



Consolidated Financial Statements

Intouch Insight Ltd.

Years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

Intouch Insight Ltd.
Consolidated Financial Statements
December 31, 2019 and 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The information and representations in these consolidated financial statements are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards ("IFRS") and, where necessary, reflect management's best estimates and judgments at this time. It is reasonably possible that circumstances may arise which cause actual results to differ. Management does not believe it is likely that any differences will be material.

Intouch Insight Ltd. maintains systems of internal accounting controls, policies and procedures to provide reasonable assurance as to the reliability of the financial records and the safeguarding of its assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out these activities primarily through its Audit Committee.

The Audit Committee is comprised of three Directors who are not employees of the Company. The Committee meets periodically throughout the year with management and external auditors to review their respective responsibilities, results of the reviews of internal accounting controls, policies and procedures and financial reporting matters. The external auditors meet separately with the Audit Committee.

The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors. The consolidated financial statements have been audited by MNP LLP, Chartered Professional Accountants, the external auditor, whose report follows.

April 2, 2020



Cameron Watt
Chief Executive Officer



Cathy Smith
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Intouch Insight Ltd.:

Opinion

We have audited the consolidated financial statements of Intouch Insight Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of net income (loss) and comprehensive income (loss), changes in equity and 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 Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 Company in accordance with the ethical requirements that are relevant to our audits 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.

Other Information

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

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

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

We obtained Management's 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. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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.

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

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.

The engagement partner on the audit resulting in this independent auditor's report is Marc Normand.

Ottawa, Ontario

April 2, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

INTOUCH INSIGHT LTD.

Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

Years ended December 31, 2019 and 2018

(in Canadian Dollars)

	Note	2019	2018
Revenue	4	\$ 19,255,202	\$ 14,888,450
Cost of services	5	9,292,174	7,175,306
Gross margin		9,963,028	7,713,144
Operating expenses			
Selling	6	1,632,372	3,122,294
General and administrative	7	6,154,555	5,296,861
Product development	8	1,639,966	2,012,521
Total operating expenses		9,426,893	10,431,676
Income (loss) from operating activities		536,135	(2,718,532)
Non-operating expenses			
Finance costs	22	(75,831)	(12,265)
Net income (loss) before income taxes		460,304	(2,730,797)
Income taxes	23		
Deferred tax expense		(293,374)	(55,854)
Current income tax expense		(50,686)	(15,054)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		\$ 116,244	\$ (2,801,705)
Earnings (loss) per share	10		
Basic		\$ 0.01	\$ (0.13)
Diluted		\$ 0.01	\$ (0.13)
Weighted average number of shares - basic		22,318,208	21,991,569
Weighted average number of shares - diluted		22,469,930	21,991,569

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

INTOUCH INSIGHT LTD.

Consolidated Statements of Financial Position

As at December 31, 2019 and 2018

(in Canadian Dollars)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents		\$ 1,382,296	\$ 242,865
Trade and other receivables	12	2,625,209	2,340,222
Contract assets	12	57,419	50,320
Prepaid expenses		124,204	173,326
Total Current Assets		4,189,128	2,806,733
<i>Non-Current Assets</i>			
Property and equipment	13	1,300,834	856,729
Deferred tax assets	23	-	293,374
Intangible assets	14	611,715	959,085
Total Non-Current Assets		1,912,549	2,109,188
TOTAL ASSETS		\$ 6,101,677	\$ 4,915,921
LIABILITIES			
<i>Current Liabilities</i>			
Trade and other liabilities	15	\$ 722,037	\$ 619,210
Contract liabilities	12	340,894	135,712
Current portion of long-term debt	16	-	155,084
Current portion of lease liabilities	17	247,934	-
Total Current Liabilities		1,310,865	910,006
<i>Non-Current Liabilities</i>			
Lease liabilities	17	512,258	-
Total Non-Current Liabilities		512,258	-
TOTAL LIABILITIES		1,823,123	910,006
SHAREHOLDERS' EQUITY			
Share capital	19	5,518,848	5,403,861
Warrants	19	-	977,774
Contributed surplus		1,457,660	438,478
Deficit		(2,697,954)	(2,814,198)
TOTAL SHAREHOLDERS' EQUITY		4,278,554	4,005,915
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 6,101,677	\$ 4,915,921

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ON BEHALF OF THE BOARD

Original signed by: _____ Eric Beutel, Director

Original signed by: _____ Michael Gaffney, Director

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

INTOUCH INSIGHT LTD.
Consolidated Statements of Changes in Equity
Years ended December 31, 2019 and 2018
(in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance as at January 1, 2018	19	21,758,478	\$ 5,233,327	\$ 977,774	\$ 431,420	\$ (12,493)	\$ 6,630,028
Issuance of share capital related to the exercise of share options	19	388,333	164,506	-	(52,640)	-	111,866
Share issue cost tax recovery	19	-	6,028	-	-	-	6,028
Share-based compensation		-	-	-	59,698	-	59,698
Net loss and comprehensive loss		-	-	-	-	(2,801,705)	(2,801,705)
Balance as at December 31, 2018	19	22,146,811	\$ 5,403,861	\$ 977,774	\$ 438,478	\$ (2,814,198)	\$ 4,005,915
Issuance of share capital related to the exercise of share options	19	365,000	114,987	-	(23,787)	-	91,200
Share-based compensation		-	-	-	65,195	-	65,195
Expiry of warrants		-	-	(977,774)	977,774	-	-
Net income and comprehensive income		-	-	-	-	116,244	116,244
Balance as at December 31, 2019		22,511,811	\$ 5,518,848	\$ -	\$ 1,457,660	\$ (2,697,954)	\$ 4,278,554

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

INTOUCH INSIGHT LTD.

