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

REDKNEE SOLUTIONS INC.

Years ended September 30, 2017 and 2016

MANAGEMENT'S RESPONSIBILITY

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of Redknee Solutions Inc. (the "Company"). Management is responsible for the information and representations contained in these consolidated financial statements.

We maintain appropriate processes to ensure that we produce relevant and reliable financial information. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The significant accounting policies, which management believes are appropriate for the Company, are described in note 2 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. The Board of Directors appoint an Audit Committee of three independent directors to review the consolidated financial statements, as well as the adequacy of its internal controls, audit process and financial reporting with management and with the external auditors. The Audit Committee reports to the Board of Directors prior to the approval of the audited consolidated financial statements for publication.

KPMG LLP, our independent auditors appointed by security holders at the last annual meeting, have audited the consolidated financial statements. Their report is presented below.

/s/ Danielle Royston
Chief Executive Officer

/s/ Anindyaraj Basu
Interim Chief Financial Officer

December 6, 2017
Toronto, Canada

KPMG LLP
100 New Park Place
Suite 1400
Vaughan, Ontario
L4K 0J3
Telephone (905) 265-5900
Fax (905) 265-6390
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Redknee Solutions Inc.

We have audited the accompanying consolidated financial statements of Redknee Solutions Inc., which comprise the consolidated statements of financial position as at September 30, 2017 and September 30, 2016, the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Redknee Solutions Inc. as at September 30, 2017 and September 30, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Yours very truly,

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

December 6, 2017
Toronto, Canada

REDKNEE SOLUTIONS INC.

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

September 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents (note 8)	$ 110,891,744	$ 37,080,510
Trade accounts and other receivables (note 9)	26,329,505	43,209,046
Unbilled revenue	17,928,405	27,290,500
Prepaid expenses	2,205,887	2,999,539
Income taxes receivable	4,329,580	2,662,163
Other assets (note 12)	–	268,929
Inventories	1,101,929	710,591
Total current assets	162,787,050	114,221,278
Restricted cash (note 19(b))	4,553,623	4,582,293
Property and equipment (note 10)	3,457,611	6,262,965
Deferred income taxes (note 16(d))	2,328,129	1,984,479
Investment tax credits (note 16(c))	374,387	355,914
Other assets (note 12)	1,353,968	1,656,971
Intangible assets (note 11(a))	25,505,620	35,721,065
Goodwill (note 11(b))	32,271,078	32,271,078
Total assets	$ 232,631,466	$ 197,056,043
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	$ 11,229,091	$ 14,212,869
Accrued liabilities	16,853,190	23,405,832
Provisions (note 20)	18,653,817	21,981,367
Income taxes payable	322,403	724,412
Deferred revenue	15,572,620	18,915,596
Loans and borrowings (note 13)	–	50,445,790
Total current liabilities	62,631,121	129,685,866
Deferred revenue	894,409	639,688
Other liabilities	807,390	2,264,482
Pension and other long-term employment benefit plans (note 14)	17,886,630	20,387,584
Provisions (note 20)	824,626	6,683,256
Preferred shares (note 4)	59,670,913	–
Series A Warrant (note 4)	29,622,772	–
Deferred income taxes (note 16(d))	120,000	687,947
Total liabilities	172,457,861	160,348,823
Shareholders' equity:		
Share capital	248,680,325	172,436,385
Standby Warrant (note 15(d))	997,500	–
Treasury stock	(141,917)	(141,917)
Contributed surplus	11,826,454	9,812,545
Deficit	(192,727,334)	(133,954,043)
Accumulated other comprehensive loss	(8,461,423)	(11,445,750)
Total shareholders' equity	60,173,605	36,707,220
Total liabilities and shareholders' equity	$ 232,631,466	$ 197,056,043

Commitments, restricted cash, guarantees and contingent liabilities (note 19)

Subsequent event (note 22)

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

REDKNEE SOLUTIONS INC.

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

Years ended September 30, 2017 and 2016

	2017	2016
Revenue:		
Software, services and other	$ 49,584,141	$ 76,116,137
Support and subscription	88,339,593	94,973,763
	137,923,734	171,089,900
Cost of revenue	58,028,200	78,494,715
Gross profit	79,895,534	92,595,185
Operating expenditures (note 6):		
Sales and marketing	19,221,936	28,668,973
General and administrative	36,027,413	31,705,969
Research and development	41,944,025	45,495,754
Acquisition and related costs	–	4,838,371
Restructuring costs (note 20(a))	18,771,333	35,184,661
	115,964,707	145,893,728
Loss from operations	(36,069,173)	(53,298,543)
Foreign exchange loss	(3,073,512)	(4,216,967)
Other (expense) income	(1,450,928)	6,362,935
Finance income (note 7(b))	247,339	83,058
Finance costs (note 7(a))	(13,139,496)	(6,260,366)
Loss before income taxes	(53,485,770)	(57,329,883)
Income tax expense (recovery) (note 16(a)):		
Current	6,166,388	8,631,902
Deferred	(878,867)	905,536
	5,287,521	9,537,438
Loss for the year	(58,773,291)	(66,867,321)
Other comprehensive income (loss):		
Items that will not be reclassified to net income:		
Actuarial gain (loss) on pension and non-pension post-employment benefit plans, net of income tax (recovery) expense of nil (2016 - nil) (note 14)	2,984,327	(8,046,737)
Total comprehensive loss	$ (55,788,964)	$ (74,914,058)
Loss per common share:		
Basic	$ (0.49)	$ (0.62)
Diluted	(0.49)	(0.62)
Weighted average number of common shares (note 15(e)):		
Basic	120,106,596	108,481,143
Diluted	120,106,596	108,481,143

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

REDKNEE SOLUTIONS INC.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in U.S. dollars)

Years ended September 30, 2017 and 2016

	Share capital							
	Number outstanding	Amount	Warrant	Treasury stock	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, September 30, 2016	108,252,436	$ 172,436,385	$ –	$ (141,917)	$ 9,812,545	$ (133,954,043)	$ (11,445,750)	$ 36,707,220
Loss for the year	–	–	–	–	–	(58,773,291)	–	(58,773,291)
Defined benefit plan actuarial loss (note 14)	–	–	–	–	–	–	2,984,327	2,984,327
Issue of shares under Rights Offering (note 4)	153,124,917	75,919,263	–	–	–	–	–	75,919,263
Issue of warrant (note 15(d))	–	–	997,500	–	–	–	–	997,500
Share-based compensation	–	–	–	–	2,133,853	–	–	2,133,853
Stock options exercised (note 15(i))	275,000	324,677	–	–	(119,944)	–	–	204,733
Balance, September 30, 2017	261,652,353	$ 248,680,325	$ 997,500	$ (141,917)	$ 11,826,454	$ (192,727,334)	$ (8,461,423)	$ 60,173,605
Balance, September 30, 2015	109,230,576	$ 174,082,815	$ –	$ (141,917)	$ 7,899,360	$ (67,086,722)	$ (3,399,013)	$ 111,354,523
Loss for the year	–	–	–	–	–	(66,867,321)	–	(66,867,321)
Defined benefit plan actuarial gain (note 14)	–	–	–	–	–	–	(8,046,737)	(8,046,737)
Purchase of shares under NCIB (note 15(f))	(1,265,690)	(2,017,061)	–	–	(539,905)	–	–	(2,556,966)
Share-based compensation	–	–	–	–	2,573,953	–	–	2,573,953
Stock options exercised (note 15(i))	287,550	370,631	–	–	(120,863)	–	–	249,768
Balance, September 30, 2016	108,252,436	$ 172,436,385	$ –	$ (141,917)	$ 9,812,545	$ (133,954,043)	$ (11,445,750)	$ 36,707,220

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

REDKNEE SOLUTIONS INC.

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

Years ended September 30, 2017 and 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (58,773,291)	$ (66,867,321)
Adjustments for:		
Depreciation of property and equipment (note 10)	2,945,947	4,175,854
Amortization of intangible assets (note 11)	9,053,704	9,442,492
Finance income (note 7(b))	(247,339)	(83,058)
Finance costs (note 7(a))	13,139,496	6,260,366
Income tax expense	5,287,521	9,537,438
Unrealized foreign exchange loss	171,743	2,378,887
Share-based compensation	1,584,208	3,150,239
Pensions	483,373	923,366
Provisions	(9,186,180)	15,885,750
Change in non-cash operating working capital (note 17)	14,640,785	34,795,821
	(20,900,033)	19,599,834
Interest paid	(422,116)	(502,201)
Interest received	284,285	86,335
Income taxes paid	(7,931,044)	(11,805,732)
	(28,968,908)	7,378,236
Financing activities:		
Issue of preferred shares and warrant (note 4)	79,861,542	–
Issue of shares under rights offering (note 4)	76,916,763	–
Purchase of shares under NCIB (note 15 (f))	–	(2,556,966)
Proceeds from exercise of stock options	204,733	249,768
Interest paid on loans and borrowings	(2,330,904)	(4,109,186)
Repayment of loans and borrowings	(52,750,000)	(6,800,000)
Transaction costs on loans and borrowings (note 13)	–	(90,496)
	101,902,134	(13,306,880)
Investing activities:		
Purchase of property and equipment (note 10)	(514,519)	(2,552,199)
Purchase of intangible assets	–	(41,318)
Decrease in restricted cash	28,670	1,389,794
Payment of settlement accrual and contingent consideration	–	(10,244,224)
	(485,849)	(11,447,947)
Effect of foreign exchange rate changes on cash and cash equivalents	1,363,857	(590,476)
Increase (decrease) in cash and cash equivalents	73,811,234	(17,967,067)
Cash and cash equivalents, beginning of year	37,080,510	55,047,577
Cash and cash equivalents, end of year	$ 110,891,744	$ 37,080,510

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

Redknee Solutions Inc. (the "Company" or "Redknee"), through its predecessors, commenced operations on March 29, 1999. The Company was incorporated under the Canada Business Corporations Act on November 1, 2006. The Company's registered head office is located at 155 Wellington Street West, 40th Floor, Toronto, Ontario, Canada. The Company is publicly traded on the Toronto Stock Exchange (TSX: RKN).

Redknee monetizes today's digital world for communications service providers. The Company’s market-leading portfolio of monetization and subscriber management solutions includes real-time billing, charging, policy, and customer care modules and is available on premise, cloud-based, or as Software-as-a-Service (“SaaS”). With a central focus on driving customer success, Redknee's products power growth and innovation for operators globally. The Company’s software products allow communication service providers to monetize various markets, including consumer, enterprise, wholesale, and the expanding SaaS and cloud ecosystems. Redknee’s software supports the introduction of new revenue streams and innovative tariffs, payment solutions, data services, and advanced customer care and subscriber self-care functionality. Redknee is the parent of the wholly owned operating subsidiary, Redknee Inc., and its various subsidiaries.

1. Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements for the year ended September 30, 2017 were authorized for issuance by the Board of Directors of the Company on December 6, 2017.

2. Significant accounting policies:

(a) Basis of measurement and presentation:

These consolidated financial statements have been prepared on a historical cost basis, except for:

- financial assets classified at fair value through profit and loss or as available-for-sale;

- embedded derivative liability, which is measured at fair value;

2. Significant accounting policies (continued):

- plan assets for defined benefit pension plan is recognized as plan assets, plus unrecognized past service cost, less the present value of the defined benefit obligation and is limited as explained in note 14; and

- cash-settled share-based payments, which are measured at fair value.

