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# Annual Report





# About Intouch

**At Intouch Insight, our mission is to create shareholder value by designing, building and delivering solutions that collect data and provide insight that improve business outcomes.**

Though a lot has changed over our past 40 years in business, our focus remains the same. We are on a path to be the leading software and services provider, offering an integrated solution that enables our clients listen to their customers, interpret the results, and create actionable plans to align operations with customer expectations.

By leveraging our deep expertise and flexible software platform, our clients are empowered to delight their customers and improve their bottom line.

## Products & Services

Our integrated solution bridges the gap between operational data and customer feedback, bringing together the latest in Customer Experience Management (CEM) technology and mystery shopping programs, all wrapped in a unified customer experience intelligence platform.

The CEM platform includes:

- Customer Experience Management Software
  - Survey Software
  - Mobile Forms Automation Software
  - Mystery Shopping Services
  - Operational and Compliance Audit Services
  - Event Marketing Automation Software
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# Letter from the President & CEO



**Dear Shareholders,**

2020 could only be described as an evolving, challenging, and unprecedented year; not only for Intouch, but for the world in general. By early March 2020, Intouch had already completed one acquisition and had announced another. Combined with organic opportunities, we were on a path to significant investment and growth.

The global pandemic struck North America in mid-March, and adaptation became the new mandate. Our core customer base - retail, grocery stores, convenience stores and restaurants - were on the front lines of change, and in many cases, had to react overnight to new operating realities and expectations. As an organization, we immediately focused on financial security and long-term viability, shifting towards cash flow management and employee and customer retention efforts. As a result, and despite a decline in revenue of 34%, we were able to deliver significant results in 2020. Highlights include:

- EBITDA of \$1,667,894 (+8%)
- Debt free and \$1.9M in cash at year end
- Current assets of \$4.3M with current ratio of 2.6
- Gross margin of 53% (+1%)
- 27% growth in revenues from recurring SaaS product lines

In addition to delivering strong results in the face of extreme adversity, we were able to make significant progress advancing our software products. In the spirit of not letting a good crisis go to waste, we finished the year with better product features and capabilities than when the year began. We also took advantage of customer program downtime to complete all planned customer migrations, ensuring that everyone would benefit from our latest technologies, as well as streamline our own efforts by eliminating support for disparate systems. At the same time, we were able to complete the migration of our February acquisition on to Intouch technology ahead of schedule in a fraction of the time that it would have otherwise required.

It is impossible to speak about 2020 without spending a bit of time highlighting the impacts on our company's culture and people. At Intouch we have always put people - both employees and customers - first and this served us well in meeting the challenges of 2020. I am proud of the way our employees weathered the storm with us, many of whom went extended periods of time waiting to be recalled to work, or on reduced salaries. Throughout 2020, Intouch lost only 3 employees requiring replacement, which would be a good outcome in any year. At the same time, our teams continued to embody our core values to build long-term and meaningful customer partnerships, working cooperatively with customers throughout the year to help in any way possible. Through these efforts we have maintained strong customer connections which will allow for an eventual full recovery.

We deeply value our customer base and our skilled workforce, and this last year has reinforced our commitment to take all measures possible to ensure that they remain engaged with the company.

## 2021 and Beyond

When I was writing this letter last year, the North American economy was shut down and there were more things unknown than known as it related to the future. Today, while things are not yet back to where they were, we are confident in the knowledge and understanding we have acquired in order to navigate any further uncertainty, and we can see the light at the end of the tunnel in the form of vaccines. The US economy has been on a steady re-opening pace throughout 2021 and appears to be well on its way to pre-pandemic levels. The Canadian economy has been much more challenging with the first half of 2021 bringing additional lock-down measures reminiscent of the spring of 2020. Vaccination efforts, however, have accelerated in Canada and the economy is expected to continue to re-open as the year progresses.

It is important to recognize that the challenges felt across the planet over the last 5 quarters have not caused Intouch to lose its recurring revenue potential or its operational capabilities. Most of our recurring programs are now either running or scheduled to re-start. We expect the remaining programs to resume as the year progresses and our customers begin their full recovery. As such, 2021 will see us return to a focus on investment and growth. As vaccination efforts accelerate and economies continue to recover Intouch is positioned well to not only recapture its previous revenue streams but also create new ones. There are three key potential growth drivers:

- Additional programs
- SaaS revenue
- Acquisition opportunities

### [Additional programs](#)

While our customers have faced many challenges over this past year, this also brings tremendous opportunity for us as a business. The pandemic has accelerated alternative channel sales efforts in many organizations who will now need to understand these new brand interactions and the effect on customer experience. New programs to measure, areas like curbside pick-up, third party delivery, and web-based order fulfillment, are expected to become routine. The Intouch product line is designed to give businesses that omni-channel view with powerful analytical and reporting capabilities.

### [SaaS revenue](#)

Bolstered by our engineering and development efforts, we continue to focus on ensuring growth in recurring SaaS business lines. A new self-serve SaaS survey product (IntouchSurvey™) was made available in Q1, 2021 and an improved self-serve SaaS forms and checklist automation product (IntouchCheck™) will be available in early Q3. Enterprise, and now self-serve, SaaS will continue to be an area of growth for the organization throughout 2021 and beyond.

### [Acquisition opportunities](#)

We expect that as economies and industries fully recover there will be a subset of vendors who do not want to put in the effort (and funding) required to get their business back on track. As decisions to consider a sale occur and businesses come on to the market Intouch has proven itself to be an attractive acquirer and will continue to seek out accretive opportunities.

So, what to expect going forward? The first half of 2021 will be impacted by further economic shut-down, but not to the level we saw in 2020. Revenues should remain similar to those seen in the back half of 2020 with EBITDA remaining positive despite the increased investment in sales and marketing. In the latter half of 2021 and in to 2022 revenues are expected to increase in accordance with the increased investment and drivers stated above.

## Closing Thoughts

Last year I wrote to you that Intouch was one of the fastest growing and most technologically advanced companies in the industry and that we were better equipped than most to weather the storm in front of us. I also wrote that the strength of our organizational culture was going to be tested and that we expected it to pay dividends as our team pulled together to ensure the long-term success of the company. The 2020 results clearly show that my faith was not misplaced as Intouch was able to come through the crisis in a very healthy way. Not only financially, but also as an organization with improved capabilities ready to continue its journey.

This speaks to the power of the company. An appropriate quote, often attributed to Winston Churchill, is ***"Success is not final; failure is not fatal: it is the courage to continue that counts"***. Whether we are talking about the strength of our employees, the ongoing value we provide to our customers, or our ability to take on any road in front of us, Intouch has demonstrated its courage, stability, and endurance. As 2021 unfolds and our return to a focus on investment and growth starts to pay off, Intouch will also demonstrate the possibilities that lie in front of us.

We appreciate everyone who has remained on this journey with us and are pleased to welcome those of you that are new to us. We look forward to forging a bright future together.

A handwritten signature in black ink, appearing to read 'Cameron Watt', with a large, sweeping loop at the end.

**Cameron Watt**  
President & CEO



# **Management's Discussion and Analysis**

## **Intouch Insight Ltd.**

**Years ended December 31, 2020 and 2019**



(Expressed in Canadian Dollars)

## Table of Contents

|                                                |    |
|------------------------------------------------|----|
| FORWARD-LOOKING STATEMENTS .....               | 3  |
| OVERVIEW OF THE BUSINESS .....                 | 3  |
| FINANCIAL PERFORMANCE .....                    | 4  |
| OUTLOOK .....                                  | 5  |
| RESULTS OF OPERATIONS .....                    | 6  |
| ACCOUNTING POLICIES .....                      | 15 |
| CORPORATE GOVERNANCE .....                     | 17 |
| RISK MANAGEMENT .....                          | 18 |
| RISK FACTORS AND UNCERTAINTIES .....           | 18 |
| CAPITAL MANAGEMENT .....                       | 20 |
| SHARES .....                                   | 20 |
| MANAGEMENT'S STATEMENT OF RESPONSIBILITY ..... | 21 |

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars, except as otherwise noted)**

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The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Intouch Insight Ltd. ("Intouch" or the "Company") and the notes to those statements as at and for the year ending December 31, 2020.

The accompanying audited consolidated financial statements have been prepared by and are the responsibility of Intouch's management. The audited consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Dollar amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is dated as of April 1, 2021.

**FORWARD-LOOKING STATEMENTS**

The following MD&A contains forward-looking information and forward-looking statements. Except for statements of historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, constitutes forward-looking statements. The Company cautions that this MD&A may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and results of operations. Forward-looking statements include those identified by the expressions "will", "may", "should", "continue", "anticipate", "believe", "plan", "estimate", "project", "expect", "intend" and similar expressions to the extent that they relate to the Company or its management. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated. Such factors include, without limitation, the various factors outlined in the MD&A and as discussed in public disclosure documents filed with Canadian regulatory authorities. Forward-looking statements are provided to assist external stakeholders in understanding management's expectations and plans relating to the future as of the date of this MD&A and may not be appropriate for other purposes. Forward-looking statements are made as of the date of this MD&A and Intouch disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers should not place undue reliance on the Company's forward-looking statements.

**OVERVIEW OF THE BUSINESS**

Intouch's vision is to provide perfect information, instantly. Our mission is to design, build and deliver solutions that collect data for customers to provide information that improves business outcomes.

Intouch develops managed mobile software applications and software-as-a-service (SaaS) platforms, and delivers services for private businesses, governments and regulators. These stakeholders need mobile, real-time information about leads, customer feedback, operational compliance, employee feedback and new product analysis. Intouch has developed comprehensive software platforms including IntouchCapture™, IntouchCheck™, IntouchSurvey™, and most recently a customer experience management platform, LiaCX™. These products facilitate the rapid development of data collection programs including event lead capture, customer satisfaction surveys, and mobile forms, checklist and audits. All products include real-time, online reporting and advanced analytics to help clients focus their time on the most strategic projects. Intouch also uses its technology to enable its data collection services including mystery shopping, third party audit and customer experience measurement programs.

LiaCX is a complete, SaaS-based solution that helps customer experience ("CX") professionals make targeted improvements to accelerate the delivery of a world-class customer experience. "Lia" stands for Listen, Interpret & Act, representing the closed-loop capabilities of the software. The platform centralizes all channels of feedback, operational and back-office system data within a centralized platform. It presents it in a logical manner for ease of interpretation and organizational alignment. Intelligent and predictive analytics and task completion accountability help mobilize customer-facing staff to close the loop on customer experience problems and drive better business results.

IntouchCapture is a software application that provides event marketing solutions including analytics, logistics and support. With thousands of event days and millions of customer interactions every year, IntouchCapture is used by Fortune 500 brands, agencies, government and military across North America. The Company's complete software stack, stocked hardware warehouse and technical engineers bring big data, analytics, mobile-first design and data collection expertise to our customers.

IntouchCheck is a powerful mobile application that helps organizations easily measure their operational standards internally and implement changes to drive lasting business improvements. The software allows businesses to create unlimited mobile forms and checklists to collect and aggregate data from all locations easily. Key product features include the ability to add photos and signatures to forms and issue management automation. The issue management

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars, except as otherwise noted)**

functionality allows users to flag issues, automatically alert key stakeholders, assign issues, set due dates, and track issues through to resolution. IntouchCheck also includes real-time reporting on performance and the ability to view performance by location, region, date and more. IntouchCheck is a perfect fit for any organization who needs to implement and measure ongoing operational execution including the changes brought about by new and evolving health and safety concerns for their employees and/or their customers.

IntouchSurvey is a software application that allows businesses to perform web-based surveys to collect feedback and view results using robust, real-time dashboards. While it can be used to perform virtually any type of survey, the most common application of this product is as a customer satisfaction survey tool. IntouchSurvey has an easy-to-use drag and drop survey builder, offers a wide range of question types, and includes more complex functionality like skip logic and conditional questions. The software also provides case management functionality, which allows key stakeholders to automatically be alerted of a low survey score or negative response to a specific question. The case can be assigned to another employee with a due date, and the stakeholder can view the outcome of the case. IntouchSurvey is an effective and affordable way for organizations to ensure that the rapid and ongoing changes being made to their operational standards are not having a negative impact on the way their customers feel about them.

**FINANCIAL PERFORMANCE**

**Financial Highlights**

|                                                                         | <b>Year ended December 31</b> |               | <b>%</b>      |
|-------------------------------------------------------------------------|-------------------------------|---------------|---------------|
|                                                                         | <b>2020</b>                   | <b>2019</b>   | <b>change</b> |
| Revenue                                                                 | \$ 12,795,277                 | \$ 19,255,202 | -34%          |
| Cost of services                                                        | 6,054,518                     | 9,292,174     | -35%          |
| Gross Margin                                                            | 6,740,759                     | 9,963,028     | -32%          |
| Gross Margin %                                                          | 52.7%                         | 51.7%         | 1%            |
| Operating Expenses                                                      | 6,796,847                     | 9,426,893     | -28%          |
| Earnings (loss) from operating activities                               | (56,088)                      | 536,135       |               |
| Other earnings (expense)                                                | 44,578                        | (75,831)      |               |
| Net earnings (loss) and comprehensive income (loss) before income taxes | (11,510)                      | 460,304       |               |
| Adjusted EBITDA <sup>1</sup>                                            | \$ 1,667,894                  | \$ 1,540,312  |               |

1 Adjusted EBITDA is a non-IFRS financial measure, which is defined as earnings before income tax expense, financing costs, depreciation and amortization, and impairment charges.

**Balance Sheet - Highlights**

|                                       | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|---------------------------------------|------------------------------|------------------------------|
| Cash                                  | \$ 1,865,620                 | \$ 1,382,296                 |
| Working Capital                       | 2,637,380                    | 2,878,263                    |
| Total Assets                          | 7,126,019                    | 6,101,677                    |
| Total Liabilities                     | 2,591,345                    | 1,823,123                    |
| Share capital and contributed surplus | 7,239,526                    | 6,976,508                    |
| Accumulated deficit                   | (2,704,852)                  | (2,697,954)                  |
| Shares issued and outstanding         | # 22,651,811                 | # 22,511,811                 |

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars, except as otherwise noted)**

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Highlights from the year December 31, 2020 compared to the same period in 2019:

- Revenue is 34% lower than the prior year due to the impact of the ongoing COVID-19 pandemic. This is partially offset by the addition of PermaLogics and MobilForce's customer base in February.
- The 53% gross margin as a percentage of revenue was 1% higher than the prior year due to the higher proportion of software revenues.
- Loss from operations was \$56,088 compared to earnings of \$536,135 in the prior year due to the effect of the pandemic on revenues, partially offset by the containment of operating costs and the benefits of government assistance programs.
- Adjusted EBITDA (a non-IFRS measure) was \$1,667,894 compared to \$1,540,312 in 2019.
- Decrease in working capital of \$240,883 was due to an increase in contract liabilities, contingent liabilities and the purchase of equipment.

**Non-IFRS Financial Measures**

*Adjusted EBITDA is a non-IFRS financial measure, which is defined as earnings before income tax expense, financing costs, depreciation and amortization, and impairment charges.*

*Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. We calculate Adjusted EBITDA by adding back to net earnings (loss) before taxes the finance costs, amortization expense, change in the fair value of contingent payments and stock-based compensation expenses. Adjusted EBITDA is also used by investors and analysts for the purpose of valuing an issuer. The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.*

**OUTLOOK**

With one acquisition completed and another in the works in early 2020 management was geared up for investment and growth. With the onset of the COVID-19 pandemic and the resulting closure of vast parts of the North American economy required a dramatic change in focus and priorities. Intouch acted swiftly to stabilize its financial security and long-term viability shifting towards cash flow management and employee and customer retention efforts. Fortunately, the underlying business' strength was evident and allowed Intouch to make decisions throughout the year that enabled employee and customer retention while delivering 8% more EBITDA in 2020 than in 2019 despite the significant revenue losses. Delivering \$1,667,894 in EBITDA is important because it allowed the company to finish the year with a strong balance sheet and set it up to emerge from the pandemic even stronger than when it struck.

