PIVOTREE INC.
Consolidated Financial Statements
For the years ended December 31, 2022 and 2021

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Independent Auditor's Report

To the Shareholders of Pivotree Inc.

Opinion

We have audited the consolidated financial statements of Pivotree Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Goodwill Impairment

Refer to Note 9 – Goodwill

Description of the key audit matter

The Company has approximately $30 million of goodwill which is required to be tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate their carrying amounts may not be recoverable.

This area was determined to be a key audit matter due to the significance of the estimates involved in the determination of the recoverable amount of each cash generating unit. The significant estimates included discount rates and revenue growth rates.

How the key audit matter was addressed in the audit

Our audit procedures included, but were not limited to, the following:

- Assessing discount rates used by management against discount rate ranges independently developed from publicly available data sets and consideration of comparable company metrics

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- Assessing management's assumptions about revenue growth rate forecasts, expected margin realization rates and terminal growth rates in light of historical results and projected future economic and market conditions.
- Challenging management's assumptions and performing additional sensitivity and stress tests for cash generating units where the impairment assessments were more sensitive to changes in estimated inputs.
- Reviewing the disclosures on the assumptions and the outcomes of the impairment testing, and the sensitivity analysis presented in the consolidated financial statements.
- Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the reasonableness of the discount rate used by management.

Other Information

Management is responsible for the other information. The other information comprises the information, included in the Management Discussion and Analysis for the year ended December 31, 2022, filed with the relevant Canadian Securities Commissions.

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

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

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Peter Matutat.

(signed) BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario
March 28, 2023

PIVOTREE INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	2022 $	2021 $
ASSETS			
Current assets			
Cash		17,346,028	24,570,287
Accounts receivable	**4**	17,759,740	16,183,727
Income taxes receivable		146,878	—
Prepaid expenses and other current assets	**5**	2,546,891	2,586,374
		37,799,537	43,340,388
Property and equipment	**6**	3,432,343	3,678,467
Right-of-use assets	**7**	1,252,451	1,391,550
Deferred income tax asset	**22**	106,328	—
Intangible assets	**8**	11,675,999	17,974,519
Goodwill	**9**	29,486,561	27,794,484
Total Assets		**83,753,219**	94,179,408
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**10**	11,488,741	9,063,830
Income taxes payable		—	927,833
Deferred revenue		3,551,529	2,722,455
Current portion of lease liabilities	**11**	905,298	1,413,904
Current portion of earnouts payable on acquisitions	**23**	1,558,070	7,988,318
		17,503,638	22,116,340
Non-current liabilities			
Lease liabilities	**11**	775,171	886,741
Deferred income tax liability	**22**	—	1,670,668
Non-current portion of earnouts payable on acquisitions	**23**	—	1,626,960
Total liabilities		18,278,809	26,300,709
Shareholders' Equity			
Share capital	**13**	94,262,592	90,393,390
Contributed surplus		3,136,558	2,905,890
Deficit		(34,835,475)	(25,748,954)
Accumulated other comprehensive income (loss)		2,910,735	328,373
		65,474,410	67,878,699
Total Liabilities & Shareholders' Equity		**83,753,219**	94,179,408

Nature of operations (Note 1)

Approved on behalf of the Board of Directors:

______________________ Director

______________________ Director

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

PIVOTREE INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2022 and December 31, 2021
(Expressed in Canadian dollars)

	Notes	2022 $	2021 $
Revenues	15	**101,693,478**	67,544,295
Cost of sales	16	**55,964,500**	37,668,828
Gross profit		**45,728,978**	29,875,467
EXPENSES			
General and administration	17	15,481,120	8,992,570
Research and development	17	4,202,619	1,919,320
Information technology and operations	17	15,643,150	16,266,633
Sales and marketing	17	9,997,599	6,760,706
Amortization and depreciation		8,621,237	5,493,851
Stock based compensation	14	925,878	1,117,656
Interest	17	349,071	421,710
Loss (gain) on foreign exchange		(531,183)	(312,111)
Restructure and other	17	1,402,956	1,150,703
Total expenses		56,092,447	41,811,038
Operating (loss) income before interest income and taxes		(10,363,469)	(11,935,571)
Interest income		64,694	208,638
Income (loss) before income taxes		(10,298,775)	(11,726,933)
Income tax expense (recovery) - current	22	525,437	813,339
Deferred taxes	22	(1,737,691)	(947,623)
Net loss for the period		**(9,086,521)**	(11,592,649)
Other comprehensive income (loss):			
Items that may be reclassified subsequently to income:			
Foreign currency translation adjustment		2,582,362	280,083
Comprehensive income (loss) for the period		**(6,504,159)**	(11,312,566)
Loss per share - basic and diluted		**(0.35)**	(0.47)
Weighted Average Number of Common Shares Outstanding		**26,180,606**	24,900,192

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

PIVOTREE INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2022 and December 31, 2021
(Expressed in Canadian dollars)

	Number of common shares	Capital Stock $	Contributed Surplus $	Deficit $	Accumulated Other Comprehensive Income (loss) $	Total $
Balance, December 31, 2020	24,709,123	88,372,006	2,461,523	(14,156,305)	48,290	76,725,514
Fair value of options exercised	—	646,358	(646,358)	—	—	—
Share based compensation	—	—	1,117,656	—	—	1,117,656
Options exercised	372,113	539,819	—	—	—	539,819
DSUs exercised	3,158	26,931	(26,931)	—	—	—
Equity issuance for acquisition	194,459	808,276	—	—	—	808,276
Foreign exchange translation	—	—	—	—	280,083	280,083
Net loss for the period	—	—	—	(11,592,649)	—	(11,592,649)
Balance, December 31, 2021	25,278,853	90,393,390	2,905,890	(25,748,954)	328,373	67,878,699
Balance, December 31, 2021	25,278,853	90,393,390	2,905,890	(25,748,954)	328,373	67,878,699
Options exercised	811,018	1,451,896	(559,578)	—	—	892,318
RSUs converted	20,279	120,291	(120,291)	—	—	—
RSUs forfeited	—	—	(28,275)	—	—	(28,275)
Equity issuance on earnout	572,466	2,539,463	—	—	—	2,539,463
Share based compensation	—	—	925,878	—	—	925,878
Share repurchase	(66,200)	(242,448)	12,934	—	—	(229,514)
Foreign exchange translation	—	—	—	—	2,582,362	2,582,362
Net loss for the period	—	—	—	(9,086,521)	—	(9,086,521)
Balance, December 31, 2022	**26,616,416**	**94,262,592**	**3,136,558**	**(34,835,475)**	**2,910,735**	**65,474,410**

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

PIVOTREE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and December 31, 2021
(Expressed in Canadian dollars)