Consolidated Statements of Cash Flows

Years ended December 31, 2019 and 2018

(in Canadian Dollars)

	Note	2019	2018
Cash flows from operating activities			
Net income (loss)		\$ 116,244	\$ (2,801,705)
Adjustments for non-cash items:			
Amortization of property and equipment	13	591,612	357,740
Amortization of intangible assets	14	347,370	404,744
Finance costs	22	75,831	12,265
Share-based compensation	20	65,195	59,698
Gain on disposal of property and equipment		(7,808)	(20,274)
Deferred tax expense	23	293,374	123,725
Net change in non-cash operating working capital	21	65,045	(866,698)
Net cash flows from (used in) operating activities		1,546,863	(2,730,505)
Cash flows from financing activities			
Issuance of share capital net of cash issue costs	19	91,200	117,894
Repayment of long-term debt	16	(155,084)	(408,371)
Payment of lease liabilities	17	(248,536)	-
Finance costs paid	22	(75,831)	(12,265)
Net cash flows from (used in) financing activities		(388,251)	(302,742)
Cash flows from investing activities			
Proceeds on disposal of property and equipment		11,073	26,058
Purchase of property and equipment	13	(30,254)	(176,344)
Net cash flows used in investing activities		(19,181)	(150,286)
NET INCREASE (DECREASE) IN CASH		1,139,431	(3,183,533)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		242,865	3,426,398
CASH AND CASH EQUIVALENTS, END OF YEAR		\$ 1,382,296	\$ 242,865
Additional Information			
Interest received included in operating activities		-	18,961
Interest paid for leases		32,300	-
Income tax paid included in operating activities		50,686	19,839

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

INTOUCH INSIGHT LTD.
Notes to the Consolidated Financial Statements
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1. CORPORATE INFORMATION

Intouch Insight Ltd. ("Intouch" or the "Company") is a publicly listed company and is incorporated under the Canada Business Corporations Act. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol INX and on the OTC Markets Group ("OTCQB") under the symbol INXS. The address of Intouch's registered office and its principal place of business is 400 March Road, Ottawa, Ontario, Canada K2K 3H4.

Intouch and its subsidiaries offers a complete portfolio of customer experience management (CEM) products and solutions that help global brands delight their customers, strengthen brand reputation and improve financial performance. Intouch helps clients collect and centralize data from multiple customer touch points, and gives them actionable insights to identify, sense and continuously improve customer experience efforts in real-time. Founded in 1992, Intouch is trusted by franchise and multi-location businesses for their customer survey, mystery shopping, mobile forms, operational and compliance audits, and event marketing automation solutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used throughout all periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in effect at the closing date of December 31, 2019.

On April 2, 2020, the Company's Board of Directors approved these consolidated financial statements and authorized them for issue.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out in Note 2(s).

(c) Basis of consolidation

The consolidated financial statements include the accounts of Intouch Insight Ltd., the ultimate parent, and its wholly-owned subsidiaries Intouch Insight Inc. and Intouch Insight Corp. Intouch Insight Inc. is a Canadian company while Intouch Insight Corp. is incorporated in the United States of America. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All intercompany transactions and balances have been eliminated. All subsidiaries have a reporting date of December 31st.

(d) Functional currency and foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is also the Company's (and its subsidiaries') functional and presentation currency.

Transactions in foreign currency are translated into the functional currency using the exchange rate in effect on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at the reporting date exchange rate are recognized in net earnings. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. The functional currency of the foreign subsidiary remains unchanged during the reporting period.

(e) Cash and cash equivalents

Cash represents cash deposits held at financial institutions. Cash equivalents include short-term highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash equivalents are held for meeting short-term liquidity requirements, rather than for investment purposes. Cash and cash equivalents are held at major financial institutions and are subject to credit risk to the extent they exceed federal deposit insurance limits.

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(f) Property and equipment

Property and equipment are stated at acquisition cost less accumulated amortization and impairment losses. Amortization is provided over the estimated useful lives of the assets using the following annual rates and term:

Computer equipment	5 years	Straight-line
Survey tablets	5 years	Straight-line
Furniture and equipment	10 years	Straight-line
Leasehold improvements	Term of the lease	Straight-line
Right of Use assets	Term of the lease	Straight-line

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the general and administrative expenses. The asset residual values, useful lives and methods of amortization are reviewed at each reporting period and adjusted prospectively if appropriate.

(g) Intangible assets

Intangible assets are comprised of customer relationships, shopper/auditor databases, software and trademarks which qualified for recognition as intangible assets in a business combination. They are recognized at historical cost (which corresponds to their fair value at the acquisition date) less accumulated amortization and accumulated impairment losses.

The Company amortizes customer relationships on a straight-line basis between a four-year period and seven and two thirds year period, the shopper/auditor database between a two and three-year period, software over a three-year period and the trademark between a five and a ten-year period.

The useful lives and residual values are reviewed at each reporting date, taking the nature of the asset and its expected use into account.

(h) Impairment testing of intangible assets and property and equipment

Intangible assets and property and equipment are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset or related cash generating unit ("CGU") may not be recoverable. If any such indication exists, then the assets or CGU's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by management. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

There have been no impairment losses recognized in any of the periods presented.

(i) Revenue recognition

IFRS 15 Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15 requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods and services, applying the following five steps:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognize revenue when (or as) the entity satisfies the performance obligation.

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The standard also provides guidance relating to the treatment of contract acquisition and fulfillment costs.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for the products or services. The Company's contracts often include multiple products and services, which are generally capable of being distinct and accounted for as separate performance obligations.

Contract balances

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	December 31, 2019	December 31, 2018
Trade receivables	2,624,598	2,326,189
Contract assets	57,419	50,320
Contract liabilities	340,894	135,712

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on services revenues. There was no impairment on the amount of contract assets during the period ended December 31, 2019. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers for services, for which revenue is recognized over time or at a later point. As at December 31, 2019, the amount of deferred income is \$340,894. This will be recognized as revenue when the Company transfers control of promised products or services to those customers, which is expected to occur over the next year.

The amount of \$135,712 recognized in contract liabilities at the beginning of the period has been recognized as revenue for the period ended December 31, 2019 (2018- \$469,385).

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at December 31, 2019:

	2019	2020	Total
Revenue expected to be recognized	\$340,984	\$Nil	\$340,894

Nature of products and services

The Company's hosted software-as-a-service ("SaaS") application, which allows customers to use hosted software over the contract period without taking possession of the software, is provided on a subscription basis, and recognized ratably over the contract period, commencing on the date an executed contract exists and the customer has the right-to-use and access the platform.

The Company's services revenues are provided for data collection, reporting and analysis purposes. Services included vary from providing data collection units for use in the field or independent contractors to visit client locations for completion of a survey. Revenue for these services are recognized over the time the client has possession and use of the data collection units or in the case of independent contractors once the client has received the data.

Professional services are provided for implementation and configuration of hosted software as well as ongoing technical services and training. For professional services contracts billed on a fixed price basis, revenue is recognized over time based on the proportion of services performed. Any one-time professional fees billed for implementation are billed once the services have been provided in full.

Support services provided to clients on the hosted SaaS application is recognized over the term of the support services agreement.

The Company applies the practical expedient available under IFRS 15.63 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less. The Company further elects to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the client and the client's payment for these services is expected to be one year or less.

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The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled receivables. Deferred revenue is recorded when a customer is invoiced in advance of performance and funds received.

In obtaining these contracts, the Company incurs a number of incremental costs, such as commissions paid to sales staff. As the amortization period of these costs, if capitalized, would be less than one year, the Company makes use of the practical expedient in IFRS 15.94 and expenses them as they are incurred.

