Consolidated Financial Statements of

BSM TECHNOLOGIES INC.

Years ended September 30, 2018 and 2017

BSM TECHNOLOGIES INC.

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Years ended September 30, 2018 and 2017

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December 19, 2018

Independent Auditor's Report

To the Shareholders of
BSM Technologies Inc.

We have audited the accompanying consolidated financial statements of BSM Technologies Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BSM Technologies Inc. and its subsidiaries as at September 30, 2018 and 2017 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

BSM TECHNOLOGIES INC.

Consolidated Statements of Financial Position

In 000s of Canadian Dollars

	Note	As at September 30, 2018	As at September 30, 2017
Assets			
Current assets:			
Cash and cash equivalents	*4*	**$ 5,908**	$ 8,708
Accounts receivable	*5*	**11,246**	**13,995**
Current portion of investment in finance leases	*7*	**1,218**	**1,464**
Inventories	*6*	**5,031**	**4,886**
Prepaid expenses and other assets		**657**	**1,326**
Total current assets		**24,060**	30,379
Property and equipment	*9*	**1,807**	1,701
Long-term investment in finance leases	*7*	**989**	1,232
Intangible assets	*10*	**14,379**	30,421
Deferred tax asset	*19*	**14,306**	21,346
Goodwill	*11*	**27,777**	27,361
Total assets		**$ 83,318**	$ 112,440
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable		**$ 2,822**	$ 2,948
Accrued liabilities		**3,328**	3,922
Current portion of provisions	*13*	**1,280**	1,327
Current portion of finance lease obligation		**294**	173
Current portion of contingent consideration	*20*	**-**	8,320
Deferred revenue		**5,011**	5,431
Share repurchase commitment	*8*	**493**	1,357
Total current liabilities		**13,228**	23,478
Long-term debt	*12*	**1,164**	-
Provisions	*13*	**254**	-
Finance lease obligation		**239**	166
Contingent consideration	*20*	**-**	202
Total liabilities		**14,885**	23,846
Commitments and contingencies	*15*		
Shareholders' equity:			
Common shares	*8*	**83,156**	83,932
Contributed surplus		**9,779**	9,763
Accumulated other comprehensive income (loss)		**224**	(435)
Deficit		**(24,726)**	(4,666)
Total shareholders' equity		**68,433**	88,594
Total liabilities and shareholders' equity		**$ 83,318**	$ 112,440

See accompanying notes to the consolidated financial statements.

‘Andrew Gutman’ - Director *‘Louis De Jong’* - Director

BSM TECHNOLOGIES INC.

Consolidated Statements of Loss and Comprehensive Loss

In 000s of Canadian Dollars, except share and per share amounts

		Year ended September 30	
	Note	**2018**	**2017**
Revenue	*17*	**$ 59,735**	$ 66,717
Cost of revenue	*17*	**25,291**	27,378
Gross profit		**34,444**	39,339
Other income:			
Interest income from finance leases		**246**	214
Expenses:			
General and administrative		**11,818**	13,128
Research and development		**14,119**	12,745
Sales and marketing		**13,163**	15,573
Acquisition, integration and restructuring expenses		**1,977**	839
Fair value adjustment on contingent consideration	*20*	**(2,772)**	(285)
Impairment loss on intangible assets	*10*	**9,101**	-
Foreign exchange (gain) loss		**(140)**	567
Interest expense		**456**	1,344
Interest received		**(37)**	(47)
Total expenses		**47,685**	43,864
Loss before income taxes		**(12,995)**	(4,311)
Current income tax expense	*19*	**55**	133
Deferred income tax expense (recovery)	*19*	**7,010**	(242)
Net loss for the year		**(20,060)**	(4,202)
Other comprehensive (income) loss: Foreign exchange (gain) loss on foreign operations, net of tax		**(659)**	861
Total comprehensive loss for the year		**$ (19,401)**	$ (5,063)
Loss per share	*8*		
Basic		**$ (0.248)**	$ (0.052)
Diluted		**$ (0.248)**	$ (0.052)
Weighted average number of common shares outstanding	*8*		
Basic		**80,781,507**	81,258,077
Diluted		**80,781,507**	81,258,077

See accompanying notes to the consolidated financial statements.

BSM TECHNOLOGIES INC.

Consolidated Statements of Changes in Shareholders' Equity
In 000s of Canadian Dollars

	Note	Common shares	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance September 30, 2017		**$ 83,932**	**$ 9,763**	**$ (435)**	**$ (4,666)**	**$ 88,594**
Change in share repurchase commitment liability	*8*	**864**	**-**	**-**	**-**	**864**
Common shares repurchased and cancelled	*8*	**(3,102)**	**-**	**-**	**-**	**(3,102)**
Share-based compensation expense	*8*	**-**	**1,316**	**-**	**-**	**1,316**
Options, RSUs or DSUs exercised	*8*	**1,462**	**(1,300)**	**-**	**-**	**162**
Net loss for the year		**-**	**-**	**-**	**(20,060)**	**(20,060)**
Foreign exchange gain on foreign operations, net of tax		**-**	**-**	**659**	**-**	**659**
Balance September 30, 2018		**$ 83,156**	**$ 9,779**	**$ 224**	**$ (24,726)**	**$ 68,433**
Balance September 30, 2016		$ 85,861	$ 7,946	$ 426	$ (464)	$ 93,769
Change in share repurchase commitment liability	*8*	(1,357)	-	-	-	(1,357)
Common shares repurchased and cancelled	*8*	(676)	-	-	-	(676)
Share-based compensation expense	*8*	-	1,911	-	-	1,911
Options, RSUs or DSUs exercised	*8*	104	(94)	-	-	10
Net loss for the year		-	-	-	(4,202)	(4,202)
Foreign exchange loss on foreign operations, net of tax		-	-	(861)	-	(861)
Balance September 30, 2017		$ 83,932	$ 9,763	$ (435)	$ (4,666)	$ 88,594

See accompanying notes to the consolidated financial statements.

BSM TECHNOLOGIES INC.

Consolidated Statements of Cash Flows

In 000s of Canadian Dollars

		Year ended September 30	
Cash provided by (used in):	***Note***	**2018**	**2017**
Operating activities:			
Net loss for the year		**$ (20,060)**	$ (4,202)
Items not involving cash:			
Depreciation of property and equipment	*9*	**997**	994
Amortization of intangible assets	*10*	**7,620**	7,312
Amortization of financing costs		**54**	48
Impairment loss on intangible assets	*10*	**9,101**	-
Non-cash foreign exchange (gain) loss included in net loss		**(320)**	500
Deferred income tax expense (recovery)	*19*	**7,010**	(242)
Accreted interest on contingent consideration	*20*	**87**	977
Interest accrued on revolving credit facility	*12*	**237**	173
Fair value adjustment on contingent consideration	*20*	**(2,772)**	(285)
Share-based compensation expense	*8*	**1,316**	1,911
Change in non-cash operating working capital	*16*	**2,960**	(1,540)
Net cash provided by operating activities		**6,230**	5,646
Financing activities:			
Drawdown (repayment) of long-term debt	*12*	**873**	(8,039)
Finance lease payments		**(290)**	(300)
Options exercised	*8*	**162**	10
Payment of contingent consideration	*20*	**(5,921)**	(3,271)
Common shares repurchased and cancelled	*8*	**(3,102)**	(676)
Net cash used in financing activities		**(8,278)**	(12,276)
Investing activities:			
Acquisition of subsidiaries net of cash acquired		**-**	(7,875)
Investment in intangible assets	*10*	**(242)**	(720)
Purchase of property and equipment	*9*	**(629)**	(788)
Net cash used in investing activities		**(871)**	(9,383)
Impact of foreign exchange revaluation on foreign denominated cash and cash equivalents		**119**	(179)
Decrease in cash and cash equivalents during the year		**(2,800)**	(16,192)
Cash and cash equivalents, beginning of year		**8,708**	24,900
Cash and cash equivalents, end of year		**$ 5,908**	$ 8,708

Cash paid for interest expense		**$ 285**	$ 283
Cash paid for income taxes		**$ 159**	$ 14

See accompanying notes to the consolidated financial statements.