	2022	2021
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	**(9,086,521)**	(11,592,649)
Items not affecting cash:		
Amortization and depreciation	8,621,237	5,493,851
Share-based compensation	925,878	1,117,656
Revaluation of earnout	(563,454)	—
Deferred income tax	(1,737,691)	(947,632)
Change in fair value of derivative	100,300	—
Changes in non-cash working capital balances:		
Accounts receivable	(1,722,891)	(2,405,228)
Prepaid expenses and other current assets	(60,817)	(300,587)
Accounts payable and accrued liabilities	1,933,624	(233,877)
Income taxes payable	(927,833)	534,400
Deferred revenue	829,074	169,112
Cash flows used in operating activities	(1,689,094)	(8,164,954)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(705,657)	(571,388)
Additions of intangible property	(136,363)	(54,928)
Acquisition of subsidiaries, net of cash	—	(19,701,658)
Earnout payments	(4,010,789)	—
Cash flows used in investing activities	(4,852,809)	(20,327,974)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease repayment	(1,345,160)	(1,418,867)
Proceeds from share issuance, net of share issue costs	892,318	539,819
Share repurchase	(229,514)	—
Cash flows used in financing activities	(682,356)	(879,048)
Net decrease in cash	(7,224,259)	(29,371,976)
Cash, beginning of year	24,570,287	53,942,263
Cash, end of year	**17,346,028**	24,570,287

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

1. NATURE OF OPERATIONS

Pivotree Inc. was incorporated under the Business Corporations Act in Ontario, Canada on August 13, 1998 and provincially registered in Ontario, Canada on June 22, 2015; Pivotree and its subsidiaries (together "the Company"), principal place of business is its headquarters at 6300 Northam Drive, Mississauga, Ontario, Canada L4V 1H7. The Company designs, integrates, deploys, and manages digital platforms in Commerce, Data Management and Supply Chain for major retail and branded manufacturers throughout the world. Pivotree provides the technical skills necessary to enable the effective use of technologies combined with the business context to leverage a solution to solve clients' business challenges. Pivotree's portfolio of products, managed and professional services help provide B2B2C digital businesses with end-to-end service to manage complex digital commerce platforms, along with ongoing support from strategic planning through product selection, deployment, and hosting, to data and supply chain management.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied in these consolidated financial statements are presented in note 2.

The consolidated financial statements were approved by the Company's Board of Directors on March 28, 2023.

These consolidated financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except where the Company's policy is to carry the item at fair value.

The preparation of the consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

(b) Basis of consolidation

The consolidated financial statements include the accounts of Pivotree Inc. and its wholly owned subsidiaries Pivotree USA Inc., Thinkwrap Solutions Inc., Bridge Solutions Group Corp and Pivotree Solutions India PVT Ltd. (together, Bridge Solutions Group Corp), and Codifyd Inc. Subsidiaries are entities that the Company has control of and are fully consolidated from the date that control commences until the date that control ceases.

Subsequent to year-end, and effective January 1, 2023, Pivotree USA Inc., Bridge Solutions Group Corp. and Codifyd Inc., which were previously consolidated subsidiaries of Pivotree US Holdings Corp., executed an amalgamation. The Bridge Solutions Group Corp. and Codifyd Inc. names have been discontinued with all business being transacted under Pivotree USA Inc., with Pivotree USA Inc. remaining as a subsidiary under Pivotree US Holdings Corp.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

(c) Functional and presentation currency

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency transactions:

Transactions in foreign currencies are translated to the functional currency at exchange rates on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate on that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at historic rates. Foreign currency differences arising on translation are recognized in net profit (loss).

(e) Foreign operations:

Revenues and expenses of foreign operations are translated to Canadian dollars at the average rates for the period which approximate the transaction date. Assets and liabilities are translated into CAD at exchange rates in effect at the reporting date. Related foreign currency translation differences are recognized in other comprehensive income and included in accumulated other comprehensive income in equity.

Foreign currency translation differences residing in accumulated other comprehensive income will be released to net profit (loss) upon the reduction of the net investment in foreign operations through the sale or substantial liquidation of an investment position. In the case of a partial disposal not resulting in a loss of control, foreign currency translation differences are reclassified from accumulated other comprehensive income to the non-controlling interest in the foreign subsidiary.

Monetary inter-company receivables from a foreign operation, the settlement of which are neither planned nor likely in the foreseeable future, are considered to form part of the net investment in the foreign operation. Related foreign exchange translation differences are recognized in other comprehensive income and presented in accumulated other comprehensive income in equity.

(f) Cash

Cash consists of cash on hand and deposits with financial institutions. As of December 31, 2022 and 2021 the Company held no cash equivalents.

(g) Revenue recognition

IFRS 15, *Revenue from Contracts with Customers*, applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company's contracts often include a number of promised goods or services. The Company's goods and services are generally distinct from other performance obligations and accounted for as separate performance obligations. A good or service is distinct if the customer can benefit from it on its own or together with other readily available resources, and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer.

In determining the transaction price of a contract with a customer, the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any). The total transaction price is allocated to each performance obligation on a relative stand-alone selling price ("SSP") basis.

The SSP reflects the price we would charge for a specific product or service if it was sold separately in similar circumstances and to similar customers. In most cases we are able to establish the SSP based on observable data.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where possible we establish a narrow SSP range for our products and services and assess this range on a periodic basis or when material changes in facts and circumstances warrant a review. If the SSP is not directly observable, then we estimate the amount using either the expected cost plus a margin or residual approach. Estimating SSP requires judgment that could impact the amount and timing of revenue recognized. SSP is a formal process whereby management considers multiple factors including, but not limited to, geographic or regional specific factors, competitive positioning, internal costs, profit objectives, and pricing practices.

(i) Professional Services

Services revenues are derived from professional services that include designing, developing, implementing, integrating, and training for e-commerce platforms and to support data management business requirements of our customers. Professional services revenues are recognized over time as services are rendered, using input methods to measure progress towards complete satisfaction of the service. For time and material projects, revenues are recognized by multiplying the number of hours our professionals incurred in the performance of the project by the hourly rate card contracted. For fixed fee contracts based on milestones and specific deliverables, revenues are recognized based on the completion of deliverables or in the case of fixed fee contracts based on term; revenue is recognized across the term based on the monthly fee set in the contract. Any unrecognized revenue is recorded in deferred revenue.

Certain costs incurred by the Company for subcontractors and other expenses that are recoverable directly from clients are billed to our clients and therefore included in revenue based on the revenue recognition method identified above. Costs associated with professional services revenue include all direct labour and subcontract costs and those indirect costs related to contract performance such as benefits, travel expenses and other expense reimbursements.

(ii) Managed Services

Managed service revenues are derived from providing a monthly recurring service. The services include infrastructure deployment and management, web and application hosting, 24/7 access to experts for system and application triage, application support, configuration management, and security. Managed services fees are structured with a minimum level of spend based on environment size and minimum level of support provided. For any overage, a price list is established to charge for any overage. The monthly fee is recognized as revenue on a monthly basis based on the minimum commitment and overage charges.

Billing for the minimum commitment is issued at the start of the service period. Overage charges are issued after the service period, once actual volumes are available.

Costs of sales associated with managed services include data centers, public cloud, third party licensing for monitoring and security solutions plus any other 3rd party license costs required to deliver the solution.