(j) Provisions

Provisions are recognized when the following criteria are met:

- a) the Company has a current obligation as a result of a past event;
- b) it is probable that an outflow of economic resources will be required from the Company; and
- c) the amounts can be estimated reliably.

The timing or amount of the outflow may still be uncertain.

Provisions are established at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The Company has no provisions as at December 31, 2019 and 2018.

(k) Government assistance

Government contributions are recognized at fair value when there is reasonable assurance that the contribution will be received, and all the conditions attached to it will be complied with.

When the contribution relates to the acquisition of an asset, it is recognized in deferred income and credited to other income on a systematic basis over the useful life of the asset.

When the contribution relates to income it is deducted in reporting the related expense on a systematic basis over the periods in which the related costs for which the grant is intended to compensate are incurred.

No government contributions were received during the year ended December 31, 2019 (2018 - \$220,500). Amounts received have been included to reduce product development expenses (Note 8) as the contribution does not contain any requirements or restrictions with which the Company must comply as a condition of receipt.

(l) Investment tax credits

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. These credits can be applied against future income taxes payable and are subject to a 20 year carry forward period. An estimate of the refundable investment tax credit on scientific research and experimental development expenditures is recorded in the year the expenditures are incurred provided there is reasonable assurance that the credits will be received. The expenditures are reduced by the amount of the estimated investment tax credit.

During the year ended December 31, 2019, the Company received \$89,658 (2018 - nil) in investment tax credits. This amount has been included to reduce product development expenses (Note 8).

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(m) Leases

Effective on January 1, 2019, the Company adopted IFRS 16, which replaces the existing leases guidance including IAS 17 Leases and IFRIC 4. This new standard specifies how to recognize, measure, present and disclose leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all significant leases.

New Accounting Policy:

At inception of a lease contract, the Company assesses whether the 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 beginning of the lease. This 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 Company then depreciates this right-of-use asset 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 period includes periods covered by an option to extend if the Company is reasonably certain to exercise that renewal option. Furthermore, the Company assesses for potential impairment losses at each reporting period.

The Company initially measures the lease liability 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 uses the incremental borrowing rate. At each reporting period, the Company adjusts the balance using the effective interest method. The lease liability may also be remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in management's estimate of the amount expected to be payable under a residual value guarantee, or if management changes its assessment of whether it will exercise a purchase, extension, or termination option. If remeasured, a corresponding adjustment is also made to the carrying amount of the right-of-use asset, or is recorded in the statement of net income (loss) ("P&L") if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has adopted IFRS 16 using the modified retrospective approach and accordingly the comparative information has not been restated and continues to be reported under IAS 17. In the comparative period under IAS 17, as the lessee, the Company classified all its leases as operating leases. Payments under operating leases were recognized in P&L on a straight-line basis over the term of the lease.

As permitted under IFRS 16, the Company has elected to not 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. For these short-term leases, the Company recognizes the lease payments as an expense on a straight-line basis over the lease term. The Company also elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company has applied the definition of a lease under IFRS 16 to contracts entered into or changed from January 1, 2019.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. The following table reconciles the Company's operating lease obligations at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at January 1, 2019. Management has estimated the Company's incremental borrowing rate at 4.5% per annum for discounting purposes.

Operating lease commitments at December 31, 2018	\$ 847,879
Excluded operating costs	(325,637)
Operating lease liabilities before discounting using the incremental borrowing rate at January 1, 2019	522,242
Discounted using incremental borrowing rate at January 1, 2019	\$ 495,868
Reasonably certain extension options	341,517
Lease obligations recognized at January 1, 2019	\$ 837,385

The right of use assets and lease obligations recognized relate to the Company's office leases in: Ottawa, Ontario, Canada; Laval, Quebec, Canada; and Fort Mill, South Carolina, USA.

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(n) Equity

Share capital represents the amount received for shares that have been issued less transaction costs directly attributable to the issuance of common shares net of any related income tax benefits.

Valuation of equity instruments in private placements

The Company has adopted a residual method with respect to the measurement of common shares and warrants issued as private placement units. Common shares attached to units are valued based on the market price at the time of financing, and the difference between the proceeds raised and the value assigned to the shares is the residual fair value of the warrants. The proceeds from the issue of units are allocated between share capital and contributed surplus. In situations when the warrants are categorized as FVTPL the value associated with the warrants is presented as a liability. If and when the warrants are exercised, the applicable amounts of contributed surplus or liability are transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital.

Broker Warrants

The Company uses the fair value method based on the Black-Scholes pricing model to determine the fair value of the warrants issued to brokers and records a debit to share issue costs with a corresponding credit to warrants.

Contributed surplus within equity, includes amounts in connection with stock-based compensation as well as expired or forfeited warrants.

Warrants within equity included the warrants outstanding.

Deficit includes all current and prior period earnings (losses).

(o) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data. Basic EPS is calculated by dividing the net earnings attributable to the shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net earnings attributable to shareholders and the weighted average number of shares outstanding, for the effects of all potential dilutive shares. The diluted loss per share is equal to the basic loss per share where the effect of stock options is antidilutive as it would decrease the loss per share.

(p) Share-based compensation

The Company accounts for share-based compensation arrangements using the fair value method of accounting. When employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date.

The share-based compensation cost is recorded as an expense in net earnings and credited to contributed surplus.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of awards expected to vest. Estimates are subsequently revised if there is any indication that the number expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if awards ultimately exercised are different to that estimated on vesting.

An award with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective grants.

When share options are exercised, any consideration paid by employees is credited to share capital in addition to the amount previously recorded in contributed surplus.

The Company's plan does not feature any options for cash settlement.

(q) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net earnings except for items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and provided that the

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Company can control the reversal of those differences. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the expected tax rates applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any tax loss or credit. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in net income (loss), except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(r) Critical accounting estimates and judgments

The Company's consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Contracts with clients

Contracts with clients often include promises to deliver multiple products and services. Determining whether such bundled products and services are considered i) distinct performance obligations that should be separately recognized, or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. In general, the Company's professional services are capable of being distinct as they could be performed by third party service providers and do not involve significant customization of the licensed software.

Useful lives of depreciable assets

The useful lives of depreciable assets have been determined based on management's estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Useful lives of intangible assets

The useful lives of intangible assets have been determined based on management's estimated attrition rates related to the associated asset. Any subsequent change in these estimates would affect the amount of amortization recorded over future periods.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options granted, the forfeiture rate, the time of exercise of those share options, and the risk-free interest rate. The model used by the Company is the Black-Scholes valuation model.

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Warrants

In calculating the value of the warrants, key estimates such as the value of the common share, the expected life of the warrant, the volatility of the Company's stock price and the risk-free interest rate are used.