(b) Basis of consolidation:

These consolidated financial statements include the financial statements of the Company, Redknee Inc. and its wholly owned subsidiary companies. All significant intercompany balances and transactions have been eliminated on consolidation.

(c) Functional currency:

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

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities not denominated in the functional currency are translated at the year-end rates of exchange. Foreign exchange gains and losses are recognized in the consolidated statements of comprehensive loss.

(d) Use of judgments and estimates:

The preparation of consolidated financial statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the year in which the estimates are revised and may impact future years as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment.

2. Significant accounting policies (continued):

The following are critical accounting polices subject to judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported consolidated results and consolidated financial position.

(i) Revenue recognition, deferred revenue and unbilled revenue:

Key sources of estimation uncertainty
In its determination of the amount and timing of revenue to be recognized, management relies on assumptions and estimates supporting its revenue recognition policy. Estimates of the percentage-of-completion for customer projects are based upon current actual and forecasted information and contractual terms.

Critical judgments in applying accounting policies
A significant portion of the Company's revenue is generated from large and complex customer contracts. Management's judgment is applied regarding, among other aspects, the evaluation of multiple components within these arrangements to assess whether deliverables can be recognized separately for revenue recognition purposes. This includes whether software installation and implementation services have standalone value to the customer. In evaluating whether software is separable from services, the Company's judgments include, among other things, assessing the nature and complexity of the services, whether other vendors could provide the services, and the linkage of payments of software to delivery of services.

2. Significant accounting policies (continued):

(ii) Trade receivables:

Key sources of estimation uncertainty
The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. Credit risks for outstanding customer receivables are regularly assessed and allowances are recorded for estimated losses.

(iii) Deferred taxes:

Key sources of estimation uncertainty
Deferred tax assets and liabilities are recognized for temporary differences and for tax loss carryforwards. The valuation of deferred tax assets is based on management's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carryforwards may be utilized.

(iv) Estimate of useful lives of property and equipment and intangible assets:

Key sources of estimation uncertainty

Useful lives over which assets are depreciated or amortized are based on management's judgment of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.

(v) Fair value estimates of share-based compensation:

Key sources of estimation uncertainty
Fair value of stock options is determined using the Black-Scholes option pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as, internal estimates. In addition to the fair value calculation, management estimates the expected forfeiture rate with respect to equity-settled share-based payments based on historical experience.

2. Significant accounting policies (continued):

(vi) Pension and non-pension post-employment benefit plans:

Key sources of estimation uncertainty:
The actuarial valuation of the defined benefit obligation and the fair value of plan assets require estimates, including discount rates applied to the Company's pension plan and non-pension post-employment benefit liabilities.

(vii) Goodwill valuation:

Key sources of estimation uncertainty:
We use estimates in determining the recoverable amount of goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates, such as future cash flows, terminal growth rates and discount rates.

We estimate value in use for impairment tests by discounting estimated future cash flows for periods up to five years to their present value. The future cash flows are based on our estimates and expected future operating results of the cash generating units (“CGU”) after considering economic conditions and a general outlook for the CGU’s industry. Our discount rates consider market rates of return, debt to equity ratios and certain risk premiums, among other things. The terminal value is the value attributed to the CGU’s operations beyond the projected time period of the cash flows using a perpetuity rate based on expected economic conditions and a general outlook for the industry.

We make certain assumptions when deriving expected future cash flows, which may include assumptions pertaining to discount and terminal growth rates. These assumptions may differ or change quickly depending on economic conditions or other events. It is therefore possible that future changes in assumptions may negatively affect future valuations of CGUs and goodwill, which could result in impairment losses.

(e) Revenue recognition:

(i) General:

The Company's revenue is derived primarily from licensing of software products under non-cancellable license agreements, the provision of related professional services (including installation, integration and training) and post-contract customer support ("PCS"). In certain cases, the Company also provides customers with hardware in conjunction with its software offerings.

2. Significant accounting policies (continued):

Revenue comprises the fair value of consideration received or receivable from the sale or license of products or the provision of services in the ordinary course of business, net of discounts and sales taxes. Out-of-pocket expenditures that are contractually reimbursable from customers are recorded as gross revenue and expenditures.

(ii) Arrangements with multiple components:

The Company enters into arrangements that contain separately identifiable components, which may include any combination of software, services, PCS and/or hardware.

Where multiple transactions or contracts are linked, such that the individual transactions have no commercial effect on their own, the transactions are evaluated as a combined customer arrangement for purposes of revenue recognition. When two or more revenue-generating activities or deliverables are sold under an arrangement, each deliverable that is considered a separate component is accounted for separately. A deliverable is separately accounted for when a delivered item has standalone value from undelivered items based on the substance of the arrangement. When services are essential to the functionality of the software, the software does not have standalone value and is combined with the essential services as a single component.

Where an arrangement includes multiple components, revenue is allocated to the different components based on their relative fair values or the residual method, as applicable. The Company generally uses optional stated renewal rates to evidence fair value of undelivered term-license/PCS services when the renewal fees and terms are substantive. When stated renewal rates do not exist for an arrangement, the Company considers fees charged on standalone PCS renewals in other similar arrangements to establish fair value. The Company typically evidences fair value for other products and services based on the pricing when those deliverables are sold separately. Where reasonable vendor-specific or third party inputs do not exist to reliably establish fair value, the Company allocates revenue based on its best estimate of selling price that the Company would transact at if the deliverable were sold on a standalone basis. For services, this includes the expected cost of delivery plus an estimated profit margin. Under the residual method, revenue is allocated to undelivered components of the arrangement based on their fair values and the residual amount of the arrangement revenue is allocated to delivered components.

2. Significant accounting policies (continued):

The revenue policies below are applied to each separately identifiable component. Revenue associated with each component is deferred until the criteria required to recognize revenue have been met.

The Company recognizes revenue once persuasive evidence exists, generally in the form of an executed agreement, it is probable the economic benefits of the transaction will flow to the Company and revenue and costs can be measured reliably. If collection is not considered probable, revenue is recognized only once fees are collected.

(iii) Software licenses:

Revenue for combined licensed software and essential services are recognized using contract accounting, following the percentage-of-completion method. The Company uses either the ratio of hours to estimated total hours or the completion of applicable milestones, as appropriate, as the measure of its progress to completion on each contract. If a loss on a contract is considered probable, the loss is recognized at the date determinable.

Perpetual software licenses, when not combined with services for accounting purposes, are recognized upon delivery and commencement of the license term. Term licenses and software subscriptions are generally recognized ratably over the term of the subscription license.

(iv) Other services:

Revenue for installation, implementation, training and other services, where not essential to the functionality of the software is recognized, as the services are delivered to the customer. Fixed fee service arrangements are recognized using the percentage-of-completion method based on labour input measures.

(v) Post-contract customer support:

PCS revenue is recognized ratably over the term of the PCS agreement.

2. Significant accounting policies (continued):

(vi) Third party software and hardware:

Third party software and hardware revenue is recognized when delivery has occurred and risks and rewards have transferred to the customer, unless related professional services costs are considered essential to the functionality. In these cases, the percentage-of-completion method is applied.

(vii) Unbilled and deferred revenue:

Amounts are generally billable on reaching certain performance milestones, as defined by individual contracts. Revenue in excess of contract billings is recorded as unbilled revenue. Cash proceeds received in advance of performance under contracts are recorded as deferred revenue. Deferred revenue is classified as long-term if it relates to performance obligations that are expected to be fulfilled greater than 12 months from period end.

(f) Net loss per common share:

Basic net loss per common share is computed by dividing loss for the year by the weighted average number of common shares outstanding during the year. Diluted net loss per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. The diluted net loss per share calculation, excludes the impact of employee stock options, treasury shares and other potentially dilutive instruments when their inclusion would be anti-dilutive.

(g) Financial instruments:

The Company recognizes financial assets and financial liabilities at fair value when the Company becomes a party to the contractual provision of the instrument at fair value. Financial assets and financial liabilities, with the exception of financial instruments measured at fair value through profit or loss are measured at fair value plus transaction costs on initial recognition. Financial instruments measured at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

2. Significant accounting policies (continued):

Measurement in subsequent periods depends on the classification of the financial instrument:

(i) Financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL"):

Financial assets and financial liabilities are classified at FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivative assets or liabilities. Financial assets and financial liabilities measured at FVTPL are measured at fair value, with changes recognized in the consolidated statements of comprehensive loss.

Cash and cash equivalents, restricted cash, embedded derivative liability and warrant are classified at FVTPL.

(ii) Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are either designated as such by management or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value with subsequent changes in fair value, other than impairment losses, recognized in other comprehensive income (loss). Upon sale, the accumulated fair value adjustments recognized in other comprehensive income (loss) are transferred to profit or loss. There were no sales of available for sale financial assets during the years ended September 30, 2017 and 2016.

(iii) Loans and receivables:

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default or other circumstances indicate deteriorating economic conditions.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

2. Significant accounting policies (continued):

Trade accounts and other receivables are classified as loans and receivables.

(iv) Other financial liabilities:

Other financial liabilities are financial liabilities that are not derivative liabilities or liabilities measured at FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company's other financial liabilities include trade payables, accrued liabilities, provisions, long-term liabilities, preferred shares and loans and borrowings.

(h) Cash and cash equivalents:

Cash and cash equivalents include balances with banks and highly liquid instruments with original maturities of less than 90 days at issuance.

(i) Inventories:

Inventories are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenditures. Inventories include hardware and software held by the Company and are only purchased when required by specific customer projects; the Company occasionally makes only minor modifications to the inventories before shipping to the customer.

(j) Property and equipment:

Property and equipment are measured at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 - 5 years
Furniture, fixtures and lab equipment	3 - 5 years
Leasehold improvements	Shorter of term of lease or estimated useful lives

2. Significant accounting policies (continued):

The estimated useful lives, depreciation method and residual values of each asset are evaluated annually, or more frequently, if required and are adjusted, if appropriate.

(k) Leased assets:

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased assets are measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset. Minimum lease payments made under finance leases are apportioned between finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability.

Other leases are operating leases and the leased assets are not recognized in the Company's consolidated statements of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expense, over the term of the lease.

(l) Intangible assets:

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value, based on an allocation of the purchase price. The intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1 - 3 years
Acquired technology	5 - 10 years
Customer relationships	9 - 10 years

The amortization method, estimated useful lives and residual values are reviewed annually, or more frequently, if required and are adjusted, as appropriate.

2. Significant accounting policies (continued):

(m) Business combinations and goodwill:

Acquisitions of businesses are accounted for using the acquisition method. The acquiree's identifiable assets and liabilities are generally recognized at their fair values at the date of acquisition. Acquisition-related transaction costs are expensed as incurred. The fair value of contingent consideration is considered part of the consideration transferred and included in the total purchase price on the acquisition date. Contingent consideration classified as equity is not remeasured subsequent to the acquisition date (other than for measurement period adjustments) and its subsequent settlement is accounted for within equity. Contingent consideration that is liability classified and falls within the scope of International Accounting Standard ("IAS") 39, Financial Instruments - Recognition and Measurement ("IAS 39"), is remeasured to fair value at each reporting date until the contingency is resolved, with changes in fair value recorded in other income.