1. General information

BSM Technologies Inc., through its subsidiaries (together "BSM" or the "Company"), is a leading provider of Internet of Things ("IoT") enabled telematics and asset management solutions. Focused on the Government, Service, Rail and Construction markets, BSM provides the technology, tools and services required to connect, analyze and optimize fleets, equipment and people, empowering data driven operational decision making. BSM.illuminate is BSM's software platform, which enables companies to leverage analytics for competitive advantage. The Company's headquarters are based in Toronto, Ontario and the Company's common shares are publicly traded on the Toronto Stock Exchange ("TSX: GPS").

These consolidated financial statements were authorized for issue by the Company's Board of Directors on December 19, 2018.

2. Basis of presentation

These annual consolidated financial statements for the years ended September 30, 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of annual consolidated financial statements.

These annual consolidated financial statements are presented in thousands of Canadian dollars.

3. Summary of significant accounting policies

The Company's significant accounting policies are as follows:

a) Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention.

b) Basis of consolidation
These consolidated financial statements consolidate the accounts of the Company and its wholly owned subsidiaries. Subsidiaries are those entities the Company controls by having the power to, directly or indirectly, govern their financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated on consolidation. The Company's primary operating subsidiaries are as follows:

- BSM Technologies Ltd.
- JMM Management Group, LLC
- Lat-Lon L.L.C.
- BSM Analytics Inc. d/b/a Mobi
- Interfleet Inc.

c) Business combinations
Acquisitions are accounted for using the acquisition method required by IFRS 3, Business Combinations. Goodwill arising on acquisition is measured as the fair value of the consideration transferred less the net

recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities), all measured as at the acquisition date. Transaction costs the Company incurs in connection with a business combination are expensed as incurred. The Company uses best estimates and assumptions to accurately value assets and liabilities assumed at the acquisition date as well as contingent consideration, where applicable. These estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. On conclusion of the measurement period or the final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in profit or loss.

d) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation, and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable the future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

Depreciation is calculated on a straight-line method to depreciate the cost of the assets to their residual values over their estimated useful lives. The useful lives applicable to each category of property and equipment are as follows:

Computer equipment	2 - 4 years
Leased computer equipment	Straight-line over the lease term
Furniture and office equipment	2 - 6 years
Automobiles	2 - 4 years
GPS locators	3 - 5 years
Leasehold improvements	Straight-line over the lease term

The residual values, method of depreciation and useful lives of the assets are reviewed at least annually and adjusted if appropriate.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying value of the asset and are included as part of other gains and losses in the consolidated statements of loss and comprehensive loss.

e) Intangible assets

The Company's intangible assets are stated at cost, less accumulated amortization and accumulated impairment. These assets are capitalized and amortized on a straight-line basis in the consolidated statements of loss and comprehensive loss over the period of their expected useful lives as follows:

Customer contracts and relationships	4 - 10 years
Trade secrets	8 years
Acquired technology	5 - 10 years

Computer software	2 - 4 years
Licences	2 - 5 years
Internally generated intangible assets	2 - 5 years

The Company incurs costs associated with the design and development of new products. Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized as internally generated intangible assets if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available-for-use or sale; (ii) its intention to complete the intangible asset and use or sell it; (iii) its ability to use or sell the intangible asset; (iv) how the intangible asset will generate probable future economic benefits; (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development. If these criteria are not met, such expenditures are expensed as incurred.

f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable net assets of the acquired entity as at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment by comparing its carrying value against the recoverable amount (the higher of value in use or fair value less costs to sell). Goodwill acquired through a business combination is allocated to each cash generating unit ("CGU") that is expected to benefit from the synergies of the related business combination. The Company currently has one CGU for the purposes of goodwill impairment testing at the operating segment level given this is the level at which goodwill is monitored.

g) Impairment of non-financial assets

Property, equipment and intangible assets (other than goodwill) are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. When an indication of impairment is identified, the carrying value of the asset or group of assets is measured against the recoverable amount.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

h) Foreign currency translation

Each entity within the consolidated group accounts for transactions and balances at its functional currency which is the primary economic environment in which the respective entity operates. The functional currency of the Company and each of its subsidiaries is either the Canadian dollar, the United States dollar or the British pound.

Foreign currency transactions are translated into the functional currency using the exchange rates in effect at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of loss and comprehensive loss.

The consolidated entity's presentation currency is Canadian dollars. The results and financial position of entities whose functional currency is different from the presentation currency are translated into the presentation currency using the closing rate on the date of the consolidated statements of financial position for assets and liabilities, and at the average exchange rate for income and expenses. All resulting exchange differences are recognized in other comprehensive income (loss).

i) Cash and cash equivalents

Cash and cash equivalents include highly liquid short-term investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of change in value and generally have original maturities of three months or less.

j) Revenue recognition

The Company derives revenue from: the sale of vehicle and fixed asset tracking hardware products; professional services associated with the installation, deployment and customization of its products; and subscription revenue, which is derived through providing data and software solutions via its software platform.

The Company has identified each of the hardware, professional service and subscription services products as individual revenue elements. Where multiple element arrangements exist in a revenue transaction, the Company determines the separately identifiable components of the arrangement and allocates revenue among the components on a relative fair value basis. The revenue related to each component is then recognized in accordance with the policies described below.

Revenue from the sale of vehicle and stationary asset tracking hardware is recognized when the Company has transferred the significant risks and rewards of ownership to the customer, revenue can be measured reliably, it is probable that economic benefits will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These criteria are generally met at the time the hardware is shipped to the customer.

Under the Company's return policy, product returns are accepted for repairs and replacements only and the Company does not provide refunds to customers for returns.

The Company offers installation services for its hardware products and other one-time professional services related to the deployment of its solutions, such as project management fees or installation. Revenue from professional services is recognized when the outcome of the transaction can be estimated reliably, it is probable that the economic benefits of the transaction will flow to the Company, the stage of completion of the transaction can be measured at the end of the reporting period and the costs incurred and the costs to complete the transaction can be measured reliably. Generally, the Company recognizes revenue from installation and one-time professional services as the work performed by the Company is completed.

The Company also offers a suite of software and data solutions under a software as a service ("SaaS") model that results in ongoing subscription revenue. SaaS revenue is recognized on a straight-line basis over the term of the arrangement as the service is delivered.
Certain customer contracts provide for upfront payments. These payments are deferred until revenue can be recognized.

The Company sells its product via arrangements whereby a customer can purchase hardware together with installation and subscription services for a single packaged monthly fee ("Bundled Product"). The Company's revenue from hardware included in Bundled Products results in finance leases. Under these arrangements the Company transfers substantially all the risks and rewards incident to legal ownership of the hardware property to the customer and the customer pays a fixed amount with a set frequency over the term of the contract.

The Company recognizes interest income from finance leases in accordance with International Accounting Standard ("IAS") 17, Leases. The present value of the minimum lease payments is recognized as a receivable on the consolidated statements of financial position. The difference between the gross receivable and the present value of the receivable is recognized as finance income over the term of the lease.

k) Cost of revenue

Cost of revenue includes the costs of purchasing and assembling finished goods inventory and the direct costs of providing one-time and SaaS solutions. These costs include: inventory and manufacturing related costs; labour associated with providing professional services; labour associated with ongoing customer support services, database infrastructure costs associated with providing SaaS solutions; and, ongoing data costs to facilitate the connectivity of hardware devices to the Company's software portals.

l) Inventories

Raw materials and finished goods inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Net realizable value is the expected selling price in the ordinary course of business, less any costs to complete and applicable selling expenses. If the carrying value exceeds the net realizable amount, a write-down is recognized. Write-downs may be reversed in a subsequent period if the circumstances that caused them cease to exist.

m) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred to the Company. Financial liabilities are derecognized when cash flows have transferred to the counterparty or the obligation to transfer such cash flows has expired. Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the financial asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired, as follows:

i) Financial assets and financial liabilities at fair value through profit or loss

A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Gains and losses arising from changes in fair value are presented in the consolidated statements of loss and comprehensive loss within other gains and losses in the period in which they arise. Financial assets and financial liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realized or paid beyond 12 months of the date of the consolidated

statements of financial position, which is classified as non-current. The Company does not carry financial assets or financial liabilities at fair value through profit or loss other than contingent consideration classified as a liability.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's receivables comprise trade receivables, cash and cash equivalents and net investment in finance leases. These financial assets are initially recognized at fair value. Subsequently, they are measured at amortized cost using the effective interest method, less any impairment.

