305,958)	(45,465)	–	(45,465)
Interest income from plan assets	335,184	–	335,184	549,130	–	549,130
Gain / (Loss) on plan assets	(486,208)	–	(486,208)	1,114,151	–	1,114,151
Gain / (Loss) on movement in exchange rates	2,177,579	–	2,177,579	(836,049)	–	(836,049)
Fair value of plan assets, end of period	$ 26,951,492	$ –	$ 26,951,492	$ 25,230,895	$ –	$ 25,230,895

(Expressed in 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:

	2020		2019	
	Germany	Other	Germany	Other
Discount rate	1.00%	5.27%	1.30%	7.20%
Future salary increases	0.00%	7.00%	0.00%	8.00%
Future pension increases	0.00%	n/a	0.00%	n/a

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 2018G mortality tables were used in 2020 and 2019. 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 15 years at December 31, 2020 and December 31, 2019.

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
On discount rate	$ 39,768,733	$ 45,454,510
Weighted average duration of defined benefit obligation	12.95	13.78

10. Capital stock:

(a) Authorized:

Unlimited Preferred Shares, issuable in series
Unlimited Subordinate Voting Shares

(b) Series A Preferred Shares and Subordinate Voting Shares:

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"). The Investor, as the holder of the Preferred Shares, is entitled to elect a number of directors that will be a majority of the Board of Directors, with the holders of the Subordinate Voting Shares being entitled to elect the balance of the directors, which resulted in the Subordinate Voting Shares becoming "restricted securities" under applicable securities laws and the TSX Company Manual, on January 26, 2017. The Preferred Shares are redeemable any time at the option of the Company and redeemable at the option of the Investor any time after 10 years of issuance. The holders of the Preferred Shares are entitled to dividends, payable quarterly at the rate of 10% per annum of the issue price. Provided that to the extent such dividends are not declared and paid, dividends shall accrue and compound monthly at the rate of 10%.

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. The aggregate redemption price in respect of the Preferred Shares was $91,378,719. This included the face amount of $80,000,000 and accrued dividends of $11,378,719.

The Preferred Shares were being accreted to their face amount of $80,000,000 plus accrued cumulative dividends over the 10-year maturity period using the effective interest rate method.

During the twelve months ended December 31, 2020, accretion expense, amortization of transaction costs and accrued dividends on the Preferred Shares amounted to $27,242,582 (fifteen months ended December 31, 2019 - $12,748,114). These charges are included in finance costs in the consolidated statements of comprehensive loss. During the twelve months ended December 31, 2020, cumulative dividends in the amount of $13,588,145 were paid (fifteen months ended December 31, 2019 - $4,264,969). The amount of accrued dividends were included in the Preferred Shares on the consolidated statements of financial position.

10. Capital Stock (continued):

(c) Series A Warrant and Standby Warrant:

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 because it contains an adjustment provision if the Company issues Subordinate Voting Shares or securities exchangeable for or convertible into Subordinate Voting Shares at a price per share less than the Series A Warrant exercise price. The decrease in fair value of the warrant liability of $6,017,126 during the twelve months ended December 31, 2020 (fifteen months ended December 31, 2019 – increase of $925,711) is recorded in finance costs (recovery) in the consolidated statements of comprehensive loss. Any unexercised Series A Warrant expires on January 25, 2027. No Series A Warrant was exercised as at December 31, 2020 (December 31, 2019 – none).

Upon closing of a rights offering of its Subordinate Voting Shares on September 6, 2017, the Company issued a warrant to the Investor that entitles the Investor to subscribe for 50,000 Subordinate Voting 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 $997,500. The Standby Warrant expires on September 5, 2027. No warrants were exercised as at December 31, 2020 (fifteen months ended December 31, 2019 – none).

(d) Loss per common share:

Due to the losses for the twelve months ended December 31, 2020 and fifteen months ended December 31, 2019, all stock options, the Series A Warrant and the Standby Warrant, are excluded from the calculation of diluted loss per common share as their inclusion would be anti-dilutive. The total number of stock options that were excluded from the calculation for the twelve months ended December 31, 2020 is 270,239 (fifteen months ended December 31, 2019 – 26,889). The Series A Warrant and the Standby Warrant are equivalent to 925,712 and 50,000 Subordinate Voting Shares respectively as at December 31, 2020 (as at December 30, 2019 – 925,712 and 50,000, respectively).