In conjunction with both professional and management services provided, we receive commissions or margins on license resale. The net margin or commission on resale is accrued to revenues as earned. The Company is acting as an agent in these arrangements.

Credit terms are extended to customers in the normal course of business. The Company performs ongoing credit evaluations of its customers based on payment history and willingness to pay and, generally, requires no collateral. Accounts receivable are recorded at their estimated net realizable value, net of expected credit losses. The Company's estimate of expected credit losses is based upon its evaluation of the current status of receivables, and forward-looking information.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Stock-based compensation

Stock-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Stock-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount for equity settled awards is recorded to contributed surplus and cash settled awards are recorded as a liability. The fair value of options is determined using the Black-Scholes option pricing model and other market valuation methods. For employee share options, the amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be satisfied, such that the amount ultimately recognized is based on the number of awards that ultimately vest. The Company's share-based plans are described in note 14.

(i) Property and Equipment

Property and equipment is comprised of computers and network equipment, furniture and equipment, leasehold improvements and software. Property and equipment is measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is based on the estimated useful life of the asset and is provided using the following annual rates:

Computer equipment	20% - 33% declining balance basis; or 3 years straight line basis
Furniture and fixtures	20% - 22% declining balance basis; or 3 years straight line basis
Leasehold improvements	20% declining balance basis; or 7 years straight line basis

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortized cost using the effective interest method.

It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components, if any, as a single lease component. The Company has also elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, if any.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. The useful lives of intangible assets are assessed as either finite or indefinite. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with an indefinite life are not amortized. Such assets include brand and trademark. They are tested annually for impairment and whenever events or circumstances indicate that their carrying amount exceeds their fair value. When the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to the excess.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with finite useful lives are tested for impairment when events or circumstances indicate that their carrying amount may not be recoverable and at least at the end of each reporting period. Such assets include software technologies, licenses, non-compete agreements, and customer relationships. The impairment test entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to fair value is required. A change in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortized over their estimated useful lives as follows:

	Method	Rate
Software technologies	Straight-line	3 years
Customer relationships	Straight-line	6 – 10 years
License	Straight-line	8 years
Non-compete agreements	Straight-line	3 years

(l) Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs in connection with a business combination are expensed as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS sections. Changes in the fair value of contingent consideration initially classified as equity are not recognized.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

The Company measures goodwill as the fair value of the consideration transferred less the net recognized amount of the identifiable assets acquired and the liabilities assumed, all measured as of the acquisition date. Goodwill is allocated to the Company's Cash Generating Units (CGUs) that are expected to benefit from the synergies of the business combination. Goodwill is not amortized, but is tested for impairment at least annually. An impairment loss in respect of goodwill is not reversed. On the disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the gain or loss on disposal.

(m) Research and Development

Research costs are expensed as incurred. Development costs are expensed as incurred unless certain criteria, including technical feasibility, commercial feasibility, intent and ability to develop and use the technology, are met for deferral and amortization. If deferred, costs are recorded as finite intangible assets. Once the intangible asset is in the condition necessary for it to be capable of operating in the manner intended by management, recognition of costs in the carrying amount of the intangible asset ceases unless those costs are not incidental and result in betterment of the intangible asset. Amortization for development costs commences in the period that the developed asset is completed and ready for use. Management assesses development costs to ensure costs are recoverable through future sales or cost savings.

(n) Impairment of non-financial assets

At the end of each reporting period, the Company's non-financial assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists0, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. When an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(o) Income Taxes

Deferred tax is calculated on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, including differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(p) Share Issue Costs

The Company accounts for share issue costs by deferring the costs until the shares are issued, at which time the costs are charged to share capital as share issue costs. If the share offering does not proceed, the costs are expensed.

(q) Income (loss) per share

Basic income (loss) per share is calculated by dividing the income or loss for the year by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted earnings per share assumes that the deemed proceeds received from the exercise of share options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the year. Stock options and share purchase warrants are typically dilutive when the Company has net income for the period and the average market price of the common shares during the period exceeds the exercise price of the stock option and/or share purchase warrant.

(r) Financial Instruments

The Company classifies its financial assets in the following measurement categories i) those to be measured subsequently at fair value through profit or loss (FVTPL); ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

(i) Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of a financial liability, or, where appropriate, a shorter period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that the counterparty debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement. The Company assesses all information available, including past due status, credit ratings, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

Summary of the Company's Classification and Measurements of Financial Assets and Liabilities

	IFRS 9	
	Classification	**Measurement**
Cash and cash equivalents	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Lease liability	Amortized cost	Amortized cost
Earnouts payable	FVTPL	Fair value

(s) Provisions

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

(t) Operating Segment

Management has determined that the Company operates in two reportable operating segments.

(u) Adoption of new accounting standards

The following new standards and amendments to existing standards were issued by the IASB and are expected to be adopted by the Company in 2023 or later.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amendments to IAS 1 *Presentation of Financial Statements*
In January 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* to clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt and equity might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The Company does not expect the adoption to have an impact on its consolidated financial statements.

Amendments to IAS 1, in February 2021, also change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments to IAS 1 were made to explain how an entity could identify a material accounting policy.

The new guidance will be effective for annual periods starting on or after January 1, 2023. The Company is currently assessing the potential impact on its consolidated financial statements.

Amendments to IAS 8 - *Definition of Accounting Estimates*
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments ate effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently assessing the potential impact on its consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
In May 2021, the IASB issued amendments to IAS 12, Income Taxes (‘IAS 12’), which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently assessing the potential impact on its consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant estimates and assumptions

The preparation of these consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

The main assumptions and estimates that were used in preparing the Company’s consolidated financial statements relate to:

Impairments
In determining whether a long-lived asset is impaired, the Company has to exercise judgment and make estimation in assessing (1) whether an event or indicator has occurred that may affect the asset values; (2) whether the carrying value of an asset can be supported by the recoverable amount (which in the case of value-in-use is the net present value of future cash flows of the continued use of the asset); and (3) the appropriate key assumptions to be applied in estimating the recoverable amount including cash flow projections and appropriate discount rate.

The recoverable amounts of goodwill, intangible assets and property, plant and equipment is based on estimates and assumptions regarding the expected market outlook and cash flows from each CGU or group of CGUs.

(Expressed in Canadian dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

In order to estimate recoverable amount, the Company typically estimates future revenue, considers market factors and estimates future cash flows. Based on these key assumptions, judgements and estimates, the Company determines whether to record an impairment charge to reduce the value of the asset carried on the consolidated statements of financial position to its estimated fair value. Assumptions, judgements and estimates about future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Company's business strategy or internal forecasts. Although the Company believes the assumptions, judgements and estimates made in the past have been reasonable and appropriate, different assumptions, judgements and estimates could materially affect the recoverable amount of the assets being evaluated and the Company's reported financial results.

Deferred taxes
Income taxes are determined based on estimates of the Company's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

Judgements are made by the Company in determining the incremental borrowing rate used to measure the lease liability for each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest rate that the Company would have to pay to borrow at a similar term and with a similar security.

