BAYLIN TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2019

(Canadian dollars in thousands)

INDEX

Date of approval of consolidated financial statements: **March 11, 2020**

"Jeffrey C. Royer"	*"Randy Dewey"*	*"Michael Wolfe"*
Jeffrey C. Royer	**Randy Dewey**	**Michael Wolfe**
Chairman of the Board of Directors	**President and Chief Executive Officer**	**Chief Financial Officer**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Baylin Technologies Inc.

Opinion

We have audited the consolidated financial statements of Baylin Technologies Inc. and its subsidiaries, (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 11, 2020
Toronto, Ontario

Baylin Technologies Inc.

Consolidated Statements of Financial Position

Canadian dollars in thousands

		December 31, 2019	December 31, 2018
			Note 6
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 13,974	$ 20,859
Trade and other receivables	Note 7	19,443	29,387
Other current assets	Note 8	9,788	6,179
Inventories	Note 9	21,088	23,512
		64,293	79,937
NON-CURRENT ASSETS			
Property, plant and equipment	Note 10	19,359	27,371
Right of use assets	Note 11	14,509	-
Other long-term assets	Note 12	3,126	70
Deferred tax assets	Note 21	7,285	6,426
Equity method investment	Note 24	78	16
Intangibles	Note 13	19,999	25,096
Goodwill	Note 13	18,908	31,601
		83,264	90,580
TOTAL ASSETS		$ 147,557	$ 170,517
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks	Note 14	$ 10,874	$ 377
Accounts payable and accrued liabilities	Note 15	20,342	33,257
Short-term portion of term loan	Note 16	3,896	-
Short-term portion of lease liability	Note 11	1,437	-
Income tax payable	Note 21	299	1,443
		36,848	35,077
NON-CURRENT LIABILITIES			
Long-term portion of lease liability	Note 11	12,412	-
Loan	Note 16	-	30,081
Term Loan	Note 16	19,979	-
Convertible debentures	Note 17	14,231	18,975
Employee benefit liabilities, net	Note 19	1,925	2,301
Deferred tax liabilities	Note 21	2,732	2,256
Other long-term liabilities		549	-
		51,828	53,613
TOTAL LIABILITIES		88,676	88,690
SHAREHOLDERS' EQUITY			
Share capital	Note 22	137,195	136,675
Share-based payment reserve	Note 23	2,715	3,798
Accumulated other comprehensive income		10,555	12,840
Accumulated deficit		(91,584)	(71,486)
TOTAL EQUITY		58,881	81,827
TOTAL LIABILITIES AND EQUITY		$ 147,557	$ 170,517

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

Baylin Technologies Inc.

Consolidated Statements of Loss and Comprehensive Loss

Canadian dollars in thousands except per share and weighted average share figures

		For the year ended December 31, 2019	2018
Revenues	Note 28	$ 153,323	$ 136,214
Cost of sales	Note 29	98,384	85,373
Gross profit		54,939	50,841
Operating expenses			
Selling and marketing expenses	Note 29	14,823	13,509
Research and development expenses	Note 29	16,803	15,363
General and administrative expenses	Note 29	25,725	23,868
Acquisition expenses	Note 29	720	4,318
Goodwill impairment	Note 13	12,693	-
		70,764	57,058
Operating loss		(15,825)	(6,217)
Finance expense, net	Note 30	6,995	4,611
Investment income, net	Note 24	(62)	(16)
Derecognition of subsidiary	Note 24	-	(1,092)
Reversal of provision	Note 6	401	(821)
Fair value adjustments	Note 27	(4,558)	1,725
Loss before income taxes		(18,601)	(10,624)
Income tax expense (recovery)	Note 21	1,013	(5,180)
Net loss		$ (19,614)	$ (5,444)
Net loss attributable to shareholders of the company		(19,614)	(4,651)
Net loss attributable to non-controlling interests		-	(793)
Items that may be reclassified to profit or loss			
Amount arising from translation of foreign operations, net of tax		(2,735)	1,816
Items that will not be reclassified to profit or loss			
Actuarial gains, net of tax	Note 19	450	(188)
Other comprehensive income (loss) (net of tax effect)		$ (2,285)	$ 1,628
Total comprehensive loss		$ (21,899)	$ (3,816)
Comprehensive loss attributable to shareholders of the company		(21,899)	(3,023)
Comprehensive loss attributable to non-controlling interests		-	(793)
Basic and diluted net loss per share	Note 25	$ (0.49)	$ (0.13)
Weighted average shares outstanding		40,197,130	35,371,656

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

Baylin Technologies Inc.