Business combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates.

Lease liabilities

The measurement of lease liabilities is subject to management's judgment of the applicable incremental borrowing rate, as well as the expected lease renewals.

Control and significant influence assessment

The assessment of control and significant influence over an investment requires judgment (see Note 9).

Assessing the stage of completion of revenue

The stage of completion of revenue is assessed by Management by taking into consideration all information available at the reporting date. In this process, management estimates for each project's milestones, actual work performed, the costs to complete the work and the value of the work completed. Further information on the Company's accounting policy for revenue recognition is provided in Note 2(h).

Assessing the probability of utilizing deferred tax assets and investment tax credits

Deferred tax assets and investment tax credits are recognized for unused tax losses and credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Information about assumptions and estimation based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies, is included in Note 23. The tax rules in the numerous jurisdictions in which the Company operates are also taken into consideration.

Impairment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

In assessing impairment, Management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2(g)).

Functional currency

An area of judgement that has a significant effect on the amounts recognized in these consolidated financial statements is the determination of functional currency.

The determination of the Company and a subsidiary's functional currency often requires significant judgement where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

(s) Financial instruments

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss (FVTPL)
3. Measured at fair value through other comprehensive income (FVOCI)

The classification under IFRS 9 is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows

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correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

1. Held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company may irrevocably elect, on initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives), or if the Company has chosen to evaluate them at FVTPL.

Management has assessed the classification and measurement of our financial instruments as follows:

Financial Instrument	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Contract assets	Amortized cost
Trade and other liabilities	Amortized cost
Long-term debt	Amortized cost

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

Fair value through profit or loss – Changes in fair value after initial recognition, whether realized or not, are recognized through the consolidated statements of net loss and comprehensive loss. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of net loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Fair value through other comprehensive income – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of net loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognize lifetime expected credit losses for its accounts receivable. In general, the Company anticipates that the application of the expected credit loss model of IFRS 9 results in earlier recognition of credit losses for the respective items.

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Derecognition

Financial assets – The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred. Gains and losses from the derecognition are recognized in the consolidated statements of net loss and comprehensive loss.

Financial liabilities – The Corporation derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of net loss and comprehensive loss.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used for the consolidated financial statements. The Company has determined that it only has one operating segment.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The following is a listing of amendments, revisions and new International Financial Reporting Standards issued but not yet effective. The Company is currently assessing the impact of adopting the following standard on the consolidated financial statements, as described below:

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

4. REVENUE

Geographical revenue

The Company reports its revenue by geographical location of its customers. No significant property and equipment are maintained outside of Canada.

	2019	2018
Canada	\$ 6,905,774	\$ 6,332,846
US	12,298,721	8,527,167
Other	50,707	28,437

Major customers

Revenues from specific clients, each with 10% or more of total Company revenues, are summarized as follows:

	2019	2018
Customer 1	\$ 3,226,235	\$ -
Customer 2	2,398,827	2,312,601

Major trade receivables

Trade receivables from specific clients, each with 10% or more of total Company trade receivables, are summarized as follows:

	2019	2018
Customer 1	\$ 542,449	\$ -
Customer 2	277,642	153,397
Customer 3	192,180	375,003

The customers presented may not be the same as in the previous table.

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5. COST OF SERVICES

During the year ended December 31, 2019 the Company recorded amortization expense of \$209,372 (December 31, 2018 - \$246,074) within cost of services. Salaries and benefits charged to cost of services was \$826,163 in 2019 compared to \$731,357 in 2018.

6. SELLING EXPENSES

Selling expenses for the Company are broken down as follows:

	2019	2018
Marketing expenses	\$ 658,944	\$ 1,220,741
Travel expenses	272,300	336,398
Salaries and benefits	701,128	1,565,155
Selling expenses	\$ 1,632,372	\$ 3,122,294

7. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the Company are broken down as follows:

	2019	2018
Corporate administration	\$ 906,361	\$ 1,027,880
Consultant fees	230,682	85,357
Professional fees	237,613	205,330
Listing fees	125,145	177,182
Salaries and benefits ⁽¹⁾	3,783,577	3,372,758
Loss (gain) on disposal of property and equipment	(7,808)	(20,989)
Loss (gain) on foreign exchange	149,374	(66,351)
Amortization expense	729,611	515,694
General and administrative expenses	\$ 6,154,555	\$ 5,296,861

⁽¹⁾ Share-based compensation (a non-cash item) of \$65,195 (2018 - \$59,698) has been included in Salaries and benefits

8. PRODUCT DEVELOPMENT EXPENSES

Product development expenses for the Company are broken down as follows:

	2019	2018
Salaries and benefits	\$ 1,729,624	\$ 2,232,521
Investment tax credits and other government contributions towards development	(89,658)	(220,000)
Product development expenses	\$ 1,639,966	\$ 2,012,521

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Dodoname Inc.

On June 6, 2014, the Company finalized an agreement to sell certain intellectual property assets to a new company, Dodoname Inc. ("Dodoname"), a marketing privacy company located in Nova Scotia, in exchange for shares in Dodoname. Subsequent to equity financing received by Dodoname in 2015 the Company only held a 41% voting interest in Dodoname.

The Company's share of losses as at December 31, 2019 exceeded the original investment by the Company and therefore has deemed the carrying amount of the investment as \$Nil. Dodoname is currently in a dormant state.

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10. EARNINGS PER SHARE

The calculation of basic and diluted earnings (loss) per share for the relevant periods is based on the following information:

	2019	2018
Weighted average number of common shares - basic	22,318,208	21,991,569
Additions to reflect the dilutive effect of employee stock options (non-dilutive in 2018)	151,722	-
Weighted average number of common shares - diluted	22,469,930	21,991,569

For the year ended December 31, 2019, 1,755,000 options were excluded from the calculation of diluted common shares as their effect would have been anti-dilutive (December 31, 2018- 4,640,002 options and warrants were excluded from the calculation).

11. EMPLOYEE REMUNERATION

Employee remuneration expenses for the Company are broken down as follows:

	2019	2018
Salaries and benefits	\$ 6,975,297	\$ 7,842,093
Share-based compensation	65,195	59,698
Total salaries, benefits and share-based compensation	\$ 7,040,492	\$ 7,901,791

12. TRADE, OTHER RECEIVABLES AND CONTRACT ASSETS

Trade and other receivables consist primarily of trade receivables from billings of services, and sale of software applications, license and user fees as well as other receivables. Contract assets consist of services in process not yet billed.