Goodwill is recognized at the acquisition date as the excess of the fair value of consideration transferred less the net recognized amount (generally fair value) of identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Goodwill is not subject to amortization and is measured at cost less accumulated impairment losses.

The allocation of the purchase price to the net assets acquired may be adjusted to reflect new information obtained about facts and circumstances that exist at the acquisition date, up to a maximum of 12 months following the date of acquisition. Changes to the allocation of the purchase price during this measurement period are recognized retrospectively.

2. Significant accounting policies (continued):

(n) Impairment:

At each reporting date, the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Goodwill is tested annually for impairment. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. Cash-generating units are the smallest identifiable groups of assets that generate cash inflows from the continuing use that are largely independent of the cash inflows of other assets or cash-generating units. For the purposes of assessing for indications of impairment and impairment testing, assets that do not generate largely independent cash inflows are grouped into cash-generating units. The recoverable amount of a cash generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss and allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of cash generating units), and then to reduce the carrying amounts of the other assets in the cash generating unit (group of cash generating units) on a pro rata basis.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount, with the exception of impairment losses on goodwill, which are not reversed. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed what the carrying amount would have been had no impairment losses been recognized for the asset in prior years.

---

2. Significant accounting policies (continued):

(o) Provisions:

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

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract less the expected benefits to be derived by the Company.

(p) Research and development costs:

Internally generated expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in profit or loss as an expense in the period in which they are incurred. Internally generated development costs are capitalized when the costs are expected to provide future benefits with reasonable certainty and the costs meet all the criteria for capitalization. No internal development costs have been capitalized as at September 30, 2017 and September 30, 2016.

2. Significant accounting policies (continued):

(q) Income taxes:

Income taxes comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year using enacted or substantively enacted tax rates at the end of the reporting year, and any adjustments to tax payable related to prior years. Deferred tax assets and liabilities are determined based on differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and income tax planning strategies in making this assessment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(r) Investment tax credits ("ITCs"):

The Company is entitled to certain Canadian ITCs for qualifying research and development activities performed in Canada. The Company records ITCs when qualifying expenditures have been made, provided there is reasonable assurance that the credits will be realized. The amount of ITCs recorded can vary, based on estimates of future taxable income. These credits can be applied against income tax liabilities and are subject to a 20-year carryforward period or, in some cases, are refundable. Accrued ITCs are accounted for as a reduction of the related expenditures for items expensed in profit or loss or a reduction of the related asset's cost for items capitalized in the consolidated statements of financial position.

2. Significant accounting policies (continued):

(s) Employee benefits:

(i) Termination benefits:

Termination benefits are recognized at the earlier of recognizing costs for restructuring in the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, that includes the payment of termination benefits and when the Company can no longer withdraw the offer of those benefits. Termination benefits for voluntary redundancies are recognized if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If recognized termination benefits are payable more than 12 months after the reporting date, the liability is discounted to its present value.

(ii) Short-term employee benefits:

Employee benefit obligations are short-term in nature and are measured on an undiscounted basis and are recognized as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plan if the Company has a present legal or constructive obligation to pay this amount, as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Share-based compensation:

The Company issues stock options, restricted share units ("RSUs") and performance share units ("PSUs") pursuant to several share-based compensation plans. Stock options and RSUs are settled with common shares of the Company. PSUs are settled with either cash or common shares of the Company. Compensation costs for options, RSUs and PSUs settled in equity are measured based on the grant date fair value of the award and recognized, net of estimated forfeitures, over the vesting period with a corresponding credit to contributed surplus. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the period. Compensation cost for PSUs intended to be settled in cash is measured based on the fair value of the PSUs liability at the reporting date.

2. Significant accounting policies (continued):

The Company also has a deferred share units ("DSUs") plan. The plan allows for settlement of DSUs by cash or other assets. The fair value of the Company's DSUs is recognized using the liability method. Since the DSUs will be settled in cash or other assets, the fair value of the vested DSUs is revalued each period until the settlement date and any changes in the fair value of the liability are recognized in profit or loss. The Company has recognized a liability in the consolidated statements of financial position for the total fair value of the vested DSUs included in other long-term liabilities.

(iv) Other long-term employee benefits:

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the year in which they arise.

(v) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are payable more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

2. Significant accounting policies (continued):

(vi) Defined benefit plans:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in their current and prior years. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan's liabilities. When the benefits of a plan are increased, the portion of the increased benefit related to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the consolidated statements of comprehensive loss.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in the consolidated statements of comprehensive loss.

(t) Segment reporting:

The Company has one reportable segment, the telecommunications software market. The single reportable operating segment derives its revenue from the sale of software products, related services and hardware.

3. New accounting pronouncements:

The IASB has issued new standards and amendments to existing standards. These changes in accounting are not yet effective at September 30, 2017 and could have an impact on future periods.

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

The IASB issued IFRS 15, which is effective for annual periods beginning on or after January 1, 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue, at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The standard will be applicable for the Company effective October 1, 2018. The Company is in the process of assessing the impact of this standard on its consolidated financial statements. The extent of the impact of adoption of the standard has not yet been determined.

(b) Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions (“IFRS 2”):

On June 20, 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively, retrospectively, or early application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and,
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

3. New accounting pronouncements (continued):

The Company will adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on October 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(c) IFRS 9, Financial Instruments ("IFRS 9"):

The IASB issued IFRS 9, which replaces IAS 39 which establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduces more judgment to assess the effectiveness of a hedging relationship. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with certain exemptions. The Company is in the process of assessing the impact of this standard on its consolidated financial statements and will adopt the standard effective October 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(d) IFRS 16, Leases ("IFRS 16"):

On January 13, 2016, the IASB issued IFRS 16. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

3. New accounting pronouncements (continued):

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company will adopt the standard effective October 1, 2019 and is in the process of assessing the impact on its consolidated financial statements. The extent of the impact of adoption of the standard has not yet been determined.

(e) Amendments to IAS 7 – Disclosure initiative:

On January 29, 2016 the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after October 1, 2017. Earlier application is permitted.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The Company will adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on October 1, 2017. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

(f) Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses ("IAS 12"):

On January 19, 2016, the IASB issued IAS 12. The amendments apply retrospectively for annual periods beginning on or after October 1, 2017. Earlier application is permitted.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company will adopt the amendments to IAS 12 in its financial statements for the annual period beginning on October 1, 2017.

4. Preferred Shares and Warrant and Rights Offering

Issuance of Preferred Shares and Warrant:

On January 25, 2017, the Company's shareholders approved a private placement to ESW Holdings, Inc. (formerly known as Wave Systems Corp.) (the "Investor"), an affiliate of ESW Capital, LLC ("ESW Capital"), of 800,000 Series A preferred shares (the "Preferred Shares") of the Company and a warrant (the "Series A Warrant") to purchase 46,285,582 common shares of the Company for an exercise price of $1.2963 per common share for gross proceeds of $83.2 million (the "Financing Transaction") pursuant to the terms of a subscription agreement among the Company, ESW Capital and the Investor. On January 25, 2017, the Company's shareholders approved the Financing Transaction in a special meeting. The private placement was completed on January 26, 2017.

On January 26, 2017, the net proceeds from the Financing Transaction were used to repay the loans and borrowings under the Company's senior secured credit facility of approximately $53.0 million, which included accrued interest up to the date of repayment and related legal costs. In December 2016, the Company accepted a superior offer from ESW Capital and incurred a breakage fee of $3.2 million payable to an affiliate of Constellation Software Inc., which obligation was satisfied by ESW Capital as a prepayment of their subscription in the quarter ended December 31, 2016. The balance of the proceeds, after payment of costs related to the Financing Transaction and the prepayment of the breakage fee of $3.2 million, amounted to $23.8 million, which is being used to fund the Company's previously announced restructuring costs and working capital. The $3.2 million breakage fee was recorded in other expense in the consolidated statements of comprehensive loss during the year ended September 30, 2017.

The Preferred Shares are redeemable at the option of the Company at any time and redeemable at the option of the Investor any time after 10 years from the issuance date. The Series A Warrant expires 10 years from the issuance date. The Preferred Shares are eligible to receive cumulative dividends at the rate of 10% per annum of the issue price and are payable quarterly, if, as and when declared by the Board of Directors, provided that if such dividends are not declared and paid, they will accrue and compound monthly at the rate of 10% per annum.

Upon issuance, the Preferred Shares were measured at fair value, based upon the present value of the redemption amount of the Preferred Shares and the present value of the quarterly dividends to be paid over the redemption term of 10 years. The fair value of the Preferred Shares upon issuance was $55,561,498. Direct and incremental costs of $3,338,458 related to the Financing Transaction were incurred. The transaction costs were allocated to the value of the Preferred Shares and Warrant on a ratable basis. After allocation of transaction costs of $2,227,168, the value of the Preferred Shares was $53,334,330 at the date of issuance.

4. Preferred Shares and Warrant and Rights Offering (continued):

The Preferred Shares will be accreted to their face amount of $80,000,000 plus accrued cumulative dividends over the 10-year maturity period using the effective interest rate method. During the year ended September 30, 2017, accretion expense, amortization of transaction costs and accrued dividends on the Preferred Shares amounted to $6,336,583. These charges are included in finance costs in the consolidated statements of comprehensive loss. The Board of Directors have not approved any payment of dividends on the Preferred Shares for the year ended September 30, 2017, and the amount of accrued dividends have been included in the Preferred Shares on the consolidated statements of financial position.

The fair value of the Series A Warrant upon issuance at January 26, 2017 was $27,638,502. The Series A Warrant is being classified as a liability because it contains an adjustment provision if the Company issues common shares (“Common Shares”) or securities exchangeable for or convertible into Common Shares at a price per share less than the Series A Warrant exercise price of $1.2963. Changes in fair value are recorded in the consolidated statements of comprehensive loss. The fair value of the Series A Warrant is estimated at $29,622,772 at September 30, 2017, based on the terms of the warrant and the adjusted exercise price of $0.68 after the completion of the Rights Offering described below. The increase in fair value of the warrant liability of $1,984,270 during the year ended September 30, 2017 is recorded in finance costs in the consolidated statements of comprehensive loss. In addition, total transaction costs of $1,111,290 incurred upon issuance, were allocated to the Series A Warrant and were expensed in finance costs in the consolidated statements of comprehensive loss. No Series A Warrant was exercised as at September 30, 2017. Any unexercised Series A Warrant expires on January 25, 2027.

Rights Offering:

On June 9, 2017 the Company entered into a standby purchase agreement (the “Standby Purchase Agreement”) with the Investor and ESW Capital in connection with the launching of a $54,240,771 rights offering, fully backstopped by the Investor (the "Rights Offering"). Pursuant to the Standby Purchase Agreement, ESW Capital agreed to purchase from the Company, at the subscription price of CAD$0.63 per share ($0.50 per share) on the closing date, all of the Rights Shares that were not otherwise subscribed for and taken up under the Rights Offering by holders of rights so that the maximum number of subordinate voting shares (the “Subordinate Voting Shares”) that may be issued under the Rights Offering will have been issued (the “Standby Commitment”). The net proceeds of the Rights Offering will be used to fund a restructuring of the business to further the Company’s previously announced restructuring plan.