Consolidated Statements of Changes in Equity

Canadian dollars in thousands except number of shares outstanding

	Number of shares outstanding		Share capital		Share-based payment reserve		Accumulated deficit		Accumulated other comprehensive income		Total equity
	Note 11		Note 11		Note 11						
Balance as of December 31, 2018	40,006,454	$	136,675	$	3,798	$	(71,486)	$	12,840	$	81,827
Impact of modified retrospective adoption of new lease standard (Note 4)	-		-		-		(484)		-		(484)
Balance as of January 1, 2019	40,006,454	$	136,675	$	3,798	$	(71,970)	$	12,840	$	81,343
Net loss	-		-		-		(19,614)		-		(19,614)
Other comprehensive loss	-		-		-		-		(2,285)		(2,285)
Share-based payment	195,069		440		(1,068)		-		-		(628)
Employee Share Compensation Plan and Purchase Plan	129,126		449		(15)		-		-		434
Share buy back	(99,559)		(204)								(204)
Acquisition purchase price adjustment (Note 6)	-		(165)		-		-		-		(165)
Balance as of December 31, 2019	40,231,090	$	137,195	$	2,715	$	(91,584)	$	10,555	$	58,881

	Number of shares outstanding		Share capital		Share-based payment reserve		Accumulated deficit		Accumulated other comprehensive income		Non-controlling interest		Total equity
	Note 11		Note 11		Note 11								
Balance as of January 1, 2018	30,512,912	$	109,210	$	1,446	$	(65,947)	$	11,212	$	(95)	$	55,826
Net loss	-		-		-		(4,651)		-		(793)		(5,444)
Other comprehensive income	-		-		-		-		1,628		-		1,628
Share-based payments	-		-		2,228		-		-		-		2,228
Employee Share Compensation Plan and Purchase Plan	-		(265)		124		-		-		-		(141)
Issuance of shares, net of share issuance cost	9,493,542		27,730		-		-		-		-		27,730
Derecognition of subsidiary	-		-		-		(888)		-		888		-
Balance as of December 31, 2018	40,006,454	$	136,675	$	3,798	$	(71,486)	$	12,840	$	-	$	81,827

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

Baylin Technologies Inc.