iii) Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable, accrued liabilities and long-term debt. These financial liabilities are initially recognized at fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

n) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss on the financial asset, which is carried at amortized cost. The loss is determined as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the financial asset's original effective interest rate. The carrying value of the asset is reduced by this amount indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

o) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of loss and comprehensive loss, except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period. Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the

deductible temporary differences can be utilized. Deferred income tax assets and liabilities are presented as non-current.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the date of the consolidated statements of financial position and are expected to apply when the deferred tax asset is realized or the liability is settled.

p) Investment tax credits

The Company may be entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. When available, investment tax credits are accounted for as a reduction of the related expenditures for items expensed in the consolidated statements of loss and comprehensive loss or as a reduction of the related asset's cost for items capitalized in the consolidated statements of financial position provided a reasonable assurance over collection of the tax credits exists and the Company will comply with any conditions attached.

q) Provisions and product warranties

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reasonably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

The Company provides warranties on certain products; hence, it provides for the estimated cost of product warranties. In establishing the warranty provision, the Company estimates the likelihood that products sold will experience warranty claims and the estimated cost to resolve claims received, considering the past and projected experience with the products.

r) Guarantees

In the normal course of business, the Company enters into agreements that may contain features that meet the definition of a guarantee under IFRS. As part of transactions involving the sale of products and services, the Company may be required to pay counterparties for costs and losses incurred as a result of breaches of representations, changes in laws and regulations (including tax legislation) or litigation against the counterparties.

The Company indemnifies its directors, officers and employees against claims reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers, as well as those of its subsidiaries. The Company is unable to make a reasonable estimate of the maximum potential amount it would be required to pay counterparties. The amount also depends on the outcome of future events and conditions, which cannot be predicted. No amount has been accrued in the consolidated statements of financial position relating to these types of indemnifications or guarantees as at September 30, 2018 or 2017. Historically, the Company has not made any significant payments under these indemnifications or guarantees.

s) Share-based compensation

The Company grants equity awards comprised of stock options, restricted share units and deferred share units to certain employees and directors of the Company. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each stock option tranche is measured at the date of grant using the Black-Scholes option pricing model. Restricted share unit and deferred share unit tranches are measured at the fair value on the date of the grant.

Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of options expected to vest is reviewed at least annually, with any change in estimate recognized immediately in compensation expense with a corresponding adjustment to contributed surplus.

t) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity at the time that proceeds are raised. Costs associated with the repurchase of shares under a normal course issuer bid are recognized as a reduction in the book value of common shares at the time the shares are repurchased.

u) Income or Loss per share

Basic income or loss per share is calculated by dividing the net income or loss for the year attributable to the Company's shareholders by the weighted average number of common shares outstanding during the year. Diluted income per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares of dilutive instruments is computed using the treasury stock method. The Company's potentially dilutive common shares include stock options, deferred share units, restricted share units and common shares in escrow.

v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for the allocation of resources and for assessing the performance of the operating segments and has been identified as the CEO and CFO of the Company.

w) Significant accounting judgments and estimation uncertainties

The preparation of consolidated financial statements in compliance with IFRS requires management to apply estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses as well as certain disclosures within the consolidated financial statements. It also requires management to exercise judgment in applying the Company's accounting policies. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results could differ significantly from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

a) Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

i) Revenue recognition

The Company derives revenue from the sale of its products and by providing services. In recognizing revenue, the Company makes judgments about the probability of collection of such revenue. Further judgments are applied in determining whether certain deliverables constitute a separate unit of accounting and in determining the amount of revenue to allocate between the individual elements of multiple element arrangements.

ii) Determination of functional currency

The Company uses judgment in determining the functional currency for each entity within the consolidated group. The functional currency is determined based on an evaluation of the currency of each respective entity's primary economic environment. This requires an evaluation of the currency that primarily influences selling prices and the currency that mainly influences expenses and cash outflows, among other factors. The Company has taken these factors into account when determining the functional currency for each entity in the consolidated group.

iii) Carrying value of deferred tax assets

The Company uses judgment in determining the recoverability of its deferred tax assets, which includes an evaluation of the nature and amount of tax assets recognized in the consolidated financial statements and the extent of taxable income that is expected to be generated in future periods against which deferred tax assets will be deductible. The Company regularly assesses its historical earnings, forecasted future earnings and expiry of tax assets in applying its judgments on the recognition and value of deferred tax assets. The Company's judgments regarding future profitability may change due to future market conditions, changes in tax legislation and other factors that could affect the ongoing value of deferred income tax assets. These changes, if any, may result in material adjustment to the carrying value of deferred income tax asset balances in future periods.

b) Estimates and assumptions

In preparing the consolidated financial statements, the Company is required to make estimates and assumptions to determine the carrying amount of assets and liabilities. The significant areas requiring estimates and assumptions in determining the reported amounts in the consolidated financial statements are as follows:

i) Goodwill

The Company performs its impairment test for goodwill annually. The goodwill impairment test requires a calculation to determine the recoverable amount of goodwill. Management determines the recoverable amount by determining the higher of the fair value less costs of disposal or value in use for its CGU containing goodwill. Determining fair value or value in use requires the use of estimates and assumptions about factors that impact the amount determined for the CGU. Such estimates and assumptions include the forecasted financial performance of the Company and market factors.

ii) Valuation of contingent consideration

The Company recognizes the fair value of contingent consideration relating to the acquisitions on the date the transaction closes. Contingent consideration is classified as either a liability carried at amortized cost or equity within contributed surplus. Contingent consideration classified as a liability is carried at fair value with changes in fair value flowing through the consolidated statements of loss and comprehensive loss. Contingent consideration classified as equity is not remeasured subsequent to initial recognition.

Contingent consideration classified as a liability is measured at fair value based on management's best estimate of the probability of the attainment of the contingent criteria at the date of acquisition and is subsequently revalued at each financial reporting period. Management's estimate of the probability of the attainment of the contingent criteria takes into account an evaluation of the related factors for the respective acquired businesses and the risks thereon. Changes in management's estimate of the probability of achieving the contingent criteria could have a material impact on the valuation of the contingent consideration classified as a liability. The current portion of contingent consideration is based on the Company's estimate of the value that will be payable within twelve months.

iii) Valuation of assets and liabilities in connection with a business combination
In accordance with IFRS 3, Business Combinations*,* accounting for an acquisition requires management to allocate the purchase price paid for an acquisition to the fair value of identified assets and liabilities acquired, with any residual recorded as goodwill. The identification of assets and liabilities requires both judgments and estimates regarding the identification of balances acquired and the fair value thereon. The values of assets and liabilities are recorded at fair value based on management's best estimate. Key estimates and assumptions include: the forecasted financial performance of the acquired company; projected customer attrition of the acquired customer base; and the expected use of assets and liabilities acquired among other considerations. Changes in certain estimates and assumptions could have a material impact on the valuation of assets and liabilities recognized on a business combination.

iv) Warranty provision
The Company provides warranty coverage for hardware products typically for one year. Management considers historical experience data in determining the value of this provision as well as considering recent trends that might suggest past information may not be indicative of future claims. Factors that could impact the estimated claim information include the failure rates on new products, which do not have experience data to draw on, as well as the cost of replacement parts and labour costs.

4. Cash and cash equivalents

	September 30, 2018	**September 30, 2017**
Cash	**$ 5,908**	$ 5,713
Short-term investments	**-**	2,995
Total	**$ 5,908**	$ 8,708

5. Accounts receivable

	September 30, 2018	**September 30, 2017**
Accounts receivable	**$ 11,784**	$ 14,623
Allowance for doubtful accounts	**(538)**	(628)
Total	**$ 11,246**	$ 13,995

For the year ended September 30, 2018, general and administrative expenses include bad debts of $405 (2017 - $267). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional payment. The Company reviews its trade accounts receivable regularly and reduces amounts to their

expected realizable values by making an allowance for doubtful receivables as soon as the accounts are determined not to be fully collectible.

6. Inventories

	September 30, 2018	September 30, 2017
Finished goods	**$ 2,258**	$ 1,936
Raw materials	**3,436**	3,671
Provision for obsolescence	**(663)**	(721)
Total	**$ 5,031**	$ 4,886

During the year ended September 30, 2018, the Company recorded product cost of revenue of $8,733 (2017 - $11,506) related to the sale of inventories. There were no specific impairments to inventory during the year ended September 30, 2018 and September 30, 2018.