4. ACCOUNTS RECEIVABLE

The Company's accounts receivable is comprised of the following:

	December 31,	
	2022	2021
	$	$
Trade receivables	16,981,924	14,676,939
Other receivables	840,613	1,536,415
Less: expected credit loss provision	(62,797)	(29,627)
Net accounts receivable	**17,759,740**	16,183,727

A continuity of the Company's expected credit loss provision is as follows:

	December 31,	
	2022	2021
	$	$
Opening balance	29,627	609,388
Additions	33,170	121,808
Less: write-offs	—	(701,569)
Ending balance	**62,797**	29,627

For the year ended December 31, 2022, the Company recorded bad debt expense of $55,895 (December 31, 2021 — $121,883).

(Expressed in Canadian dollars)

5. PREPAID EXPENSES

	December 31, 2022	December 31, 2021
	$	$
Software subscriptions	1,428,766	1,264,823
Rent deposits	209,374	239,159
Insurance	524,788	471,525
Derivative	100,300	—
Other	283,663	554,498
Professional fees	—	56,369
Ending balance	**2,546,891**	2,586,374

6. PROPERTY AND EQUIPMENT

	Computer Equipment*	Furniture and Equipment	Leasehold Improvements	Total
	$	$	$	$
COST				
Balance, December 31, 2020	21,878,839	1,234,662	434,529	23,548,030
Additions	571,388	—	—	571,388
Acquisition	203,968	—	—	203,968
Balance, December 31, 2021	22,654,195	1,234,662	434,529	24,323,386
Additions	705,657	—	—	705,657
Balance, December 31, 2022	23,359,852	1,234,662	434,529	25,029,043
ACCUMULATED DEPRECIATION				
Balance, December 31, 2020	18,466,319	849,683	293,090	19,609,092
Additions	938,506	76,613	25,834	1,040,953
Effect of foreign currency translation	(5,170)	44	—	(5,126)
Balance, December 31, 2021	19,399,655	926,340	318,924	20,644,919
Additions	876,000	61,422	21,115	958,537
Effect of foreign currency translation	(6,756)	—	—	(6,756)
	20,268,899	987,762	340,039	21,596,700
Net book value December 31, 2021	3,254,540	308,322	115,605	3,678,467
Net book value December 31, 2022	**3,090,953**	**246,900**	**94,490**	**3,432,343**

*Included in computer equipment is equipment under lease and accounted for as a Right-of-use-Asset pursuant to the Company's adoption of IFRS 16 (see Note 7).

(Expressed in Canadian dollars)

7. RIGHT-OF-USE ASSETS

The Company leases certain office premises. The leases typically run for a period of 3 to 4 years with an option to renew the lease after that date. Lease payments are renegotiated within one year of expiry to reflect market rentals.

Information about leases for which the Company is a lessee is presented below:

	Premises Leases $	Computer Equipment $	Total $
Balance, December 31, 2020	1,099,905	2,311,461	3,411,366
Additions	858,149	—	858,149
Depreciation charge for the year	(566,712)	(419,927)	(986,639)
Effects of foreign exchange	208	1,663	1,871
Balance, December 31, 2021	1,391,550	1,893,197	3,284,747
Additions	761,554	—	761,554
Depreciation charge for the year	(861,768)	(516,964)	(1,378,732)
Effects of foreign exchange	(38,885)	3,738	(35,147)
Balance, December 31, 2022	**1,252,451**	**1,379,971**	**2,632,422**

8. INTANGIBLE ASSETS

	Software Technologies $	Brand & Trademark $	Non-Compete $	License $	Customer List $	Total $
COST						
Balance, December 31, 2020	5,155,033	86,093	—	297,000	11,854,949	17,393,075
Additions	54,928	—	—	—	—	54,928
Acquisition	469,204	—	358,100	1,459,324	9,042,411	11,329,039
Foreign exchange movement	4,671	—	10,433	42,414	277,070	334,588
Balance, December 31, 2021	5,683,836	86,093	368,533	1,798,738	21,174,430	29,111,630
Additions	136,363	—	—	—	—	136,363
Foreign exchange movement	—	—	22,947	65,534	975,839	1,064,320
Balance, December 31, 2022	**5,820,199**	**86,093**	**391,480**	**1,864,272**	**22,150,269**	**30,312,313**
ACCUMULATED AMORTIZATION						
Balance, December 31, 2020	3,144,766	18,285	—	297,000	3,790,879	7,250,930
Amortization	1,323,957	—	20,367	48,682	2,493,175	3,886,181
Balance, December 31, 2021	4,468,723	18,285	20,367	345,682	6,284,054	11,137,111
Amortization	865,043	—	119,364	145,932	5,670,593	6,800,932
Foreign exchange movement	(14,134)	—	12,511	14,356	685,538	698,271
Balance, December 31, 2022	**5,319,632**	**18,285**	**152,242**	**505,970**	**12,640,185**	**18,636,314**
Net book value December 31, 2021	1,215,113	67,808	348,166	1,453,056	14,890,376	17,974,519
Net book value December 31, 2022	**500,567**	**67,808**	**239,238**	**1,358,302**	**9,510,084**	**11,675,999**

(Expressed in Canadian dollars)

9. GOODWILL

	December 31,	
	2022	2021
	$	$
Opening balance	27,794,484	10,051,218
Acquisition of companies	—	17,203,143
Impact of final working capital adjustments	(785,483)	—
Foreign exchange movement	2,477,560	540,123
Ending balance	**29,486,561**	27,794,484

The Company performs an annual goodwill impairment test as needed or when there are indications of impairment. As at December 31, 2022, management has performed a goodwill impairment test on its three cash generating units ("CGUs"), Pivotree, Pivotree USA Inc (formerly known as Spark::red) and Thinkwrap Solutions Inc (**Commerce**) Bridge Solutions Group (**Supply Chain**), and Codifyd (**Data Management**). The recoverable amount for each Company of CGU was determined using a value-in-use approach. Under the value-in-use approach, the CGU's recoverable amount is calculated based on the present value of future cash flows expected to be derived from each CGU.

Details of the carrying values of goodwill by CGU are presented below:

	December 31,	
	2022	2021
	$	$
Commerce	10,282,735	10,071,341
Supply Chain	6,502,257	6,054,404
Data Management	12,701,569	11,668,739
Balance, December 31	**29,486,561**	27,794,484

9. GOODWILL (Continued)

The values assigned to the key assumptions represent management's assessment of future trends and have been based on historical data from both external and internal sources; the following assumptions are relevant for the three CGUs:

- 3-year pre-tax cash flow projections expected to be generated based on financial budgets with a terminal growth rate of 1%.
- Revenue growth is based on management's best estimates considering historical and expected operating plans, strategic plans and industry outlook. The projections are prepared for each of the Company's CGUs and are based on financial budgets approved by the Board.
- Gross margins are based on average values achieved in the previous years.
- Budgeted earnings before income taxes, depreciation and amortization ("EBITDA") is estimated taking into account past experience, and revenue growth projections based on industry data and the Company's strategic plan.
- Discount rate represents the current market assessment of the risks specific the Company's CGUs, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate is derived from the Company's weighted average cost of capital ("WACC") at 22%.