4. Preferred Shares and Warrant and Rights Offering (continued):

On July 25, 2017, the Company's shareholders approved the Rights Offering in a special meeting. The following was approved:

(a) The issuance to the holders of the Company's outstanding Subordinate Voting Shares of transferable rights (each, a "Right") to subscribe for Subordinate Voting Shares on the basis of one Right for each Subordinate Voting Share held as of the record date of the offering at CAD$0.63 per share ($0.50 per share) for gross proceeds of approximately CAD$68 million ($54 million), assuming exercise of all Rights and giving effect to the Standby Commitment;

(b) The issuance to the Investor of a Subordinate Voting Share purchase warrant ("Standby Warrant") to acquire 2,500,000 Subordinate Voting Shares at a price of $0.50 per Subordinate Voting Share as consideration for providing the Standby Commitment; and

(c) The potential issuance by the Company to ESW Investment Corp. (formerly known as Wave Systems Investment Corp.) (the "Preferred Shareholder"), at the Preferred Shareholder's request, of up to 49,899,794 additional Subordinate Voting Shares at a price of CAD$0.63 per share ($0.50 per share) (assuming the exercise of all options that will vest prior to the date of the Rights Offering Circular) following the completion of the Rights Offering in accordance with the terms and conditions of the subscription agreement dated December 18, 2016 between the Investor, the Company and ESW Capital and subsequently assigned to the Preferred Shareholder by the Investor.

On September 6, 2017, the Company closed its Rights Offering to the holders of its Subordinate Voting Shares. Under the Rights Offering, an aggregate of 108,519,936 Subordinate Voting Shares were issued at a subscription price of CAD$0.63 ($0.50) per share for gross proceeds to the Company of CAD$68,367,560 ($54,240,771).

The Rights Offering was over-subscribed prior to the Investor exercising its additional rights and, as such, the investor was not required to fulfill its obligations under the Standby Purchase Agreement. The Investor exercised all of its additional rights received as a shareholder under the basic subscription privilege and all rights to which it was entitled under the additional subscription privilege.

Upon closing of the Rights Offering on September 6, 2017, the Company issued the Standby Warrant that entitles the Investor to subscribe for 2,500,000 Subordinate Voting Shares at $0.50

4. Preferred Shares and Warrant and Rights Offering (continued):

per share. The fair value of the Standby Warrant upon issuance at September 6, 2017 was $997,500. The Standby Warrant is classified as equity on the consolidated statements of financial position. Transaction costs directly associated with the Rights Offering of $509,764 have been recognized as costs of issuance and are reduced from the gross proceeds. No warrants were exercised as at September 30, 2017.

On September 12, 2017, pursuant to the Rights previously granted to the Preferred Shareholder to maintain is pro rata interest in the Company, the Preferred Shareholder subscribed for an additional 44,604,981 Subordinate Voting Shares at a price of CAD$0.63 ($0.50) per share for additional aggregate gross proceeds to the Company of CAD$28,101,138 ($23,185,756) (the "Subsequent ESW Issuance"). This issuance was closed on September 12, 2017.

Following the Rights Offering and the Subsequent ESW Issuance, ESW Capital and its affiliates beneficially own and control approximately 39.5% of the issued and outstanding Subordinate Voting Shares, on a partially diluted basis. As a result of the completion of the Rights Offering and the Subsequent ESW Issuance, the exercise price of the Series A Warrant issued in January 2017 was reduced from US$1.2963 to US$0.68.

5. Financial instruments and capital management:

(a) Accounting classifications and fair values:

The Company adopts a three-level fair value hierarchy that reflects the significance of the inputs used to measure fair value. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the financial asset or financial liability that are not based on observable market data (i.e. unobservable inputs that represent the Company's own judgments about what assumptions market place participants would use in pricing the asset or liability developed, based on the best information available in the circumstances).

(Expressed in U.S. dollars)

5. Financial instruments and capital management (continued):

In the table below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date.

Financial assets and liabilities measured at fair value are summarized below:

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents (Level 1)	$ 110,891,744	$ 110,891,744	$ 37,080,510	$ 37,080,510
Restricted cash (Level 1)	4,553,623	4,553,623	4,582,293	4,582,293
Embedded derivative liability (other liabilities) (Level 2)	–	–	410,392	410,392
Warrant classified as liability (Level 2)	29,622,772	29,622,772	–	–
Preferred Shares (Level 2)	59,670,913	59,670,913	–	–

There were no transfers of financial assets between levels during the years ended September 30, 2017 and 2016.

Financial instruments are classified into one of the following categories: financial assets and financial liabilities at FVTPL, loans and receivables, and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2017	2016
Financial assets at FVTPL[a]	$ 115,445,367	$ 41,662,803
Loans and receivables[b]	26,329,505	43,209,046
Other financial liabilities[c]	108,039,027	118,993,596
Financial liabilities at FVTPL[d]	29,622,772	–

[a] Includes cash and cash equivalents and restricted cash;

[b] Includes trade accounts and other receivables; and

[c] Includes trade payables, accrued liabilities, provisions, other long-term liabilities, preferred shares and loans and borrowings.

[d] Includes the Series A Warrant.

5. Financial instruments and capital management (continued):

The carrying values of trade accounts and other receivables, trade payables, accrued liabilities, provisions and other long-term liabilities approximate fair values because of the short-term nature of these financial instruments.

The carrying value of loans and borrowings with floating interest rates approximates fair value because the interest rates approximate market rates.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. The estimates are subjective in nature and involve uncertainties and matters of judgment.

(b) Financial risk management:

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

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

(i) Risk management framework:

The Board of Directors has the overall responsibility and oversight of the Company's risk management practices. The Company does not follow a specific risk model, but rather includes risk management analysis in all levels of strategic and operational planning. The Company's management, specifically the Senior Leadership Team, is responsible for developing and monitoring the Company's risk strategy. The Company's management reports regularly to the Board of Directors on its activities.

The Company's management identifies and analyzes the risks faced by the Company. Risk management strategy and risk limits are reviewed regularly to reflect changes in the market conditions and Company's activities. The Company's management aims to develop and implement a risk strategy that is consistent with the Company's corporate objectives.

(Expressed in U.S. dollars)

5. Financial instruments and capital management (continued):

(ii) Credit risk:

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from banks and customers.

The Company has credit risk relating to cash and cash equivalents and restricted cash, which it manages by dealing with large chartered Canadian and international banks and investing in highly liquid investments of a rating of no less than R1, the credit rating assigned to those who pay on time.

The Company's exposure to credit risk geographically for cash and cash equivalents and restricted cash as at September 30 was as follows:

	2017	2016
Europe, Middle East and Africa	27%	83%
North America, Latin America and Caribbean	71%	7%
Asia and Pacific Rim	2%	10%
	100%	100%

For the years ended September 30, 2017 and 2016, the Company had no customers that accounted for greater than 10% of revenue. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as, progress payments as contracts are performed. The Company also insures certain accounts receivable balances in certain countries.

Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

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

(Expressed in U.S. dollars)

5. Financial instruments and capital management (continued):

The Company's trade receivables had a carrying value of $24,586,938 as at September 30, 2017 (2016 - $34,078,367), representing the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers varies based upon the size of the customer, type of revenue and geographic region, and generally call for payment within 30 to 120 days. At September 30, 2017, approximately 7.7% of gross trade receivables, or $2,545,396, was outstanding for more than 120 days (2016 - 26.8% or $11,627,239). The activity of the allowance for doubtful accounts for the years ended September 30 is as follows:

	2017	2016
Allowance for doubtful accounts, beginning of year	$ 747,563	$ 1,684,901
Bad debt expense	3,392,456	857,284
Write-off of bad debts	(1,926,785)	(1,794,622)
Allowance for doubtful accounts, end of year	$ 2,213,234	$ 747,563

Allowance for doubtful accounts is charged to general and administrative expense. Estimates for allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each consolidated statement of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and going concern risks.

The Company's exposure to credit risk for trade receivables by geographic area as at September 30 was as follows:

	2017	2016
Europe, Middle East and Africa	48%	62%
North America, Latin America and Caribbean	13%	11%
Asia and Pacific Rim	39%	27%
	100%	100%

(Expressed in U.S. dollars)

5. Financial instruments and capital management (continued):

(iii) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities as at September 30, 2017 will mature as follows:

	Less than 1 year	1 - 2 years	2 years and thereafter
Trade payables	$ 11,229,091	$ –	$ –
Accrued liabilities	16,853,190	–	–
Provisions	18,653,817	497,041	327,585
Other liabilities	–	–	807,390
Preferred shares	–	–	59,670,913
	$ 46,736,098	$ 497,041	$ 60,805,888

The Company also has contractual obligations in the form of operating leases (note 19(a)).

Management believes the Company's existing cash and cash equivalents, restricted cash and cash from operating and financing activities will be adequate to support all of its financial liabilities and contractual commitments as they become due.

The Company operates in a number of jurisdictions, some of which impose currency remittance restrictions and income tax withholdings, which impacts the timing and amount of cash which can be repatriated from these countries.

(iv) Market risk:

Market risk is the risk that the value of the Company's financial instruments will fluctuate due to changes in the market risk factors. The market risk factors which affect the Company are foreign currency and interest rates.

5. Financial instruments and capital management (continued):

Foreign currency risk:

The Company conducts a significant portion of its business activities in foreign countries. Foreign currency risk arises because of fluctuations in foreign currency exchange rates. The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by converting foreign-denominated cash balances into U.S. dollars to the extent practical to match U.S. dollar obligations. The monetary assets and liabilities that are denominated in foreign currencies are affected by changes in the exchange rate between the U.S. dollar and these foreign currencies. The Company recognized a foreign currency exchange loss of $3,073,512 during the year ended September 30, 2017 (2016 - $4,216,967).

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

	Currency of exposure in U.S. dollars		
2017	CAD	Euro	British Pound
Cash and cash equivalents	$ 2,381,444	$ 13,841,307	$ 424,263
Trade accounts and other receivables	2,091,069	1,518,743	–
Restricted cash	569,377	3,537,547	119,467
Trade payables	(6,199,805)	(1,186,706)	–
Accrued liabilities	(16,679,992)	(7,398,936)	–
Net exposure	$ (17,837,907)	$ 10,311,956	$ 543,730

5. Financial instruments and capital management (continued):

	Currency of exposure in U.S. dollars		
2016	CAD	Euro	British Pound
Cash and cash equivalents	$ 1,027,683	$ 5,862,515	$ 455,065
Trade accounts and other receivables	–	6,926,812	89,311
Restricted cash	366,640	3,792,587	115,683
Trade payables	(3,132,095)	(2,122,476)	–
Accrued liabilities	(9,916,496)	(27,371,538)	–
Net exposure	$ (11,654,268)	$ (12,912,100)	$ 660,059

If a shift in foreign currency exchange rates of 10% were to occur, the foreign currency exchange gain or loss on the Company's net monetary assets could change by approximately $1,222,103 (2016 - $419,990) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive loss.

Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its cash and cash equivalents, restricted cash and prior to the repayment of its credit facilities, certain loans and borrowings. If a shift in interest rates of 10% were to occur, the impact on cash and cash equivalents and restricted cash and the related income for the years ended September 30, 2017 and 2016 would not be material. With respect to loans and borrowings, the loan was settled in full and any incremental increase or decrease in the LIBOR rate by 10%, would have no impact on interest expense (2016 - $252,229).

(Expressed in U.S. dollars)

5. Financial instruments and capital management (continued):

(c) Management of capital:

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its strategy of 100% customer success, fund research and development leading to innovative and market leading products and implement its strategic plan that will help towards increasing shareholder value, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is currently composed of Preferred Shares and Series A Warrant (classified as liability), Subordinated Voting Shares and Standby Warrant (classified as equity). The Company's primary uses of capital are financing its operations including restructuring, increases in working capital, capital expenditures, payment of preferred share dividends when approved by the Board of Directors and acquisitions. The Company currently funds these requirements from cash flows from operations and cash raised through past share issuances.

6. Operating expenditures, excluding acquisition and related costs and restructuring costs:

The Company presents functional consolidated statements of comprehensive loss in which expenditures are aggregated according to the function to which they relate. The Company has identified the major functions as sales and marketing, general and administrative and research and development activities.

2017	Sales and marketing	General and administrative	Research and development	Total
Personnel expenditures	$ 14,214,458	$ 9,993,168	$ 24,794,766	$ 49,002,392
Other operating expenditures	4,974,741	15,891,784	15,369,680	36,236,205
Depreciation and amortization	32,737	10,142,461	1,779,579	11,954,777
	$ 19,221,936	$ 36,027,413	$ 41,944,025	$ 97,193,374

2016	Sales and marketing	General and administrative	Research and development	Total
Personnel expenditures	$ 20,021,916	$ 8,671,222	$ 31,754,448	$ 60,447,586
Other operating expenditures	8,519,108	12,577,756	10,883,262	31,980,126
Depreciation and amortization	127,949	10,456,991	2,858,044	13,442,984
	$ 28,668,973	$ 31,705,969	$ 45,495,754	$ 105,870,696

(Expressed in U.S. dollars)

7. Finance costs and finance income:

(a) Finance costs:

	2017	2016
Preferred shares dividend, accretion and amortization of deferred financing costs (note 4)	$ 6,336,583	$ –
Series A Warrant fair value adjustment (note 4)	1,984,270	–
Transaction costs related to Series A Warrant (note 4)	1,111,290	–
Interest and fees on loans and borrowings (note 13)	677,563	4,959,269
Amortization and write-off of deferred financing costs (note 13)	1,731,647	437,770
Embedded derivative and related accretion (note 13)	222,937	(317,272)
Other finance costs	1,075,206	1,180,599
	$ 13,139,496	$ 6,260,366

(b) Finance income:

Finance income includes interest income on bank accounts and term deposits of $247,339 for the year ended September 30, 2017 (2016 - $83,058).

8. Cash and cash equivalents:

The Company maintains its cash balances with reputable banks with high credit ratings. The Company operates in several jurisdictions, some of which impose currency remittance restrictions and income tax withholdings, which impacts the timing and amount of cash which can be repatriated from these countries.

9. Trade accounts and other receivables:

	2017	2016
Trade receivables, net of allowance for doubtful accounts (note 5(b)(ii))	$ 22,373,704	$ 33,330,804
Other receivables (a)	3,223,304	9,005,319
Employee receivables (b)	732,497	872,923
	$ 26,329,505	$ 43,209,046

(Expressed in U.S. dollars)

9. Trade accounts and other receivables (continued):

(a) At September 30, 2017, the other receivables balance mainly includes amounts relating to indirect taxes receivable. At September 30, 2016, the other receivables balance mainly included amounts relating to indirect taxes receivable, initial net working capital acquired through the Acquisition of BSS and initial net working capital acquired through the Orga acquisition.

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

10. Property and equipment:

	Computer equipment	Furniture, fixtures and lab equipment	Leasehold improvements	Total
Cost				
Balance, September 30, 2015	$ 3,367,991	$ 17,374,052	$ 3,007,986	$ 23,750,029
Additions	239,808	892,941	1,419,450	2,552,199
Disposals	(509,588)	(265,806)	(162,461)	(937,855)
Balance, September 30, 2016	3,098,211	18,001,187	4,264,975	25,364,373
Additions	36,314	306,342	171,863	514,519
Disposals	(188,304)	(1,117,054)	(1,386,675)	(2,692,033)
Balance, September 30, 2017	$ 2,946,221	$ 17,190,475	$ 3,050,163	$ 23,186,859
Accumulated depreciation				
Balance, September 30, 2015	$ 2,353,416	$ 11,451,424	$ 1,510,181	$ 15,315,021
Depreciation	569,156	2,907,983	698,715	4,175,854
Disposals	(509,588)	(265,806)	(162,461)	(937,855)
Foreign exchange impact	74,743	381,887	91,758	548,388
Balance, September 30, 2016	2,487,727	14,475,488	2,138,193	19,101,408
Depreciation	392,744	1,838,413	714,790	2,945,947
Disposals	(188,304)	(1,117,054)	(1,386,675)	(2,692,033)
Foreign exchange impact	50,260	232,194	91,472	373,926
Balance, September 30, 2017	$ 2,742,427	$ 15,429,041	$ 1,557,780	$ 19,729,248
Net book values				
September 30, 2016	$ 610,484	$ 3,525,699	$ 2,126,782	$ 6,262,965
September 30, 2017	203,794	1,761,434	1,492,383	3,457,611

(Expressed in U.S. dollars)

11. Intangible assets and goodwill:

(a) Intangible assets

	Computer software	Acquired technology	Customer relationships	Total
Cost				
Balance, September 30, 2015	$ 5,935,968	$ 33,766,688	$ 29,565,712	$ 69,268,368
Additions	41,318	–	–	41,318
Balance, September 30, 2016	5,977,286	33,766,688	29,565,712	69,309,686
Disposals	(36,449)	–	–	(36,449)
Balance, September 30, 2017	$ 5,940,837	$ 33,766,688	$ 29,565,712	$ 69,273,237
Accumulated amortization				
Balance, September 30, 2015	$ 3,603,429	$ 13,505,328	$ 5,797,349	$ 22,906,106
Amortization	1,066,767	5,763,063	2,612,662	9,442,492
Foreign exchange impact	140,093	756,826	343,104	1,240,023
Balance, September 30, 2016	4,810,289	20,025,217	8,753,115	33,588,621
Amortization	626,169	5,803,760	2,623,775	9,053,704
Disposals	(33,314)	–	–	(33,314)
Foreign exchange impact	80,131	742,709	335,766	1,158,606
Balance, September 30, 2017	$ 5,483,275	$ 26,571,686	$ 11,712,656	$ 43,767,617
Net book values				
Balance, September 30, 2016	$ 1,166,997	$ 13,741,471	$ 20,812,597	$ 35,721,065
Balance, September 30, 2017	457,562	7,195,002	17,853,056	25,505,620

(b) Goodwill:

The carrying value of goodwill at September 30, 2017 was $32,271,078 (September 30, 2016 - $32,271,078).

Goodwill is tested annually for impairment at the group of CGU's level. The annual impairment test of goodwill was performed as at September 30, 2017 and 2016 and did not result in any impairment loss. The Company does not allocate goodwill as it is common across all CGU's.

The recoverable amount is the higher of (i) an asset's or CGU's fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test for the Company's single

(Expressed in U.S. dollars)

11. Intangible assets and Goodwill (continued):

CGU, the Company measured the value-in-use of the group of CGU's using certain key management assumptions. Cash flow projections, which were made over a five-year period, were based primarily on the financial budget plus a terminal value using a 3% terminal growth rate. The Company discounted these estimates of future cash flows to their present value using a range of 14% to 16% pre-tax discount rate which reflects the entity's weighted average cost of capital. The fair value less costs to sell, primarily based on the Company's market capitalization as at September 30, 2017, also significantly exceeded the net carrying amount of the group of CGU's.

Management performs sensitivity analysis on the key assumptions. Sensitivity analysis indicates reasonable changes to key assumptions will not result in an impairment loss.

12. Other assets:

	2017	2016
Deferred contract costs - current	$ –	$ 268,929
Lease deposits - non-current	1,353,968	1,656,971
	1,353,968	1,656,971
	$ 1,353,968	$ 1,925,900

The Company recognized upfront direct costs related to one customer contract as an asset. This asset was being recovered through future minimum contractual payment terms. During the year ended September 30, 2017, $268,929 were amortized (2016 - $388,773), respectively. The costs have been fully amortized at September 30, 2017.

(Expressed in U.S. dollars)

13. Loans and borrowings:

	September 30, 2017	September 30, 2016
Term loan (effective August 4, 2015)	$ –	$ 52,750,000
Less embedded derivative at inception	–	1,206,496
	–	51,543,504
Less unamortized deferred financing costs	–	1,709,215
Add loan accretion	–	611,501
Current portion of loans and borrowings	$ –	$ 50,445,790

On August 4, 2015, the Company had entered into an amended and restated credit agreement with Wells Fargo Capital Finance, part of Wells Fargo & Company and its two partners the Royal Bank of Canada and Capital One. The amended credit agreement added to the Company's existing credit facility, increasing the revolving line of credit to $40,000,000 and the term loan to $60,000,000 for a total credit facility in the amount of $100,000,000.

The Company has no loans and borrowings as at September 30, 2017, and does not have a credit facility since the repayment of its loans and borrowings as part of the Financing Transaction described in note 4.

Prior to the repayment of the loans and borrowings, the Company used the credit facilities for working capital, general corporate purposes, capital expenditures, and for acquisitions. The credit facilities were secured by the assets of Redknee Inc., Redknee Solutions (UK) Limited ("Redknee UK") and Redknee Germany GmbH ("Redknee Germany"). The Company, Redknee UK, and Redknee Germany had guaranteed the obligations of Redknee Inc. The Company's guarantee was secured by a pledge of all of its shares in Redknee Inc. The lenders have released the security in all jurisdictions.

At inception of the loan, the Company had incurred $3,373,730 of transaction costs and recorded these costs as deferred financing costs that were being amortized over the expected five-year term of the loans using the effective interest rate method. As of January 25, 2017, an amount of $132,488 was amortized. As a result of full repayment of loans and borrowings on January 26, 2017, the balance of the deferred financing costs in the amount of $1,599,159 was fully written off to the finance costs in the consolidated statements of comprehensive loss.

Interest was at LIBOR plus an applicable margin, which was 4.0% at September 30, 2017 and 2016. LIBOR was defined to have a floor of no less than 1.00%, which was determined to be an embedded derivative. The balance of the embedded derivative amounting to $222,937

13. Loans and borrowings (continued):

was written off as finance costs for the year ended September 30, 2017, as the loans and borrowings were fully repaid on January 26, 2017. For the year ended September 30, 2016, the change in the fair value of the embedded derivative amounting to $459,414 was recorded in finance costs. The embedded derivative liability was included in other liabilities in the consolidated statements of financial position as at September 30, 2016.

For the year ended September 30, 2017, interest expense of $677,563 (2016 - $4,959,269) in connection with loans payable has been recognized in finance costs in the consolidated statements of comprehensive loss.