7. Investment in finance leases

The Company provides finance leases for the sale of hardware to certain customers where payments are received periodically over a fixed contract term. The Company's investment in finance leases balance is comprised as follows:

		September 30, 2018	
	Total future payments	**Unearned finance income**	**Present value**
Less than one year	**$ 1,323**	**$ 105**	**$ 1,218**
Between one and five years	**1,075**	**86**	**989**
Total	**$ 2,398**	**$ 191**	**$ 2,207**

		September 30, 2017	
	Total future payments	Unearned finance income	Present value
Less than one year	$ 1,672	$ 208	$ 1,464
Between one and five years	1,394	162	1,232
Total	$ 3,066	$ 370	$ 2,696

8. Share capital

a) Common shares:
Authorized: Unlimited common shares (no par value)

	September 30, 2018		**September 30, 2017**	
	Number	**Amount**	**Number**	**Amount**
Issued and outstanding:				
Balance, beginning of year, excluding shares to be issued subject to future performance	**80,944,910**	**$ 83,932**	81,319,954	$ 85,861
Shares issued for options exercised	**384,957**	**454**	44,083	43
Shares issued for RSUs vested	**836,525**	**1,008**	30,000	61
Shares repurchased and cancelled (i)	**(2,436,969)**	**(3,102)**	(449,127)	(676)

Share repurchase commitment (i)	**-**	**864**	-	(1,357)
Shares released from escrow (ii)	**54,795**	**-**	-	-
Balance, excluding shares to be issued subject to future performance	**79,784,218**	**$ 83,156**	80,944,910	$ 83,932
Shares issued in escrow:				
Subject to Company's performance (ii)	**-**	**-**	54,795	-
Subject to earn-out clause - JMM (iii)	**699,575**	**-**	699,575	-
Subject to earn-out clause - Praxis (iv)	**500,000**	**-**	500,000	-
Balance of issued shares, end of year	**80,983,793**	**$ 83,156**	82,199,280	$ 83,932

i) On December 20, 2017, the Company obtained approval for its intention to commence a normal course issuer bid (the "Bid"). Under the terms of the Bid, the Company may acquire up to 7,002,017 common shares from time to time in accordance with TSX procedures, representing approximately 10% of the total public float of common shares. The Bid commenced on December 27, 2017 and will conclude on December 26, 2018, or earlier if the number of common shares sought in the Bid has been purchased. Other than purchases made in compliance with the provisions of the block purchase exemption of the TSX, daily purchases under the Bid will be limited to a maximum of 36,399 common shares, which represents 25% of the average daily trading volume on the TSX for the period from June 1, 2017 to November 30, 2017.

From time to time, the Company may make purchases under the Bid via an automatic securities repurchase plan (a "Plan"), through which the timing for the purchase of common shares, the number of common shares purchased and the price payable for the common shares will be determined by the Company's broker, at its sole discretion. Such purchases are subject to a prescribed maximum price payable, without consultation with the Company, having regard to the price limitations and other terms of the Plan and the rules of the TSX. As at September 30, 2018, the Company had a Plan in place with its broker. Given the automatic nature of the Plan, the Company has recognized a share repurchase liability of $493 in the consolidated statements of financial position. The share repurchase liability has been recorded at the maximum purchase exposure under the Plan during the period from October 1, 2018 through December 20, 2018, which is the period the Company anticipates being prohibited from cancelling or making amendments to the Plan due to TSX “blackout” restrictions.

During the year ended September 30, 2018, the Company repurchased and cancelled 2,436,969 common shares in accordance with the Bid (2017 – 449,127 repurchased and cancelled under a prior normal course issuer bid with a maximum purchase amount of 7,027,655 common shares).

ii) During the year ended September 30, 1998, the Company entered into an agreement with the former President of the Company and certain other parties whereby 150,990 common shares were issued in escrow and would only be released if the Company attained certain cash flow levels. During the years ended September 30, 2001, 2002 and 2003, the Company cancelled 96,208 of these shares pursuant to settlements reached with these parties. The remaining 54,795 common shares were released from escrow during the year ended September 30, 2018 as the cumulative operating cash flow conditions were met.

iii) Consideration paid for the acquisition of JMM Management Group LLC (“JMM”) included contingent share consideration subject to specified revenue and earnings before interest, taxes, depreciation and amortization

("EBITDA") targets. As at September 30, 2018, 699,575 common shares remain held in escrow and will be released or cancelled based on the attainment of the specified revenue and EBITDA targets.

iv) Consideration paid for the acquisition of Praxis Transportation Solutions Inc. ("Praxis") included contingent share consideration subject to specified revenue targets. As at September 30, 2018, 500,000 shares remain held in escrow and will be released or cancelled based on the attainment of the specified revenue targets.

b) Preferred shares:
The Company has authorized an unlimited number of first preferred shares and second preferred shares, all without par value. The terms allow the Company's directors to issue shares in one or more series and to set the number and the conditions for each series. There were no first preferred shares or second preferred shares issued and outstanding as at September 30, 2018.

The first preferred shares of all series rank on a parity with each other and in priority to all other shares of the Company with respect to payment of dividends and with respect to distribution of assets in the event of liquidation, dissolution or winding up of BSM.

c) Stock options:
A summary of the Company's stock options for the years ended September 30, 2018 and 2017 is presented below:

	September 30, 2018		**September 30, 2017**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Balance, beginning of year	**2,708,195**	**$ 1.36**	1,766,824	$ 1.41
Issued	**1,150,000**	**1.24**	1,250,000	1.27
Exercised	**(535,076)**	**0.75**	(63,314)	0.61
Cancelled	**(72,216)**	**1.01**	(221,044)	1.51
Forfeited	**(583,333)**	**1.28**	-	-
Expired	**(485,500)**	**1.45**	(24,271)	1.22
Balance, end of year	**2,182,070**	**$ 1.45**	2,708,195	$ 1.36

The following table summarizes information about stock options outstanding as at September 30, 2018:

Exercise price	**Number outstanding**	**Weighted average remaining contractual life (years)**
$0.00 - $0.50	108,722	1.18
$0.51 - $1.00	93,348	0.78
$1.01 - $1.50	1,650,000	4.05
$1.51 - $2.00	-	-
$2.01 - $2.50	65,000	0.68
$2.51 - $3.00	-	-
$3.01 - $3.50	265,000	0.27
Balance, end of year	2,182,070	3.21

As at September 30, 2018, 765,403 stock options were exercisable (2017 – 1,813,701).

During the year ended September 30, 2018, the Company granted 1,150,000 stock options to officers (2017 – 1,250,000 stock options to former Mobi employees in connection with the acquisition of Mobi). Each stock option represents an option to purchase one common share. The terms and conditions of the stock options granted are consistent with the Company's stock option plan where such options vest over a three-year period following the date of grant.

The aggregate fair value of share options granted during the year ended September 30, 2018 was $540 (2017 – $663). The Company recognized share-based compensation expense on the vesting of stock options of $242 for the year ended September 30, 2017 (2017 – $381).

The fair value of stock options granted is estimated on the date of the grant using the Black-Scholes option pricing model. The options issued in the year ending September 30, 2018 were valued using the following assumptions:

Assumption	**2018 range**	**2017 range**
Risk-free rate	1.95% - 2.20%	0.66%
Expected volatility	44.72% - 46.89%	53.90%
Expected life in years	4 years	4 years
Expected dividend yield	-	-

d) Restricted share units ("RSUs") and Deferred share units ("DSUs")

During the year ended September 30, 2018, the Company granted 628,925 RSUs to employees pursuant to the Company's Restricted Share Unit Plan (2017 – 1,427,947). Each RSU represents the right for the holder to be issued one common share pursuant to vesting conditions over three years.

A summary of the fair value of RSUs granted for the years ended September 30, 2018 and 2017 is presented below:

Fair value of RSUs	**September 30, 2018**	**September 30, 2017**
$1.28	**613,925**	450,000
$1.34	**15,000**	-
$1.44	-	641,280
$1.50	-	130,000
$1.52	-	206,667
Total number of RSUs granted	**628,925**	1,427,947

The fair value of RSUs granted is determined based on the closing price of the Company's common shares on the respective grant dates. Share-based compensation expense of $815 was recognized in the year related to the vesting of RSUs (2017 - $1,132).