	As at December 31, 2019	As at December 31, 2018
Trade accounts receivable, gross	\$ 2,624,598	\$ 2,326,189
Allowance for doubtful accounts	-	-
Trade accounts receivable, net	2,624,598	2,326,189
Income taxes recoverable	611	14,033
Contract assets	57,419	50,320
Trade, other receivables and contract assets	\$ 2,682,628	\$ 2,390,542

Trade receivables past due but not impaired can be shown as follows:

	As at December 31, 2019	As at December 31, 2018
1 - 60 days past due	\$ 857,109	\$ 807,248
Greater than 60 days past due	17,451	8,851
	\$ 874,560	\$ 816,099

Management considers that the above-stated financial assets, including those 1-60 days and greater than 60 days, are of good credit quality. See Note 26 for a discussion of the Company's credit risk management activities.

The amounts recognized in the consolidated statements of financial position relating to contracts in progress at year-end are determined as follows:

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	As at December 31, 2019	As at December 31, 2018
Aggregate amount of cost incurred and recognized in earnings for all contracts in progress	\$ 19,255,202	\$ 14,888,450
Less: progress billings	19,538,677	14,973,842
	\$ (283,475)	\$ (85,392)
Contract assets	\$ 57,419	\$ 50,320
Contract liabilities	\$ 340,894	\$ 135,712

13. PROPERTY AND EQUIPMENT

The following tables summarize the changes in the carrying amount of property and equipment:

	Computer Equipment	Survey Tablets	Furniture and Equipment	Leasehold Improvements	Right of Use Assets	Total
Cost:						
At December 31, 2017	\$ 158,301	\$ 1,243,398	\$ 210,997	\$ 177,827	\$ -	\$ 1,790,524
Additions	26,182	91,303	39,506	19,353	-	176,344
Disposals	(24,808)	(21,229)	-	-	-	(46,037)
At December 31, 2018	159,675	1,313,472	250,503	197,180	-	1,920,831
Transitional IFRS 16 balance	-	-	-	-	837,385	837,385
Additions	24,360	-	5,893	-	171,344	201,597
Disposals	(27,545)	(628,900)	(789)	-	-	(657,234)
At December 31, 2019	\$ 156,491	\$ 684,572	\$ 255,607	\$ 197,180	\$ 1,008,729	\$ 2,302,579
Accumulated Amortization:						
At December 31, 2017	\$ 60,270	\$ 590,010	\$ 70,886	\$ 25,447	\$ -	\$ 746,613
Amortization	35,057	246,074	24,674	51,935	-	357,740
Disposals	(24,808)	(15,444)	-	-	-	(40,252)
At December 31, 2018	70,519	820,640	95,560	77,382	-	1,064,101
Amortization	34,610	209,372	25,444	51,935	270,251	591,612
Disposals	(27,263)	(625,917)	(789)	-	-	(653,969)
At December 31, 2019	\$ 77,867	\$ 404,095	\$ 120,215	\$ 129,317	\$ 270,251	\$ 1,001,745
Carrying amounts:						
At December 31, 2018	\$ 89,156	\$ 492,832	\$ 154,943	\$ 119,798	\$ -	\$ 856,729
At December 31, 2019	\$ 78,624	\$ 280,477	\$ 135,392	\$ 67,863	\$ 738,478	\$ 1,300,834

All of the above assets are pledged as security for debt obligations as identified in Note 18. There were no impairment indicators as at the end of December 2019. Amortization of \$209,372 (2018 - \$246,074) is included in cost of services while an amount of \$382,240 (2018 - \$111,666) is included in general and administrative expenses.

During 2019, the Company disposed of assets with a cost of \$657,233 (2018 - \$46,037), accumulated amortization of \$653,969 (2018 - \$40,252) and received proceeds on disposal of \$11,073 (2018 - \$26,058).

The Company has office leases in, Ottawa, Ontario, Canada; Laval, Quebec, Canada; and Fort Mill, South Carolina, USA, capitalized as Right of Use assets in line with the requirements of IFRS 16:

- Ottawa, Ontario, Canada has a balance of \$450,063, leased for a period of 5 years starting April 1, 2016 including a right to extend for five additional years, with a cost of \$522,073 and accumulated depreciation of \$72,010.
- Laval, Quebec, Canada has a balance of \$77,559, leased for a period of five years starting October 1, 2015, with a cost of \$180,971 and accumulated depreciation of \$103,412.

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- Fort Mill, South Carolina, USA has a balance of \$210,856, leased for a period of 3 years starting June 1, 2017 and renewed for an additional two years starting June 1, 2020, with a cost of \$305,685 and accumulated depreciation of \$94,829.

14. INTANGIBLE ASSETS

Cost:	Acquired Trademarks	Acquired customer relationships	Acquired Shopper/ Auditor database	Software	Total
At December 31, 2019, 2018 and 2017	\$ 173,646	\$ 2,534,226	\$ 179,199	\$ 388,216	\$ 3,275,287
Accumulated Amortization:					
At December 31, 2017	\$ 60,083	\$ 1,341,335	\$ 175,075	\$ 334,965	\$ 1,911,458
Amortization	17,364	330,005	4,124	53,251	404,744
At December 31, 2018	\$ 77,447	\$ 1,671,340	\$ 179,199	\$ 388,216	\$ 2,316,202
Amortization	17,364	330,006	-	-	347,370
At December 31, 2019	\$ 94,811	\$ 2,001,346	\$ 179,199	\$ 388,216	\$ 2,663,572
Carrying Amounts:					
At December 31, 2018	\$ 96,199	\$ 862,886	\$ -	\$ -	\$ 959,085
At December 31, 2019	\$ 78,835	\$ 532,880	\$ -	\$ -	\$ 611,715

Amortization expense is recorded in general and administrative expenses (Note 7). The remaining amortization period of the customer relationships ends between Nov 30, 2020 and Jan 1, 2022.

15. TRADE AND OTHER LIABILITIES

	As at December 31, 2019	As at December 31, 2018
Trade payables	\$ 253,371	\$ 454,767
Accrued liabilities and interest payable	468,666	164,443
Total accounts payable and accrued liabilities	\$ 722,037	\$ 619,210

16. LONG TERM DEBT

	As at December 31, 2019	As at December 31, 2018
Installment loan, repayable in monthly installments of \$14,099 plus interest at prime plus 1.8%, secured by a general security agreement over underlying assets and maturing on December 30, 2019.	\$ -	\$ 155,084
Current portion of long-term debt	-	155,084
Total long-term debt	\$ -	\$ -

As at December 31, 2019 and 2018, the Company was in compliance with all of its covenants with its bank.