Specific to Commerce:

- Management has estimated forecasts of steady revenue for fiscal 2023 through to fiscal 2025, and applied a rate of 1.0% growth to determine the terminal value.
- The projected gross margin remains consistent through the forecast period, taking an average over the last three years.
- The budgeted EBITDA as a percentage of revenue is approximately 1% - 16% in the forecast period and terminal year.

Specific to Supply Chain:

- Management has estimated forecasts of strong revenue growth for fiscal 2023 through to fiscal 2025, and applied a rate of 1.0% growth to determine the terminal value.
- The projected gross margin remains consistent through the forecast period, using the current year margin.
- The budgeted EBITDA as a percentage of revenue is approximately 1% - 17% in the forecast period and terminal year.

Specific to Data Management

- Management has estimated forecasts of strong revenue growth for fiscal 2023 through to fiscal 2025, and applied a rate of 1.0% growth to determine the terminal value.
- The projected gross margin remains consistent through the forecast period, using the current year margin.
- The budgeted EBITDA as a percentage of revenue is approximately 12% - 22% in the forecast period and terminal year.

No impairment charge was determined to be necessary based on the calculations.

(Expressed in Canadian dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are comprised of the following:

	December 31,	
	2022	2021
	$	$
Accounts payable	4,694,552	2,252,417
Payroll accruals	4,538,143	2,734,517
Accrued liabilities	2,256,046	4,076,896
	11,488,741	9,063,830

11. LEASE LIABILITIES

	December 31,	
	2022	2021
	$	$
Obligation under lease contracts for computer equipment	337,127	869,400
Obligation under lease contracts for office space	1,343,342	1,431,245
Less: current portion	(905,298)	(1,413,904)
	775,171	886,741

(a) Future minimum cash payments required under the premises and computer equipment leases held by the Company are as follows:

	Premises	**Computer Equipment**	**Total**
	$	**$**	**$**
2023	655,811	289,452	945,263
2024	423,980	102,646	526,626
2025	330,541	17,565	348,106
2026	18,417	—	18,417
	1,428,749	409,663	1,838,412
Imputed interest	(85,406)	(72,537)	(157,943)
	1,343,342	**337,127**	**1,680,469**

(b) Property lease payments also include variable lease payments of overhead expenses and property taxes. For the years ended December 31, 2022 and 2021 variable lease payments were as follows:

2022	2021
$	$
405,266	469,903

(c) Continuity of lease obligations as follows:

	December 31,	
	2022	2021
	$	$
Balance, opening	2,300,646	2,866,991
Additions	781,421	858,149
Payments (net of accretion)	(1,401,598)	(1,424,494)
Present value of lease liability, balance closing	**1,680,469**	2,300,646

Expenses recognized in general and administrative include $23,085 (2021 - $3,854) of short term or low value leases as a result of applying the practical expedient in adoption of IFRS 16.

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS

The Company entered into no related party transactions during the year.

Compensation of key management personnel

The Company defines key management personnel as being the Board of Directors, the Chief Executive Officer and the executive leadership team. The remuneration of key management personnel during the years ended December 31 is as follows:

	December 31,	
	2022	2021
	$	$
Salaries (including benefits)	1,663,048	1,315,193
Stock based compensation	360,433	347,029
	2,023,481	1,662,222

13. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares, an unlimited number of Series A preferred shares, an unlimited number of Series B preferred shares, an unlimited number of Series C preferred shares, and an unlimited number of Series D preferred shares. The Company's common shares are without par value, have voting rights and are entitled to receive dividends.

During the year ended December 31, 2022 the Company issued:

- 811,018 common shares upon the exercise of stock options in exchange for $892,318
- 572,466 common shares as settlement of earnout with a value of $2,539,463 (note 23)
- 20,279 common shares upon the exercise of restricted stock units with a value of $120,291

During the year ended December 31, 2022 the Company repurchased and retired 66,200 shares for $229,514 under a normal course issuer bid (NCIB).

14. STOCK OPTIONS & RESTRICTED SHARES

(a) Stock-based Compensation

On October 30, 2020 the Company established its 2020 Omnibus Equity Incentive Compensation Plan ("2020 Plan") which provides for the granting of Options, Share Appreciation Rights ("SARS"), Restricted Share Units ("RSUs"), Deferred Share Units ("DSUs") and Performance Share Units ("PSUs") to employees, directors, officers and consultants of the Company. The maximum number of shares issuable pursuant to Options issued under the 2020 Plan will be equal to 10% of the then outstanding shares on a rolling basis. In addition to the number of Options issuable under the 2020 Plan, the Company may issue an additional 2,266,778 shares in aggregate pursuant to the exercise of all SARs, RSU, DSUs and PSUs.

(Expressed in Canadian dollars)

14. STOCK OPTIONS & RESTRICTED SHARES (Continued)

(b) Options

The following table reflects the continuity of the stock options granted for the year ended December 31, 2022 and the year ended December 31, 2021:

	December 31, 2022		December 31, 2021	
	Number of options	**Weighted Average Exercise Price $**	Number of options	Weighted Average Exercise Price $
Outstanding, beginning of period	1,538,822	1.71	1,893,900	1.41
Granted	497,668	4.09	57,066	9.29
Exercised	(811,018)	(1.10)	(372,113)	(1.45)
Expired/Forfeited	(115,515)	(3.60)	(40,031)	(2.95)
Outstanding, end of period	**1,109,957**	**3.02**	1,538,822	1.71

The following table outlines stock options outstanding as at the year ended December 31, 2022:

Options Outstanding				**Options Exercisable**	
Range of Exercise Prices	**Number of Options Outstanding**	**Weighted - Average Exercise Price**	Weighted- Average Life	Number of Shares Exercisable	Weighted- Average Exercise Price
$ 1.00 – 12.00	**1,109,957**	**3.02**	**7.26**	**651,254**	**$ 1.71**

The following table outlines stock options outstanding as at the year ended December 31, 2021:

Options Outstanding				**Options Exercisable**	
Range of Exercise Prices	**Number of Options Outstanding**	**Weighted - Average Exercise Price**	Weighted- Average Life	Number of Shares Exercisable	Weighted- Average Exercise Price
$ 1.00 – 12.00	**1,538,822**	**1.71**	**6.80**	**1,381,577**	**$ 1.41**

For the years ended December 31, 2022 and 2021, the grant date fair value estimated was based on the following variables:

	2022	**2021**
Dividend yield	**0.00%**	0.00%
Risk-free interest rate	**2.21%**	1.23%
Expected option life in years	**5.96**	5.74
Volatility	**41%**	40%
Forfeiture rate	**2%**	2%

The Company estimated the expected term of its stock options based on the vesting and contractual terms. Volatility is estimated based on the average of the historical volatilities of the common stock of entities, with characteristics similar to those of the Company.