Along with the industries it serves, Intouch began to see signs of a recovery from the COVID-19 pandemic in the late part of 2020. As with any problematic recovery, setbacks have occurred across North America as governments continue to open and close economies. As retail, convenience stores, grocery, pharmacy, hotels, restaurants and all Intouch target industries become confident in their own recovery, Intouch programs will resume. Intouch is pleased to be able to continue to support clients in their return to new-normal operational practices with both our software and service offerings.

Expectations are for the pace of recovery to improve in Q2, 2021. With the warmer weather coming and vaccine programs accelerating we expect to welcome most of our customers back on recurring programs by June. The actual timing of the recovery will depend on decisions made by the various governments across North America. 2021 will be a year of rebuilding while seeking opportunities to accelerate our growth and return to the trajectory of a year ago. To support these efforts, discretionary spending was increased in Q1 to support product development, marketing, and sales efforts. Given the externalities associated with the pandemic, it is difficult to predict what will unfold in 2021 with confidence. However, we expect to continue to increase sales and marketing efforts and deliver double digit growth. There will be a continued focus on recurring SaaS revenue which was the one growth area in 2020 having grown by 27% during the year.

At the same time, we will maintain a focus on financial stability and expect the business to remain EBITDA positive in 2021 ensuring Intouch has the capital required. We remain optimistic about the journey awaiting us in 2021 and beyond.

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
Years ended December 31, 2020 and 2019  
(in Canadian Dollars, except as otherwise noted)

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**RESULTS OF OPERATIONS**

**a) Revenue**

The Company receives revenue from software applications and related services to its customers in a market referred to as data collection and reporting services.

The Company's strategy is to focus on software applications, and long-term services contracts and as a result tracks its recurring revenue from both software and services. The following chart shows the breakdown of revenues for 2020 and 2019.

|                                      | 2020                 | 2019                 | %           |
|--------------------------------------|----------------------|----------------------|-------------|
| Software-as-a-service (SaaS) revenue | \$ 951,625           | \$ 749,804           | 27%         |
| Event marketing automation revenue   | 2,135,341            | 3,093,954            | -31%        |
| Recurring services revenue           | 9,699,761            | 15,384,688           | -37%        |
| Non-recurring services revenue       | 8,550                | 26,756               | -68%        |
| <b>Total revenue</b>                 | <b>\$ 12,795,277</b> | <b>\$ 19,255,202</b> | <b>-34%</b> |

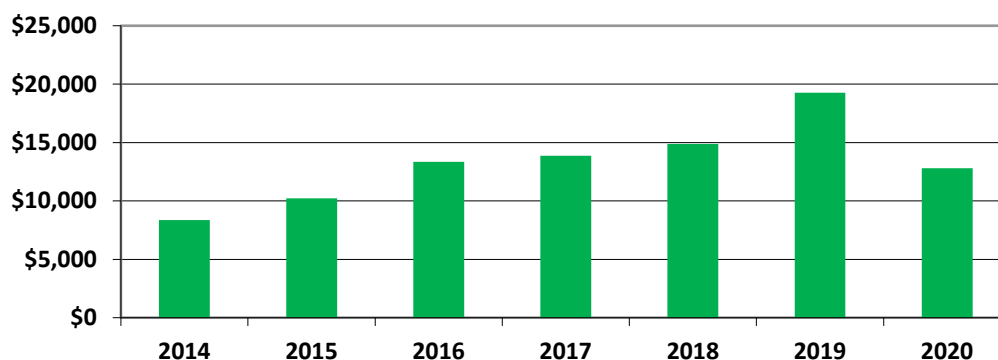
The Company's 2020 revenues decreased 34% from 2019 revenues with its SaaS revenue increasing by 27%, its recurring services revenues decreasing by 37%, its event marketing automation revenue decreasing by 31%, and its revenue from non-recurring services decreasing by 68% in the same time period.

The overall decrease is due to the impact of the ongoing COVID-19 shut down of North American businesses and the associated pause in many of the customers' operations. The increase in SaaS revenue is due primarily to the addition of PerformaLogics and MobilForce's customer base in February.

The Company has a high customer retention rate and does not expect to lose any significant contracts as a result of the pause in services agreements.

Management expects fluctuations in quarter-over-quarter operating results. Overall, management expects 2021 SaaS software revenues to increase as the Company increases its sales and marketing investment on the software products which the Company has been developing in recent years.

**Yearly revenue (in '000s)**



**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars, except as otherwise noted)**

The Company also measures its revenue geographically. The following chart shows the breakdown of revenues from Canada, the U.S., and internationally.

|                      | 2020                 | %           | 2019                 | %           | % Change    |
|----------------------|----------------------|-------------|----------------------|-------------|-------------|
| Canada               | \$ 3,940,323         | 31%         | \$ 6,905,774         | 36%         | -43%        |
| U.S.                 | 8,782,927            | 69%         | 12,298,721           | 64%         | -29%        |
| Other                | 72,027               | nil         | 50,707               | nil         | 42%         |
| <b>Total revenue</b> | <b>\$ 12,795,277</b> | <b>100%</b> | <b>\$ 19,255,202</b> | <b>100%</b> | <b>-34%</b> |

Revenue generated from Canadian clients in 2020 was 43% lower compared to 2019 while U.S. revenues decreased by 29%. Revenues were negatively impacted due to the impact of COVID-19 on the industry in general, with a proportionately greater impact in Canada versus the U.S.

The Company's U.S. revenues are subject to the fluctuation of foreign exchange.

**Revenue recognition:** The Company follows International Financial Reporting Standards in recognizing its revenue from operations. For further information on revenue recognition, refer to Note 2 in the audited consolidated financial statements dated December 31, 2020.

**b) Cost of Services/Gross Margin**

The Company's cost of services includes all direct costs incurred in the provision of its products and services. These costs include items such as expenses related to staff and independent contractors, delivery charges, communication costs (as each mobile unit or other device is equipped with cellular and/or wireless technology in order to transmit results or program updates live in the field) and amortization associated to the data collection units.

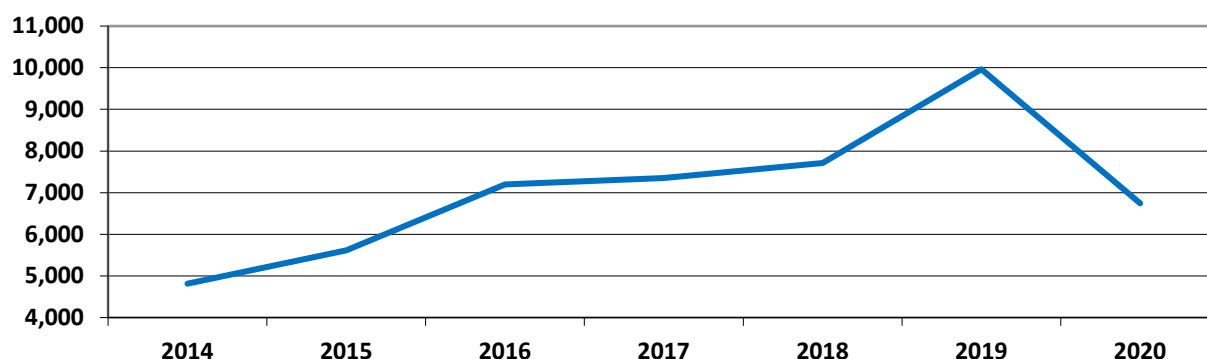
|                                  | 2020             | 2019                | %           |
|----------------------------------|------------------|---------------------|-------------|
| Staff and contractor expense     | \$ 5,108,088     | \$ 7,594,247        | -33%        |
| Wage subsidy- CEWS               | (204,671)        | -                   | N/A         |
| Delivery and communication costs | 765,006          | 1,069,763           | -28%        |
| Amortization                     | 221,761          | 209,372             | 6%          |
| Other                            | 164,334          | 418,792             | -61%        |
| <b>Cost of services</b>          | <b>6,054,518</b> | <b>\$ 9,292,174</b> | <b>-35%</b> |

Consolidated cost of services decreased 35% in 2020 compared to 2019, which is consistent with the increase in revenues. For 2020, staff and contractor expense decreased in response to the decrease in revenue. The staff costs were partially offset by the Canadian Emergency Wage Subsidy ("CEWS"). Management expects this expense to increase throughout 2021 as the economy reopens and we resume and acquire business from new and existing customers. Expenses are expected to continue to reflect the changes in revenues and remain stable as a percentage.

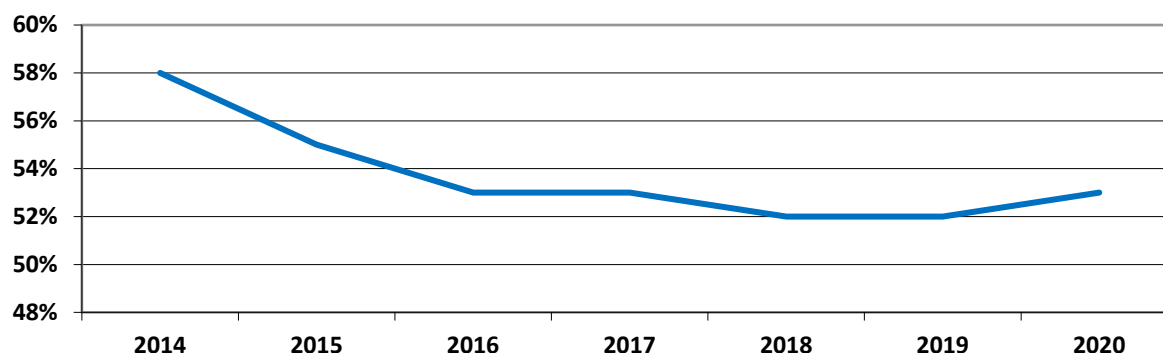
Amortization increased as the Company purchased data collection devices in 2020 to replace the aging fleet. Included in the other expenses are commissions of \$164,334 in 2020 compared to commissions of \$405,546 in 2019. Management expects commission expense to fluctuate based on revenues.

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
Years ended December 31, 2020 and 2019  
(in Canadian Dollars, except as otherwise noted)

Yearly gross margin (in '000s)



Yearly gross margin results as a percentage of revenue



The consolidated gross margin decreased by \$ 3,222,269 or 32% to \$6,740,759 in 2020 from \$9,963,028 in 2019 while slightly increasing the margin percentage to 53%. This percentage increase is due to the relatively higher concentration of high-margin software sales in the current year vs the prior year, partially offset by the cost of revenue from the newly acquired business.

**c) Selling**

The Company includes marketing, travel, salaries and benefits in selling expenses and are broken down as follows:

|                         | 2020           | 2019                | %           |
|-------------------------|----------------|---------------------|-------------|
| Marketing expenses      | \$ 198,827     | \$ 658,944          | -70%        |
| Travel expenses         | 77,642         | 272,300             | -71%        |
| Salaries and benefits   | 638,692        | 701,128             | -9%         |
| Wage subsidy- CEWS      | (172,551)      | -                   | N/A         |
| <b>Selling expenses</b> | <b>742,610</b> | <b>\$ 1,632,372</b> | <b>-55%</b> |

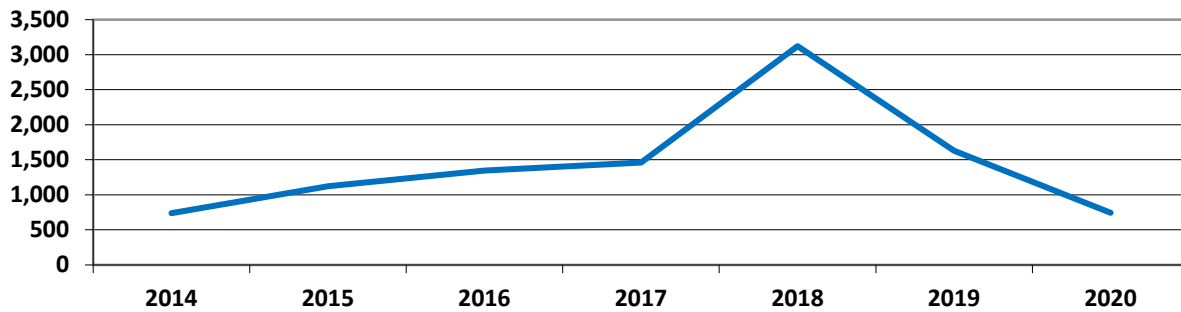
Selling expenses decreased by 55% in 2020 compared to 2019. The decreases were the result of swift cost cutting measures put in place in March as a result of COVID-19, decreased travel to trade shows and customer sites, changes in the sales and marketing structure, as well as the effects of CEWS. The expense as a percentage of revenue also decreased year-over-year from 8% to 6%.

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
Years ended December 31, 2020 and 2019  
(in Canadian Dollars, except as otherwise noted)

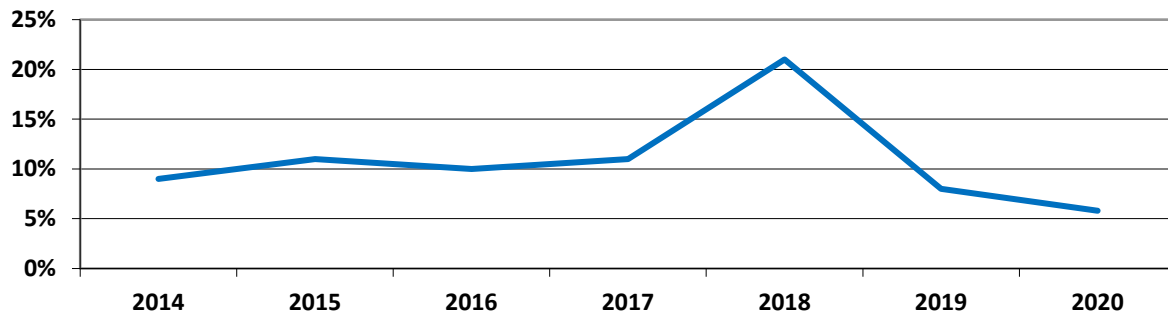
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The Company began efforts to rebuild its sales and marketing capabilities in Q4 of 2019 and had expected to increase selling expenses throughout 2020 with both increased headcount and a re-focusing of its marketing activities. The Company expects selling expenses to continuously increase through 2021 to support revenue recovery. Management continues to watch the marketplace very closely and will aggressively seek new business opportunities.

Yearly selling expenses (in '000s)



Yearly selling expenses as a percentage of revenue



**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
Years ended December 31, 2020 and 2019  
(in Canadian Dollars, except as otherwise noted)

**d) General and Administrative**

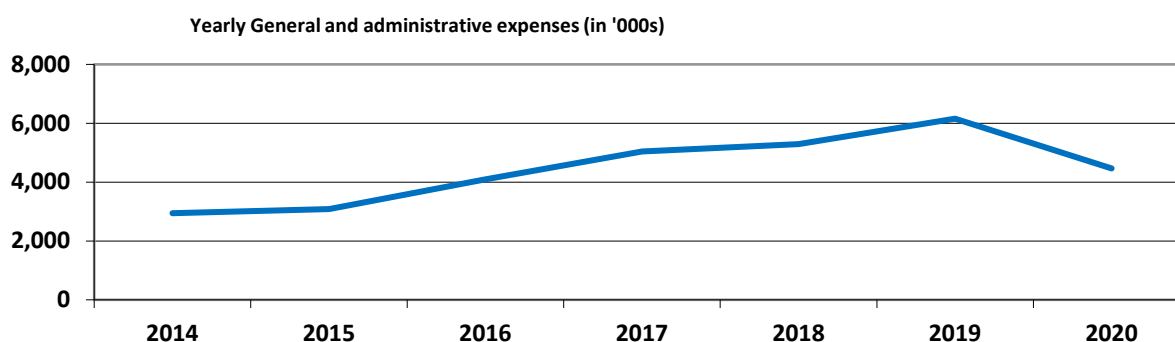
|                                                   | 2020                | 2019                | %           |
|---------------------------------------------------|---------------------|---------------------|-------------|
| Corporate administration                          | \$ 762,597          | \$ 906,361          | -16%        |
| Rent relief- CECRA and CERS                       | (126,746)           | -                   | N/A         |
| Consultant fees                                   | 53,991              | 230,682             | -77%        |
| Professional fees                                 | 384,989             | 237,613             | 62%         |
| Listing fees                                      | 124,696             | 125,145             | 0%          |
| Salaries and benefits                             | 3,070,856           | 3,783,577           | -19%        |
| Wage subsidy- CEWS                                | (727,320)           | -                   | N/A         |
| Loss (gain) on disposal of property and equipment | -                   | (7,808)             | N/A         |
| Loss (gain) on foreign exchange                   | 104,109             | 149,374             | -30%        |
| Bad debt expense (recovery)                       | 17,477              | -                   | N/A         |
| Amortization expense                              | 797,558             | 729,611             | 9%          |
| <b>Total general and administrative expenses</b>  | <b>\$ 4,462,207</b> | <b>\$ 6,154,555</b> | <b>-27%</b> |

General and administrative ("G&A") expenses decreased 27% overall for 2020 compared to 2019. These decreases are primarily due to reductions in salaries and benefits, as well as the effects of CEWS and Canada Emergency Commercial Rent Assistance ("CECRA") and Canada Emergency Rent Subsidy ("CERS"). The decrease in salaries and benefits is related to decreases in headcount and individual compensation levels which were put in place as a temporary response to the COVID-19 impacts.