The following is a continuity of the Company's RSUs for the year ended September 30, 2018 and 2017:

	September 30, 2018	**September 30, 2017**
Balance, beginning of year	**2,660,653**	1,599,906
Granted	**628,925**	1,427,947
Settled in common shares	**(836,525)**	(30,000)
Cancelled	**(493,079)**	(92,500)

Forfeited	**(352,977)**	(244,700)
Balance, end of year	**1,606,997**	2,660,653

During the year ended September 30, 2018, the Company granted 200,606 DSUs to directors of the Company pursuant to the Company's Deferred Share Unit Plan (2017 – 272,240). Each DSU represents the right for the holder to be issued one common share and vest on grant; however, they are not exchangeable for common shares until the holder ceases to be a director of the Company.

A summary of the fair value of DSUs granted for the years ended September 30, 2018 and 2017 is presented below:

Fair value of DSUs	**September 30, 2018**	**September 30, 2017**
$1.27	**104,568**	-
$1.28	**46,485**	-
$1.34	**49,553**	-
$1.43	**-**	155,041
$1.50	**-**	39,666
$1.52	**-**	39,146
$1.55	**-**	38,387
Total number of DSUs granted	**200,606**	272,240

Share-based compensation expense of $259 was recognized in the year ended September 30, 2018 related to the vesting of DSUs (2017 - $398).

The following is a continuity of the Company's DSUs for the year ended September 30, 2018:

	September 30, 2018	**September 30, 2017**
Balance, beginning of year	**409,740**	137,500
Granted	**200,606**	272,240
Forfeited	**-**	-
Balance, end of year	**610,346**	409,740

e) Loss per share:

The effects of any shares issued in escrow that are subject to performance conditions are not included in the calculation of the weighted average number of common shares outstanding on a diluted basis as they are not expected to have a dilutive impact on loss per share. Shares released from escrow on meeting contingent requirements are included in the calculation of basic weighted average number of shares outstanding. The calculation of the diluted weighted average number of common shares outstanding does not include stock options that are not expected to be exercised given their negative intrinsic value and includes vested DSUs, which are exchangeable for common shares.

	Year ended September 30	
	2018	**2017**
Weighted average number of common shares outstanding – basic	**80,781,507**	81,258,077
Dilutive effect of stock options and DSUs	**-**	-
Weighted average number of common shares outstanding – diluted	**80,781,507**	81,258,077

9. Property and equipment

	GPS locators	Computer equipment	Leased computer equipment	Furniture and office equipment	Leasehold improvements	Automobiles	Total
Cost - Sept. 30, 2017	$ 339	$ 3,091	$ 342	$ 898	$ 391	$ 27	$ 5,088
Additions	150	774	-	146	30	-	1,100
Fully depreciated assets	-	(1,861)	(342)	(481)	(174)	(5)	(2,863)
Retirements	-	(11)	-	-	-	(2)	(13)
Foreign exchange loss	-	21	-	6	2	-	29
Cost - Sept. 30, 2018	**489**	**2,014**	**-**	**569**	**249**	**20**	**3,341**
Accumulated depreciation – Sept. 30, 2017	(45)	(2,202)	(332)	(530)	(264)	(14)	(3,387)
Depreciation charge for the year	(95)	(638)	(10)	(183)	(66)	(5)	(997)
Fully depreciated assets	-	1,861	342	481	174	5	2,863
Foreign exchange gain	-	(11)	-	(2)	(1)	-	(14)
Accumulated depreciation – Sept. 30, 2018	**(140)**	**(990)**	**-**	**(234)**	**(157)**	**(14)**	**(1,535)**
Net book value - Sept. 30, 2017	294	889	10	368	127	13	1,701
Net change in the year	55	135	(10)	(32)	(35)	(7)	106
Net book value - Sept. 30, 2018	**$ 349**	**$ 1,024**	**$ -**	**$ 336**	**$ 92**	**$ 6**	**$ 1,807**
Cost - Sept. 30, 2016	$ -	$ 2,659	$ 342	$ 918	$ 337	$ 42	$ 4,298
Acquisition from Mobi Corp.	-	457	-	62	44	9	572
Additions	339	316	-	115	18	-	788
Fully depreciated assets	-	(308)	-	(159)	(5)	(24)	(496)
Retirements	-	-	-	(30)	-	-	(30)
Foreign exchange loss	-	(33)	-	(8)	(3)	-	(44)
Cost - Sept. 30, 2017	339	3,091	342	898	391	27	5,088
Accumulated depreciation – Sept. 30, 2016	-	(1,844)	(328)	(534)	(168)	(32)	(2,906)
Depreciation charge for the year	(45)	(680)	(4)	(157)	(102)	(6)	(994)
Fully depreciated assets	-	308	-	159	5	24	496
Foreign exchange gain	-	14	-	2	1	-	17
Accumulated depreciation – Sept. 30, 2017	(45)	(2,202)	(332)	(530)	(264)	(14)	(3,387)
Net book value - Sept. 30, 2016	-	815	14	384	169	10	1,392
Net change in the year	294	74	(4)	(16)	(42)	3	309
Net book value - Sept. 30, 2017	$ 294	$ 889	$ 10	$ 368	$ 127	$ 13	$ 1,701

10. Intangible assets

During the year ended September 30, 2018, the Company identified an impairment of certain specified intangible assets. The impairment of these assets is a result of the Company's decision to replace certain legacy product offerings with the Company's new platform, BSM illuminate. Concurrent with this product change, the Company has developed a plan to migrate customers from legacy platforms to the BSM illuminate platform. An impairment loss of $9,101 was recognized in the year ended September 30, 2018 for the specific intangible assets impacted by this change. The impaired intangible assets include previously acquired technology, licenses, internally generated intangibles and customer contracts which are associated with legacy technology platforms.

	Customer contracts and relationships	Trade secrets	Acquired technology	Computer software	Licences	Internally generated intangible assets	Total
Cost - Sept. 30, 2017	$ 33,564	$ 4,773	$ 6,249	$ 269	$ 428	$ 2,013	$ 47,296
Additions	-	-	-	43	-	199	242
Fully depreciated items	(1,800)	-	(700)	(20)	(10)	(538)	(3,068)
Retirements	-	-	-	-	-	(13)	(13)
Foreign exchange loss	432	165	21	-	-	33	651
Cost - Sept. 30, 2018	**32,196**	**4,938**	**5,570**	**292**	**418**	**1,694**	**45,108**
Accumulated amortization - Sept. 30, 2017	(12,502)	(1,988)	(1,852)	(48)	(177)	(308)	(16,875)
Amortization charge for the year	(5,176)	(614)	(952)	(77)	(56)	(745)	(7,620)
Impairment loss	(8,218)	-	(240)	-	(195)	(448)	(9,101)
Fully amortized items	1,800	-	700	20	10	538	3,068
Foreign exchange gain	(118)	(72)	(8)	-	-	(3)	(201)
Accumulated amortization - Sept. 30, 2018	**(24,214)**	**(2,674)**	**(2,352)**	**(105)**	**(418)**	**(966)**	**(30,729)**
Net book value - Sept. 30, 2017	21,062	2,785	4,397	221	251	1,705	30,421
Net change in the year	(13,080)	(521)	(1,179)	(34)	(251)	(977)	(16,042)
Net book value - Sept. 30, 2018	**$ 7,982**	**$ 2,264**	**$ 3,218**	**$ 187**	**$ -**	**$ 728**	**$ 14,379**
Cost - Sept. 30, 2016	$ 27,722	$ 5,020	$ 1,952	$ 20	$ 543	$ 1,587	$ 36,844
Acquisition from Mobi Corp.	7,214	-	4,329	-	-	-	11,543
Additions	-	-	-	249	-	471	720
Fully depreciated items	(723)	-	-	-	(115)	-	(838)
Foreign exchange loss	(649)	(247)	(32)	-	-	(45)	(973)
Cost - Sept. 30, 2017	33,564	4,773	6,249	269	428	2,013	47,296
Accumulated amortization - Sept. 30, 2016	(8,057)	(1,465)	(690)	(20)	(234)	(219)	(10,685)
Amortization charge for the year	(5,336)	(627)	(1,174)	(28)	(58)	(89)	(7,312)
Fully amortized items	723	-	-	-	115	-	838
Foreign exchange gain	168	104	12	-	-	-	284
Accumulated amortization - Sept. 30, 2017	(12,502)	(1,988)	(1,852)	(48)	(177)	(308)	(16,875)
Net book value - Sept. 30, 2016	19,665	3,555	1,262	-	309	1,368	26,159
Net change in the year	1,397	(770)	3,135	221	(58)	337	4,262
Net book value - Sept. 30, 2017	$ 21,062	$ 2,785	$ 4,397	$ 221	$ 251	$ 1,705	$ 30,421

11. Goodwill

The Company performs its impairment test annually for its sole CGU containing goodwill. The Company has not identified any goodwill impairments for the years ending September 30, 2018 or 2017. The Company's assessment could be impacted by a change in market factors or a change in management's estimate of forecasted financial performance. Reasonably possible changes in key estimates and assumptions would not cause the recoverable amount of goodwill to fall below the carrying amount.