14. Pension and other long-term employment benefit plans:

As a result of the past acquisition of the BSS business from Nokia in 2013, the Company acquired a number of employees and assumed the corresponding liabilities relating to pension and non-pension post-employment benefit plans in Germany, as well as, other countries.

In Germany, there are a number of pensions and post-employment benefit plans, including a cash balance plan that provides benefits on retirement, disability and death, a salary sacrifice plan, as well as, other post-employment benefit schemes. The liabilities relating to the German pension and post-employment benefit plans were fully funded by Nokia Networks as at the acquisition date of March 29, 2013. The plan assets are held in a separate Contractual Trust Arrangement with Deutsche Pensions Treuhand GmbH. The German pension plans operate under the legal framework of the German Company Pension Law and under the German Labour Law.

The other post-employment employee benefit plans relate to a number of other countries, including Austria, India, Indonesia, Philippines and UAE. These plans are generally unfunded. The Company's pensions and post-employment benefit plans are subject to risks from changes in the market discount rate, the rate of salary and pension increases and longevity. A lower discount rate results in a higher defined benefit obligation and/or higher benefit costs.

The Company has assessed the valuation for pension and non-pension post-employment benefits. Pension fund assets are invested primarily in fixed income and equity securities. The Company's pension funds do not invest directly in the Company's shares, but may invest indirectly, as a result of the inclusion of the Company's shares in certain market investment funds. These plan assets are maintained in segregated accounts by a custodian that is independent from the fund managers. The Company believes that the counterparty credit risk is low.

(Expressed in U.S. dollars)

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

	2017	2016
German plans		
Fair value of plan assets (a)	$ (24,303,734)	$ (23,096,609)
Present value of obligations (b)	40,452,496	39,803,962
Total German employee benefit liability	16,148,762	16,707,353
Other plans		
Fair value of plan assets (a)	(33,778)	(322,495)
Present value of obligations (b)	1,771,646	4,002,726
Total other employee benefit liability	1,737,868	3,680,231
Total employee benefit liability	$ 17,886,630	$ 20,387,584

The following tables analyze plan assets, present value of defined benefit obligations, expense recognized in profit or loss, actuarial assumptions and other information for the German plans and other plans.

(a) Plan assets:

Plan assets comprise:

	2017			2016		
	Germany	Other	Total	Germany	Other	Total
Short-term Eurozone bonds	$ 22,557,895	$ –	$ 22,557,895	$ 20,914,910	$ –	$ 20,914,910
Mixed funds	1,619,125	–	1,619,125	1,430,496	–	1,430,496
Money market funds	–	33,778	33,778	–	322,495	322,495
Cash	126,714	–	126,714	751,203	–	751,203
Fair value of plan assets	$ 24,303,734	$ 33,778	24,337,512	$ 23,096,609	$ 322,495	$ 23,419,104
Return on plan assets	$ (310,137)	$ –	$ (310,137)	$ (406,377)	$ –	$ (406,377)

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

(Expressed in U.S. dollars)

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

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

	2017			2016		
	Germany	Other	Total	Germany	Other	Total
Defined benefit obligations at October 1	$ 39,803,962	$ 4,002,726	$ 43,806,688	$ 31,273,198	$ 3,285,419	$ 34,558,617
Current service cost	1,009,193	473,308	1,482,501	1,370,080	348,444	1,718,524
Curtailment (gain)	–	(169,664)	(169,664)	(1,025,629)	–	(1,025,629)
Interest costs	584,011	182,074	766,085	802,520	175,787	978,307
Contributions by plan participants	35,817	19,601	55,418	77,863	–	77,863
Benefits paid by the employer	(174,684)	(944,214)	(1,118,898)	(171,170)	(397,058)	(568,228)
Settlements paid by the employer	–	(1,104,764)	(1,104,764)	–	–	–
(Decrease) due to effect of any business combinations/divestitures/transfers	–	–	–	–	(13,404)	(13,404)
Actuarial losses (gains) in other comprehensive income	(2,744,736)	(549,728)	(3,294,464)	7,155,345	498,692	7,654,037
Loss (gain) on movement in exchange rates	1,938,933	(137,693)	1,801,240	321,755	104,846	426,601
Defined benefit obligations at September 30	$ 40,452,496	$ 1,771,646	$ 42,224,142	$ 39,803,962	$ 4,002,726	$ 43,806,688

(Expressed in U.S. dollars)

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

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

	2017			2016		
	Germany	Other	Total	Germany	Other	Total
Fair value of plan assets at October 1	$ 23,096,609	$ 322,495	$ 23,419,104	$ 22,721,097	$ 420,039	$ 23,141,136
Contributions paid by plan participants	35,817	19,601	55,418	77,863	–	77,863
Contributions paid by the employer	137,395	635,896	773,291	126,160	474,272	600,432
Contributions paid by the employer – settlement	–	1,104,764	1,104,764	–	–	–
Benefits paid by the plan	(174,684)	(944,214)	(1,118,898)	(171,170)	(571,816)	(742,986)
Benefits paid by the plan – settlement	–	(1,104,764)	(1,104,764)	–	–	–
Interest income from plan assets	339,552	–	339,552	585,653	–	585,653
Return on plan assets	(310,137)	–	(310,137)	(406,377)	–	(406,377)
Gain on movement in exchange rates	1,179,182	–	1,179,182	163,383	–	163,383
Fair value of plan assets at September 30	$ 24,303,734	$ 33,778	$ 24,337,512	$ 23,096,609	$ 322,495	$ 23,419,104

(Expressed in U.S. dollars)

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

(d) Expense recognized in profit or loss:

	2017			2016		
	Germany	Other	Total	Germany	Other	Total
Current service cost	$ 1,009,193	$ 473,308	$ 1,482,501	$ 1,370,080	$ 348,444	$ 1,718,524
Curtailment (gain)	–	(169,664)	(169,664)	(1,025,629)	–	(1,025,629)
Finance costs	244,459	182,074	426,533	216,867	175,787	392,654
	$ 1,253,652	$ 485,718	$ 1,739,370	$ 561,318	$ 524,231	$ 1,085,549

The curtailment gain in 2017 arose as a result of the update to the definition of eligible earnings in the UAE plan provisions to include total salary (previously base pay only), offset by global restructuring settlements in the UAE, Philippines and Indonesia. The curtailment gain in 2016 was as a result of restructuring in Germany.

The expense is recognized in the following line items in the consolidated statements of comprehensive loss:

	2017	2016
Cost of revenue	$ 390,219	$ 243,977
Research and development	457,805	301,810
General and administrative	123,157	40,325
Sales and marketing	341,656	106,783
Finance costs	426,533	392,654
	$ 1,739,370	$ 1,085,549

(e) Actuarial assumptions:

The determination of the value of the liabilities for defined benefit plans is based upon statistical and actuarial valuations. In particular, the present value of the defined benefit obligation is driven by financial variables (such as, the discount rates or future increases in salaries) and demographic variables (such as, mortality and employee turnover). The actuarial assumptions may differ significantly from the actual circumstances and could lead to different cash flows. The following are the principal actuarial assumptions:

(Expressed in U.S. dollars)

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

	2017		2016	
	Germany	Other	Germany	Other
Discount rate	2.10%	5.29%	1.50%	5.71%
Future salary increases	2.75%	6.49%	2.75%	6.79%
Future pension increases	2.00%	n/a	2.00%	n/a

Assumptions regarding future mortality are based on published statistics and mortality tables based on statistical information available in the various countries. In Germany, the Heubeck RT 2005G mortality tables were used. The calculation of the pension liabilities at September 30, 2017 and 2016 in Germany is based on a discount rate determined using the Mercer Yield Curve approach for an average duration of 18 years.

The following table shows the effects of possible changes in the actuarial assumptions on the present value of the obligation from defined benefit pension plans that are analysed. A change in the discount rate by 50-basis-points, as well as, a change in the pension increase rate by 50-basis-points is considered for German plans. In addition, the average duration of the obligation is shown:

Effect on defined benefit obligation	50-basis-points increase	50-basis-points decrease
On discount rate	$ 37,477,233	$ 43,883,310
On pension rate	42,725,631	38,404,366
Weighted average duration of defined benefit obligation	15.28	16.28

15. Capital stock:

(a) Authorized:

Unlimited Preferred Shares, issuable in series
Unlimited Subordinate Voting Shares (previously “common shares”)

(b) Issuance of Preferred Shares and Series A Warrant:

On January 26, 2017, the Company issued 800,000 Series A Preferred Shares to the Investor as described in note 4. The Investor, as the holder of the Preferred Shares, is entitled to elect a number of directors that will be a majority of the Board of Directors, with the holders of the Common Shares being entitled to elect the balance of the directors, which resulted in the Common Shares becoming "restricted securities" under applicable securities laws and the TSX Company Manual, on January 26, 2017. The Preferred Shares are redeemable any time at the option of the Company and redeemable at the option of the Investor any time after 10 years of issuance. The holders of the Preferred Shares are entitled to dividends, payable quarterly at the rate of 10% per annum of the issue price. Provided that to the extent such dividends are not declared and paid, dividends shall accrue and compound monthly at the rate of 10%.

On March 29, 2017, at its annual and special meeting, the shareholders passed a resolution to amend and restate Redknee’s articles to re-designate the Common Shares of the Company as Subordinate Voting Shares. The Company has filed amended and restated articles with Industry Canada and the TSX in order to give effect to the re-designation of the Common Shares as Subordinate Voting Shares.

(c) Rights offering:

Under the Rights Offering as described in note 4, an aggregate of 108,519,936 Subordinate Voting Shares were issued at a subscription price of CAD$0.63 per share for gross proceeds to the Company of $54,240,771 (CAD$68,367,560).

Pursuant to the Rights previously granted to ESW Capital to maintain its pro rata interest in the Company, ESW Capital subscribed for an additional 44,604,981 Subordinate Voting Shares at a price of CAD$0.63 per share for additional aggregate gross proceeds to the Company of CAD$28,101,138 ($23,185,756). This issuance was closed on September 12, 2017.

(Expressed in U.S. dollars)

15. Capital stock (continued):

(d) Series A Warrant and Standby Warrant:

As part of the Financing Transaction, the Company issued a Series A Warrant that entitles the Investor to subscribe of 46,285,582 Subordinate Voting Shares at $0.68 per share. The Series A Warrant expires on January 25, 2027.

Upon closing of the Rights Offering on September 6, 2017 (note 4), the Company issued the Standby Warrant that entitles the Investor to subscribe for 2,500,000 Subordinate Voting Shares at $0.50 per share. The fair value of the Standby Warrant upon issuance at September 6, 2017 was $997,500. The Standby Warrant expires on September 5, 2027.

(e) Loss per common share:

A reconciliation of the number of common shares used for purposes of calculating basic and diluted loss per common share for the year ended September 30 is as follows:

	2017	2016
Basic weighted average number of common shares outstanding	120,106,596	108,481,143
Effect of dilutive securities	–	–
Diluted weighted average number of common shares outstanding	120,106,596	108,481,143

Due to the losses for the years ended September 30, 2017 and 2016, all stock options, the Series A Warrant and the Standby Warrant, are excluded from the calculation of diluted loss per common share as their inclusion would be anti-dilutive. The total number of stock options that were excluded from the calculation for the year ended September 30, 2017 is 5,185,397 (2016 – 10,188,984). The Series A Warrant and the Standby Warrant are equivalent to 46,285,582 and 2,500,000 Subordinate Voting Shares respectively.