(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.

(Expressed in U.S. dollars)

10. Capital Stock (continued):

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 twelve months ended December 31, 2020, the Company granted no PSUs (fifteen months ended December 31, 2019 – nil) under the share unit plan. The total expense recorded in the twelve months ended December 31, 2020 was $nil (fifteen months ended December 31, 2019 - $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 twelve months ended December 31, 2020, the Company granted no RSUs (fifteen months ended December 31, 2019 – 65,971) under the share unit plan to non-directors. There were total of 33,286 share units exercised in the twelve months ended December 31, 2020 of which 300 shares were issued from treasury and remaining share units settled in cash (fifteen months ended December 31, 2019 – 82,710 settled in shares and 18,930 settled in cash). The share-based compensation relating to the Company's share unit plan during the twelve months ended December 31, 2020 was a recovery of $150,132 (fifteen months ended December 31, 2019 – expense of $1,475,100).

Performance and restricted share units	2020	2019
Outstanding, beginning of year	66,271	108,418
Settled in cash	(32,986)	(18,930)
Settled in shares	(300)	(82,710)
Granted	–	65,971
Forfeited	(32,985)	(6,478)
Outstanding, end of year	–	66,271

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.

(Expressed in U.S. dollars)

10. Capital Stock (continued):

(f) DSU plan:

Under the 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 year.

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 twelve months ended December 31, 2020, the Company granted 28,198 DSUs (fifteen months ended December 31, 2019 – 16,805) under the DSU plan. The total compensation expense recorded was $176,139 (fifteen months ended December 31, 2019 - $746,557). The value of the liability related to the DSUs as at December 31, 2020 was $2,029,192 (as at December 31, 2019 - $1,836,519) and is included in other long-term liabilities.

Deferred share units	2020	2019
Outstanding, beginning of year	45,937	33,384
Granted	28,198	16,805
Exercised	–	(4,252)
Outstanding, end of year	74,135	45,937

(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.

(Expressed in U.S. dollars)

10. Capital Stock (continued):

(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, September 30, 2018	51,775	147.94
Forfeited	(24,886)	96.84
Outstanding, December 31, 2019	26,889	195.23
Granted	250,000	42.02
Forfeited	(6,650)	292.63
Outstanding, December 31, 2020	270,239	$ 51.20

Summary information about stock options outstanding and exercisable as at December 31, 2020 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 $ 42.02	250,000	9.93	–	–
CAD $149.50	8,845	1.93	8,845	1.93
CAD $175.00	10,706	0.88	10,706	0.88
CAD $186.00	500	1.59	500	1.59
CAD $227.50	188	0.35	188	0.35
	270,239	9.29	20,239	1.35

The common share price of the Company as at December 31, 2020 was CAD $34.91 (December 31, 2019 - CAD $52.09) per share.

(Expressed in U.S. dollars)

10. Capital Stock (continued):

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

There were 250,000 options granted during the fiscal year ended December 31, 2020 (2019 – nil).

During the twelve months ended December 31, 2020, the Company recorded a share-based compensation expense of $125,972 (fifteen months ended December 31, 2019 – recovery of $46,245) related to stock options granted under this Plan.

11. Debentures:

On July 20, 2020, the Company closed a $90,000,000 financing (the "Debenture Financing") of 9.75% secured PIK toggle debentures due 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, and consisted of a non-brokered private placement and a marketed brokered private placement led by CIBC Capital Markets ("CIBC") as agent for the Debenture Financing.

	December 31, 2020	December 31, 2019
Debenture financing, bearing interest at 9.75%, per annum, payable semi-annually, maturing July 20, 2025	$ 90,000,000	$ –
Less unamortized deferred financing costs	(3,661,633)	–
Long-term portion of loans and borrowings	$ 86,338,367	$ –

As at December 31, 2020, $90,000,000 (2019 - $nil) 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 incurred $3,933,723 of transaction costs during the year ended December 31, 2020 and has recorded these costs as deferred financing costs that are being amortized over the expected five-year term of the Debentures. During the twelve months ended December 31, 2020, $272,090 of deferred financing cost was amortized (fifteen months ended December 31, 2019 - $nil).