The following is a summary of the Company's goodwill for the year ended September 30, 2018:

Balance - September 30, 2017	$ 27,361
Foreign exchange revaluation	416
Balance - September 30, 2018	**$ 27,777**

12. Long-term debt

On August 24, 2016, the Company replaced its prior term credit facility with a $20 million revolving credit facility (“Revolver”). During the year ended September 30, 2018, the Company incurred interest expense of $237, which was accrued to the outstanding balance on the Revolver (2017 – $173). The Company may draw on the Revolver in either US dollars or Canadian dollars and as at September 30, 2018, the Company had $1,323 drawn against the Revolver (2017 – $nil).

As at September 30, 2018, the Company had not drawn upon any letters of credit, which have been issued in the maximum amount of $318 for performance guarantees to customers.

The Revolver is secured by a first ranking security interest over all personal property of the Company. The Revolver also contains certain financial covenants including maximum debt leverage, minimum interest coverage, and other non-financial covenants with which the Company is required to comply. The Company is in compliance with these covenants as at September 30, 2018. Expected covenant compliance is based on forward looking financial information. Changes in such information or actual performance may necessitate an amendment to the financial covenants or result in a requirement to repay all or a portion of the Company's indebtedness.

13. Provisions

The following table provides a roll forward of items, which comprise both the current and long-term portion of provisions on the consolidated statements of financial position.

	Warranty	Restructuring	Legal	Total
As at September 30, 2017	$ 676	$ 651	$ -	$ 1,327
Provisions created during the year	291	1,837	53	2,181
Provisions utilized during the year	(407)	(1,554)	(13)	(1,974)
As at September 30, 2018	**$ 560**	**$ 934**	**$ 40**	**$ 1,534**

	Warranty	Restructuring	Legal	Total
As at September 30, 2016	$ 720	$ 413	$ -	$ 1,133
Provisions created during the year	88	457	-	545
Provisions utilized during the year	(132)	(219)	-	(351)
As at September 30, 2017	$ 676	$ 651	$ -	$ 1,327

(a) Warranty provision

Assumptions used to calculate the provision for warranties are based on current sales levels and current information available about product returns. The Company typically provides a warranty for its products for up to one year. The carrying amount of the warranty accrual is expected to be used over the next twelve months. Warranty expense is recorded as a component of cost of revenues. If the Company’s assumption with respect to the return rate increased (decreased) by 10%, the warranty accrual would change by $56 (2017 - $68).

(b) Legal provision
Legal claims represent various claims brought against the Company in the normal course of its operations. The Company provides for legal claims that are considered material and those based on management's best estimate, likely to give rise to a liability and the amount of which can be reliably estimated.

(c) Restructuring provision
The provision for restructuring represents management's best estimates of the remaining costs associated with certain restructuring initiatives. The restructuring provision as at September 30, 2018 represents termination and severance costs related to employees who were terminated as a part of a restructuring during the year ended September 30, 2018.

14. Financial instruments, related risks and capital disclosures

Under IFRS, financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity, available-for-sale, loans and receivables, and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	September 30, 2018	September 30, 2017
Other financial liabilities (i)	$ 7,314	$ 15,392
Loans and receivables (ii)	$ 19,361	$ 25,399

i) Comprised of accounts payable, accrued liabilities, long-term debt and contingent consideration classified as a liability.
ii) Comprised of accounts receivable, net investment in finance leases, and cash and cash equivalents.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Fair value
The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The difference in fair value and carrying value of net investment in finance leases and long-term debt is considered to be insignificant given the limited movement in the market rates of interest since the initial recognition of these instruments.

Fair value hierarchy
Under IFRS, fair values determined by Level 1 inputs use quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs use inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices). Fair values using Level 3 inputs are inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs). The Company's sole financial instrument measured at fair value in the consolidated statements of financial position is the contingent consideration classified as a liability. The fair value of this instrument is determined using Level 3 inputs and was recorded at a nil value within the statement of financial position (2017 - $8,522). The Company has no financial assets or liabilities measured using Level 1 or Level 2 inputs. Refer to note 20 for further disclosure related to contingent consideration.

Foreign exchange risk
The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars. Foreign exchange risk arises on assets, liabilities, trade receivables and trade payables which are denominated in a currency other than the entity's functional currency. The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows. The Company has revenues generated and expenses incurred in currencies other than its functional currency; therefore, it manages foreign currency risk with a natural hedge to the extent practical. In the year ended September 30, 2018, the Company recognized a foreign currency exchange gain in the consolidated statements of loss and comprehensive loss of $140 (2017 – loss of $567).

In addition to the foreign exchange risk on assets and liabilities held in a currency other than the entity's functional currency, the Company is exposed to foreign exchange risk arising on its net investment in foreign operations. In the year ended September 30, 2018, within other comprehensive income (loss), the Company recognized a foreign currency exchange gain, net of deferred taxes, of $659 (2017 – loss of $861).

If a 10% shift in the Canadian dollar to the US dollar foreign currency exchange rate was to occur (and all other variables held constant), the foreign currency exchange gain or loss on the revaluation of assets and liabilities denominated in US dollars held in subsidiaries with a Canadian dollar base currency would be plus or minus $112 and this would be recorded within income or loss in the consolidated statements of loss and comprehensive loss (2017 – plus or minus $118).

Interest rate risk
The Company has interest rate risk on its short-term investments and its credit facility. Under its credit facility, the Company may borrow either at stated rates or LIBOR plus an applicable margin. As at September 30, 2018, the Company had $1,005 drawn on its Revolver and therefore is exposed to fluctuations in the LIBOR. As at September 30, 2018, a 100 basis-point increase or decrease in the variable interest rates on the balance of the Company's long-term debt balance would have resulted in a change in interest expense of approximately $41 on an annualized basis (2017 – $46).

Credit risk
Credit risk arises from the potential a counterparty will fail to perform its obligations. The carrying value of cash and cash equivalents, net investment in finance leases and accounts receivable represent the Company's balances with exposure to credit risk. Trade accounts receivable and net investment in finance leases have an exposure to economic downturns. Most of the Company's customers are not independently rated; therefore, the quality of the customer is considered by taking into account its financial position, past experience and other factors. The utilization of credit limits is regularly monitored to minimize this risk.

The Company reviews its trade accounts receivable regularly and reduces amounts to their expected realizable values by making an allowance for doubtful receivables, as soon as the accounts are determined not to be fully collectible.

As at September 30, 2018, trade accounts receivable of $2,467 (2017 – $3,492) were past due but not impaired. These amounts relate to customers for whom there is no recent history of default. The aging of these receivables is as follows:

	September 30, 2018	September 30, 2017
Less than 30 days past due	**$ 430**	$ 1,371
Greater than 30 days past due	**2,037**	2,121
Total	**$ 2,467**	$ 3,492

The allowance for doubtful accounts is charged against income and included in general and administrative expenses. Shortfalls in collections are applied against this provision. The activity of the allowance for doubtful accounts for the year is as follows:

	September 30, 2018	September 30, 2017
Allowance for doubtful accounts - Beginning of year	**$ 627**	$ 827
Bad debt expense	**405**	267
Write-off of bad debts	**(494)**	(467)
Allowance for doubtful accounts - End of year	**$ 538**	$ 627

In addition to accounts receivable, the Company also has credit risk relating to cash. This risk is managed by maintaining cash at Schedule 1 financial institutions with a minimum credit rating of Aa1.