Using the Black-Scholes option-pricing model, the weighted-average estimated fair value of employee stock options granted was $1.86 (2021 - $2.23).

Stock compensation expense related to stock options for the year ended December 31, 2022 was $196,333 (December 31, 2021 - $686,026).

(Expressed in Canadian dollars)

14. STOCK OPTIONS & RESTRICTED SHARES (Continued)

(c) Restricted Shares

Since 2016 the Company has provided compensation to select advisors and management all or in part with retractable common shares (the "Restricted Shares" or 'RSU(s)". Restricted shares grant an individual shares in exchange for the promise to provide services over a 1-2 year period. In the event that the individual ceases to be engaged by the Company during the Restricted Share period some or all of the common shares are retracted corresponding to the services not delivered. The fair value of restricted shares is estimated using the market price of the Company's common stock at the date of grant. The Company reports the portion of the common shares that have been fully earned and can no longer be retracted from shares outstanding.

During the years ended December 31, 2022 and 2021 the Company granted 250,301 RSUs (2021 – 117,769), and 72,452 (2021 – 6,634) were forfeited; A total of 20,279 (2021 – nil) RSUs vested. As at December 31, 2022 and 2021 the Company had a total of 268,705 (2021 – 111,135) RSU's outstanding. For the year ended December 31, 2022, the Company recognized share based compensation related to RSU's of $275,779 (2021 - $74,040).

(d) DSUs

During the year ended December 31, 2022 and 2021 the Company granted 130,128 DSUs (2021 – 57,791) and nil were converted to shares (2021 – 3,158). The DSUs were measured at their grant date fair value and vest immediately, which is equal to the fair value of the Company's common shares. At the Company's discretion, participants shall be entitled to receive payment from the Company in settlement of DSUs in cash, in an amount equal to the product of the FMV of a share on the applicable settlement date, multiplied by the number of DSUs being settled, in a number of shares, or in some combination of the two.

Stock compensation expense related to DSUs for the year ended December 31, 2022 was $360,432 (December 31, 2021 - $317,077).

(e) Performance Shares

During the year ended December 31, 2022 and 2021 the Company granted 20,392 performance share units ("PSUs") (December 31, 2021 – 43,592). The PSUs vest upon the achievement of specified revenue per share and earnings before interest, taxes, depreciation and amortization ("EBITDA") percentage targets over the period of October 1, 2023 to December 31, 2023. For the year ended December 31, 2022, the Company recognized share based compensation related to PSUs of $93,334 (2021 - $40,513). The PSUs were measured at their grant date fair value, which was equal to the fair value of the Company's common shares.

The expense recognized for the year ended December 31, 2022 reflects the probability of achieving the revenue per share and EBITDA percentage targets which was 54% at December 31, 2022. At the Company's discretion, participants shall be entitled to receive payment from the Company in settlement of PSUs in cash, in an amount equal to the product of the FMV of a share on the applicable settlement date, multiplied by the number of PSUs being settled, in a number of shares, or in some combination of the two.

15. REVENUE

	Year ended December 31,	
	2022	2021
	$	$
Managed Services	41,187,568	37,206,031
Professional Services	60,505,910	30,338,264
	101,693,478	67,544,295

(Expressed in Canadian dollars)

16. COST OF SALES

	Year ended December 31,	
	2022	2021
	$	$
Data center costs and software usage rights	17,965,611	16,841,054
Salaries and benefits	37,494,805	19,369,694
Other direct costs	504,084	1,458,080
	55,964,500	37,668,828

17. EXPENSES

	Year ended December 31,	
	2022	2021
Sales and Marketing	**$**	$
Salaries and benefits	8,421,965	5,840,254
Advertising and marketing	880,521	669,062
Travel and other expenses	695,113	251,390
	9,997,599	6,760,706
Information Technology and Operations		
Salaries and benefits	12,771,387	14,145,486
Internet and software costs	2,039,354	1,518,874
Other expenses	832,409	602,273
	15,643,150	16,266,633
General and Administrative		
Salaries and benefits	11,923,818	7,353,566
Professional fees	1,340,825	1,065,714
Travel, rent and general office	2,216,477	1,690,946
	15,481,120	10,110,226
Research and Development		
Salaries and benefits	3,647,114	1,864,620
Software and other expenses	555,505	54,700
	4,202,619	1,919,320
Restructure and Other		
Acquisition	447,148	677,694
Restructure*	1,472,322	146,791
Other	(516,514)	326,218
	1,402,956	1,150,703

*Included in restructure is $1,211,616 in estimated severance costs.

Interest		
Loans, borrowings and standy fees	190,728	255,990
Interest on lease obligations - office space	117,467	61,631
Interest on lease obligations - equipment	40,876	104,089
	349,071	421,710

(Expressed in Canadian dollars)

18. SEGMENT INFORMATION

The Company has two operating segments based upon types of revenue, professional and managed services. For the purpose of segment reporting, the Executive Leadership Team is the Chief Operating Decision Maker. The determination of the Company's operating segment is based on its organization structure and how the information is reported to the Executive Leadership Team on a regular basis. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

Approximately 90% of the Company's revenue is generated from its customers in North America. All the Company's assets reside in North America, and Europe.

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance as management believes this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. Cash held at the Pivotree parent entity is assigned to managed services consistently and could be leveraged to manage both professional and managed services.

		2022 **$**	2021 $
Revenue	Managed services	41,187,568	37,206,031
	Professional services	60,505,910	30,338,264
Total		**101,693,478**	**67,544,295**
Revenue by location	Canada	26,509,735	23,746,068
	United States	66,841,283	38,015,567
	Other	8,342,460	5,782,660
Total		**101,693,478**	**67,544,295**
Gross profit	Managed services	21,351,401	19,726,753
	Professional services	24,377,577	10,148,715
		45,728,978	29,875,468
	Expenses	(56,027,753)	(41,602,401)
Loss before taxes		**(10,298,775)**	**(11,726,933)**
Segment assets	Managed services	38,003,025	37,093,698
	Professional services	45,750,194	57,085,710
Total		**83,753,219**	**94,179,408**
Segment liabilities	Managed services	12,362,714	7,662,535
	Professional services	5,916,095	18,638,174
Total		**18,278,809**	**26,300,709**

19. EARNINGS (LOSS) PER SHARE

To the extent that the Company's results of operations are a loss, potentially dilutive shares relating to preferred shares, deferred common shares, stock options, RSU's, DSU's and PSU's as set-out below have been excluded from the calculation of the diluted number of shares as the impact would be anti-dilutive.

	2022	2021
RSU's, DSU's and PSU's	514,006	218,768
Stock options	1,109,957	1,538,822
	1,623,963	1,757,590

(Expressed in Canadian dollars)

20. CAPITAL RISK MANAGEMENT

The general objectives of the Company in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth and strategic acquisitions in order to continue operating, in providing benefits to its stakeholders and in providing an adequate return on investment to its shareholders by selling its services at a price commensurate with the level of operating risk assumed by the Company. The Company thus determines the total amount of capital required consistent with risk levels.