(Expressed in U.S. dollars)

11. Debentures (continued):

For the twelve months ended December 31, 2020, interest expense of $3,966,781 (fifteen months ended December 31, 2019 - $nil) in connection with Debenture Financing has been recognized in the consolidated statements of comprehensive loss.

12. Income tax expense:

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

	2020	2019
Current income tax expense:		
Current year	$ 4,908,897	$ 8,567,441
Adjustment for prior years	892,968	595,265
	5,801,865	9,162,706
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences	107,809	1,388,083
Change in recognized tax benefits	–	1,066,398
Write off of investment tax credits	364,192	–
Utilization of previously recognized tax assets	–	24,462
	472,001	2,478,943
Total income tax expense	$ 6,273,866	$ 11,641,649

(Expressed in 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:

	2020	2019
Loss before income taxes	$ (35,246,345)	$ (2,109,456)
Statutory income tax rate	26.50%	26.50%
Expected income tax recovery based on loss before income taxes	$ (9,340,282)	$ (559,006)
Increase (decrease) in income taxes resulting from:		
Non-taxable/deductible items	(2,031,988)	2,252,184
Differences due to different income tax rates for foreign subsidiaries	(713,923)	378,749
Withholding taxes	2,892,204	3,352,828
Change in unrecognized temporary differences and prior year losses	12,551,644	4,748,667
Impact of foreign exchange and other items	2,916,211	1,468,227
Income tax expense	$ 6,273,866	$ 11,641,649

(Expressed in U.S. dollars)

12. Income tax expense (continued):

(c) Unrecognized deferred tax assets:

The Company has approximately $359,000,000 (December 31, 2019 - $331,000,000) of unrecognized loss carryforwards and other deductible temporary differences. As of December 31, 2020, 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 $165,000,000 (December 31, 2019 - $171,300,000) 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 $145,000,000 expire as follows:

2034	$ 30,000,000
2035	15,000,000
2036	32,000,000
2037	68,000,000
	$ 145,000,000

In addition, the Company has $2,000,000 of capital loss carry forwards which do not expire (2019 - $8,000,000).

Also included in the above amount is $49,000,000 (December 31, 2019 - $23,800,000) 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 $7,000,000 (December 31, 2019 - $7,100,000) 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 previously recorded credits of $nil (fifteen months ended December 31, 2019 - $358,309) as it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

(Expressed in 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, 2019	$ 76,481	$ 140,942	$ –	$ –	$ –	$ 217,423
Credited (charged) to loss before income tax expense	(3,022)	13,988	–	–	–	10,966
Credited (charged) to income tax expense	(20,152)	243,965	–	–	–	223,813
Set-off of deferred tax assets and liabilities	–	–	–	–	(243,965)	(243,965)
Balance, December 31, 2020	$ 53,307	$ 398,895	$ –	$ –	$ (243,965)	$ 208,237
Deferred income tax liabilities:						
Balance, December 31, 2019	$ (70,000)	$ –	$ –	$ (683,036)	$ –	$ (753,036)
Credited (charged) to loss before income tax expense	–	–	–	(57,453)	–	(57,453)
Credited (charged) to income tax expense	(218,000)	–	(243,965)	130,343	–	(331,622)
Set-off of deferred tax assets and liabilities	–	–	–	–	243,965	243,965
Balance, December 31, 2020	$ (288,000)	$ –	$ (243,965)	$ (610,146)	$ 243,965	$ (898,146)

(Expressed in U.S. dollars)