The decrease in consultant fees for 2020 compared to 2019 is related to cost containment in response to the pandemic. The increase in professional fees for 2020 vs 2019 is due to legal and professional costs related to the completed as well as the now-suspended business acquisitions.

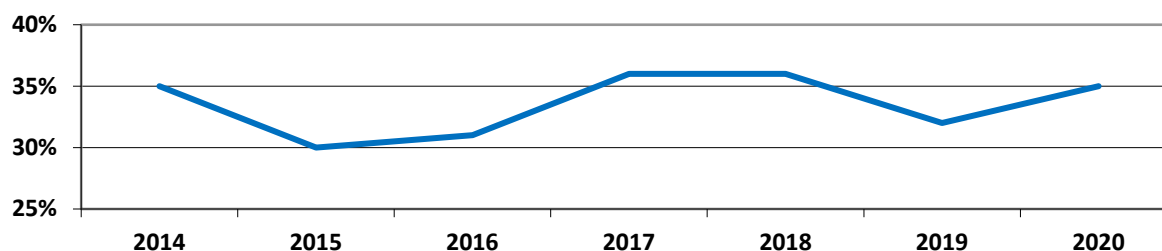
The bad debts expense relates to estimates of potential credit losses as a result of the impacts of COVID-19.

Share-based compensation, included in salaries and benefits, added \$175,818 in non-cash salary expense to 2020 G&A expense compared to \$65,195 in 2019 due to the issuance of Restricted Stock Units ("RSUs") in October, the full cost of which will be incurred ratably over the vesting period of one year. The loss on foreign exchange relates to the decrease in value of the US dollar compared to the Canadian dollar.



**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
Years ended December 31, 2020 and 2019  
(in Canadian Dollars, except as otherwise noted)

Yearly General and administrative expenses as a percentage of revenue

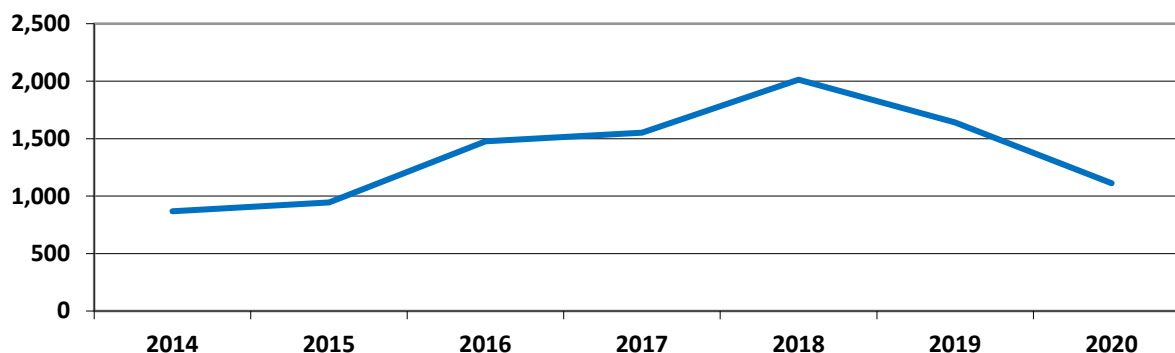


e) **Product Development**

|                                                         | 2020                | 2019                | %           |
|---------------------------------------------------------|---------------------|---------------------|-------------|
| Salaries and benefits expense                           | \$ 1,574,980        | \$ 1,729,624        | -9%         |
| Wage subsidy- CEWS                                      | (444,801)           | -                   | N/A         |
| Incentive tax credit and government agency contribution | (16,694)            | (89,658)            | -81%        |
| <b>Total product development expense</b>                | <b>\$ 1,113,485</b> | <b>\$ 1,639,966</b> | <b>-32%</b> |

Product development spending decreased 32% in 2020 compared to 2019 due to a decrease in salaries & benefits as well as the effects of CEWS. The decrease in salaries and benefits is related to decreases in headcount and individual compensation levels which were put in place as a temporary response to the COVID-19 impacts.

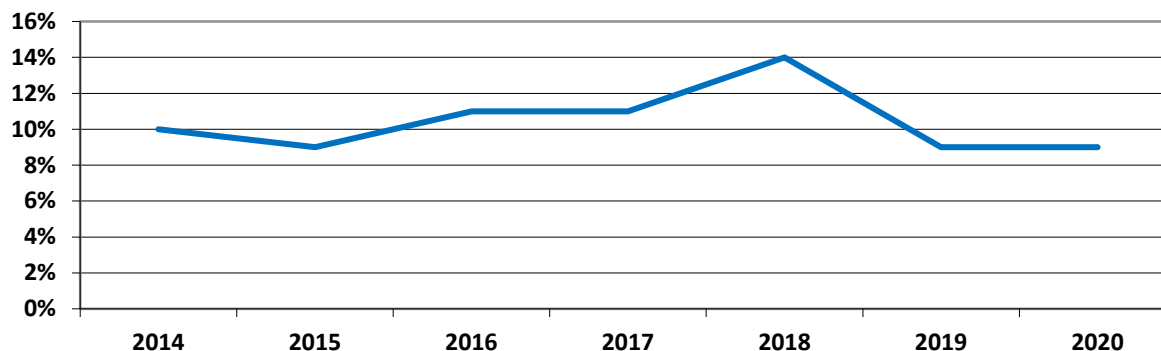
Yearly Product development expenses (in '000s)



**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
Years ended December 31, 2020 and 2019  
(in Canadian Dollars, except as otherwise noted)

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Yearly Product development expenses as a percentage of revenue



**f) Earnings (loss) from operating activities**

Loss from operating activities in 2020 was \$56,088, a decrease of \$592,223 compared to income of \$536,135 for 2019. The decrease is attributable to the effects of the pandemic and the impairment of intangible assets and goodwill, partially offset by effective cost cutting and re-focusing of resources as well as revenue growth from acquisition. The Company will continue its focus on product development and increase its focus on sales and marketing in 2021 as the North American economy rebounds post COVID-19.

**g) Non-operating earnings (expenses)**

For 2020, finance costs were \$92,398 compared to \$75,831 in 2019. The increase is a result of the Company's increase in interest expenses on the capital leases. Impairment costs of \$478,545 were recorded in 2020 in connection with the revaluation of the Company's intangible assets including goodwill as a result of the impacts of COVID-19.

The revaluation of the fair value of the contingent consideration related to the acquisition of PerformaLogics and MobilForce resulted in a gain of \$136,976 as a result of the decreased revenues expected due to the impacts of COVID-19.

**h) Net income (loss) before income taxes**

The Company recorded a net loss before income taxes in 2020 of \$11,510 compared to a net income of \$460,304 in 2019.

**i) Income taxes**

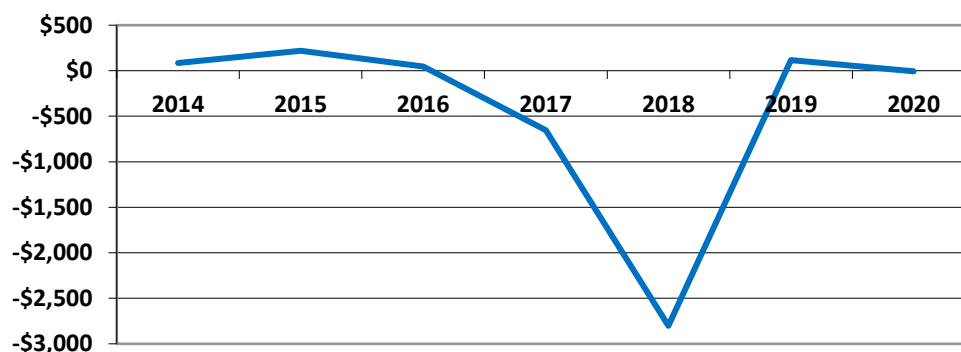
In 2020, the Company recorded a future tax expense of nil against its deferred tax assets (2019- 293,374). A current income tax recovery of \$4,612 was recorded for 2020 (2019 – expense of \$50,686).

**j) Net loss and comprehensive loss**

The Company reported a net loss and comprehensive loss for 2020 of \$6,898 or \$(0.00) per share basic and diluted compared to a net income and comprehensive income of 2019 of \$116,244 or \$0.01 per share basic and diluted.

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
Years ended December 31, 2020 and 2019  
(in Canadian Dollars, except as otherwise noted)

Net earnings from continuing operations (in '000s)



**k) Cash Flows**

The Company's cash position was \$1,865,620 at December 31, 2020, compared to \$1,382,296 at December 31, 2019.

|                                                                        | 2020              | 2019                | %           |
|------------------------------------------------------------------------|-------------------|---------------------|-------------|
| Cash flows from operating activities before changes in working capital | \$ 1,689,983      | \$ 1,481,818        | 14%         |
| Changes in working capital                                             | 555,508           | 65,045              | 754%        |
| Cash flows from operating activities                                   | 2,245,491         | 1,546,863           | 45%         |
| Cash flows used in financing activities                                | (262,777)         | (388,251)           | -32%        |
| Cash flows used in investing activities                                | (1,499,390)       | (19,181)            | 7717%       |
| <b>Increase (decrease) in cash</b>                                     | <b>\$ 483,324</b> | <b>\$ 1,139,431</b> | <b>-58%</b> |

Operating activities:

This year's increase in operating cashflows was due to decreased overall spending due to the pandemic.

Financing activities:

As at December 31, 2020 and 2019, the Company had not drawn on its bank line of credit. In 2020, the Company received \$115,456 from the US PPP loan program, loan forgiveness was obtained in late March, 2021. There were no new loans in 2019.

For 2020, \$238,542 was paid toward lease liabilities while in 2019, \$248,536 was paid.

Share capital increased by \$36,900 from the issuance of common shares during 2019 as a result of the exercise of stock options (2019 - \$91,200). Finance costs paid were \$92,398 compared to \$75,831 in 2019.

Investing activities:

In 2020, the Company invested \$726,146 in property and equipment, compared to \$30,254 in 2019. The equipment was purchased to support a multi-year renewal agreement for event marketing automation. In 2020, the Company invested \$513,700 and \$259,544 in the acquisition of PerformaLogics and MobilForce respectively.

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars, except as otherwise noted)**

**I) Liquidity and Capital Resources**

Working capital was \$ 2,637,380 as at December 31, 2020 compared to \$2,878,263 as at December 31, 2019. The table below shows other balance sheet accounts compared to previous year including the percentage change:

|                                           | 2020       | 2019       | %    |
|-------------------------------------------|------------|------------|------|
| Current portion of long-term debt         | \$ -       | \$ -       | N/A  |
| Short-term debt                           | \$ 115,456 | \$ -       | 100% |
| Contract liabilities                      | \$ 645,568 | \$ 340,894 | 89%  |
| Trade and other liabilities               | \$ 420,697 | \$ 722,037 | -42% |
| Current portion of lease liabilities      | \$ 257,171 | \$ 247,934 | 4%   |
| Lease liabilities                         | \$ 810,812 | \$ 512,258 | 58%  |
| Current portion of contingent liabilities | \$ 249,172 | \$ -       | 100% |
| Contingent liabilities                    | \$ 92,469  | \$ -       | 100% |

Debt to equity increased from 0.43 at December 31, 2019 to 0.57 at December 31, 2020. The increase in the ratio is due to the assumption of short-term debt as well as the increase in contract liabilities and the extension of the capital leases. The lease obligations extend to the year 2026.

The Company has a current ratio of 2.5:1 and credit facilities that include a \$2,100,000 demand operating loan. The Company had not drawn on this facility as at December 31, 2020 or as at December 31, 2019. The Company had cash in the bank as at December 31, 2020 of \$1,865,620 and good quality accounts receivable of \$2,343,806. Management believes that the Company has sufficient cash resources to continue to finance its working capital requirements. Risks include the ability of the Company to produce cash flows through revenues to meet its obligations. Risks include the ability of the Company to recover revenues once the post COVID-19 pandemic mandated closures subside as well as to produce cash flows through revenues to meet its obligations. The Company will continue working to mitigate the impact of the pandemic and position the Company for sustained economic recovery.

**Review of quarterly operating results ('000s)**

|                                                    | 2020           |                |                 |                 | 2019           |                |                |                |
|----------------------------------------------------|----------------|----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
|                                                    | Q4             | Q3             | Q2              | Q1              | Q4             | Q3             | Q2             | Q1             |
| <b>Revenue</b>                                     | <b>\$3,615</b> | <b>\$2,965</b> | <b>\$1,460</b>  | <b>\$4,754</b>  | <b>\$4,721</b> | <b>\$4,909</b> | <b>\$5,037</b> | <b>\$4,588</b> |
| Cost of services                                   | 1,734          | 1,408          | 555             | 2,357           | 2,317          | 2,406          | 2,401          | 2,168          |
| Gross margin                                       | 1,881          | 1,557          | 905             | 2,397           | 2,404          | 2,503          | 2,636          | 2,420          |
| Total operating expenses                           | 1,949          | 1,073          | 1,083           | 2,691           | 2,036          | 2,355          | 2,648          | 2,388          |
| <b>Earnings (loss) from operating activities</b>   | <b>\$ (68)</b> | <b>\$ 484</b>  | <b>\$ (178)</b> | <b>\$ (294)</b> | <b>\$ 368</b>  | <b>\$ 148</b>  | <b>\$ (12)</b> | <b>\$ 32</b>   |
| Gain(loss) in fair value of contingent liabilities | 18             | 47             | (47)            | 119             | -              | -              | -              | -              |
| Finance costs                                      | (21)           | (23)           | (22)            | (26)            | (23)           | (11)           | (23)           | (19)           |
| <b>Net earnings (loss) before income taxes</b>     | <b>\$ (71)</b> | <b>\$ 508</b>  | <b>\$ (247)</b> | <b>\$ (201)</b> | <b>\$ 345</b>  | <b>\$ 137</b>  | <b>\$ (35)</b> | <b>\$ 13</b>   |
| Finance costs                                      | 21             | 23             | 22              | 26              | 23             | 11             | 23             | 19             |
| Impairment of intangible assets and goodwill       | (60)           | 1              | 87              | 450             | -              | -              | -              | -              |
| Gain(loss) in fair value of contingent liabilities | (18)           | (47)           | 47              | (119)           | -              | -              | -              | -              |
| Amortization of property and equipment             | 153            | 153            | 142             | 128             | 166            | 148            | 154            | 124            |
| Amortization of intangible assets                  | 117            | 105            | 108             | 114             | 86             | 87             | 87             | 87             |
| Share-based compensation                           | 173            | 18             | 18              | 18              | 18             | 16             | 19             | 12             |
| <b>Adjusted EBITDA<sup>1</sup></b>                 | <b>\$ 315</b>  | <b>\$ 761</b>  | <b>\$ 177</b>   | <b>\$ 416</b>   | <b>\$ 638</b>  | <b>\$ 398</b>  | <b>\$ 248</b>  | <b>\$ 255</b>  |

<sup>1</sup>Adjusted EBITDA

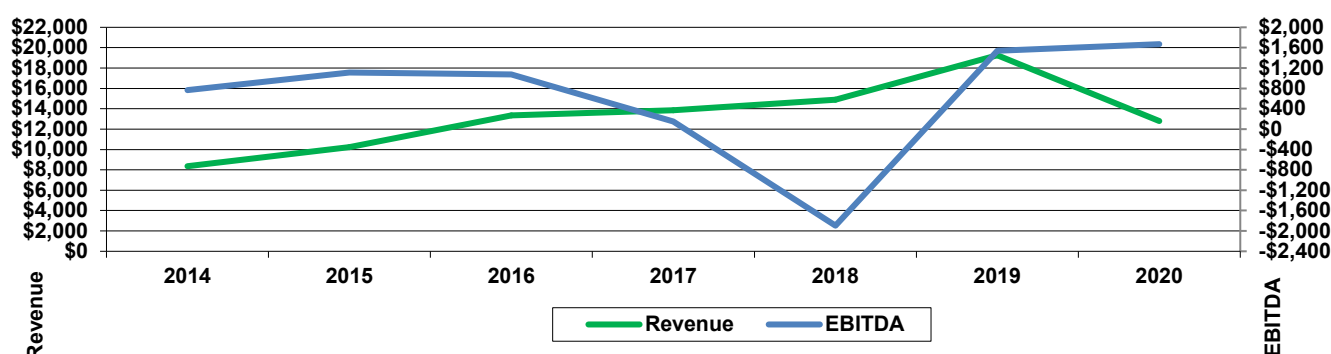
Adjusted EBITDA is a non-IFRS financial measure, which is defined as earnings before income tax expense, financing costs, depreciation and amortization, and impairment charges.

Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. We calculate Adjusted EBITDA by adding back to net earnings (loss) before taxes the finance costs, amortization

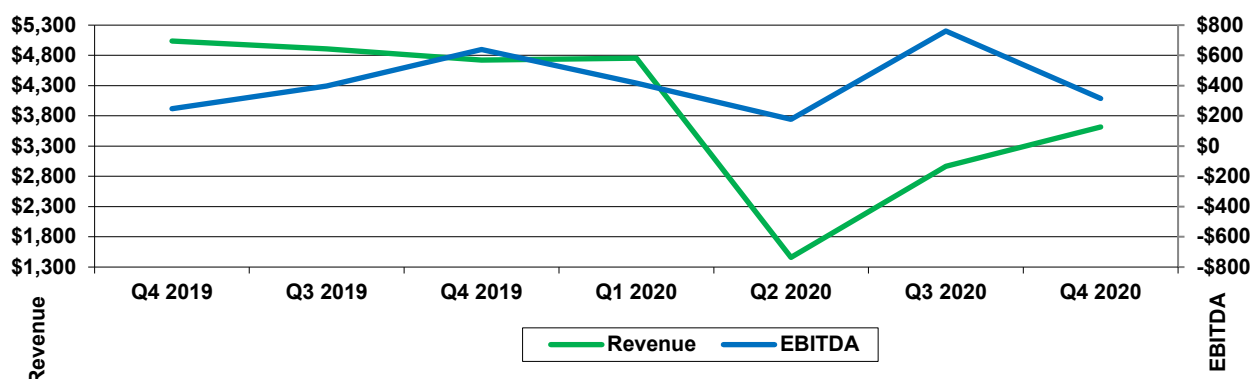
**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
Years ended December 31, 2020 and 2019  
(in Canadian Dollars, except as otherwise noted)

expense, change in the fair value of contingent payments and stock-based compensation expenses. Adjusted EBITDA is also used by investors and analysts for the purpose of valuing an issuer. The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

**Adjusted EBITDA and revenue (in '000s)**



**Quarterly Adjusted EBITDA and revenue (in '000s)**



## **ACCOUNTING POLICIES**

### **a) 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.

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars, except as otherwise noted)**

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*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 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 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, and 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.

*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.

*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 the consolidated financial statements Note 2.

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars, except as otherwise noted)**

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*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 the consolidated financial statements Note 27. 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.

*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 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.

**b) Statement of compliance**

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards. On April 1, 2021 the Company's Board of Directors approved these consolidated financial statements and authorized them for issue.

**c) Management's Conclusion on the design of Internal Controls over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure and internal controls and procedures as at December 31, 2020 and have concluded that the Company's controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, was made known to them and reported as required, particularly during the period in which this report was being prepared.

**d) Management's Conclusion on the effectiveness of Disclosure Controls**

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2020 and have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them.

**CORPORATE GOVERNANCE**

The five-person Board of Directors of Intouch is composed of three independent directors who are not related to the Company. One director has been appointed as the Chairman of the Board of Directors and the other as Chief Executive Officer of the Company. The entire Board fulfils the Audit Committee and all directors other than the Chief Executive Officer fulfils the Compensation Committee mandates. The Board and Management will continue to ensure compliance with regulatory requirements.

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars, except as otherwise noted)**

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**RISK MANAGEMENT**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit Committee which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls and sound business practices.

**RISK FACTORS AND UNCERTAINTIES**

The Company is focused on expanding its business internally as well as through strategic partnerships and acquisitions to achieve continued growth and profitability. Nevertheless, the Company's future results will depend on its ability to find financing and to continuously introduce new products and enhancements to its customers. There are other additional risks and uncertainties described below.

**a) COVID-19 and Other Pandemic or Epidemic Diseases**

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. Outbreaks, or the threat of outbreaks of viruses or other contagions or epidemic or pandemic diseases, including the recent COVID-19 outbreak, may lead to prolonged voluntary or mandatory building closures, business closures, government restrictions on travel and gatherings, quarantines, self-isolation and physical distancing. The impact of these measures may lead to a general shutdown of economic activity and disrupt workforce and business operations both in Canada and the World. Such occurrences, including the outbreak of COVID-19, could have a material adverse effect on debt and capital markets, and the ability to provide certain services to clients when shutdowns occur. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government interventions. The pace of recovery following such occurrences cannot be accurately predicted, nor can the impact on the Company's asset valuations, cash flows, results of operations and the Company's ability to obtain additional financing.

Specifically, such enhanced risks associated with COVID-19 include, but are not limited to:

- the trading price of the Company's shares;
- a reduction in annual revenue due to associated financial hardship and non-essential business orders governing the closure of certain businesses to whom we provide services;
- issues delivering services due to Company or government imposed isolation programs, restrictions on the movement of contractors, and closures;
- the impact of additional legislation, regulation and other government interventions in response to the COVID-19 pandemic;

The foregoing is not an exhaustive list of all risk factors.

Developments regarding the COVID-19 pandemic have resulted in a substantive shift in management's focus towards ensuring the continued safety of our employees, compliance with guidelines and requirements issued by various health authorities and government organizations, and continuity of other critical business operations. We remain focused on delivering our key business operations in a responsible manner.

**b) Lengthy and Complex Sales Cycle**

Intouch sales efforts target large companies requiring Intouch to expend significant resources educating prospective customers about the uses and benefits of Intouch products. Because the purchase of Intouch's solution is a significant decision for these companies, prospective customers generally take a long time to evaluate the product. The sales cycle may range from four to six months for larger accounts, although these cycles can be longer due to significant delays over which Intouch has little or no control.

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars, except as otherwise noted)**

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**c) Increasing Competition**

The markets in which Intouch operates and intends to operate are extremely competitive and can be significantly influenced by the marketing and pricing decisions of larger industry participants including large companies that have substantially greater market presence and financial, technical, operational, marketing and other resources and experience than Intouch.

**d) Evolving Business Model**

The Intouch business model continues to evolve. Intouch seeks to develop and promote new or complementary solutions and products to expand the breadth and depth of its service offerings. There can be no assurance that Intouch will be able to expand its operations in a cost-effective or timely manner or that any such efforts will create, maintain or increase overall market acceptance.

**e) Need to Manage Growth**

The growth of Intouch's business and its products and services cause significant demands on Intouch's managerial, operational and financial resources. Demands on Intouch's financial resources will grow rapidly with Intouch's expanding customer base. Additional working capital may be required and there are no assurances that access to the capital required for the future growth and expansion plans will be available.

**f) Dependency on Key Personnel**

Intouch's success will depend upon the continued service of its senior management team. Intouch employees may voluntarily terminate their employment with Intouch at any time. The loss of services of key personnel could have a material adverse effect upon Intouch's business, financial condition and results of operation.

**g) Future Capital Needs**

Intouch may need to raise funds through public or private financing in the event that Intouch incurs operating losses or requires substantial capital investment or in order for Intouch to respond to unanticipated competitive pressures or to take advantage of unanticipated opportunities. There can be no assurances that additional financing will be available on terms favourable to Intouch or at all.

**h) Foreign Exchange Exposure**

Intouch continues to seek expanding its operations into the US market. Fluctuations in the currency exchange rate may affect the revenue and operations of the company. The potential effect of the currency exchange rate fluctuations will be magnified as the percentage of sales to the US market grows.

**i) Cybersecurity**

Security breaches and other disruptions to our information technology networks and systems could interfere with our operations and could compromise the confidentiality of private customer data or our proprietary information. While we attempt to mitigate these risks by employing a number of measures, including employee training, monitoring and testing, and maintenance of protective systems and having developed contingency plans, we remain potentially vulnerable to additional known or unknown threats. We collect and store sensitive data including intellectual property, proprietary business information as well as personally identifiable information of our customers and employees in data centers and on information technology networks. The secure operation of these networks and systems is critical to our business operations and strategy. Despite our efforts to protect sensitive, confidential or personal data or information, we may be vulnerable to security breaches, theft, misplaced or lost data, programming errors, employee errors and/or misconduct that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, unauthorized access, use, disclosure, modification or destruction of information, production downtimes and operational disruptions. In addition, a cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action.

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars, except as otherwise noted)**

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**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), net of cash as its capital.

The Company also has certain positive covenants that it must meet with a Schedule 1 chartered Canadian bank 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 its covenant in both 2020 and 2019.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. For its core business, the Company targets year over year revenue increases with positive increases in earnings before interest, tax and amortization ("EBITDA"). These objectives are met through operational changes to enhance cash flow performance, the evaluation of acquisitions as they relate to the Company's market share and performance, and risk mitigation.

The Company is not subject to any statutory capital requirements and has no commitments, other than options and restricted share units, 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.

**FINANCIAL INSTRUMENTS**

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

|                                      | <b>December 31, 2020</b> | December 31, 2019  |
|--------------------------------------|--------------------------|--------------------|
| <b><i>Financial assets:</i></b>      |                          |                    |
| <b>At amortized cost</b>             |                          |                    |
| Cash and cash equivalents            | <b>\$1,865,620</b>       | \$1,382,296        |
| Trade and other receivables          | <b>2,253,564</b>         | 2,625,209          |
| Contract assets                      | <b>-</b>                 | 57,419             |
| <b>Total financial assets</b>        | <b>\$4,119,184</b>       | <b>\$4,064,924</b> |
| <b><i>Financial liabilities:</i></b> |                          |                    |
| <b>At amortized cost</b>             |                          |                    |
| Trade and other liabilities          | <b>\$420,697</b>         | \$722,037          |
| Short-term debt                      | <b>115,456</b>           | -                  |
| Lease liabilities                    | <b>1,067,983</b>         | 760,192            |
| <b>At fair value</b>                 |                          |                    |
| Contingent liabilities               | <b>341,641</b>           | -                  |
| <b>Total financial liabilities</b>   | <b>\$1,945,777</b>       | <b>\$1,482,229</b> |

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

**SHARES**

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, 2020, there were 140,000 shares issued resulting from the exercise of stock options (2019 – 365,000).

**INTOUCH INSIGHT LTD.**  
**Management's Discussion & Analysis**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars, except as otherwise noted)**

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**MANAGEMENT'S STATEMENT OF RESPONSIBILITY**

The accompanying consolidated financial statements of Intouch Insight Ltd. and all information contained herein are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are based on management's best estimates that have been made using careful judgement.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial and operating data elsewhere in the report are consistent with the information contained in the financial statements.

Although no cost-effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded, and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements. The Board of Directors meets periodically with management and with the external auditors to discuss the results of audit examinations with respect to the adequacy of internal controls and to review and discuss the financial statements and financial reporting matters.

Additional information about the Company such as the 2020 audited consolidated financial statements can be found on SEDAR at [www.sedar.com](http://www.sedar.com).



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# **Consolidated Financial Statements**

## **Intouch Insight Ltd.**

**Years ended December 31, 2020 and 2019**



(Expressed in Canadian Dollars)

**Intouch Insight Ltd.**  
**Consolidated Financial Statements**  
**December 31, 2020 and 2019**

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|                                                                              | <u>PAGE</u> |
|------------------------------------------------------------------------------|-------------|
| Management's Report                                                          | 1           |
| Independent Auditors' Report                                                 | 2           |
| Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss) | 5           |
| Consolidated Statements of Financial Position                                | 6           |
| Consolidated Statements of Changes in Equity                                 | 7           |
| Consolidated Statements of Cash Flows                                        | 8           |
| Notes to the Consolidated Financial Statements                               | 9 - 36      |

## 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.

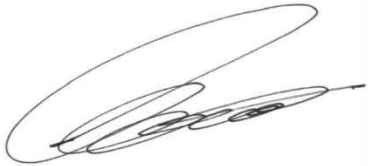
Intouch Insight Ltd. maintains systems of internal accounting controls, policies and procedures to provide reasonable assurance as to the reliability of the financial records and the safeguarding of its assets.

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 1, 2021



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Cameron Watt  
Chief Executive Officer



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Cathy Smith  
Chief Financial Officer

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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, 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 and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the 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 the other information obtained prior to the date of this auditor's report, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 1, 2021

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

# INTOUCH INSIGHT LTD.

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

Years ended December 31, 2020 and 2019

(in Canadian Dollars)

|                                                          | Note | 2020          | 2019          |
|----------------------------------------------------------|------|---------------|---------------|
| <b>Revenue</b>                                           | 5    | \$ 12,795,277 | \$ 19,255,202 |
| <b>Cost of services</b>                                  | 6    | 6,054,518     | 9,292,174     |
| <b>Gross margin</b>                                      |      | 6,740,759     | 9,963,028     |
| <b>Operating expenses</b>                                |      |               |               |
| Selling                                                  | 7    | 742,610       | 1,632,372     |
| General and administrative                               | 8    | 4,462,207     | 6,154,555     |
| Product development                                      | 9    | 1,113,485     | 1,639,966     |
| Impairment of intangible assets and goodwill             | 15   | 478,545       | -             |
| <b>Total operating expenses</b>                          |      | 6,796,847     | 9,426,893     |
| <b>Income (loss) from operating activities</b>           |      | (56,088)      | 536,135       |
| <b>Non-operating expenses</b>                            |      |               |               |
| Finance costs                                            | 26   | (92,398)      | (75,831)      |
| Gain (loss) in fair value of contingent liabilities      | 17   | 136,976       | -             |
| <b>Net income (loss) before income taxes</b>             |      | (11,510)      | 460,304       |
| <b>Income taxes</b>                                      | 27   |               |               |
| Deferred tax expense                                     |      | -             | (293,374)     |
| Current income tax recovery (expense)                    |      | 4,612         | (50,686)      |
| <b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b> |      | \$ (6,898)    | \$ 116,244    |
| <b>Earnings (loss) per share</b>                         | 11   |               |               |
| Basic                                                    |      | \$ (0.00)     | \$ 0.01       |
| Diluted                                                  |      | \$ (0.00)     | \$ 0.01       |
| Weighted average number of shares - basic                |      | 22,579,748    | 22,318,208    |
| Weighted average number of shares - diluted              |      | 22,579,748    | 22,469,930    |