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17. LEASE LIABILITIES

The Company has the following non-discounted future commitments associated with its office lease liabilities:

	As at December 31, 2019
Less than one year	\$ 258,945
Between one and five years	473,532
More than five years	105,265
Total lease payments	837,742
Amounts representing interest over the term of the lease	77,550
Present value of net lease payments	760,192
Current portion of lease obligation	\$ 247,934
Non-current portion of lease obligation	\$ 512,258

The following table show the movement for lease liabilities for 2019:

	December 31, 2019
Transitional IFRS 16 balance, January 1, 2019	\$ 837,385
Additions	171,344
Repayments	(280,837)
Interest portion of repayments	32,300
Ending balance	\$ 760,192

There are no lease payments included in operating expenses.

18. BANK INDEBTEDNESS

a) Credit facilities

At the year ended December 31, 2019, and 2018, bank indebtedness was \$Nil. The Company has credit facilities with a chartered bank that will provide credit facilities up to \$2,100,000 in a demand operating loan at 4.95% (prime plus 1%) [2018 – 4.95% (prime plus 1%)], secured by a general security agreement. The Company was in compliance with its financial covenants in 2019 and 2018. The carrying amounts of any borrowings are considered to be a reasonable approximation of fair value.

19. SHARE CAPITAL

Authorized:

The share capital of the Company consists of an unlimited number of common shares, without par value. All shares are equally eligible to receive dividends, the repayment of capital and represent one vote at the shareholders' meetings.

During the year ended December 31, 2019, the Company issued common shares as follows:

On February 15, 2019, the Company issued 20,000 common shares through the exercise of stock options for gross proceeds of \$4,800.

On June 4, 2019, the Company issued 5,000 common shares through the exercise of stock options for gross proceeds of \$1,400.

On June 24, 2019, the Company issued 270,000 common shares through the exercise of stock options for gross proceeds of \$69,600.

On September 30, 2019, the Company issued 15,000 common shares through the exercise of stock options for gross proceeds of \$3,300.

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On October 22, 2019, the Company issued 5,000 common shares through the exercise of stock options for gross proceeds of \$1,100.

On November 19, 2019, the Company issued 50,000 common shares through the exercise of stock options for gross proceeds of \$11,067.

During the year ended December 31, 2018, the Company issued common shares as follows:

On January 3, 2018, the Company issued 75,000 common shares through the exercise of stock options for gross proceeds of \$22,500.

On January 12, 2018, the Company issued 5,000 common shares through the exercise of stock options for gross proceeds of \$1,100.

On April 12, 2018, the Company issued 80,000 common shares through the exercise of stock options for gross proceeds of \$22,800.

On April 25, 2018, the Company issued 100,000 common shares through the exercise of stock options for gross proceeds of \$30,000.

On September 19, 2018, the Company issued 3,333 common shares through the exercise of stock options for gross proceeds of \$1,067.

On October 10, 2018, the Company issued 115,000 common shares through the exercise of stock options for gross proceeds of \$32,200.

On November 26, 2018, the Company issued 10,000 common shares through the exercise of stock options for gross proceeds of \$2,200.

Warrants

Details regarding warrants issued and outstanding are summarized as follows:

	Number of whole share warrants	Weighted average exercise price	Expiry date
Balance December 31, 2017	-	-	-
Issued pursuant to private placement November 28, 2017	3,500,000	\$ 0.70	May 28, 2019
Issued pursuant to private placement November 28, 2017	450,000	\$ 0.50	May 28, 2019
Issued pursuant to private placement November 28, 2017	71,250	\$ 0.52	May 28, 2019
Balance December 31, 2018	4,021,250	\$ 0.67	
Warrants expiry	(4,021,250)		
Balance December 31, 2019	-		

20. STOCK OPTION PLAN

The stock option plan is applicable to directors, officers, employees and consultants of the Company. The options are granted at the Company's current fair market value of the common shares under terms and conditions determined by the Board of Directors. Under the terms of the plan, the options generally vest proportionately over a three-year period and expire five years from the date of the grant. The Board of Directors has the right to modify vesting periods at the time of option grant. There were 985,000 options issued in 2019 (830,000 in 2018). The employee compensation expense related to options vested in fiscal 2019 is \$65,195 (2018 - \$59,698). The Company may issue up to 2,510,438 (2018 - 2,875,438) options for common shares under its stock option plan. At December 31, 2019, 255,438 common shares (775,438 at December 31, 2018) are reserved for additional options under this plan.

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A summary of the status of the Company's issued and outstanding stock options as of December 31, 2019 and December 31, 2018, and changes during the years ended on those dates, is presented below:

	2019		2018	
	Number of <u>Options</u>	Weighted average exercise <u>price</u>	Number of <u>Options</u>	Weighted average exercise <u>price</u>
Outstanding, beginning of year	2,100,000	\$ 0.40	1,860,000	\$ 0.32
Granted	985,000	\$ 0.40	830,000	0.52
Exercised	(365,000)	\$ 0.25	(388,333)	0.29
Forfeited	(315,000)	\$ 0.47	(201,667)	0.44
Expired	(150,000)	\$ 0.51	-	-
Outstanding, end of year	2,255,000	\$ 0.40	2,100,000	\$ 0.40

The weighted average share price at the date of exercise was \$0.36 (2018 - \$0.50).

The following table summarizes information about stock options as at December 31, 2019:

<u>Exercise prices</u>	Options Outstanding		Options Exercisable
	Number outstanding at Dec 31, 2019	Weighted average remaining contractual life (years)	Number exercisable at Dec 31, 2019
\$0.240	285,000	0.41	285,000
\$0.280	150,000	0.70	150,000
\$0.310	5,000	4.38	-
\$0.320	20,000	1.25	20,000
\$0.340	5,000	4.25	-
\$0.350	15,000	4.48	-
\$0.380	420,000	2.34	40,000
\$0.385	100,000	4.77	-
\$0.390	10,000	4.67	-
\$0.400	190,000	3.53	48,334
\$0.420	110,000	3.83	36,667
\$0.440	295,000	4.89	-
\$0.455	30,000	4.90	-
\$0.470	55,000	2.75	36,665
\$0.480	350,000	1.71	120,000
\$0.610	200,000	3.16	66,670
\$0.700	15,000	2.92	9,999
\$ 0.24 to \$ 0.70	2,255,000	2.65	813,335

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The following table summarizes information about stock options as at December 31, 2018:

Exercise prices	Options Outstanding		Options Exercisable
	Number outstanding at Dec 31, 2018	Weighted average remaining contractual life (years)	Number exercisable at Dec 31, 2018
\$0.22	170,000	0.94	170,000
\$0.24	305,000	1.42	305,000
\$0.28	325,000	1.13	325,000
\$0.32	35,000	2.50	23,334
\$0.38	55,000	2.25	36,665
\$0.40	165,000	3.00	66,663
\$0.42	135,000	4.83	-
\$0.46	100,000	0.83	100,000
\$0.47	130,000	3.75	43,336
\$0.48	350,000	3.50	3,334
\$0.61	280,000	2.50	50,000
\$0.70	50,000	3.92	16,670
\$ 0.22 to \$ 0.70	2,100,000	2.55	1,140,002

The weighted average exercise price was \$0.41 in 2019 (2018 - \$0.40) for exercisable options.