12. Income tax expense (continued):

	Corporate minimum taxes and other deductions	Unclaimed SR&ED expenses and non-capital losses	Intangible assets	Pensions	Set-off of deferred tax assets and liabilities	Total
Deferred income tax assets:						
Balance, September 30, 2018	$ 793,121	$ 1,300,595	$ –	$ 807,753	$ (807,753)	$ 2,093,716
Credited (charged) to loss before income tax expense	9,569	(39,954)	–	(27,141)	–	(57,526)
Credited (charged) to income tax expense	(726,209)	(1,119,699)	–	(780,612)	–	(2,626,520)
Set-off of deferred tax assets and liabilities	–	–	–	–	807,753	807,753
Balance, December 31, 2019	$ 76,481	$ 140,942	$ –	$ –	$ –	$ 217,423
Deferred income tax liabilities:						
Balance, September 30, 2018	$ (120,000)	$ –	$ –	$ (807,753)	$ 807,753	$ (120,000)
Credited (charged) to loss before income tax expense	–	–	–	27,141	–	27,141
Credited (charged) to income tax expense	50,000	–	–	97,576	–	147,576
Set-off of deferred tax assets and liabilities	–	–	–	–	(807,753)	(807,753)
Balance, December 31, 2019	$ (70,000)	$ –	$ –	$ (683,036)	$ –	$ (753,036)

(Expressed in U.S. dollars)

13. Change in non-cash operating working capital:

The change in non-cash operating working capital for the twelve months ended December 31, 2020 and fifteen months ended December 31, 2019 is as follows:

	2020	2019
Trade accounts and other receivables	$ 267,401	$ 7,278,173
Unbilled revenue	1,538,039	8,532,734
Prepaid expenses	(768,913)	(150,286)
Inventories	473,201	638,581
Other assets	(603,036)	10,318
Trade payables	1,460,465	(14,217,216)
Accrued liabilities and other liabilities	(5,260,518)	(3,073,990)
Deferred revenue	(1,509,835)	(6,191,187)
Income taxes receivable/payable	249,561	78,273
	$ (4,153,635)	$ (7,094,600)

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 and is managed on a worldwide distributed basis. The Company's Chief Executive Officer, the chief operating decision maker, reviews internal management financial information on a monthly basis, including revenue, property and equipment and intangible assets.

The Company's revenue by geographic area for the twelve months ended December 31, 2020 and fifteen months ended December 31, 2019 is as follows:

	2020	2019
Europe, Middle East and Africa	$ 33,003,177	$ 62,613,889
North America, Latin America and Caribbean	24,582,169	29,640,008
Asia and Pacific Rim	18,330,158	28,628,627
	$ 75,915,504	$ 120,882,524

(Expressed in U.S. dollars)

14. Segment reporting (continued):

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

	2020	2019
Revenue by type:		
Support and subscription	$ 58,288,775	$ 86,859,693
Software and services	16,617,151	32,673,646
Third party software and hardware	1,009,578	1,349,185
	$ 75,915,504	$ 120,882,524

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

	2020	2019
Malta	$ –	$ 7,509,074
United Kingdom	3,255,482	4,706,524
	$ 3,255,482	$ 12,215,598

(Expressed in U.S. dollars)

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

(a) Commitments:

At December 31, 2020, 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 at December 31, 2020:

Less than 1 year	1,959,800
Between 1 and 5 years	3,303,187
More than 5 years	–
	$ 5,262,987

(b) Restricted cash:

As at December 31, 2020, the Company had $625,692 (December 31, 2019 - $951,291) in cash allocated for planned payments to early retirees and lease 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:

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. 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. 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.

The Company is defending certain claims related to terminated employees, customer and other contract terminations and intellectual property matters. Where an outflow of resources is considered probable, a provision has been recognized in the consolidated statements of financial position at December 31, 2020 and December 31, 2019 as the best estimate of the

(Expressed in U.S. dollars)

15. Commitments, restricted cash, guarantees and contingent liabilities (continued):

probable costs that the Company will incur associated with the claims. The charges are recorded in restructuring costs where employee related and in general and administrative expense on the consolidated statement of comprehensive loss or other claims. Although liability is not admitted, if a defense against these matters are unsuccessful, the Company may incur additional costs associated with the claims.