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

# INTOUCH INSIGHT LTD.

## Consolidated Statements of Financial Position

As at December 31, 2020 and 2019

(in Canadian Dollars)

|                                                   | Notes | December 31,<br>2020 | December 31,<br>2019 |
|---------------------------------------------------|-------|----------------------|----------------------|
| <b>ASSETS</b>                                     |       |                      |                      |
| <i>Current Assets</i>                             |       |                      |                      |
| Cash and cash equivalents                         |       | \$ 1,865,620         | \$ 1,382,296         |
| Trade and other receivables                       | 13    | 2,343,806            | 2,625,209            |
| Contract assets                                   | 13    | -                    | 57,419               |
| Prepaid expenses                                  |       | 116,018              | 124,204              |
| <b>Total Current Assets</b>                       |       | <b>4,325,444</b>     | <b>4,189,128</b>     |
| <i>Non-Current Assets</i>                         |       |                      |                      |
| Property and equipment                            | 14    | 1,997,331            | 1,300,834            |
| Intangible assets                                 | 15    | 775,155              | 611,715              |
| Goodwill                                          | 15    | 28,089               | -                    |
| <b>Total Non-Current Assets</b>                   |       | <b>2,800,575</b>     | <b>1,912,549</b>     |
| <b>TOTAL ASSETS</b>                               |       | <b>7,126,019</b>     | <b>\$ 6,101,677</b>  |
| <b>LIABILITIES</b>                                |       |                      |                      |
| <i>Current Liabilities</i>                        |       |                      |                      |
| Trade and other liabilities                       | 18    | \$ 420,697           | \$ 722,037           |
| Contract liabilities                              | 13    | 645,568              | 340,894              |
| Short-term debt                                   | 19    | 115,456              | -                    |
| Current portion of contingent liabilities         | 17    | 249,172              | -                    |
| Current portion of lease liabilities              | 20    | 257,171              | 247,934              |
| <b>Total Current Liabilities</b>                  |       | <b>1,688,064</b>     | <b>1,310,865</b>     |
| <i>Non-Current Liabilities</i>                    |       |                      |                      |
| Contingent liabilities                            | 17    | 92,469               | -                    |
| Lease liabilities                                 | 20    | 810,812              | 512,258              |
| <b>Total Non-Current Liabilities</b>              |       | <b>903,281</b>       | <b>512,258</b>       |
| <b>TOTAL LIABILITIES</b>                          |       | <b>2,591,345</b>     | <b>1,823,123</b>     |
| <b>SHAREHOLDERS' EQUITY</b>                       |       |                      |                      |
| Share capital                                     | 22    | 5,560,955            | 5,518,848            |
| Contributed surplus                               |       | 1,678,571            | 1,457,660            |
| Deficit                                           |       | (2,704,852)          | (2,697,954)          |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 |       | <b>4,534,674</b>     | <b>4,278,554</b>     |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |       | <b>7,126,019</b>     | <b>\$ 6,101,677</b>  |

Commitments and Contingencies

32

ON BEHALF OF THE BOARD

Original signed by:

Eric Beutel, Director

Original signed by:

Michael Gaffney, Director

# INTOUCH INSIGHT LTD.

## Consolidated Statements of Changes in Equity

Years ended December 31, 2020 and 2019

(in Canadian Dollars)

|                                                                       |      | Number of<br>Common Shares | Share<br>Capital | Warrants   | Contributed<br>Surplus | Retained<br>Earnings<br>(Deficit) | Total<br>Equity |
|-----------------------------------------------------------------------|------|----------------------------|------------------|------------|------------------------|-----------------------------------|-----------------|
|                                                                       | Note |                            |                  |            |                        |                                   |                 |
| <b>Balance as at January 1, 2019</b>                                  | 22   | 22,146,811                 | \$ 5,403,861     | \$ 977,774 | \$ 438,478             | \$ (2,814,198)                    | \$ 4,005,915    |
| Issuance of share capital related<br>to the exercise of share options | 22   | 365,000                    | 114,987          | -          | (23,787)               | -                                 | 91,200          |
| Share-based compensation                                              |      | -                          | -                | -          | 65,195                 | -                                 | 65,195          |
| Expiry of warrants                                                    |      | -                          | -                | (977,774)  | 977,774                | -                                 | -               |
| Net loss and comprehensive loss                                       |      | -                          | -                | -          | -                      | 116,244                           | 116,244         |
| <b>Balance as at December 31, 2019</b>                                | 22   | 22,511,811                 | \$ 5,518,848     | \$ -       | \$ 1,457,660           | \$ (2,697,954)                    | \$ 4,278,554    |
| Issuance of share capital related<br>to the exercise of share options | 22   | 140,000                    | 42,107           | -          | (5,207)                | -                                 | 36,900          |
| Share-based compensation                                              |      | -                          | -                | -          | 226,118                | -                                 | 226,118         |
| Net income and comprehensive income                                   |      | -                          | -                | -          | -                      | (6,898)                           | (6,898)         |
| <b>Balance as at December 31, 2020</b>                                |      | 22,651,811                 | \$ 5,560,955     | \$ -       | \$ 1,678,571           | \$ (2,704,852)                    | \$ 4,534,674    |

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

# INTOUCH INSIGHT LTD.

## Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019

(in Canadian Dollars)

|                                                              | Note   | 2020                | 2019                |
|--------------------------------------------------------------|--------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                  |        |                     |                     |
| Net income (loss)                                            |        | \$ (6,898)          | \$ 116,244          |
| Adjustments for non-cash items:                              |        |                     |                     |
| Amortization of property and equipment                       | 14     | 575,981             | 591,612             |
| Amortization of intangible assets                            | 15     | 443,338             | 347,370             |
| Allowance for doubtful accounts                              |        | 17,477              | -                   |
| Finance costs                                                | 26     | 92,398              | 75,831              |
| Impairment of intangible assets and goodwill                 | 15     | 478,545             | -                   |
| Gain on contingent liabilities                               | 17     | (136,976)           | -                   |
| Share-based compensation                                     | 23, 24 | 226,118             | 65,195              |
| Loss (gain) on disposal of property and equipment            |        | -                   | (7,808)             |
| Deferred tax expense                                         | 27     | -                   | 293,374             |
| Net change in non-cash operating working capital             | 25     | 555,508             | 65,045              |
| <b>Net cash flows from operating activities</b>              |        | <b>2,245,491</b>    | <b>1,546,863</b>    |
| <b>Cash flows from financing activities</b>                  |        |                     |                     |
| Issuance of share capital net of cash issue costs            | 22     | \$ 36,900           | \$ 91,200           |
| Repayment of long-term debt                                  |        | -                   | (155,084)           |
| Increase in short-term debt                                  | 19     | 115,456             | -                   |
| Payment of lease liabilities                                 | 20     | (238,542)           | (248,536)           |
| Repayment of contingent liabilities                          |        | (84,193)            | -                   |
| Finance costs paid                                           | 26     | (92,398)            | (75,831)            |
| <b>Net cash flows from (used in) financing activities</b>    |        | <b>(262,777)</b>    | <b>(388,251)</b>    |
| <b>Cash flows from investing activities</b>                  |        |                     |                     |
| Purchase of PerformaLogics, net of assumed cash              | 16     | \$ (513,700)        | \$ -                |
| Purchase of MobilForce, net of assumed cash                  | 16     | (259,544)           | -                   |
| Proceeds on disposal of property and equipment               |        | -                   | 11,073              |
| Purchase of property and equipment                           | 14     | (726,146)           | (30,254)            |
| <b>Net cash flows used in investing activities</b>           |        | <b>(1,499,390)</b>  | <b>(19,181)</b>     |
| <b>NET INCREASE IN CASH</b>                                  |        | <b>483,324</b>      | <b>1,139,431</b>    |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>          |        | <b>1,382,296</b>    | <b>242,865</b>      |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                |        | <b>\$ 1,865,620</b> | <b>\$ 1,382,296</b> |
| <b>Additional Information</b>                                |        |                     |                     |
| Interest paid for leases                                     |        | 49,055              | 32,300              |
| Income tax paid (recovered) included in operating activities |        | (4,612)             | 50,686              |

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

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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.F. 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, 2020.

On April 1, 2021, 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., Performalogics Inc., Mobilforce Incorporated, and Intouch Insight Corp. Intouch Insight Inc., Performalogics Inc., and Mobilforce Incorporated are Canadian companies 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) Impact of COVID-19

In Q1 2020, 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. Consequently, there has been a widespread shut down of North American companies in the retail, foodservice and hospitality industries, which will negatively impact Intouch's recurring service revenues.

In response, the Company enacted temporary pay cuts across its employee base, including the executive team and CEO, as well as accessing government COVID-19 relief programs in both Canada and the United States. The Company continues to market and has available to its customers its recurring revenue services and software products, including its customer experience management platform; LiaCX™ and its forms and checklist automation product; IntouchCheck.

The future effect of COVID-19 on the economy and businesses, in general, remains uncertain. The medium and long term impact to the Company from COVID-19 will depend on the length of time retail, foodservice and hospitality companies are closed, the financial solutions achieved with government, lenders, franchisees, and landlords, post COVID-19 consumer behaviours, and the macro impact on the overall economy.

The Company continues to monitor and actively manage the developing impacts from COVID-19 and will continue to assess impacts to the Company's operations and the reported value of assets and liabilities reported in these consolidated financial statements.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

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(e) 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.

(f) 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.

(g) 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.

(h) 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 trademarks 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.

(i) Impairment testing of intangible assets, goodwill 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 asset's 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 first allocated to reduce the carrying amount of any goodwill allocated to the CGU until it's nil and then to the carrying amounts of the intangible assets in the CGU on a pro rata basis.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

In respect of intangible assets and property and equipment, 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.

Any impairment loss in respect of goodwill is not reversed.

There were impairment losses recognized for the year ended December 31, 2020 (Note 15).

(j) 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 obligations.

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.

|                      | <b>December 31, 2020</b> | December 31, 2019 |
|----------------------|--------------------------|-------------------|
| Trade receivables    | 2,217,526                | 2,624,598         |
| Contract assets      | nil                      | 57,419            |
| Contract liabilities | 645,568                  | 340,894           |

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, 2020 (December 31, 2019 – nil). 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, 2020, the amount of deferred income is \$645,568. 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 two years.

The amount of \$340,894 recognized in contract liabilities at the beginning of the period has been recognized as revenue for the period ended December 31, 2020 (2019- \$135,712).

|                                                                                  | <b>2020</b>       | 2019              |
|----------------------------------------------------------------------------------|-------------------|-------------------|
| Balance, beginning of year                                                       | \$ 340,894        | \$ 135,712        |
| Amounts invoiced and revenue deferred                                            | 645,568           | 340,894           |
| Recognition of deferred revenue included in the balance at the beginning of year | (340,894)         | (135,712)         |
| <b>Balance, end of year</b>                                                      | <b>\$ 645,568</b> | <b>\$ 340,894</b> |

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

---

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, 2020:

|                                   | <b>2021</b> | <b>2022</b> | <b>Total</b> |
|-----------------------------------|-------------|-------------|--------------|
| Revenue expected to be recognized | \$346,844   | \$298,724   | \$645,568    |

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 is 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.

Revenue from 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.

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 contract assets. Contract liabilities are 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.

(k) 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, 2020 and 2019.

(l) 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.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

---

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.

Government contributions (Note 4) of \$1,676,090 were received or receivable during the year ended December 31, 2020 (2019 - nil). This amount has been included to reduce cost of services (Note 6), selling expenses (Note 7), product development expenses (Note 9), and general and administrative expenses (Note 8) as the contributions do not contain any requirements or restrictions with which the Company must comply as a condition of receipt.

(m) 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, 2020, the Company received \$16,693 (2019 - \$89,658) in investment tax credits. This amount has been included to reduce product development expenses (Note 9).

(n) Leases

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 amortizes 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.

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.

Management has estimated the Company's incremental borrowing rate at 4.5% per annum for discounting purposes.

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.

(o) 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,

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

---

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).

(p) 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.

(q) 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. When restricted share units are vested, the amount previously recorded in contributed surplus is moved to share capital.

The Company's plan does not feature any options for cash settlement. For restricted share units, they can be settled in cash at the option of the company.

(r) 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 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.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

---

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.

(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 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 the Company's financial instruments as follows:

| <b>Financial Instrument</b> | <b>Classification under IFRS 9</b> |
|-----------------------------|------------------------------------|
| Cash and cash equivalents   | Amortized cost                     |
| Trade and other receivables | Amortized cost                     |
| Contract assets             | Amortized cost                     |
| Trade and other liabilities | Amortized cost                     |
| Short-term debt             | Amortized cost                     |
| Contingent liabilities      | FVTPL                              |
| Lease liabilities           | 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

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

---

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 ("ECLs") at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach for its accounts receivable under IFRS 9 and calculated ECLs based on lifetime expected credit losses taking into considerations historical credit loss experience and financial factors specific to the debtors and general economic conditions. 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.

*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.

(u) **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.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

---

*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 expected 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.

*Warrants*

In calculating the value of the warrants, key estimates such as the expected life of the warrant, the expected 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.

*Contingent consideration*

The Company measures the contingent consideration payable in a business combination at the estimated fair value at each reporting date. The fair value is estimated based on the range of possible outcomes and the Company's assessment of the likelihood of each outcome.

*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 10).

*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(j).

*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 29. 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.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

---

In assessing impairment, Management estimates the recoverable amount of each asset or cash-generating unit (CGU) 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(i)).

Assets are grouped into CGUs at the lowest level of separately identified cash flows. The determination of a CGU is based on management's judgment and is an assessment of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

*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.

**3. RECENT ACCOUNTING PRONOUNCEMENTS AND FUTURE CHANGES IN ACCOUNTING POLICIES**

The following accounting standard has been adopted effective January 1, 2020.

*Amendments to IFRS 3 – Business Combinations*

The amendments to IFRS 3 are applicable for acquisitions occurring on or after January 1, 2020 and are adopted prospectively. These amendments to the implementation guidance of IFRS 3 clarify the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments to IFRS 3 – Business Combination may affect whether future acquisitions are accounted for as business combinations or asset acquisitions, along with the resulting allocation of the purchase price between the net identifiable assets acquired and goodwill.

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:

*Classification of liabilities as current or non-current (Amendments to IAS 1)*

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1), which clarified the guidance on whether a liability should be classified as either current or non-current. The amendments were as follows:

- (i) Clarified that the classification of liabilities as current or non-current should only be based on rights that are in place at the end of the reporting period.
- (ii) Clarified that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- (iii) Made clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This new guidance is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The Company has not yet assessed the impact of adoption of this guidance. Further, there is currently a proposal outstanding that would defer the effective date until January 1, 2023.

**4. GOVERNMENT ASSISTANCE**

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy program in April 2020 ("CEWS"). CEWS provides a wage subsidy on eligible remuneration to eligible employers based on certain criteria. The Government of Canada also announced the Canada Emergency Commercial Rent Assistance program ("CECRA") and its replacement, the Canada Emergency Rent Subsidy ("CERS") in April 2020, and October 2020, respectively.

During the year ended December 31, 2020, the Company assessed its eligibility related to CEWS and determined it has qualified for this subsidy from the March 15, 2020 effective date through to January 16, 2021.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

It has accordingly applied for and received \$1,459,102 for the period ended November 21, 2020, and has applied for additional periods ended January 16, 2021 and recorded a receivable of \$90,242 for the period November 22, 2020 through to December 31, 2020. This subsidy has been recorded as a reduction to the eligible remuneration expense incurred by the Company during this period, divided between cost of sales, selling expenses, general and administrative expenses, and product development expenses. The Company intends to apply for the CEWS in subsequent application periods, subject to continuing to meet the applicable qualification criteria.

With regards to CECRA and CERS, the Company has accordingly applied for and received \$126,746 in 2020. This subsidy has been recorded as a reduction of expenses in General and administrative expenses.