The Company uses the Black-Scholes model to calculate option values. The assumptions used in the Black-Scholes option pricing model for 2019 were: a weighted average share price of \$0.40 and an exercise price of \$0.40, risk free interest rate of 1.50% to 2.20%, volatility of 33% to 50% with no expected dividend yield, 0% to 40% assumed forfeiture and a three to five-year estimated life. Assumptions for 2018 were: a weighted average share price of \$0.49 and an exercise price of \$0.49, risk free interest rate of 1.10% to 1.60%, volatility of 36% to 50% with no expected dividend yield, 0% to 40% assumed forfeiture and a seven month to five-year estimated life.

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the option.

The fair value of stock options granted during fiscal 2019 was \$0.09 (2018 - \$0.11).

21. CASH FLOW INFORMATION

Net change in non-cash working capital items is comprised of:

	2019	2018
Trade and other receivables	\$ (284,987)	\$ (521,335)
Contract assets	(7,099)	55,958
Prepaid expenses	49,122	(1,369)
Trade and other liabilities	102,827	(66,279)
Contract liabilities	205,182	(333,673)
Net change in non-cash working capital	\$ 65,045	\$ (866,698)

22. FINANCE COSTS

Finance costs may be analyzed as follows for the fiscal year ending 2019 and 2018:

	2019	2018
Interest expense on loans	\$ 75,831	\$ 31,226
Interest received on cash equivalents	-	(18,961)
Finance costs	\$ 75,831	\$ 12,265

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23. INVESTMENT TAX CREDITS AND INCOME TAXES

Research and development expenses

The Company has investment tax credit carry forwards of \$302,633 (2018 - \$266,948) which may be utilized to reduce future Canadian taxable income. These tax credits expire between 2022 and 2029. The future tax benefits associated with investment tax credit carry forwards has not been recognized in the financial statements.

The Company also has \$764,698 (2018 - \$612,466) of deductible research and develop expenditures available to reduce future years' taxable income. The future tax benefits associated with this balance has not been recognized in the financial statements.

The Company has net operating losses that expire between 2031 and 2038.

The ability to realize the tax benefits from these losses, deductible temporary differences and investment tax credits is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses, deductible temporary differences and investment tax credits arose. Deferred tax assets are recognized in respect of temporary differences giving rise to deferred tax assets only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. This determination is based on the management's quantitative and qualitative assessments and the weighing of all available evidence, both positive and negative. Such evidence included, notably, historical performance over the past two years and the Company's projected future taxable income.

Accordingly, no deferred tax asset has been recognized on the following temporary differences:

	December 31, 2019	December 31, 2018
Investment in associate	\$ 130,000	\$ 130,000
Property and equipment	13,791	14,485
Intangible assets	122,808	-
Non-capital losses	2,101,216	2,540,951
Net capital losses	1,289	1,289
Investment tax credits recoverable	302,633	-
Share issue costs	188,064	-
Other	108,574	-
	\$ 2,968,374	\$ 2,686,725

Deferred tax assets arising from temporary differences and unused tax losses that have been recorded can be summarized as follows:

	As at December 31, 2018	Recognized in net earnings	Recognized in balance sheet	As at December 31, 2019
Property and equipment	\$ (56,604)	\$ 30,221	\$ -	\$ (26,383)
Intangible assets	(45,572)	45,572	-	-
Investment tax credits recoverable	(27,674)	27,674	-	-
Share issue costs	73,797	(73,797)	-	-
Non-capital losses	255,163	(228,780)	-	26,383
Other	94,264	(94,264)	-	-
	\$ 293,374	\$ (293,374)	\$ -	\$ -

	As at December 31, 2017	Recognized in net earnings	Recognized in balance sheet	As at December 31, 2018
Property and equipment	\$ (1,675)	\$ (54,929)	\$ -	\$ (56,604)
Intangible assets	(137,429)	91,857	-	\$ (45,572)
Investment tax credits recoverable	(27,740)	66	-	\$ (27,674)
Share issue costs	69,056	4,741	-	\$ 73,797
Non-capital losses	346,389	(91,226)	-	\$ 255,163
Other	100,628	(6,364)	-	\$ 94,264
	\$ 349,229	\$ (55,855)	\$ -	\$ 293,374

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The major components of deferred tax recovery can be summarized as follows:

	December 31, 2019	December 31, 2018
Origination and reversal of timing differences	\$ 92,925	\$ (643,093)
Adjustment of prior year deferred taxes	81,077	(5,606)
Tax effect of temporary differences for which no deferred tax assets were recorded	119,372	704,554
	\$ 293,374	\$ 55,855

Tax rate reconciliation

The actual tax provision differs from the expected provision based on the combined federal and provincial income tax rates for the following reasons:

	As at December 31, 2019	As at December 31, 2018
Income before income taxes	\$ 460,304	\$ (2,731,172)
Combined Canadian Statutory tax rate	26.5%	26.5%
Expected tax expense (recovery)	121,981	(723,761)
Permanent differences	(477)	77,669
Tax rate differences	(31,252)	3,827
Current tax relating to prior years	75,671	-
Deferred tax relating to prior years	55,547	(4,932)
Effect of temporary differences not recognized as deferred tax assets	119,372	704,554
Other	3,217	13,551
	\$ 344,060	\$ 70,908
Income tax comprises:		
Current income tax - Continuing operations	\$ 50,686	\$ 15,054
Deferred income tax - Continuing operations	293,374	55,854
	\$ 344,060	\$ 70,908
Total tax provision	\$ 344,060	\$ 70,908

24. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation for key management personnel, including the Company's Officers and Board of Directors, was as follows for the year:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Salaries and bonuses	\$ 1,277,419	\$ 797,870
Directors' fees	125,000	175,000
Share-based compensation	37,088	15,290
Total Key Management Compensation	\$ 1,439,507	\$ 988,160

Salaries and bonuses include cash payments for base salaries and bonuses, as well as accrued bonuses. Directors' fees include meeting fees and retainers. Share-based compensation includes the compensation expense recognized during the year for key management personnel. There were 315,000 stock options exercised by key management personnel in 2019 (2018 – 340,000).