(f) Normal course issuer bid ("NCIB"):

On December 2, 2015, the Company announced an NCIB under which it may purchase up to 9,437,270 of its common shares commencing on December 7, 2015, and expiring on December 6, 2016. The NCIB was not renewed. During the year ended September 30, 2017, the Company has not purchased or cancelled any common shares under this program (2016 – 1,265,690 common shares for $2,556,966).

(Expressed in U.S. dollars)

15. Capital stock (continued):

(g) Share unit plan:

On July 29, 2010, the Company established a share unit plan for the purpose of providing additional compensation for certain employees, officers or consultants. Units granted under the share unit plan may be PSUs or RSUs.

PSUs granted are subject to vesting contingent on the achievement of performance conditions based on certain Company performance metrics. The related compensation expense is recognized over the related service period, which is based on management's best estimate of the outcome of the performance conditions.

During the year ended September 30, 2017, the Company granted 2,015,012 (2016 - 1,027,570) PSUs under the share unit plan to employees at a weighted average price of CAD $0.99 (2016 - CAD $2.99) per unit. The total expense booked was $737,404 (2016 - expense recovery of $211,825).

RSUs are subject to a vesting term at the compensation committee's discretion provided that the vesting term does not exceed three years from the grant date. The associated share-based compensation is measured at fair value and is amortized over the appropriate vesting period using the straight-line method.

During 2017, the Company granted 7,562,498 (2016 - nil) RSUs under the share unit plan to non-directors at a weighted average price of CAD $0.78 per unit. The Company recognized compensation cost of $1,319,551 (2016 - $22,036) relating to these RSUs.

Performance and restricted share units	2017	2016
Outstanding, beginning of year	1,619,583	1,116,838
Settled in cash	(665,420)	(205,812)
Granted	9,577,510	1,027,570
Forfeited	(2,246,061)	(319,013)
Outstanding, September 30	8,285,612	1,619,583

The fair value of RSUs and PSUs granted during the year are established based on the fair value of the underlying stock on the grant date.

(Expressed in U.S. dollars)

15. Capital stock (continued):

(h) Deferred share unit plan:

Under the DSU plan, established August 11, 2010, the Company may grant DSUs to eligible members of the Board of Directors. DSU grants and vesting conditions are at the discretion of the Board of Directors. An eligible director may elect to receive their annual cash remuneration in the form of DSUs, cash or any combination thereof. DSUs are classified as cash-settled share-based compensation and are remeasured to fair value at each reporting year.

An eligible director is entitled to receive a cash payment equal to the fair value of the DSUs at the date of redemption.

During 2017, the Company recorded compensation cost recovery of $580,814 (2016 - $125,178). The value of the liability related to the DSUs as at September 30, 2017 was $647,619 (2016 - $1,698,852) and is included in other long-term liabilities.

Deferred share units	2017	2016
Outstanding, beginning of year	917,029	536,595
Granted	933,335	380,434
Exercised	(815,024)	–
Outstanding, end of year	1,035,340	917,029

(Expressed in U.S. dollars)

15. Capital stock (continued):

(i) Employee stock option plan:

The Company's stock option plan was implemented to encourage ownership of the Company by directors, officers, employees and consultants of the Company. The maximum number of common shares that may be issued under the current plan is 10% of the issued and outstanding common shares of the Company on the date of grant. The total number of stock options outstanding under the current plan does not exceed this threshold.

(i) Stock options:

Stock options are non-transferable and vest up to 25% at the end of the first year from date of grant and an additional 25% on each of the second, third and fourth anniversaries of grant. Stock options are priced in CAD.

	Number of stock options	Weighted average exercise price per share (CAD)
Outstanding, September 30, 2015	7,780,332	2.93
Granted	3,426,875	2.99
Exercised	(287,550)	1.17
Forfeited	(730,673)	3.90
Outstanding, September 30, 2016	10,188,984	2.92
Granted	–	–
Exercised	(275,000)	0.99
Forfeited	(4,728,587)	2.90
Outstanding, September 30, 2017	5,185,397	$ 3.04

(Expressed in U.S. dollars)

15. Capital stock (continued):

Summary information about stock options outstanding and exercisable as at September 30, 2017 is as follows:

	Stock options outstanding		Stock options exercisable	
Exercise Price (CAD)	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable	Weighted average remaining contractual life (years)
CAD $0.81	8,000	0.28	8,000	0.28
CAD $1.10	755,000	1.85	755,000	1.85
CAD $1.18	112,500	0.84	112,500	0.84
CAD $1.25	275,000	1.87	275,000	1.87
CAD $1.35	30,000	0.36	30,000	0.36
CAD $1.90	227,500	2.18	227,500	2.18
CAD $2.99	1,367,760	5.18	270,075	5.18
CAD $3.35	205,294	4.35	103,170	4.35
CAD $3.50	1,497,123	4.14	703,510	4.14
CAD $3.72	65,000	4.85	19,500	4.85
CAD $4.55	187,622	3.60	138,462	3.60
CAD $4.63	10,000	4.60	5,000	4.60
CAD $6.30	444,598	3.20	314,147	3.20
	5,185,397	3.69	2,961,864	3.00

The common share price of the Company as at September 30, 2017 was CAD $0.78 (2016 - CAD $2.43) per share.

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

There were no options granted during the year ended September 30, 2017. The fair value of stock option grants made to employees and directors during the year ended September 30, 2016 was estimated using the Black-Scholes option pricing model, with the following weighted average assumptions: risk-free interest rate of 0.9%; dividend yield of nil, volatility of 52.5%; and expected lives of stock options of five years. Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the stock options has been based on historical experience and general option holder behaviour. The fair value of the stock options is expensed over the vesting period of the stock options using the straight-line method.

(Expressed in U.S. dollars)

15. Capital stock (continued):

During 2017, the Company recorded a share-based compensation of $108,067 (2016 - $3,214,850) related to stock options granted under this Plan.

16. Income tax expense:

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

	2017	2016
Current income tax expense:		
Current year	$ 6,826,596	$ 7,976,514
Adjustment for prior years	(660,208)	655,388
	6,166,388	8,631,902
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences	(1,082,241)	628,691
Utilization of previously recognized tax assets	203,374	276,845
	(878,867)	905,536
Total income tax expense	$ 5,287,521	$ 9,537,438

(Expressed in U.S. dollars)

16. Income tax expense (continued):

(b) Reconciliation of effective income tax rate:

The Company's effective income tax rate differs from the statutory rate that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to loss before income taxes. These differences result from the following items:

	2017	2016
Loss before income taxes	$ (53,485,770)	$(57,329,883)
Statutory income tax rate	26.50%	26.50%
Expected income tax recovery based on loss before income taxes	$ (14,173,729)	$(15,192,419)
Increase (decrease) in income taxes resulting from:		
Non-taxable/deductible items	1,543,694	(1,160,578)
Differences due to different income tax rates for foreign subsidiaries	565,367	5,518
Withholding taxes	3,973,989	5,128,691
Change in unrecognized temporary differences and prior year losses	20,166,500	22,568,313
Impact of foreign exchange and other items	(6,788,300)	(1,812,087)
Income tax expense	$ 5,287,521	$ 9,537,438

(Expressed in U.S. dollars)

16. Income tax expense (continued):

(c) Unrecognized deferred tax assets:

The Company has approximately $212,000,000 (2016 - $136,000,000) of unrecognized loss carryforwards and other deductible temporary differences. As of September 30, 2017, management has not recognized these deferred tax assets in certain jurisdictions as it is not probable that the benefit of these assets can be realized in the foreseeable future. Management will continue to monitor the situation and revise its estimates as appropriate.

Included in the above amount is $164,200,000 (2016 - $109,400,000) of Canadian unclaimed scientific research and experimental development ("SR&ED") expenditures and non-capital losses, which are available to reduce future years' income for Canadian income tax purposes.

The Company's Canadian unclaimed SR&ED expenditures do not expire, while the Canadian non-capital losses available for carryforward of $144,500,000 expire as follows:

2026	$ 700,000
2030	200,000
2032	3,700,000
2033	31,000,000
2035	67,000,000
2037	41,900,000
	$ 144,500,000

The Company has approximately $7,400,000 (2016 - $6,800,000) of Canadian ITCs, which can also be used to reduce future federal income taxes. These credits have a life of 20 years and begin to expire in 2023. The Company has previously recorded credits of $374,387 (2016 - $355,914) as it is probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

(Expressed in U.S. dollars)

16. Income tax expense (continued):

(d) Recognized deferred income tax assets and deferred income tax liabilities:

Deferred income tax assets and liabilities are attributable to the following:

	Corporate minimum taxes and other deductions	Unclaimed SR&ED expenditures and non-capital losses	Intangible assets	Pensions	Set-off of deferred tax assets and liabilities	Total
Deferred income tax assets:						
Balance, September 30, 2016	$ 792,548	$ 3,114,909	$ –	$ 977,932	$ (2,900,910)	$ 1,984,479
Credited (charged) to loss before income tax expense	(205,392)	342,494	–	50,781	–	187,883
Credited (charged) to income tax expense	375,339	(1,581,570)	–	(103,714)	–	(1,309,945)
Set-off of deferred tax assets and liabilities	–	–	–	–	1,465,712	1,465,712
Balance, September 30, 2017	$ 962,495	$ 1,875,833	$ –	$ 924,999	$ (1,435,198)	$ 2,328,129
Deferred income tax liabilities:						
Balance, September 30, 2016	$ –	$ –	$ (2,610,925)	$ (977,932)	$ 2,900,910	$ (687,947)
Charged to loss before income tax expense	–	–	(104,372)	(50,781)	–	(155,153)
Credited (charged) to income tax expense	(120,000)		2,205,098	103,714	–	2,188,812
Set-off of deferred tax assets and liabilities	–	–	–	–	(1,465,712)	(1,465,712)
Balance, September 30, 2017	$ (120,000)	$ –	$ (510,199)	$ (924,999)	$ 1,435,198	$ (120,000)

(Expressed in U.S. dollars)

16. Income tax expense (continued):

	Corporate minimum taxes and other deductions	Unclaimed SR&ED expenditures and non-capital losses	Intangible assets	Pensions	Set-off of deferred tax assets and liabilities	Total
Deferred income tax assets:						
Balance, September 30, 2015	$ 964,484	$ 4,108,793	–	$ 1,068,166	$ (4,055,418)	$ 2,086,025
Credited to loss before income tax expense	18,884	169,231	–	7,217	–	195,332
Charged to income tax expense	(190,820)	(1,163,115)	–	(97,451)	–	(1,451,386)
Set-off of deferred tax assets and liabilities	–	–	–	–	1,154,508	1,154,508
Balance, September 30, 2016	$ 792,548	$ 3,114,909	$ –	$ 977,932	$ (2,900,910)	$ 1,984,479
Deferred income tax liabilities:						
Balance, September 30, 2015	$ –	$ –	$ (2,987,252)	$ (1,068,166)	$ 4,055,418	$ –
Charged to loss before income tax expense	–	–	(72,072)	(7,217)	–	(79,042)
Credited to income tax expense	–	–	448,399	97,451	–	545,850
Set-off of deferred tax assets and liabilities	–	–	–	–	(1,154,508)	(1,154,508)
Balance, September 30, 2016	$ –	$ –	$ (2,610,925)	$ (977,932)	$ 2,900,910	$ (687,947)

(Expressed in U.S. dollars)

17. Change in non-cash operating working capital:

The change in non-cash operating working capital for the year ended September 30 is as follows:

	2017	2016
Trade accounts and other receivables	$ 16,842,595	$ 24,227,562
Unbilled revenue	9,362,095	10,991,663
Prepaid expenses	793,652	(463,603)
Inventories	(391,338)	102,396
Other assets	571,932	282,935
Trade payables	(2,983,778)	5,084,159
Accrued liabilities and other liabilities	(6,110,145)	(10,900,030)
Deferred revenue	(3,088,255)	5,320,651
Income taxes receivable and payable	(355,973)	150,088
	$ 14,640,785	$ 34,795,821

18. Segment reporting:

The Company has determined that it operates in a single reportable operating segment, the telecommunications software market. The single reportable operating segment derives its revenue from the sale of software products and related services and hardware, and is managed on a worldwide basis, but operated in offices around the world. The Company's Chief Executive Officer, the chief operating decision maker, reviews internal management financial information on a monthly basis, including revenue, property and equipment and intangible assets.