**5. REVENUE**

Geographical revenue

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

|                      | 2020                 | 2019                 |
|----------------------|----------------------|----------------------|
| Canada               | \$ 3,940,323         | \$ 6,905,774         |
| US                   | 8,782,927            | 12,298,721           |
| Other                | 72,027               | 50,707               |
| <b>Total revenue</b> | <b>\$ 12,795,277</b> | <b>\$ 19,255,202</b> |

Major customers

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

|            | 2020         | 2019         |
|------------|--------------|--------------|
| Customer 1 | \$ 2,201,552 | \$ 3,226,235 |
| Customer 2 | 1,703,207    | 2,398,827    |
| Customer 3 | 1,441,835    | 1,815,641    |

Major trade receivables

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

|            | 2020       | 2019       |
|------------|------------|------------|
| Customer 1 | \$ 680,992 | \$ 542,449 |

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

**6. COST OF SERVICES**

During the year ended December 31, 2020 the Company recorded amortization expense of \$221,762 (December 31, 2019 - \$209,372) within cost of services. Salaries and benefits charged to cost of services was \$796,604 in 2020 compared to \$826,163 in 2019. Share-based compensation (a non-cash item) of \$6,830 was included in Salaries and benefits in 2020 (2019 – nil). The Canada Emergency Wage Subsidy included as a reduction to cost of services in 2020 was \$204,671.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
Years ended December 31, 2020 and 2019  
(in Canadian Dollars)

**7. SELLING EXPENSES**

Selling expenses for the Company are broken down as follows:

|                                      | 2020              | 2019                |
|--------------------------------------|-------------------|---------------------|
| Marketing expenses                   | \$ 198,827        | \$ 658,944          |
| Travel expenses                      | 77,642            | 272,300             |
| Salaries and benefits <sup>(1)</sup> | 638,692           | 701,128             |
| Wage subsidy- Canada Emergency       |                   |                     |
| Wage Subsidy (CEWS)                  | (172,551)         | -                   |
| <b>Selling expenses</b>              | <b>\$ 742,610</b> | <b>\$ 1,632,372</b> |

<sup>(1)</sup> Share-based compensation (a non-cash item) of \$10,891 (2019 - nil) has been included in Salaries and benefits

**8. GENERAL AND ADMINISTRATIVE EXPENSES**

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

|                                                                                                           | 2020                | 2019                |
|-----------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Corporate administration                                                                                  | \$ 762,597          | \$ 906,361          |
| Rent relief- Canada Emergency Commercial Rent Assistance (CECRA) and Canada Emergency Rent Subsidy (CERS) | (126,746)           | -                   |
| Consultant fees                                                                                           | 53,991              | 230,682             |
| Professional fees                                                                                         | 384,989             | 237,613             |
| Listing fees                                                                                              | 124,696             | 125,145             |
| Salaries and benefits <sup>(1)</sup>                                                                      | 3,070,856           | 3,783,577           |
| Wage subsidy- CEWS                                                                                        | (727,320)           | -                   |
| Loss (gain) on disposal of property and equipment                                                         | -                   | (7,808)             |
| Loss (gain) on foreign exchange                                                                           | 104,109             | 149,374             |
| Bad debt expense (recovery)                                                                               | 17,477              | -                   |
| Amortization expense                                                                                      | 797,558             | 729,611             |
| <b>General and administrative expenses</b>                                                                | <b>\$ 4,462,207</b> | <b>\$ 6,154,555</b> |

<sup>(1)</sup> Share-based compensation (a non-cash item) of \$175,818 (2019 - \$65,195) has been included in Salaries and benefits

**9. PRODUCT DEVELOPMENT EXPENSES**

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

|                                                                               | 2020                | 2019                |
|-------------------------------------------------------------------------------|---------------------|---------------------|
| Salaries and benefits <sup>(1)</sup>                                          | \$ 1,574,980        | \$ 1,729,624        |
| Wage subsidy- CEWS                                                            | (444,801)           | -                   |
| Investment tax credits and other government contributions towards development | (16,694)            | (89,658)            |
| <b>Product development expenses</b>                                           | <b>\$ 1,113,485</b> | <b>\$ 1,639,966</b> |

<sup>(1)</sup> Share-based compensation (a non-cash item) of \$32,579 (2019 - nil) has been included in Salaries and benefits

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

**10. 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, 2020 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.

**11. EARNINGS PER SHARE**

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

|                                                                    | 2020       | 2019       |
|--------------------------------------------------------------------|------------|------------|
| Weighted average number of common shares - basic                   | 22,579,748 | 22,318,208 |
| Additions to reflect the dilutive effect of employee stock options | -          | 151,722    |
| Weighted average number of common shares - diluted                 | 22,579,748 | 22,469,930 |

For the year ended December 31, 2020, all (December 31, 2019, 1,755,000) options were excluded from the calculation of diluted common shares as their effect would have been anti-dilutive

**12. EMPLOYEE REMUNERATION**

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

|                                                              | 2020                | 2019                |
|--------------------------------------------------------------|---------------------|---------------------|
| Salaries and benefits                                        | \$ 5,855,014        | \$ 6,975,297        |
| Share-based compensation                                     | 226,118             | 65,195              |
| <b>Total salaries, benefits and share-based compensation</b> | <b>\$ 6,081,132</b> | <b>\$ 7,040,492</b> |

**13. 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<br>December 31, 2020 | As at<br>December 31, 2019 |
|-----------------------------------------------------|----------------------------|----------------------------|
| Trade accounts receivable, gross                    | \$ 2,223,330               | \$ 2,624,598               |
| Allowance for doubtful accounts                     | (5,804)                    | -                          |
| Trade accounts receivable, net                      | 2,217,526                  | 2,624,598                  |
| Sales taxes recoverable                             | 1,582                      | 611                        |
| Other receivables - CEWS                            | 90,242                     | -                          |
| Other receivables                                   | 34,456                     | -                          |
| Contract assets                                     | -                          | 57,419                     |
| <b>Trade, other receivables and contract assets</b> | <b>\$ 2,343,806</b>        | <b>\$ 2,682,628</b>        |

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

|                               | As at<br>December 31, 2020 | As at<br>December 31, 2019 |
|-------------------------------|----------------------------|----------------------------|
| 1 - 60 days past due          | \$ 524,329                 | \$ 857,109                 |
| Greater than 60 days past due | 33,535                     | 17,451                     |
|                               | <b>\$ 557,864</b>          | <b>\$ 874,560</b>          |

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

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 30 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:

|                                                                                            | As at<br>December 31, 2020 | As at<br>December 31, 2019 |
|--------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Aggregate amount of cost incurred and recognized in earnings for all contracts in progress | \$ 12,795,277              | \$ 19,255,202              |
| Less: progress billings                                                                    | 13,440,845                 | 19,538,677                 |
|                                                                                            | <b>\$ (645,568)</b>        | <b>\$ (283,475)</b>        |
| Contract assets                                                                            | \$ -                       | \$ 57,419                  |
| Contract liabilities                                                                       | <b>\$ 645,568</b>          | <b>\$ 340,894</b>          |

**14. PROPERTY AND EQUIPMENT**

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

|                                  | Computer<br>Equipment | Survey<br>Tablets   | Furniture and<br>Equipment | Leasehold<br>Improvements | Right of Use<br>Assets | Total               |
|----------------------------------|-----------------------|---------------------|----------------------------|---------------------------|------------------------|---------------------|
| <b>Cost:</b>                     |                       |                     |                            |                           |                        |                     |
| 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           |
| Additions                        | 8,929                 | 712,809             | 4,408                      | -                         | 546,332                | 1,272,478           |
| Disposals                        | -                     | -                   | -                          | -                         | -                      | -                   |
| <b>At December 31, 2020</b>      | <b>\$ 165,420</b>     | <b>\$ 1,397,381</b> | <b>\$ 260,015</b>          | <b>\$ 197,180</b>         | <b>\$ 1,555,061</b>    | <b>\$ 3,575,057</b> |
| <b>Accumulated Amortization:</b> |                       |                     |                            |                           |                        |                     |
| 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           |
| Amortization                     | 32,819                | 221,761             | 25,902                     | 29,610                    | 265,889                | 575,981             |
| Disposals                        | -                     | -                   | -                          | -                         | -                      | -                   |
| <b>At December 31, 2020</b>      | <b>\$ 110,686</b>     | <b>\$ 625,856</b>   | <b>\$ 146,117</b>          | <b>\$ 158,927</b>         | <b>\$ 536,140</b>      | <b>\$ 1,577,726</b> |
| <b>Carrying amounts:</b>         |                       |                     |                            |                           |                        |                     |
| At December 31, 2019             | \$ 78,624             | \$ 280,477          | \$ 135,392                 | \$ 67,863                 | \$ 738,478             | \$ 1,300,834        |
| <b>At December 31, 2020</b>      | <b>\$ 54,734</b>      | <b>\$ 771,525</b>   | <b>\$ 113,898</b>          | <b>\$ 38,253</b>          | <b>\$ 1,018,921</b>    | <b>\$ 1,997,331</b> |

All of the above assets are pledged as security for debt obligations as identified in Note 21. There were no impairment indicators as at the end of December 2020. Amortization of \$221,762 (2019 - \$209,372) is included in cost of services while an amount of \$354,219 (2019 - \$382,240) is included in general and administrative expenses.

During 2019, the Company disposed of assets with a cost of \$657,233, accumulated amortization of \$653,969, and received proceeds on disposal of \$11,073.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

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 \$419,631, leased for a period of 5 years starting April 1, 2021 including a right to extend for five additional years, with a cost of \$569,591 and accumulated depreciation of \$149,960.
- Laval, Quebec, Canada has a balance of \$475,684, leased for a period of five years starting October 1, 2020, with a cost of \$679,784 and accumulated depreciation of \$204,100.
- Fort Mill, South Carolina, USA has a balance of \$123,605, leased for a period of 3 years starting June 1, 2020, with a cost of \$305,685 and accumulated depreciation of \$182,080.

**15. INTANGIBLE ASSETS AND GOODWILL**

| <b>Cost:</b>                     | <b>Acquired Trademarks</b> | <b>Acquired customer relationships</b> | <b>Acquired Shopper/Auditor database</b> | <b>Software</b>   | <b>Total intangible assets</b> | <b>Total goodwill</b> |
|----------------------------------|----------------------------|----------------------------------------|------------------------------------------|-------------------|--------------------------------|-----------------------|
| At December 31, 2019 and 2018    | \$ 173,646                 | \$ 2,534,226                           | \$ 179,199                               | \$ 388,216        | \$ 3,275,287                   | \$ -                  |
| Additions                        | -                          | 395,000                                | -                                        | 318,000           | 713,000                        | 400,411               |
| <b>At December 31, 2020</b>      | <b>\$ 173,646</b>          | <b>\$ 2,929,226</b>                    | <b>\$ 179,199</b>                        | <b>\$ 706,216</b> | <b>\$ 3,988,287</b>            | <b>\$ 400,411</b>     |
| <b>Accumulated Amortization:</b> |                            |                                        |                                          |                   |                                |                       |
| At December 31, 2018             | \$ 77,447                  | \$ 1,671,340                           | \$ 179,199                               | \$ 388,216        | \$ 1,911,458                   | \$ -                  |
| Amortization                     | 17,364                     | 330,006                                | -                                        | -                 | 347,370                        | -                     |
| At December 31, 2019             | \$ 94,811                  | \$ 2,001,346                           | \$ 179,199                               | \$ 388,216        | \$ 2,663,572                   | \$ -                  |
| Amortization                     | 13,076                     | 333,095                                | -                                        | 97,167            | 443,338                        | -                     |
| Impairment                       | 25,401                     | 80,822                                 | -                                        | -                 | 106,223                        | 372,322               |
| <b>At December 31, 2020</b>      | <b>\$ 133,288</b>          | <b>\$ 2,415,263</b>                    | <b>\$ 179,199</b>                        | <b>\$ 485,383</b> | <b>\$ 3,213,133</b>            | <b>\$ 372,322</b>     |
| <b>Carrying Amounts:</b>         |                            |                                        |                                          |                   |                                |                       |
| At December 31, 2019             | \$ 78,835                  | \$ 532,880                             | \$ -                                     | \$ -              | \$ 611,715                     | \$ -                  |
| <b>At December 31, 2020</b>      | <b>\$ 40,358</b>           | <b>\$ 513,964</b>                      | <b>\$ -</b>                              | <b>\$ 220,833</b> | <b>\$ 775,155</b>              | <b>\$ 28,089</b>      |

Amortization expense is recorded in general and administrative expenses (Note 8). The remaining amortization period of the customer relationships ends between Jan 31, 2021 and December 31, 2026.

Impairment

The Company tests for impairment if there are indicators that impairment may have arisen. In calculating the recoverable amount for impairment testing, management is required to make several assumptions, including, but not limited to, expected future revenues, expected future cash flows and forward multiples. During the year ended December 31, 2020, the Company assessed that indicators of impairment existed due to the outbreak of COVID-19. The Company performed an impairment test for all acquired companies (the separate cash generating units "CGUs" are: Statopex, RetailTrack, GCS, and PerformaLogics/MobilForce).

The total carrying amount of goodwill and intangibles before impairment for these CGUs is as follows:

| <b>CGU:</b>                             | <b>Intangibles</b> | <b>Goodwill</b>   | <b>Total</b>        |
|-----------------------------------------|--------------------|-------------------|---------------------|
| Statopex                                | \$ 232,440         | \$ -              | \$ 232,440          |
| RetailTrack                             | 13,496             | -                 | 13,496              |
| GCS                                     | 71,958             | -                 | 71,958              |
| PerformaLogics and MobilForce           | 563,484            | 400,411           | 963,895             |
| <b>Carrying Value Before Impairment</b> | <b>\$ 881,378</b>  | <b>\$ 400,411</b> | <b>\$ 1,281,789</b> |

The recoverable amount of each CGU was determined based on value-in-use calculations being higher than fair value less costs of disposal, covering a detailed five-year forecast based on the past financial results and the Company's assessment of the future performance of each CGU. The following are the key assumptions on which the Company has based its cash flow projections:

- Perpetual growth rate of 2%
- After-tax discount rate of 33.2%

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

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As a result of the identified impairments, the Company recorded the following impairment losses for 2020:

- \$372,322 for goodwill
- \$106,223 for intangibles (\$80,821 for customer relationships, \$25,402 for trademarks)

The impairment losses are attributable as follows:

- \$35,440 for Statopex
- \$10,619 for RetailTrack
- \$60,164 for GCS
- \$372,322 for Performalogics and MobilForce

The total impairment loss amounts to \$478,545 for 2020 which has been recognized through the statement of net income (loss) and comprehensive income (loss). This amount is net of reversals of \$131,926 of impairment recognized on customer relationships and \$9,625 recognized on trademarks during the year.

**16. 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 (\$500,000 for PerformaLogics and \$250,600 for MobilForce) was paid at closing with future consideration totaling up to \$1,000,000 (up to \$800,000 for PerformaLogics and up to \$200,000 for MobilForce) payable over two years following the closing, based on payments received from one key customer. The future consideration was valued on February 1, 2020 at \$562,811 (\$450,249 for PerformaLogics and \$112,562 for MobilForce). An additional \$62,087 (\$41,358 for PerformaLogics and \$20,729 for MobilForce) was paid as a working capital adjustment.

This acquisition is in line with the Company's overall growth strategy which includes a focus on growing the penetration of its software product lines in conjunction with its recurring services business.

The purchase consideration comprised the following:

|                                            |                     |
|--------------------------------------------|---------------------|
| Cash(including working capital adjustment) | <b>\$ 812,687</b>   |
| Contingent consideration                   | <b>562,811</b>      |
| <b>Total purchase consideration</b>        | <b>\$ 1,375,498</b> |

The net cash outflow of the acquisition was as follows:

|                                        | <b>PerformaLogics</b> | <b>MobilForce</b> | <b>Total</b>      |
|----------------------------------------|-----------------------|-------------------|-------------------|
| Consideration paid in cash             | \$ 541,358            | \$ 271,329        | \$ 812,687        |
| Cash balances acquired                 | (27,658)              | (11,785)          | (39,443)          |
| <b>Net cash outflow on acquisition</b> | <b>\$ 513,700</b>     | <b>\$ 259,544</b> | <b>\$ 773,244</b> |

The Company allocated the purchase consideration as follows:

|                             | <b>PerformaLogics</b> | <b>MobilForce</b> | <b>Total</b>        |
|-----------------------------|-----------------------|-------------------|---------------------|
| Net assets acquired         | \$ 634,071            | \$ 341,016        | \$ 975,087          |
| Goodwill                    | 357,536               | 42,875            | \$ 400,411          |
| <b>Total purchase price</b> | <b>\$ 991,607</b>     | <b>\$ 383,891</b> | <b>\$ 1,375,498</b> |

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

The fair value of the identifiable net assets acquired included the following:

|                                  | <b>PerformaLogics</b> | <b>MobilForce</b> | <b>Total</b>        |
|----------------------------------|-----------------------|-------------------|---------------------|
| <i>Current Assets</i>            |                       |                   |                     |
| Cash and cash equivalents        | \$ 27,658             | \$ 11,785         | \$ 39,443           |
| Trade and other receivables      | 303,334               | 15,997            | 319,330             |
| Prepaid expenses                 | 1,540                 | -                 | 1,540               |
|                                  | <b>332,532</b>        | <b>27,782</b>     | <b>360,314</b>      |
| <i>Non-Current Assets</i>        |                       |                   |                     |
| Customer relationships           | 395,000               | -                 | 395,000             |
| Software assets                  | -                     | 318,000           | 318,000             |
|                                  | <b>395,000</b>        | <b>318,000</b>    | <b>713,000</b>      |
| <b>Total assets acquired</b>     | <b>\$ 727,532</b>     | <b>\$ 345,782</b> | <b>\$ 1,073,314</b> |
| <i>Current Liabilities</i>       |                       |                   |                     |
| Trade and other liabilities      | \$ 93,461             | \$ 4,766          | \$ 98,227           |
|                                  | <b>93,461</b>         | <b>4,766</b>      | <b>98,227</b>       |
| <b>Total liabilities assumed</b> | <b>\$ 93,461</b>      | <b>\$ 4,766</b>   | <b>\$ 98,227</b>    |
| <b>Net assets acquired</b>       | <b>\$ 634,071</b>     | <b>\$ 341,016</b> | <b>\$ 975,087</b>   |

Goodwill, which is not deductible for tax purposes, includes the assembled workforce, as well as expected synergies between the businesses which offered services and software that was in direct competition to those offered by the Company prior to the acquisition.