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's objective for liquidity risk management is to maintain sufficient liquid financial resources to fund obligations on the consolidated statements of financial position and to meet commitments and obligations in the most cost-effective manner possible. The Company achieves this by maintaining sufficient cash and cash equivalents and managing working capital. The Company monitors its financial resources and updates its expected use of cash resources based on the latest available data. Surplus cash held over and above balances required for working capital management are invested in interest bearing short-term deposits.

Management's estimate of the Company's contractual maturities for its financial liabilities are as follows:

Contractual obligations	Finance lease obligation	Share repurchase commitment
Fiscal Year 2019	**$ 294**	**$ 493**
Fiscal Year 2020	**239**	**-**
Fiscal Year 2021 and later years	**-**	**-**
Total	**$ 533**	**$ 493**

Management of capital

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy, fund research and development and undertake selective acquisitions while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is comprised of share capital, contributed surplus, long-term debt and contingent consideration classified as a liability. Total capital as at September 30, 2018 is $94,099 (2017 – $102,217).

15. Commitments and contingencies

In addition to financial liabilities recorded on the consolidated statements of financial position, the Company has contractual commitments for: purchase commitments to suppliers; operating lease payments for the premises it occupies; and letters of credit issued to customers as performance guarantees. The total minimum annual payments for these commitments is as shown in the following table. Management forecasts that the Company's existing cash and

cash equivalents, cash generated from operations and the undrawn portion of the Revolver will be adequate to meet its financial liabilities and contractual commitments.

Year	Commitment
2019	**$ 3,042**
2020	**1,753**
2021	**1,568**
2022 and later years	**771**
Total	**$ 7,134**

16. Changes in non-cash operating working capital

	Year ended September 30	
	2018	**2017**
Accounts receivable	**$ 3,030**	$ (822)
Net investment in finance leases (including long-term portion)	**533**	737
Inventories	**(85)**	(243)
Prepaid expenses and other assets	**677**	(391)
Accounts payable	**(196)**	(20)
Accrued liabilities	**(628)**	(595)
Provisions (including long-term portion)	**205**	199
Deferred revenue	**(576)**	(405)
Total	**$ 2,960**	$ (1,540)

17. Segmented information

The Company has identified one operating segment for its operations. The Company's evaluation of segmentation is based on internal reporting and its organizational structure, taking into account the different risk and income structures of the key products of the Company.

a) Revenue, cost of revenue and gross profit (loss) by category is as follows:

				Year ended September 30, 2018
	Hardware revenue	Recurring revenue	Services revenue	Total
Revenue	**$ 11,003**	**$ 44,648**	**$ 4,084**	**$ 59,735**
Cost of revenue	**8,724**	**13,197**	**3,370**	**25,291**
Gross profit	**$ 2,279**	**$ 31,451**	**$ 714**	**$ 34,444**

				Year ended September 30, 2017
	Hardware revenue	Recurring revenue	Services revenue	Total
Revenue	$ 17,700	$ 45,660	$ 3,357	$ 66,717
Cost of revenue	11,506	12,019	3,853	27,378
Gross profit (loss)	$ 6,194	$ 33,641	$ (496)	$ 39,339

b) Revenue by geography, based on customer location, is as follows:

	Year ended September 30	
	2018	**2017**
Canada	**$ 24,325**	$ 25,327
United States	**34,727**	40,306
International	**683**	1,084
Total	**$ 59,735**	$ 66,717

c) Non-current assets by geographic location is as follows:

	Year ended September 30	
	2018	2017
Canada	**$ 34,731**	$ 53,966
United States	**24,527**	28,095
Total	**$ 59,258**	$ 82,061

18. Expenses by nature

	Year ended September 30	
	2018	**2017**
Cost of revenue	**$ 25,291**	$ 27,378
Expenses:		
Salaries, wages and benefits	**18,390**	22,715
Share-based compensation expense	**1,228**	1,568
Amortization and depreciation	**8,098**	7,740
Professional fees	**4,454**	1,728
Travel, entertainment and related expenses	**1,468**	1,653
Advertising and promotions	**946**	834
Operating lease payments	**1,649**	1,889
Office, general and insurance expenses	**1,983**	1,474
Restructuring expense	**1,897**	504
Fair value adjustments on contingent consideration	**(2,772)**	(285)
Impairment loss on intangible assets	**9,101**	-
Foreign exchange (gain) loss	**(140)**	567
Acquisition related costs	**-**	335
Other expenses	**964**	1,846
Interest expense	**419**	1,296
Total expenses	**47,685**	43,864
Total	**$ 72,976**	$ 71,242

19. Current and deferred income taxes

During the year ended September 30, 2018, the Company completed a review of its operations and legal entity structure in Canada and the US. As a result of this analysis, the Company identified opportunities to optimize the utilization of Canadian non-capital losses. Throughout this process the Company also reviewed its forecasted taxable income, by jurisdiction, to evaluate the sufficiency of taxable income to be able to utilize losses or other deductible temporary

differences and the resulting impact on the Company's deferred tax asset. The result of this evaluation was a derecognition of previously recognized deferred tax asset related to the Company's United States based net operating losses and deductible temporary differences as well as other Canadian based deductible temporary differences. As of September 30, 2018, a deferred tax asset is recognized in respect of $54,905 of the Company's Canadian based non-capital losses. Included in this amount is $6,909 of non-capital losses for a subsidiary that has a recent history of tax losses. Management expects this entity to be profitable going forward based on the implementation of updated transfer pricing policies. A deferred tax asset has not been recognized for $2,766 of United States based net operating losses. Also, a deferred tax asset has not been recognized for unused Canadian SRED pool of $11,217, unused investment tax credits of $2,717 and for other deductible temporary differences of $16,883. The resulting deferred tax asset of $14,306 represents non-capital losses that are probable to be used based on the Company's forecasts and an evaluation of its operations.

The following table summarizes current and deferred income taxes:

	2018	2017
Current tax expense	**$ 55**	$ 133
Deferred tax recovery		
Derecognition of previously recognized losses and temporary differences	**10,413**	-
Change in recognized deductible temporary difference	**(632)**	358
Impact of a change in the statutory tax rates	**975**	(62)
Current period tax recovery	**(3,746)**	(538)
Total deferred tax expense	**7,010**	(242)
Total	**$ 7,065**	$ (109)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

For the year ended September 30, 2018:

Deferred tax assets	**Property and equipment**	**Financing costs and other**	**Tax losses and R&D costs**	**R&D credit**	**Net investment in foreign operations**	**Total**
Opening balance as at Oct 1, 2017	$ 2,778	$ 885	$ 18,553	$ 3,853	$ 59	$ 26,128
Credited (charged) to deferred tax expense	(2,778)	(331)	(3,948)	(3,853)	-	(10,910)
Charged to accumulated other comprehensive income	-	-	-	-	(87)	(87)
Foreign exchange gain/(loss)	-	8	16	-	-	24
Ending balance as at Sept 30, 2018	**$ -**	**$ 562**	**$ 14,621**	**$ -**	**$ (28)**	**$ 15,155**

Deferred tax liabilities	**Intangible assets**	**Tax on R&D credits**	**Total**
Opening balance as at Oct 1, 2017	$ (3,758)	$ (1,024)	$ (4,782)
Credited to deferred tax expense	2,872	1,024	3,896

Foreign exchange loss	37	-	37
Ending balance as at Sept 30, 2018	**$ (849)**	**$ -**	**$ (849)**

For the year ended September 30, 2017:

Deferred tax assets	**Property and equipment**	**Financing costs and other**	**Tax losses and R&D costs**	**R&D credit**	**Net investment in foreign operations**	**Total**
Opening balance as at Oct 1, 2016	$ 602	$ 998	$ 19,715	$ 4,143	$ (62)	$ 25,396
Credited (charged) to deferred tax expense	2,177	(113)	(1,136)	(290)	-	638
Charged to accumulated other comprehensive income	-	-	-	-	121	121
Foreign exchange loss	(1)	-	(26)	-	-	(27)
Ending balance as at Sept 30, 2017	**$ 2,778**	**$ 885**	**$ 18,553**	**$ 3,853**	**$ 59**	**$ 26,128**