The Company's revenue by geographic area for the years ended September 30 is as follows:

	2017	2016
Europe, Middle East and Africa	$ 69,053,738	$ 87,124,271
North America, Latin America and Caribbean	35,606,857	39,962,114
Asia and Pacific Rim	33,263,139	44,003,515
	$ 137,923,734	$ 171,089,900

(Expressed in U.S. dollars)

18. Segment reporting (continued):

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

	2017	2016
Revenue by type:		
Software and services	$ 46,593,704	$ 66,411,815
Support and subscription	88,339,593	94,973,763
Third party software and hardware	2,990,437	9,704,322
	$ 137,923,734	$ 171,089,900

The Company's property and equipment by geographic area is as follows:

	2017	2016
Canada	$ 253,799	$ 204,719
Germany	599,201	1,615,718
India	2,036,657	3,370,956
Poland	49,205	495,433
Croatia	23,589	50,285
Other	495,160	525,854
	$ 3,457,611	$ 6,262,965

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

	2017	2016
Canada	$ 8,532,744	$ 15,508,467
United Kingdom	7,971,391	9,422,443
Germany	8,915,540	10,462,607
Other	85,945	327,548
	$ 25,505,620	$ 35,721,065

The Company's goodwill is common across all locations. Therefore, management does not classify goodwill on a location basis.

(Expressed in U.S. dollars)

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

(a) Lease commitments:

The Company leases certain property and equipment under operating leases. Operating lease payments are expensed on a straight-line basis over the term of the relevant lease agreements. Lease inducements received upon entry into an operating lease are recognized on a straight-line basis over the lease term. Operating lease payments for the year ended September 30, 2017, were $6,132,470 (2016 - $7,732,692). The Company is obligated to make future annual lease payments under operating leases for office equipment and premises.

Future minimum lease payments under non-cancellable operating leases as at September 30, 2017 are as follows:

2018	$ 3,582,368
2019	2,542,477
2020	859,561
2021 and thereafter	151,433
	$ 7,135,839

(b) Restricted cash:

As at September 30, 2017, the Company had $4,553,623 (2016 - $4,852,293) in cash allocated for planned payments to early retirees and lease guarantees, which are secured by restricted cash. The restricted cash is shown separately in the consolidated statements of financial position.

(c) Guarantees and contingent liabilities:

The Company has provided routine indemnifications to its customers against liability if the Company's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated. In some cases, the Company has recourse against other parties to mitigate its risk of loss from these guarantees.

In the normal course of operations, the Company is subject to claims from time to time, relating to labour, customers and other. The Company vigorously defends itself against such

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

claims and reviews the probability of outcome that may result in an outflow of its cash or other resources as at each consolidated statement of financial position date. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity of the Company. As at September 30, 2017, the Company has recorded a provision of the best estimate of its obligation to settle certain claims made by terminated employees. This liability is included in provisions in the consolidated statement of financial position as at September 30, 2017 and the charge was recorded as restructuring costs in the consolidated statement of comprehensive loss (Note 20(a)).

The Company is defending a claim made by a party pertaining to an intellectual property matter. A provision has been recognized as at September 30, 2017 as the best estimate of the costs that the Company will incur associated with the claim. This liability is included in provisions in the consolidated statement of financial position as at September 30, 2017 and the charge was recorded in the general and administrative expense on the consolidated statement of comprehensive loss during the year ended September 30, 2017 (Note 20(b)). Although liability is not admitted, if a defense against this matter is unsuccessful, the Company may incur the costs associated with this claim that will likely be settled within twelve months from September 30, 2017.

(Expressed in U.S. dollars)

20. Provisions:

	Restructuring (a)	Other (b)	Total
Balance, September 30, 2015	6,095,950	6,682,923	12,778,873
Additions	35,184,661	3,715,000	38,899,661
Cash payments	(16,609,504)	–	(16,609,504)
Utilization	–	(1,801,121)	(1,801,121)
Foreign exchange	278,516	(58,867)	219,649
Cash receipts	–	1,540,000	1,540,000
Reversal	–	(6,362,935)	(6,362,935)
Balance, September 30, 2016	$ 24,949,623	$ 3,715,000	$ 28,664,623
Additions	18,771,333	1,313,725	20,085,058
Cash payments	(25,959,901)	–	(25,959,901)
Release of provision	–	(1,157,238)	(1,157,238)
Settlement	–	(2,557,762)	(2,557,762)
Foreign exchange	403,663	–	403,663
Balance, September 30, 2017	$ 18,164,718	$ 1,313,725	$ 19,478,443
Current			$ 21,981,367
Non-current			6,683,256
Balance, September 30, 2016			$ 28,664,623
Current			$ 18,653,817
Non-current			824,626
Balance, September 30, 2017			$ 19,478,443

(a) In February 2016, the Company announced that it would eliminate certain satellite office locations, concentrate research and development and support staff into existing locations and consolidate activities to lower cost centres. The Company also announced restructuring actions throughout the organization intended to reduce its overall cost structure and improve its margin performance.

In February 2017, under the new strategic plan, the Company announced a corporate restructuring plan that is expected to be complete in 2018. The restructuring would involve further reduction in headcount, location reorganization including closure of certain facilities and entity simplification.

During the year ended September 30, 2017, restructuring charges related to employee and lease terminations of $18,771,333 (2016 - $35,184,661) were recorded.

20. Provisions (continued):

For the year ended September 30, 2017, an amount of $25,959,901 has been paid and an additional amount of $17,340,092 is estimated as payable within one year. The balance of the restructuring provision, classified as long-term, payable over three years, amounts to $824,626 and has been discounted to its present value.

The recognition of restructuring charges requires management to make certain judgments and estimates regarding the nature, timing and amounts associated with the restructuring actions. Management's significant assumptions included the timing and number of employees to be terminated and the measurement of termination costs. The Company developed a detailed plan and has recorded termination costs for employees informed of their termination. At the end of each reporting period, management evaluates the appropriateness of the restructuring charges and provision balances. Further adjustments may be required to reflect actual experience or changes in estimates.

(b) As at September 30, 2016, the Company had recorded a provision of $3,715,000 as the best estimate of its net obligations arising from transactions related to the acquisition of the BSS division. An amount of $5,397,901 was collected by the Company during the year ended September 30, 2017 as the final settlement relating to disputes from this acquisition. During the year ended September 30, 2017, all balances relating to the acquisition that were previously recorded on the consolidated statements of financial position and the provision of $3,715,000 were settled, resulting in a gain of $1,157,238 being recorded in other (expense) income on the consolidated statement of comprehensive loss.

Additions to the provisions for year ended September 30, 2017 represents the claim described above. This provision has been recorded in the general and administrative expense on the consolidated statements of comprehensive loss.

(Expressed in U.S. dollars)

21. Related party transactions:

Compensation of key management personnel:

Key management personnel comprise the Company's directors and executive officers.

The aggregate remuneration of key management personnel during the year ended September 30 is as follows:

	2017	2016
Salaries and employee benefits	$ 2,882,789	$ 3,381,244
Share-based compensation (a)	2,143,225	3,157,727
	$ 5,026,014	$ 6,538,971

(a) Share-based compensation includes cash-settled and equity-settled awards, as described in note 2(s)(iii).

Service agreements:

On May 8, 2017, the Company entered into short term service agreements with Crossover Markets Inc. ("Crossover") and DevFactory FZ-LLC ("DevFactory"), (collectively “Service Agreements”) to provide cross functional and specialized technical services. Each of Crossover and DevFactory is an affiliate of ESW. On June 9, 2017, the Company extended the short term Services Agreements with Crossover and DevFactory until the termination of the Standby Purchase Agreement with ESW. Based on the closing of the Rights Offering and termination of the Standby Purchase Agreement (Note 4), the Company has entered into long term service agreements with Crossover and DevFactory, which can be terminated by any party with 30 days written notice.

The Service Agreements have been negotiated and approved by the Special Committee of the Board of Directors. The contracted rates with these related parties are priced as agreed to by the parties and are to be settled in cash on normal payment terms upon receipt of invoices. The Company has not offered any security to these vendors.

Crossover provides Redknee with access to skilled temporary employees. Crossover leverages its network of global resources to hire, and assign resources on behalf of Redknee. These resources provide a variety of services, including HR, operations, finance, and support functions, at any global location for pricing agreed to in the Crossover service agreement. During the year

21. Related Party Transactions (continued):

ended September 30, 2017, the Company has incurred $5,919,051 of costs associated with services provided by Crossover. The costs have been recorded in cost of goods sold or operating expenses in accordance with the department of the contract resource in the consolidated statement of comprehensive loss.

DevFactory provides certain technology services to Redknee as per agreed statement of work. The technology services include source code analysis, code cleanup service and various other technical services related to Redknee's software solutions. During the year ended September 30, 2017, the Company has incurred $3,477,630 of costs associated with services provided by DevFactory for the services. The costs have been recorded in research and development expense in the consolidated statement of comprehensive loss.

Amounts owing to Crossover and DevFactory as of September 30, 2017 aggregated $4,535,173 and is included in trade payable and accrued liabilities in the consolidated statement of financial position.

In the normal course of business, the Company retained certain contractors with specialized skills and knowledge to assist the Company in its operations. These contractors are retained from other entities controlled by ESW. The costs of these contractors are $122,618 for the year ended September 30, 2017 and have been recorded in general and administrative expense in the consolidated statements of comprehensive loss and the amount is included in accrued liabilities in the consolidated statement of financial position at September 30, 2017.

22. Subsequent event:

In November 2017, the Company finalized a restructuring plan to reduce approximately 530 employees globally and vacate premises in 18 locations. The cost of severance and office closures is estimated to be approximately $48 million to $50 million. The Company is in the process of completing its negotiations with collective units in certain countries, and the total cost of restructuring will be finalized once these negotiations are completed.