16. Provisions:

	Restructuring (a)	Other (b)	Total
Balance, September 30, 2018	9,356,680	3,960,528	13,317,208
Additions	2,066,258	740,000	2,806,258
Cash payments	(6,225,936)	(294,102)	(6,520,038)
Release of provision	(3,781,499)	(1,965,418)	(5,746,917)
Foreign exchange	(189,350)	–	(189,350)
Balance, December 31, 2019	$ 1,226,153	$ 2,441,008	$ 3,667,161
Additions	162,713	3,072,717	3,235,430
Cash payments	(1,325,363)	–	(1,325,363)
Foreign exchange	(21,855)	–	(21,855)
Balance, December 31, 2020	$ 41,648	$ 5,513,725	$ 5,555,373
Current			$ 3,630,550
Non-current			36,611
Balance, December 31, 2019			$ 3,667,161
Current			$ 5,555,373
Non-current			–
Balance, December 31, 2020			$ 5,555,373

(a) In February 2017, the Company announced a corporate restructuring plan that would involve further reduction in headcount, location reorganization including closure of certain facilities and entity simplification. In November 2017, the Company finalized a further restructuring plan to reduce approximately 530 employees globally and vacate premises in 18 locations.

During the twelve months ended December 31, 2020, restructuring charges related to employee and lease terminations of $162,713 (fifteen months ended December 31, 2019 - $2,066,258) were recorded.

(Expressed in U.S. dollars)

16. Provisions (continued):

For the twelve months ended December 31, 2020, an amount of $1,325,363 (fifteen months ended December 31, 2019 – $6,225,936) has been paid and as at December 31, 2020 an additional amount of $41,648 is estimated as payable within one year.

(b) The balance at December 31, 2020 in other provision includes an intellectual property claim, and estimated costs to settle contractual disputes. Management's provision reflects changes in the status of the claims, expected outcomes and costs to settle, if any. Estimates are preliminary and subject to adjustment based on changes in facts and circumstances, such changes could be material.

Although liability is not admitted, if a defense against any of these matters is unsuccessful, the Company may incur additional costs associated with the claims that may exceed the Company's best estimate of the provision at December 31, 2020.

During the fifteen months ended December 31, 2019, the Company amended one of its existing customer loss contracts and released the provision.

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 twelve months ended December 31, 2020 and fifteen months ended December 31, 2019 is as follows:

	2020	2019
Salaries and employee benefits	$ 3,573,944	$ 3,785,789
Share-based compensation (a)	994,197	2,476,471
	$ 4,568,141	$ 6,262,260

(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

17. Related Party Transactions (continued):

DevFactory is an affiliate of ESW Capital. The Service Agreements can be terminated by either party with 30 days written notice. The Service Agreements were negotiated and approved by the Special Committee of the Board of Directors. The contracted rates with these related parties are priced as agreed to by the parties and are to be settled in cash on normal payment terms upon receipt of invoices. The Company has not offered any security to these vendors.

Crossover provides Optiva with access to skilled temporary employees. These resources provide 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 twelve months ended December 31, 2020, the Company has incurred $12,581,337 of costs associated with services provided by Crossover (fifteen months ended December 31, 2019 – $26,670,587). 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).

DevFactory provides certain technology services to Optiva as per agreed statements of work. Effective June 30, 2019, the Service Agreement between Optiva and DevFactory was assigned to GTeam FZ-LLC as part of an internal reorganization by DevFactory. GTeam FZ-LLC is also fully owned by ESW Capital. On September 1, 2019, Gteam FZ-LLC changed its name to DevFactory Innovations FZ-LLC. The technology services include source code analysis, code cleanup service and various other technical services related to Optiva's software solutions. During the twelve months ended December 31, 2020, the Company has incurred $16,407,620 of costs associated with services provided by DevFactory (fifteen months ended December 31, 2019 – $25,149,772). The costs have been recorded in cost of revenue and research and development expenses in accordance with the nature of the expenditure in the consolidated statements of comprehensive income (loss).

Amounts owing to Crossover and DevFactory as of December 31, 2020 aggregated to $4,967,164 (December 31, 2019 - $8,919,128) and are included in both trade payables and accrued liabilities in the consolidated statement of financial position at the respective period ends.

18. Subsequent Event:

On March 1, 2021, the Company announced that ESW Capital agreed to sell all of its subordinate voting shares of Optiva Inc. in a private sale to OceanLink Management Ltd., EdgePoint Investment Group Inc., Maple Rock Capital Partners and Meson Capital for CAD $39.90 per Share. The Company itself will not participate in such sale. ESW also agreed to terminate all of its related party agreements with Optiva and to waive certain provisions of the warrants to acquire Shares held directly or indirectly by ESW. The sale is expected to close on or around March 5, 2021.