The Company's capital structure consists of cash and shareholders' equity, which is comprised of issued capital, contributed surplus, accumulated other comprehensive income and deficit. The Company does not currently hold debt but may in the future. This capital structure is adjusted on a timely basis depending on changes in the economic environment and in the risks of the underlying assets.

In December 2020, the Company entered into a single revolving facility (the "BMO Facility") for up to $25,000,000 of revolving credit, with the ability to access an additional $1,000,000 treasury risk line of credit to be used at the direction of BMO for hedging agreements and a $250,000 line of credit in respect of corporate MasterCard to be issued to Company employees for corporate purposes.

The BMO Facility may be drawn by way of Canadian dollar loans, US dollar loans or the issuance of letters of credit and will mature on October 31, 2023 and will carry an interest rate of 1.5% per annum and is subject to a general security agreement creating a First-Ranking Security interest in all present and future property of the Company and its subsidiaries. A condition of this Facility is that the Company must maintain, on a consolidated basis, a minimum of $5,000,000 cash on the closing date and at the end of each subsequent fiscal quarter. As of December 31, 2022 and December 31, 2021 the Company has not drawn on the BMO Facility.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, and earnouts payable approximate their fair values due to the immediate or short-term nature of these instruments. The carrying value of the current portion of lease liabilities approximate their fair value due to their short term to maturity. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following table summarizes the Company's financial instruments measured at fair value at December 31, 2022 and December 31, 2021, by categorization in the fair value hierarchy level:

	Fair value hierarchy level	**December 31, 2022**	December 31, 2021
Earnouts payable	Level 3	(1,558,070)	(9,615,278)
Derivative	Level 2	100,300	—

(Expressed in Canadian dollars)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Earnouts payable

The fair value of earnouts at December 31, 2022 was determined using a probability weighted model based on the likelihood of achieving certain revenue and gross margin targets.

Derivative
During the year, the Company entered into an agreement with a Canadian financial institution to sell $10 million US$ over the course of 2023 at an exchange rate of 1.3601. At December 31, 2022, the unrealized increase in the value of this derivative instrument is $100,300. The fair value of the forward contracts was determined using mark-to-market information as at December 31, 2022 from a third party. The balance of the value of the derivative has been included in prepaid expenses and other current assets in the statement of financial position.

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash is placed with a major US and Canadian financial institutions and the Company's concentration of credit risk for cash and maximum exposure thereto is $17,346,028 (2021 — $24,570,287).

With respect to its accounts receivable, the Company assesses the credit rating of all customers and maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Company's credit risk with respect to trade and other accounts receivable and maximum exposure thereto is $ 17,822,537 (2021 — $16,213,354). Included in accounts receivable is $62,797 (2021 — $29,627) as a provision for credit losses.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. At December 31, the Company has liabilities with the following due dates:

					2022
	Under 3 months **$**	**3 months – 1 year** **$**	**1 – 2 years** **$**	**3 – 5 years** **$**	**Total** **$**
A/P and accrued liabilities	11,488,741	—	—	—	11,488,741
Earnout on acquisitions	757,222	—	—	—	757,222
Leases payable	202,448	742,815	874,732	18,417	1,838,412
	12,448,411	**742,815**	**874,732**	**18,417**	**14,084,375**

					2021
	Under 3 months $	3 months – 1 year $	1 – 2 years $	3 – 5 years $	Total $
A/P and accrued liabilities	9,063,830	—	—	—	9,063,830
Earnout on acquisitions	—	7,988,318	1,626,960	—	9,615,278
Corporate taxes payable	—	614,343	—	—	614,343
Leases payable	319,178	957,534	584,328	439,605	2,300,645
	9,383,008	9,560,195	2,211,288	439,605	21,594,096

The Company manages its liquidity risk by relying upon its revenues and available funds from existing credit facilities.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market Risks

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to this risk through its long-term debt when incurred. As of December 31, 2022 the Company's has no long-term debt.

Foreign Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into foreign currency purchase and sale transactions and has assets and liabilities denominated in foreign currencies resulting in exposure to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company's financial instruments denominated in foreign currencies and the exchange rate (Canadian dollars per unit of foreign currency) used at the balance sheet date are as follows:

Instrument	Currency	**2022**	2021
Cash	U.S. dollar	$ 11,334,327	$ 7,047,867
Cash	Euro	€ 78,474	€ 437,450
Cash	Indian Rupee	₹ 19,866,506	₹ 1,2,550,081
Accounts receivable	U.S. dollar	$ 11,333,533	$ 9,808,633
Accounts receivable	Euro	€ 39,684	€ 180,761
Accounts receivable	Great British Pound	—	£ 3,688
Accounts receivable	Singapore Dollar	$ 75,355	—
Accounts payable	U.S. dollar	$ 2,698,282	$ 1,439,403
Accounts payable	Euro	€ 9,271	€ 112,557
Accounts payable	Indian Rupee	₹ 3,207,114	₹ 24,853

The year-end exchange rate to the Canadian dollar, by currency, is as follows:

Currency	**2022**	2021
U.S. dollar	$ 1.3546	$ 1.2781
Euro	€ 1.4471	€ 1.4475
Great British Pound	£ 1.7238	£ 1.7244
Indian Rupee	₹ 0.0164	₹ 0.0170

At December 31, 2022, the Company had net assets of $27,050,791 denominated in USD $19,969,578 [2021 – net assets of $19,704,592 in USD $15,417,097]. A 10% variation in USD, and if all other variables remain constant, would have an impact on comprehensive income of $2,705,079 during 2022 [2021 – $1,970,459]. Operating activities denominated in Euro and Indian Rupee have a minimal impact on the Company.

22. INCOME TAXES

Income tax expense (recovery) consists of the following components:

	2022	2021
Current income tax expense (recovery)		
Current year	525,437	813,339
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	(1,737,691)	(947,623)
Movement in unrecognized deferred income tax assets	—	—
Income tax expense (recovery)	**(1,212,254)**	(134,284)

(Expressed in Canadian dollars)

22. INCOME TAXES (Continued)

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statement of operations and comprehensive loss for the years ended December 31, 2022 and 2021.