Deferred tax liabilities	**Intangible assets**	**Tax on R&D credits**	**Total**
Opening balance as at Oct 1, 2016	$ (3,261)	$ (1,098)	$ (4,359)
Credited (charged) to deferred tax expense	(470)	74	(396)
Foreign exchange loss	(27)	-	(27)
Ending balance as at Sept 30, 2017	**$ (3,758)**	**$ (1,024)**	**$ (4,782)**

The timing of when deferred tax assets and deferred tax liabilities are expected to be utilized is as follows:

	2018	2017
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**$13,232**	$ 24,259
Deferred tax asset to be recovered within 12 months	**1,923**	1,869
Total deferred tax assets	**15,155**	26,128
Deferred tax liabilities:		
Deferred tax liability to be utilized after more than 12 months	**(496)**	(2,815)
Deferred tax liability to be utilized within 12 months	**(353)**	(1,967)
Total deferred tax liabilities	**(849)**	(4,782)
Net deferred tax asset	**$ 14,306**	$ 21,346

The expiry of recognized tax losses is as follows:

2025	**$ 140**
2026	**5,056**
2027	**8,587**
2028	**7,284**

2029	**15,921**
2030	**5,449**
2031	**7,258**
2032	**677**
2033	**453**
2034	**1,195**
2035	**996**
2036	**68**
2037	**1,821**
Total	**$ 54,905**

The following table presents a reconciliation of tax expense from the statutory rate to the effective rate:

	2018		**2017**	
Loss before income taxes	**$ (12,995)**		$ (4,311)	
Income tax recovery at the combined statutory rate	(3,461)	26.63%	(1,148)	26.63%
Increase (decrease) resulting from:				
Non-deductible expenses	457	(3.52%)	937	(21.73%)
Fair value adjustment on contingent consideration	(625)	4.81%	(79)	1.84%
Derecognition of previously recognized tax losses and temporary differences	10,413	(80.13%)	-	-
Impact of change in statutory tax rates	975	(7.50%)	(62)	1.43%
Change in recognized deductible temporary differences	(632)	4.86%	358	(8.30%)
US rate differentials	(74)	0.58%	(172)	3.98%
Other	12	(0.09%)	57	(1.32%)
Income tax expense (recovery)	**$ 7,065**	**(54.36%)**	**$ (109)**	**2.53%**

20. Contingent consideration

The Company has recognized contingent consideration classified as a liability within the consolidated statements of financial position. The liability is recorded as the fair value of future deferred consideration associated with companies acquired in prior periods. Fair value is determined based on management's estimate of the present value of the amounts expected to be paid subject to the contingent performance targets for each respective acquisition.

Remeasurement of the fair value of contingent consideration is performed by the Company at each financial reporting period. Key unobservable inputs comprise management's best estimate of the probability that acquired businesses will achieve specified financial targets in specified time frames following the respective acquisitions. The Company's determination of the estimated probability of the acquired business achieving the specified financial targets includes the review of a number of factors including: the acquired business's performance and the implied growth rate relative to the earn-out targets; the current sales pipeline; the Company's current operating plan for the acquired business; and the time remaining for the sellers of the acquired business to earn the contingent payment. The estimated fair value of contingent consideration payable increases as the estimated probability associated with the financial targets increase and vice versa for decreases in fair value.

During the year ended September 30, 2018, the Company recognized a fair value adjustment gain of $2,772 as a result of a revision in management's estimate of the amount and timing of future payments based on current information regarding the operating performance of certain acquired companies (2017 – gain of $285).

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

Balance as at September 30, 2017	$ 8,522
Cash payments	(5,921)
Accreted interest	87
Fair value adjustments	(2,772)
Foreign exchange impact	84
Balance as at September 30, 2018	**$ -**

Balance as at September 30, 2016	$ 4,503
Recognized on the acquisition of Mobi	7,053
Cash payments	(3,271)
Accreted interest	977
Fair value adjustments	(285)
Foreign exchange impact	(455)
Balance as at September 30, 2017	$ 8,522

21. Related party transactions

The Company has entered into lease arrangements for office premises owned by certain executives of previously acquired subsidiary companies. The leases were negotiated at the time of acquisition and represented fair value rents for the leased premises. Such lease payments amounted to $189 for the year ended September 30, 2018 (2017 – $189). Related party transactions also include compensation earned by key management, comprised of the Company's executive officers and directors. Compensation earned by key management is shown in the following table:

	Years ended September 30	
	2018	**2017**
Salaries, wages and benefits	**$ 2,040**	$ 1,727
Share-based compensation	**1,073**	1,126
Total	**$ 3,113**	$ 2,853

22. New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for adoption for reporting periods beginning on October 1, 2017 and have not been early adopted by the Company. The Company has not yet fully assessed the impact of these new standards and amendments or whether these standards and amendments will be early adopted.

i) IFRS 15, Revenue from Contracts with Customers. In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which establishes a single comprehensive principles-based model of accounting for revenue arising from contracts with customers that an entity will apply to determine the measurement of revenue and the

timing of when it is recognized. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. This standard will replace IAS 18, Revenue, which covers contracts for goods and services and IAS 11, Construction Contracts, which covers revenue from construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The new standard will be effective for the fiscal year beginning on October 1, 2018. Adoption of the standard may have flow-on effects on adopting an entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The Company is continuing to evaluate the full impact of the adoption of IFRS 15 on its results of operations, financial position and disclosures. The Company has identified a project team with the objective of assessing the impact of the adoption of IFRS 15 for the entity. The assessment process has included an evaluation of the company's historical contracts, current accounting policies and the nature of its products and services. The Company expects the adoption of IFRS 15 to have a material impact on its results of operations, financial position and disclosures. The following areas are expected to be most significantly impacted:

- Identifying Performance Obligations – Through reviewing the Company's products and services, the Company has concluded that it's hardware items and subscription services represent a bundle of goods and services which represent a single performance obligation and therefore should be recognized as revenue over time on a consistent basis as this performance obligation is satisfied and following the pattern in which the value of goods and services are consumed by the customer. Historically the company has accounted for hardware revenue separately from subscription revenue under IAS 18.

- Capitalization of Costs to Obtain a Contract – Under IFRS 15, costs incurred to obtain a contract are capitalized and recognized in the results of operations in a manner that is consistent with the pattern of transfer of goods and services under the contract. Historically the company has expensed commission as paid and earned, up front at the time a contract is booked.

The Company plans to adopt this standard using the full retrospective application method with a cumulative adjustment to the deficit balance. The Company has not yet fully quantified the impact of these above noted accounting policy differences and adoption of the standard. Adoption of the standard will require changes to the Company's systems and controls to support revenue recognition and the Company is in the process of evaluating and implementing these changes. Adoption of the new standard will also require additional disclosures related to the nature, timing and amount of cash flows generated from revenue contracts with customers.

ii) IFRS 9, Financial Instruments. In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments - Recognition and Measurement, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement of financial assets, recognition and measurement for debt instruments, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including

impairments) associated with such instruments remain in accumulated comprehensive income (loss) indefinitely. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company will adopt IFRS 9 for its fiscal year beginning October 1, 2018. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements. Adoption of the standard will require a change to how the Company calculates its allowance for doubtful account in respect of its accounts receivable as well as updates for new disclosure requirements.

iii) IFRS 16, Leases. On January 13, 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019 and earlier application is permitted. Under the new standard, all leases will be recorded on the balance sheet of lessees, except those that meet the limited exception criteria. As the Company has significant contractual obligations in the form of operating leases under the existing standards, there will be a material increase to both assets and liabilities upon adoption of the new standard, and changes to the timing of recognition of expenses associated with the lease arrangements, which could be material. The Company is evaluating the impact of this standard on its consolidated financial statements.

iv) IFRIC 23, Uncertainty over Income Tax Treatments. In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments, with a mandatory effective date of January 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept the Company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information. The Company is evaluating the impact of this standard on its consolidated financial statements.

v) IFRIC 22, Foreign Currency Transactions and Advance Consideration. In December 2016, the IASB issued IFRIC 22, Foreign Currency Transactions and Advance Consideration, with a mandatory effective date of January 1, 2018. The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. On initial application, a company may apply the interpretation either retrospectively or prospectively. The Company is evaluating the impact of this standard on its consolidated financial statements.