The contingent consideration represents the discounted value of the liability. The contingent consideration is based on a percentage of revenues from one key client over the first 36 months post acquisition, with the percentages falling from 35% to 30% to 25% in each twelve-month period, respectively.

For the post-acquisition period in 2020, PerformaLogics and MobilForce together contributed revenue of \$837,584 and \$217,091 in net loss to the Company's consolidated results. Had the acquisition occurred on January 1, 2020, management estimates that the Company's proforma consolidated revenue would have increased by \$199,000 and the net loss would have decreased by \$63,000 for the year ended December 31, 2020.

#### 17. CONTINGENT LIABILITY

As part of the acquisition of PerformaLogics and MobilForce, future consideration totaling up to \$1,000,000 (up to \$800,000 for PerformaLogics and up to \$200,000 for MobilForce) is payable over two years following the closing, based on payments received from one key customer. When determining amount of this future consideration, the Company employs a discounted cash flow model. The duration of the cash flow projections is based on estimates of the revenues to be earned from the customer over the two years following the closing of the acquisition. The probabilities for the estimates range from 75% to 100% for each 12-month period, and the discount rate is 33.17%.

As at December 31, 2020, \$84,193 of the contingent liability was paid. In addition, the fair value of the future consideration was \$341,641 (\$249,172 is current, and \$92,469 is non-current), resulting in a gain of \$136,976.

#### 18. TRADE AND OTHER LIABILITIES

|                                                       | <b>As at<br/>December 31, 2020</b> | <b>As at<br/>December 31, 2019</b> |
|-------------------------------------------------------|------------------------------------|------------------------------------|
| Trade payables                                        | \$ 266,072                         | \$ 253,371                         |
| Accrued liabilities and interest payable              | 154,625                            | 468,666                            |
| <b>Total accounts payable and accrued liabilities</b> | <b>\$ 420,697</b>                  | <b>\$ 722,037</b>                  |

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

**19. SHORT TERM DEBT**

On April 30, 2020, the Company entered into a Loan Agreement and Promissory Note (collectively the "PPP Loan") with a US- based financial institution pursuant to the Paycheck Protection Program (the "PPP") under the recently enacted Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") administered by the U.S. Small Business Administration. The Company received total proceeds of USD \$90,682 from the unsecured PPP Loan. The PPP Loan is scheduled to mature on April 30, 2022 and has an interest rate of 1.00% per annum and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. The PPP Loan may be prepaid by the Company at any time prior to its maturity with no prepayment penalties.

The PPP Loan contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. Subject to certain conditions, the PPP Loan may be forgiven in whole or in part by applying for forgiveness pursuant to the CARES Act and the PPP. The amount of loan proceeds eligible for forgiveness is based on a formula based on a number of factors, including the amount of loan proceeds used by the Company during the 24-week period after the loan origination for certain purposes, including payroll costs, rent payments on certain leases and certain qualified utility payments, provided that, among other things, at least 60% of the loan amount is used for eligible payroll costs, the employer maintaining or rehiring employees and maintaining salaries at certain levels. In accordance with the requirements of the CARES Act and the PPP, the Company used the proceeds from the PPP Loan primarily for payroll costs. The Company intends to apply for forgiveness of the PPP Loan during the first quarter of 2021. There can be no assurance that the Company will be granted forgiveness of the PPP Loan in whole or in part.

**20. LEASE LIABILITIES**

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

|                                                          | <b>As at</b>             |
|----------------------------------------------------------|--------------------------|
|                                                          | <b>December 31, 2020</b> |
| Less than one year                                       | <b>\$ 300,017</b>        |
| Between one and five years                               | <b>859,845</b>           |
| More than five years                                     | <b>23,954</b>            |
| Total lease payments                                     | <b>1,183,816</b>         |
| Amounts representing interest over the term of the lease | <b>115,833</b>           |
| Present value of net lease payments                      | <b>1,067,983</b>         |
| Current portion of lease obligation                      | <b>\$ 257,171</b>        |
| Non-current portion of lease obligation                  | <b>\$ 810,812</b>        |

The following table shows the movement for lease liabilities for 2020:

|                                | <b>December 31, 2020</b> |
|--------------------------------|--------------------------|
| Balance, January 1, 2020       | <b>\$ 760,192</b>        |
| Additions                      | <b>546,332</b>           |
| Repayments                     | <b>(287,596)</b>         |
| Interest portion of repayments | <b>49,055</b>            |
| Ending balance                 | <b>\$ 1,067,983</b>      |

For 2020, \$21,248 of lease payments was included in operating expenses as the underlying lease is less than twelve months.

The Company received COVID-19 related rent concessions during the year. Per an amendment to IFRS 16 published on May 28, 2020, rent concessions related to COVID-19 do not have to be accounted for as lease modifications. The Company utilized this amendment and did not treat the concessions as modifications.

Included as a reduction of operating expenses for 2020 is an amount of \$112,743 of Canada Emergency Commercial Rent Assistance (CECRA). CECRA covers five months of the year.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

Included as a reduction of operating expenses for 2020 is an amount of \$14,003 of Canada Emergency Rent Subsidy (CERS). CERS covers two months of the year.

**21. BANK INDEBTEDNESS**

a) Credit facilities

At the year ended December 31, 2020, and 2019, 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 3.45% (prime plus 1%) [2019 – 4.95% (prime plus 1%)], secured by a general security agreement. The Company was in compliance with its financial covenants in 2020 and 2019. The carrying amounts of any borrowings are considered to be a reasonable approximation of fair value.

**22. 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, 2020, the Company issued common shares as follows:

- On January 21, 2020, the Company issued 10,000 common shares through the exercise of stock options for gross proceeds of \$2,800.
- On May 22, 2020, the Company issued 5,000 common shares through the exercise of stock options for gross proceeds of \$1,200.
- On May 27, 2020, the Company issued 65,000 common shares through the exercise of stock options for gross proceeds of \$15,600.
- On September 11, 2020, the Company issued 5,000 common shares through the exercise of stock options for gross proceeds of \$1,400.
- On September 14, 2020, the Company issued 50,000 common shares through the exercise of stock options for gross proceeds of \$14,000.
- On December 10, 2020, the Company issued 5,000 common shares through the exercise of stock options for gross proceeds of \$1,900.

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.
- 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 \$11,000.

Warrants

Details regarding warrants issued and outstanding are summarized as follows:

|                                           | Number of whole<br>share warrants | Weighted average<br>exercise price | Expiry date |
|-------------------------------------------|-----------------------------------|------------------------------------|-------------|
| Balance December 31, 2018                 | 4,021,250                         | \$ 0.67                            |             |
| Warrants expiry                           | (4,021,250)                       |                                    |             |
| <b>Balance December 31, 2019 and 2020</b> | <b>-</b>                          |                                    |             |

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

**23. 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 370,000 options issued in 2020 (985,000 in 2019). The employee compensation expense related to options vested in fiscal 2020 is \$91,598 (2019 - \$65,195). The Company may issue up to 3,378,272 (2019 - 2,510,438) options for common shares under its stock option plan. At December 31, 2020, 1,398,272 common shares (255,438 at December 31, 2019) are reserved for additional options under this plan.

A summary of the status of the Company's issued and outstanding stock options as of December 31, 2020 and December 31, 2019, and changes during the years ended on those dates, is presented below:

|                                | <b>2020</b>                  |                                                    | <b>2019</b>                  |                                                    |
|--------------------------------|------------------------------|----------------------------------------------------|------------------------------|----------------------------------------------------|
|                                | <u>Number of<br/>Options</u> | <u>Weighted<br/>average<br/>exercise<br/>price</u> | <u>Number of<br/>Options</u> | <u>Weighted<br/>average<br/>exercise<br/>price</u> |
| Outstanding, beginning of year | <b>2,255,000</b>             | <b>\$ 0.40</b>                                     | 2,100,000                    | \$ 0.40                                            |
| Granted                        | <b>370,000</b>               | <b>\$ 0.35</b>                                     | 985,000                      | \$ 0.40                                            |
| Exercised                      | <b>(140,000)</b>             | <b>\$ 0.26</b>                                     | (365,000)                    | \$ 0.25                                            |
| Forfeited                      | <b>(220,000)</b>             | <b>\$ 0.46</b>                                     | (315,000)                    | \$ 0.47                                            |
| Expired                        | <b>(285,000)</b>             | <b>\$ 0.25</b>                                     | (150,000)                    | \$ 0.51                                            |
| Outstanding, end of year       | <b>1,980,000</b>             | <b>\$ 0.42</b>                                     | 2,255,000                    | \$ 0.40                                            |

The weighted average share price at the date of exercise was \$0.41 (2019 - \$0.36).

The following table summarizes information about stock options as at December 31, 2020:

| <b>Options Outstanding</b> |                                               |                                                                    | <b>Options Exercisable</b>                    |
|----------------------------|-----------------------------------------------|--------------------------------------------------------------------|-----------------------------------------------|
| <u>Exercise prices</u>     | <u>Number outstanding<br/>at Dec 31, 2020</u> | <u>Weighted average<br/>remaining contractual<br/>life (years)</u> | <u>Number exercisable<br/>at Dec 31, 2020</u> |
| \$0.305                    | 255,000                                       | 4.27                                                               | 240,000                                       |
| \$0.310                    | 5,000                                         | 3.38                                                               | 1,667                                         |
| \$0.320                    | 20,000                                        | 0.50                                                               | 20,000                                        |
| \$0.340                    | 5,000                                         | 3.25                                                               | 1,667                                         |
| \$0.350                    | 5,000                                         | 3.48                                                               | 1,667                                         |
| \$0.380                    | 415,000                                       | 1.35                                                               | 161,666                                       |
| \$0.385                    | 100,000                                       | 3.77                                                               | 33,333                                        |
| \$0.390                    | 10,000                                        | 3.67                                                               | 3,334                                         |
| \$0.400                    | 160,000                                       | 2.55                                                               | 83,334                                        |
| \$0.420                    | 125,000                                       | 2.98                                                               | 73,333                                        |
| \$0.440                    | 290,000                                       | 3.89                                                               | 96,668                                        |
| \$0.455                    | 30,000                                        | 3.90                                                               | 10,001                                        |
| \$0.470                    | 125,000                                       | 3.72                                                               | 45,000                                        |
| \$0.480                    | 270,000                                       | 0.69                                                               | 181,667                                       |
| \$0.610                    | 155,000                                       | 2.16                                                               | 103,329                                       |
| \$0.700                    | 10,000                                        | 1.92                                                               | 10,000                                        |
| <b>\$ 0.305 to \$ 0.70</b> | <b>1,980,000</b>                              | <b>2.65</b>                                                        | <b>1,066,666</b>                              |

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

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

| <u>Exercise prices</u>    | <b>Options Outstanding</b>                    |                                                                    | <b>Options Exercisable</b>                    |
|---------------------------|-----------------------------------------------|--------------------------------------------------------------------|-----------------------------------------------|
|                           | <u>Number outstanding<br/>at Dec 31, 2019</u> | <u>Weighted average<br/>remaining contractual<br/>life (years)</u> | <u>Number exercisable<br/>at Dec 31, 2019</u> |
| \$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                                         |
| <b>\$ 0.24 to \$ 0.70</b> | <b>2,255,000</b>                              | <b>2.65</b>                                                        | <b>813,335</b>                                |

The weighted average exercise price was \$0.45 in 2020 (2019 - \$0.41) 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 2020 were: a weighted average share price of \$0.35 and an exercise price of \$0.35, risk free interest rate of 0.60% to 2.00%, volatility of 33% to 46% with no expected dividend yield, 0% to 40% assumed forfeiture and a five-year estimated life. Assumptions 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.

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 2020 was \$0.10 (2019 - \$0.09).

#### **24. RESTRICTED SHARE UNIT PLAN ("RSU PLAN")**

At the Company's annual and special meeting of shareholders held on June 19, 2020 (the "Meeting"), the Company's disinterested shareholders approved resolutions to adopt the new RSU Plan and an amendment to the existing Option Plan.

Under the new RSU Plan, restricted share units ("RSUs") may be granted to directors and employees. The RSU Plan permits the Company to either redeem RSUs for cash or issue common shares of the Company from treasury to satisfy all or any portion of a vested RSU award. Grants of RSUs vest 100% on the first anniversary of the date of the grant. The maximum number of common shares of the Company which are issuable upon the redemption of all RSUs under the RSU Plan is 1,126,090 common shares of the Company.

The amended Option Plan increased the number of common shares of the Company available under the Option Plan from 2,500,438 common shares to 3,378,272 common shares.

On October 5, 2020, the Company's Board of Directors approved the grant of 1,126,088 restricted share units ("RSU"), of which 431,785 were granted to directors and officers of the Company. The underlying share price on the date of grant was \$0.48, and the RSUs will all vest on October 4, 2021.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

The following table provides the movement in the Company's outstanding RSUs:

|                                | <b>2020</b>       |                                                 |
|--------------------------------|-------------------|-------------------------------------------------|
|                                | Number of<br>RSUs | Weighted<br>average<br>grant date<br>fair value |
| Outstanding, beginning of year | -                 | -                                               |
| Granted                        | 1,126,088         | \$ 0.48                                         |
| Settled in cash                | -                 | -                                               |
| Settled in common shares       | -                 | -                                               |
| Forfeited                      | (7,654)           | \$ 0.48                                         |
| Outstanding, end of year       | 1,118,434         | \$ 0.48                                         |

The employee compensation expense related to RSUs in fiscal 2020 is \$134,520.

**25. CASH FLOW INFORMATION**

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

|                                               | <b>2020</b>       | 2019             |
|-----------------------------------------------|-------------------|------------------|
| Trade and other receivables                   | \$ 583,257        | \$ (284,987)     |
| Contract assets                               | 57,419            | (7,099)          |
| Prepaid expenses                              | 9,726             | 49,122           |
| Trade and other liabilities                   | (399,568)         | 102,827          |
| Contract liabilities                          | 304,674           | 205,182          |
| <b>Net change in non-cash working capital</b> | <b>\$ 555,508</b> | <b>\$ 65,045</b> |

**26. FINANCE COSTS**

Finance costs may be analyzed as follows for the fiscal years ending 2020 and 2019:

|                                       | <b>2020</b>      | 2019             |
|---------------------------------------|------------------|------------------|
| Interest expense on loans             | \$ 92,398        | \$ 75,831        |
| Interest received on cash equivalents | -                | -                |
| <b>Finance costs</b>                  | <b>\$ 92,398</b> | <b>\$ 75,831</b> |

**27. INVESTMENT TAX CREDITS AND INCOME TAXES**

*Research and development expenses*

The Company has investment tax credit carry forwards of \$298,017 (2019 - \$302,633) which may be utilized to reduce future Canadian taxable income. These tax credits expire between 2028 and 2039. The future tax benefits associated with investment tax credit carry forwards have not been recognized in the financial statements.