	2022	2021
Loss before taxes	(10,298,775)	(11,726,933)
Combined basic federal and provincial tax rates	26.50%	26.50%
Expected income tax recovery at statutory rate	(2,729,175)	(3,107,637)
Increase (decrease) in taxes resulting from:		
Non-deductible expenses	88,620	181,083
Stock-based compensation	245,358	296,179
Effect of (lower) higher income tax rates of U.S. subsidiary	304,268	(9,285)
Change in unrecognized deferred tax assets	929,027	2,188,911
Adjustments in respect of prior taxation years	(26,792)	202,432
Other	(23,5604)	114,031
Income tax expense (recovery)	**(1,212,254)**	(134,284)

The significant components of the Company's deferred income tax asset (liabilities) comprise the following:

	As of December 31, 2021	**Acquired in business combinations**	**Recovery (expense) through earnings**	**Other**	**As of December 31, 2022**
Property and equipment	(632,386)	—	16,717	39,305	(576,364)
Intangible assets	(2,480,807)	—	1,321,739	—	(1,159,068)
Lease liabilities	93,301	—	(112,062)	—	(18,761)
Investment tax credits	738,867	—	59,625	—	798,492
Tax loss carryforwards	733,308	—	478,939	—	1,212,247
Other	(122,951)	—	(27,267)	—	(150,218)
	(1,670,668)	**—**	**1,737,691**	**39,305**	**106,328**

	As of December 31, 2020	Acquired in business combinations	Recovery (expense) through earnings	Other	As of December 31, 2021
Property and equipment	(882,379)	(32,672)	282,665	—	(632,386)
Intangible assets	(1,134,050)	(1,717,311)	410,263	(39,709)	(2,480,807)
Lease liabilities	488,515	—	(395,214)	—	93,301
Investment tax credits	656,113	—	82,754	—	738,867
Tax loss carryforwards	443,140	—	290,168	—	733,308
Other	114,738	(514,676)	276,987	—	(122,951)
	(313,923)	(2,264,658)	947,623	(39,709)	(1,670,668)

Deferred income tax assets are recorded to the extent that the realization of the related tax benefit is probable based on estimated future earnings. Deferred income tax assets have not been recognized with respect to the following deductible temporary differences:

(Expressed in Canadian dollars)

22. INCOME TAXES (Continued)

	2022	2021
Tax loss carryforwards	21,980,750	17,026,525
Intangible assets	—	775,077
Financing costs	1,929,880	3,456,869
SRED carryforwards	1,493,162	1,130,275
Investment tax credits	174,408	145,904
Total unrecognized deductible temporary differences	**25,578,200**	22,534,650

Tax attributes are subject to review, and potential adjustment, by tax authorities.

The Company has non-capital losses of approximately $22 million (2021- $17 million) which are available to reduce future year's taxable income in Canada. non-capital losses will commence to expire in 2039 if not utilized.

No deferred tax liability has been recognized at December 31, 2022 on temporary differences associated with earnings retained in the Company's investments in foreign subsidiaries in which it has an equity percentage. The Company is able to control the timing of the reversal of these differences and currently has no plans in the foreseeable future to repatriate any funds in excess of its foreign investment.

23. BUSINESS COMBINATIONS

(a) Bridge Solutions Group

In September 1, the Company purchased 100% of the outstanding shares of Bridge Solutions Group Corp. and Bridge SGI Solutions India Private Limited (together “Bridge”) Bridge Solutions is a supply chain service provider and Pivotree partner specializing in order management systems, warehouse management systems and application integration. The acquisition enhances Pivotree’s ability to deliver end-to-end frictionless experiences for customers by providing a single entity to manage commerce systems.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration, and goodwill are as follows:

Purchase consideration:

Cash consideration	6,913,598
Shares	797,651
Contingent consideration payable	4,766,764
Total consideration	**12,478,013**

Contingent consideration

The determination of the fair value of the contingent consideration payable is primarily based on the Company’s expectations of the amount of gross margin to be achieved by the business unit within a specified time period based on the purchase agreement.

The balance of contingent consideration is as follows:

Contingent consideration recognized on acquisition	4,766,764
Revaluation of contingent consideration	—
Effects of movements in foreign exchange	69,043
Carrying value of contingent consideration, December 31, 2021	4,835,807
Consideration paid during the year*	(2,856,286)
Revaluation of contingent consideration	(439,804)
Effects of movements in foreign exchange	18,353
Carrying value of contingent consideration, December 31, 2022	**1,558,070**

(Expressed in Canadian dollars)

23. BUSINESS COMBINATIONS (Continued)

*Of the consideration paid of $2,856,286, $1,173,945 was paid in cash and $1,682,341 was paid in shares.

The assets and liabilities recognized from the acquisition are as follows:

Cash	1,689,732
Receivables	2,682,063
Other current assets	126,234
Right-of-use asset	859,463
Property, plant and equipment	17,273
Intangible assets	4,432,208
Accounts payable and accrued liabilities	(1,369,432)
Lease liability	(859,463)
Deferred revenue	(737,718)
Net identifiable assets acquired	6,840,360
Add: Goodwill	5,637,653
Net assets acquired	**12,478,013**

An election under IRC 338(h)(10) has been made, goodwill is thus deductible for tax purposes. Transaction costs related to the acquisition of the assets amounted to $438,578 and have been expensed in operating expenses as restructure & other in the prior period.

In 2021, at the time of acquisition, Bridge contributed revenue of $2,783,231 and net income of $324,422. For the period of January 1, 2021 to December 31, 2021, total revenue was $10,401,179 and net income was $593,097.

The goodwill balance from acquisition was reduced by $416,751 during 2022 due to the final working capital adjustment.

(b) Codifyd Inc.

On November 1, 2021, the Company purchased 100% of the outstanding shares of Codifyd Inc., Codifyd Inc. is a leading Data Services and Master Data Management firm. The acquisition scales and enhances Pivotree's capability in the data management business as a foundational component of the company's frictionless commerce strategy.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration, and goodwill are as follows:

Purchase consideration:	
Cash consideration	17,983,980
Contingent consideration payable	3,860,864
Total consideration	**21,844,844**

(Expressed in Canadian dollars)

23. BUSINESS COMBINATIONS (Continued)

Contingent consideration

The determination of the fair value of the contingent consideration payable is primarily based on the Company's expectations of the amount of revenue to be achieved by the business unit within a specified time period based on the purchase agreement.

The balance of contingent consideration is as follows:

Contingent consideration recognized on acquisition	3,860,864
Revaluation of contingent consideration	—
Effects of movements in foreign exchange	133,124
Carrying value of contingent consideration, December 31, 2021	3,993,988
Consideration paid during the year*	(3,693,965)
Revaluation of contingent consideration	(123,650)
Effects of movements in foreign exchange	(176,373)
Carrying value of contingent consideration, December 31, 2022	—

*Of the consideration paid of $3,693,965, $2,836,844 was paid in cash and $857,121 was paid in shares.

The assets and liabilities recognized from the acquisition are as follows:

Cash	3,506,188
Receivables	4,871,357
Other current assets	43,619
Property, plant and equipment	131,212
Intangible assets	6,896,831
Accounts payable and accrued liabilities	(1,272,631)
Deferred revenue	(847,081)
Deferred tax liability	(2,264,658)
Net identifiable assets acquired	11,064,837
Add: Goodwill	10,780,007
Net assets acquired	**21,844,844**

The goodwill from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of Codifyd with the Company's operations and will not be deductible for tax purposes. Transaction costs related to the acquisition of the assets amounted to $188,007 and have been expensed in operating expenses as restructure & other in the prior period.

In 2021, at the time of acquisition, Codifyd contributed revenue of $4,050,064 and net income of $1,646,061. For the period of January 1, 2021 to December 31, 2021, total revenue was $19,283,036 and net income was $6,469,637.

The goodwill balance from acquisition was reduced by $368,732 during 2022 due to the final working capital adjustment.