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25. FINANCIAL INSTRUMENTS

The table below summarizes the carrying values of the Company's financial assets and financial liabilities:

	As at December 31, 2019	As at December 31, 2018
Financial assets:		
At amortized cost		
Cash and cash equivalents	\$1,382,296	\$242,865
Trade and other receivables	2,625,209	2,340,221
Contract assets	57,419	50,320
Total financial assets	\$4,064,924	\$2,633,406
Financial liabilities:		
At amortized cost		
Trade and other liabilities	\$722,037	\$619,210
Long-term debt	-	155,084
Lease liabilities	760,192	-
Total financial liabilities	\$1,482,229	\$774,294

The carrying values of cash and cash equivalents, trade and other receivables and trade and other liabilities approximate their fair values due to their relatively short periods to maturity. The fair value of the long-term debt approximates the carrying value as the risk profile of the Company has not changed significantly since those loans were negotiated and the borrowing terms and conditions continue to reflect current market conditions.

	Trade receivables days past due					Total
	Current	Over 30 days	Over 60 days	Over 90 days		
December 31, 2019	\$ 2,477,881	\$ 129,266	\$ 10,360	\$ 7,091	\$ 2,624,598	
December 31, 2018	\$ 1,510,091	\$ 666,316	\$ 140,931	\$ 8,851	\$ 2,326,189	

The Company has not experienced a credit loss on its trade receivables in the past numerous years and does not expect any credit losses as at December 31, 2019. The gross carrying amount is expected to be collected in full within 90 days or less from invoice date.

26. FINANCIAL RISK MANAGEMENT

The Company has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities.

The Company's financial instruments and the nature of the risks which they may be subject to are set out in the following table.

	Risks			
	Credit	Liquidity	Market	
			Foreign Exchange	Interest Rate
Cash and cash equivalents	Yes		Yes	
Trade and other receivables	Yes		Yes	
Contract assets	Yes		Yes	
Trade and other liabilities		Yes	Yes	
Long-term debt		Yes		Yes
Lease liabilities		Yes	Yes	

Credit risk

Credit risk arises from cash and cash equivalents held with banks, contract assets, and trade and other receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to

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prevent losses on financial assets. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. The Company is not aware of any collection issue with any trade accounts receivable not currently past due.

Cash and cash equivalents

Cash consists of bank balances. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested in Schedule 1 chartered Canadian banks.

Trade accounts receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before December 31, 2019. The historical loss rates are adjusted to reflect current and forward-looking information based on factors affecting the ability of the customers to settle the receivables. The Company has identified the credit worthiness for current and future customers to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade accounts receivable consist primarily of trade receivables (Note 12) from billings of services performed. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company.

This risk is mitigated through established credit management techniques, including monitoring counterparty's creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits. The carrying amount of trade accounts receivable is reduced through the use of an allowance for expected credit losses and the amount of the loss is recognized in the consolidated statement of net income (loss) and comprehensive loss in general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off reduce general and administrative expenses in the statement of net income (loss) and comprehensive income (loss).

A significant portion of the Company's sales were to a limited number of customers and consequently the Company is exposed to a concentration of credit risk. The Company defines concentration risk as customers whose outstanding receivable is 10% or greater than the total receivable balance or who represent 10% or greater of total revenue (Note 4). The Company's exposure with two customers, in the petroleum and tobacco industries, that fell into this category as at December 31, 2019, on aggregate, accounted for 31% of the Company's total accounts receivable balance. Another customer, in the automotive industry, that fell into this category as at December 31, 2018, on aggregate, accounted for 16% of the Company's total accounts receivable balance.

As of December 31, 2019, it was determined that no allowance for expected credit losses was required. For details of the aging of the Company's trade receivables see Note 25.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

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The following table details the Company's contractual maturities (including interest payments where applicable) for its financial liabilities as at December 31, 2019 and 2018:

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
As at December 31, 2019:					
Trade and other payables	\$ 722,037	\$ -	\$ -	\$ -	\$ 722,037
	\$ 722,037	\$ -	\$ -	\$ -	\$ 722,037

As at December 31, 2018:					
Trade and other payables	\$ 619,210	\$ -	\$ -	\$ -	\$ 619,210
Long term debt	14,745	29,272	117,121	-	161,138
	\$ 633,955	\$ 29,272	\$ 117,121	\$ -	\$ 780,348

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of a financial instrument or its future cash flows.

Foreign exchange

The Company operates in Canada and the United States.

As at December 31, 2019, the Canadian entities US-dollar net monetary assets totaled approximately US\$1,330,056 (CAD\$1,727,476) (December 31, 2018 US\$1,185,035 (CAD\$1,616,625)) and the Company's United States subsidiaries US-dollar monetary net assets totaled approximately US\$101,944 (CAD\$132,405) (December 31, 2018 US\$91,109 (CAD\$124,290)). A 10% strengthening in the Canadian dollar against the United States dollar as at December 31, 2019 would have decreased net income and decreased shareholders' equity by \$160,711 (December 31, 2018 a decrease of \$168,038 to net income and shareholders' equity) (a 10% weakening would have had the equal but opposite effect). This analysis assumes that all other variables remain constant.

Interest rate

The Company had no loans at December 31, 2019. At December 31, 2018, the Company has loans with variable rates which are exposed to interest rate fluctuations. A 1% variation would have an approximate \$1,551 effect as at December 31, 2018 on net loss and shareholders' equity.

27. CAPITAL MANAGEMENT

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers the items included in the consolidated statement of shareholders' equity, long-term debt (including current portion but excluding lease liabilities), net of cash as its capital.

The Company entered into an agreement on January 9, 2018, with a Schedule 1 chartered Canadian bank which contains certain positive covenants that it must meet in regard to its bank indebtedness, namely, a tangible net worth of at least \$1,600,000, as well as adequate accounts receivable to support any operating line draw. The Company was compliant with this covenant as at December 31, 2019 and 2018.

The Company is not subject to any statutory capital requirements and has no commitments, other than options and warrants, to sell or otherwise issue common shares.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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28. COMMITMENTS AND CONTINGENCIES

Contingencies

In the normal course of business, the Company is party to claims, the ultimate outcome of which cannot be reasonably estimated at this time. However, management's opinion is that the likelihood of any cash outflow as a result of these matters is remote, therefore, no amounts have been provided for in these consolidated financial statements.

29. SUBSEQUENT EVENTS

a) Acquisition of PerformaLogics Inc. and MobilForce Inc.

On February 1, 2020, the Company purchased all outstanding shares of PerformaLogics Inc. and MobilForce Inc., two related companies both of whom were at arm's length to the Company. Cash consideration of \$750,600 was paid at closing with future consideration totaling \$1,000,000 payable over two years following the closing, based on payment received from one key customer. The Company purchased the acquisition using cash on hand and will satisfy contingent obligations using funds received.

b) Impact of COVID-19

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the American, Canadian, state, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by the US, Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which will negatively impact the Company's business and financial condition.