The Company also has \$760,082 (2019 - \$764,698) 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 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.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

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

|                                    | <b>December 31, 2020</b> | December 31, 2019   |
|------------------------------------|--------------------------|---------------------|
| Investment in associate            | \$ 130,000               | \$ 130,000          |
| Property and equipment             | -                        | 13,791              |
| Intangible assets                  | -                        | 122,808             |
| Non-capital losses                 | 1,228,606                | 2,101,216           |
| Net capital losses                 | 1,289                    | 1,289               |
| Investment tax credits recoverable | 298,017                  | 302,633             |
| Share issue costs                  | 91,936                   | 188,064             |
| Other                              | 103,740                  | 108,574             |
|                                    | <b>\$ 1,853,588</b>      | <b>\$ 2,968,374</b> |

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

|                        | <b>As at<br/>December 31, 2019</b> | <b>Recognized in<br/>net earnings</b> | <b>Recognized in<br/>balance sheet</b> | <b>As at<br/>December 31, 2020</b> |
|------------------------|------------------------------------|---------------------------------------|----------------------------------------|------------------------------------|
| Property and equipment | \$ (26,383)                        | \$ (94,748)                           | \$ -                                   | \$ (121,131)                       |
| Intangible assets      | -                                  | (19,501)                              | -                                      | (19,501)                           |
| Non-capital losses     | 26,383                             | 114,249                               | -                                      | 140,632                            |
|                        | <b>\$ -</b>                        | <b>-</b>                              | <b>\$ -</b>                            | <b>\$ -</b>                        |

|                                    | <b>As at<br/>December 31, 2018</b> | <b>Recognized in<br/>net earnings</b> | <b>Recognized in<br/>balance sheet</b> | <b>As at<br/>December 31, 2019</b> |
|------------------------------------|------------------------------------|---------------------------------------|----------------------------------------|------------------------------------|
| Property and equipment             | \$ (56,604)                        | \$ 30,221                             | \$ -                                   | \$ (26,383)                        |
| Intangible assets                  | (45,572)                           | 45,572                                | -                                      | (0)                                |
| Investment tax credits recoverable | (27,674)                           | 27,674                                | -                                      | 0                                  |
| Share issue costs                  | 73,797                             | (73,797)                              | -                                      | 0                                  |
| Non-capital losses                 | 255,163                            | (228,780)                             | -                                      | 26,383                             |
| Other                              | 94,264                             | (94,264)                              | -                                      | (0)                                |
|                                    | <b>\$ 293,374</b>                  | <b>\$ (293,374)</b>                   | <b>\$ -</b>                            | <b>-</b>                           |

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

|                                                                                    | <b>December 31, 2020</b> | December 31, 2019 |
|------------------------------------------------------------------------------------|--------------------------|-------------------|
| Origination and reversal of timing differences                                     | \$ 122,833               | \$ 92,925         |
| Adjustment of prior year deferred taxes                                            | (6,556)                  | 81,077            |
| Tax effect of temporary differences for which no deferred tax assets were recorded | (116,277)                | 119,372           |
|                                                                                    | <b>-</b>                 | <b>\$ 293,374</b> |

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

*Tax rate reconciliation*

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

|                                                                       | As at<br>December 31, 2020 | As at<br>December 31, 2019 |
|-----------------------------------------------------------------------|----------------------------|----------------------------|
| Income (loss) before income taxes                                     | \$ (11,510)                | \$ 460,304                 |
| Combined Canadian Statutory tax rate                                  | 26.5%                      | 26.5%                      |
| Expected tax expense (recovery)                                       | (3,050)                    | 121,981                    |
| Permanent differences                                                 | 137,677                    | (477)                      |
| Tax rate differences                                                  | (80)                       | (31,252)                   |
| Current tax relating to prior years                                   | 1,449                      | 75,671                     |
| Deferred tax relating to prior years                                  | (5,807)                    | 55,547                     |
| Effect of temporary differences not recognized as deferred tax assets | (116,277)                  | 119,372                    |
| Other                                                                 | (18,523)                   | 3,217                      |
|                                                                       | <b>\$ (4,612)</b>          | <b>\$ 344,060</b>          |
| Income tax comprises:                                                 |                            |                            |
| Current income tax (recovery) - Continuing operations                 | \$ (4,612)                 | \$ 50,686                  |
| Deferred income tax - Continuing operations                           | -                          | 293,374                    |
|                                                                       | <b>\$ (4,612)</b>          | <b>\$ 344,060</b>          |
| Total tax provision (recovery)                                        | <b>\$ (4,612)</b>          | <b>\$ 344,060</b>          |

The Company has the following losses available which expire as follows:

|      |            |
|------|------------|
| 2031 | \$ 230,113 |
| 2038 | 1,480,677  |
| 2040 | 48,502     |

**28. KEY MANAGEMENT PERSONNEL COMPENSATION**

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

|                                   | December 31, 2020   | December 31, 2019   |
|-----------------------------------|---------------------|---------------------|
| Salaries and bonuses              | \$ 1,158,343        | \$ 1,277,419        |
| Directors' fees                   | 78,250              | 125,000             |
| Share-based compensation          | 118,352             | 37,088              |
| Total Key Management Compensation | <b>\$ 1,354,945</b> | <b>\$ 1,439,507</b> |

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 115,000 stock options exercised by key management personnel in 2020 (2019 – 315,000). In addition, 431,785 RSUs were issued to key management personnel in 2020.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
Years ended December 31, 2020 and 2019  
(in Canadian Dollars)

**29. FINANCIAL INSTRUMENTS**

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

|                                    | December 31, 2020  | December 31, 2019  |
|------------------------------------|--------------------|--------------------|
| <b>Financial assets:</b>           |                    |                    |
| <b>At amortized cost</b>           |                    |                    |
| Cash and cash equivalents          | \$1,865,620        | \$1,382,296        |
| Trade and other receivables        | 2,253,564          | 2,625,209          |
| Contract assets                    | -                  | 57,419             |
| <b>Total financial assets</b>      | <b>\$4,119,184</b> | <b>\$4,064,924</b> |
| <b>Financial liabilities:</b>      |                    |                    |
| <b>At amortized cost</b>           |                    |                    |
| Trade and other liabilities        | \$420,697          | \$722,037          |
| Short-term debt                    | 115,456            | -                  |
| Lease liabilities                  | 1,067,983          | 760,192            |
| <b>At fair value</b>               |                    |                    |
| Contingent liabilities             | 341,641            | -                  |
| <b>Total financial liabilities</b> | <b>\$1,945,777</b> | <b>\$1,482,229</b> |

The carrying values of cash and cash equivalents, trade and other receivables, trade and other liabilities, and short-term debt, approximate their fair values due to their relatively short periods to maturity.

|                          | <b>Trade receivables days past due</b> |            |              |              |              |              |  |
|--------------------------|----------------------------------------|------------|--------------|--------------|--------------|--------------|--|
|                          | Current                                | 1- 30 days | Over 30 days | Over 60 days | Over 90 days | Total        |  |
| <b>December 31, 2020</b> | \$ 1,659,662                           | \$ 428,699 | \$ 95,630    | \$ 17,186    | \$ 22,152    | \$ 2,223,330 |  |
| December 31, 2019        | \$ 1,750,038                           | \$ 727,843 | \$ 129,266   | \$ 10,360    | \$ 7,091     | \$ 2,624,598 |  |

The gross carrying amount (less the allowance for doubtful accounts) is expected to be collected in full within 90 days or less from invoice date.

**30. 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.

|                             | <b>Risks</b> |           |                  |               |
|-----------------------------|--------------|-----------|------------------|---------------|
|                             | Credit       | Liquidity | <b>Market</b>    |               |
|                             |              |           | 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              |               |
| Short-term debt             |              | Yes       | Yes              |               |
| Contingent liabilities      |              | 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 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.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

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*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, 2020. 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 13) 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 counterparties' 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 income (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 5).

The Company's exposure with one customer, in the tobacco industry, that fell into this category as at December 31, 2020, on aggregate, accounted for 31% of the Company's total accounts receivable balance. 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.

As of December 31, 2020, it was determined that an allowance for expected credit losses of \$5,804 was required (2019- nil).

*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.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

The following table details the Company's contractual maturities (including interest payments where applicable) for its financial liabilities as at December 31, 2020 and 2019:

|                                 | Not later than<br>one month | Later than one<br>month and not<br>later than three<br>months | Later than three<br>months and not<br>later than one<br>year | Later than one<br>year and not later<br>than five years | Total             |
|---------------------------------|-----------------------------|---------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------|-------------------|
| <b>As at December 31, 2020:</b> |                             |                                                               |                                                              |                                                         |                   |
| Trade and other payables        | \$ 420,697                  | \$ -                                                          | \$ -                                                         | \$ -                                                    | \$ 420,697        |
| Short-term debt                 | -                           | -                                                             | 115,456                                                      | -                                                       | 115,456           |
|                                 | <b>\$ 420,697</b>           | <b>\$ -</b>                                                   | <b>\$ 115,456</b>                                            | <b>\$ -</b>                                             | <b>\$ 536,153</b> |
| <b>As at December 31, 2019:</b> |                             |                                                               |                                                              |                                                         |                   |
| Trade and other payables        | \$ 722,037                  | \$ -                                                          | \$ -                                                         | \$ -                                                    | \$ 722,037        |
|                                 | <b>\$ 722,037</b>           | <b>\$ -</b>                                                   | <b>\$ -</b>                                                  | <b>\$ -</b>                                             | <b>\$ 722,037</b> |

*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, 2020, the Canadian entities US-dollar net monetary assets totaled approximately US\$2,143,247 (CAD\$2,728,782) (December 31, 2019- US\$1,330,056 (CAD\$1,727,476) and the Company's United States subsidiaries US-dollar monetary net liabilities totaled approximately US\$98,057 (CAD\$124,846) (December 31, 2019- monetary net assets totaled approximately US\$101,944 (CAD\$132,405). A 10% strengthening in the Canadian dollar against the United States dollar as at December 31, 2020 would have decreased net income and decreased shareholders' equity by \$259,421 (December 31, 2019 a decrease of \$160,711 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 with variables rates at December 31, 2020 (2019- no loans).

### 31. 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, 2020 and 2019.

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.

**INTOUCH INSIGHT LTD.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(in Canadian Dollars)**

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

**32. 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.

**33. SUBSEQUENT EVENTS**

*Amalgamation of PerformaLogics and MobilForce with Intouch Insight Inc.*

On January 1, 2021, PerformaLogics and MobilForce were amalgamated with Intouch Insight Inc.

*Forgiveness for PPP Loan*

On March 23, 2021, the U.S. Small Business Administration approved the entirety of the PPP loan for forgiveness.



# Intouch Insight Ltd.

## Corporate Information

### OFFICES

#### **Ottawa**

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K2K 3H4

#### **Montreal**

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### LAWYERS

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Ottawa, ON  
K1P 6L5

### AUDITORS

#### **MNP LLP**

800-1600 Carling Avenue  
Ottawa, ON  
K1Z 1G3



# Board of Directors



## Michael Gaffney, B.Sc., M.B.A. | **Chair**

With over 30 years of experience with technology companies, Michael serves as Chairman and CEO of Leonovus Inc. and is the former VP of Newbridge Networks Inc. He also founded Worknet Inc, Learnsoft Inc., Lansbridge University, Kleer Semiconductor and Soltoro Inc.



## Cameron Watt, B.Comm., M.B.A. | **Director, President and CEO**

With over 30 years experience in service industries, Cameron is an experienced leader having held management positions with Excite@Home, Pizza Hut, Frito-Lay, Mars & Unilever as well having owned and operated his own businesses.



## Eric Beutel, B.A., M.B.A. | **Director**

With over 30 years of experience in the investment industry, Eric served as the VP of Oakwest Corporation Ltd. since 2003, and continues in the capacity of Director. He is also the Director of Equitable Group Inc. and various other private and publicly-traded companies.

# Board of Directors



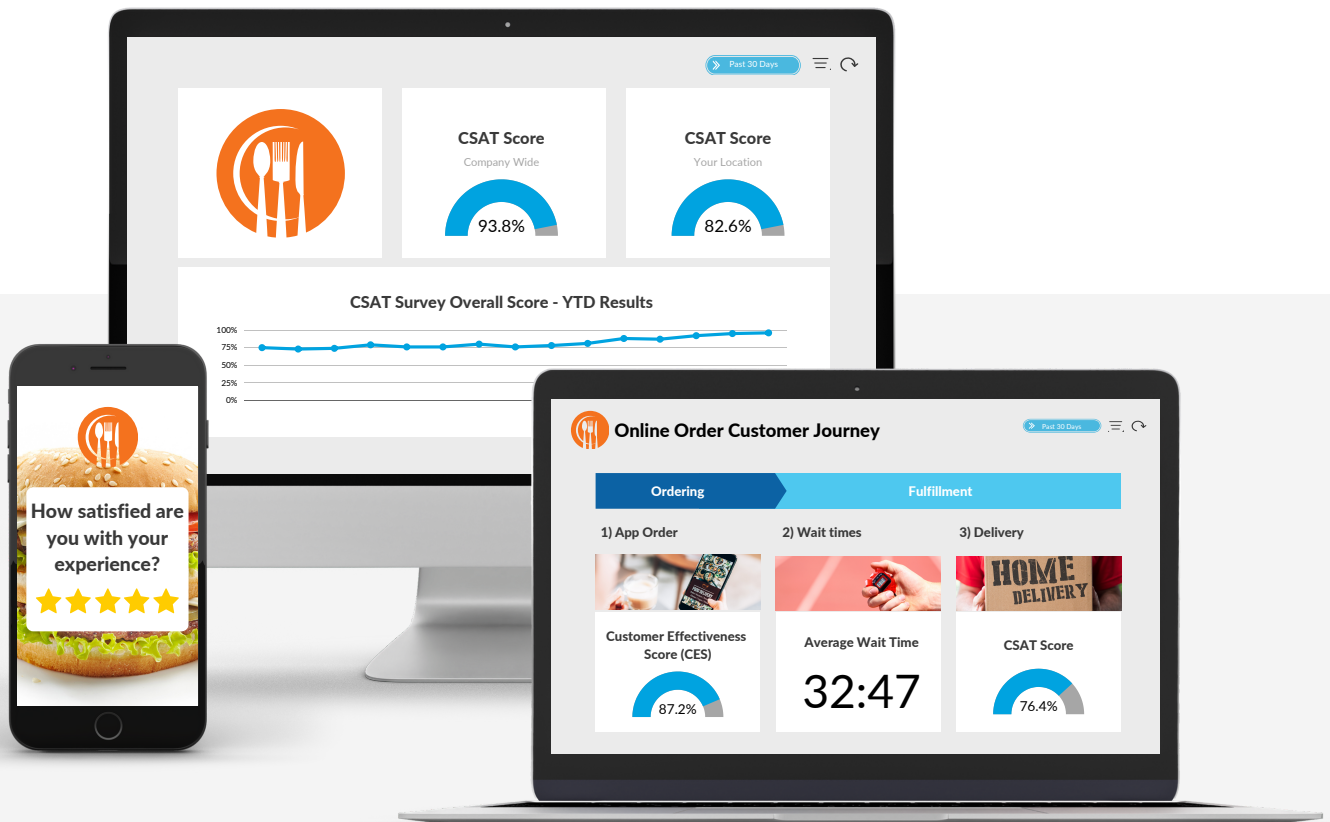
## William "David" Oliver, B.Sc. | **Director**

With over 35 years of experience in finance, construction, operations and development in hospitality industry, William has lead the asset and project management group of 360 Vox/Dundee 360 Real Estate Group. He is the former CEO, London Convention Center and has been involved in the development of over 400 hotels globally.



## Rainer Paduch, B. Eng., M. Eng. | **Director**

With over 30 years of experience in internet operations, software design, telecommunications and data networking, Rainer is the founder of Band of Scoundrels Investment Partnership & Co-Founder of Ottawa Angel Alliance. He is CEO and Co-Founder of PureColo, as well as the former Founder, President, CTO and Vice Chair of iSTAR.



# The Intouch Insight Family of Products

**Earn more, save more, and drive loyalty** by consolidating the tools you use and strengthening the data you collect.



Understand  
Performance Down  
to the Location



Drive Meaningful  
Action Across  
your Business



Stay On Track with  
Set-and-Forget  
Automation



IntouchSurvey™



IntouchCheck™



LiaCX®



IntouchShop™