Consolidated Financial Statements of Cash Flows

Canadian dollars in thousands

		For the year ended December 31, 2019	2018
Cash flows from operating activities			
Net loss		$ (19,614)	$ (5,444)
Adjustments to reconcile net loss to net cash used in operating activities			
Share-based payment		1,319	2,524
Depreciation and amortization		11,972	8,950
Finance expense, net		6,995	4,611
Loss from sale of property, plant and equipment		-	587
Loss on sale lease back	Note 10	27	-
Share of net income of equity method investment	Note 24	(62)	(16)
Income tax (income) expense		1,013	(5,180)
Fair value adjustment	Note 16, 17	(4,558)	1,725
Goodwill impairment	Note 13	12,693	-
Derecognition of subsidiary		-	(1,092)
Reversal of provision	Note 6	401	(821)
Unrealized foreign exchange gains		(462)	(571)
		29,338	10,717
Changes in asset and liability items			
Decrease (increase) in trade receivables		9,320	(6,575)
Increase in other current assets		(3,930)	(1,639)
Decrease in inventories		1,849	2,590
Increase (decrease) in current liabilities and employee benefits		(11,217)	3,730
		(3,978)	(1,894)
Cash paid and received during the year for			
Interest paid, net		(3,673)	(3,439)
Taxes paid, net		(2,873)	(533)
Cash used in stock option settlement		(1,926)	-
		(8,472)	(3,972)
Net cash used in operating activities		(2,726)	(593)
Cash flows from investing activities			
Purchase of property, plant and equipment		$ (6,713)	$ (5,433)
Proceeds from sale of property, plant and equipment		7,100	783
Purchase of other long-term assets		(3,056)	-
Business acquisition	Note 6	-	(68,546)
Net cash used in investing activities		(2,669)	(73,196)
Cash flows from financing activities			
Cash received from share issuance		$ 210	$ 21,228
Proceeds from convertible debenture issuance		-	17,250
Repayment of credit from banks and others		(5,086)	(7,502)
Receipt of credit from banks and others		12,674	-
Receipt of term loan		26,797	-
Receipt (repayment) of long-term loan		(33,990)	30,613
Repayment of other long-term debt		-	(2,999)
Principal elements of lease payments		(1,397)	-
Net cash generated by (used in) financing activities		(792)	58,590
Exchange differences on balances of cash and cash equivalents		(698)	902
Decrease in cash and cash equivalents		$ (6,885)	$ (14,297)
Cash and cash equivalents at the beginning of the period		20,859	35,156
Cash and cash equivalents at the end of the period		$ 13,974	$ 20,859
Supplemental cash flow information:			
Shares issued for business acquisition	Note 6	$ -	$ 5,000
Shares issued as compensation		270	1,237

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

NOTE 1: NATURE OF OPERATIONS

Corporate information

Baylin Technologies Inc. ("Baylin") was incorporated pursuant to the laws of the Province of Ontario on September 24, 2013. Baylin's registered office is located at 60 Columbia Way, Suite 205, Markham, Ontario, Canada.

Baylin, together with its subsidiaries, inclusive of the prior year acquisitions of the assets of Advantech Wireless Inc. and certain of its affiliates and Alga Microwave Inc. (collectively the "Company" or the "Group"), is a leading, diversified, global wireless technology company. Baylin focuses on research, design, development, manufacturing and sales of passive and active radio frequency ("RF") and terrestrial microwave products and services. The Company's products are marketed and sold under the brand names Galtronics, Advantech Wireless, Alga Microwave and Mitec VSAT. The Company's shares are publicly traded on the Toronto Stock Exchange (TSX: BYL).

Approval of financial statements

These consolidated financial statements of the Company for the year ended December 31, 2019 have been prepared by management and were authorized for issue in accordance with a resolution of the board of directors on March 11, 2020.

NOTE 2: BASIS OF PREPARATION

The consolidated financial statements for the year ended December 31, 2019, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations by the IFRS Interpretations Committee.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the consolidated financial statements for all periods presented, except as discussed in Note 5. The consolidated financial statements have been prepared on a historical cost basis, except for the measurement of the convertible debentures and interest rate swap at fair value.

Consolidated financial statements

The consolidated financial statements comprise the financial statements of companies that are controlled by Baylin. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the subsidiaries commences on the date on which control is obtained and ends when such control ceases.

Subsidiaries are all those entities over which Baylin has control. Baylin controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Baylin. They are de-consolidated from the date that control ceases.

Where Baylin loses control over a subsidiary, it derecognizes the assets, including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognized in equity. Baylin recognizes the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Canadian dollars in thousands, unless otherwise stated

The financial statements of the subsidiaries are prepared as of the same dates and periods as the consolidated financial statements. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group, which is considered to have one operating and reportable segment. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

The Group's composition is made of the following principal subsidiaries:

Name of entity	Country of incorporation or registration	Ownership interest held as at December 31, 2019	Ownership interest held as at December 31, 2018
Galtronics Israel	Israel	100%	100%
Galtronics USA	United States of America	100%	100%
Galtronics Wuxi	China	100%	100%
Galtronics Korea	Korea	100%	100%
Galtronics Vietnam	Vietnam	100%	100%
Advantech Wireless Technologies Inc	Canada	100%	100%
Advantech Wireless Technologies (USA) Inc.	United States of America	100%	100%
Alga Microwave	Canada	100%	100%

The subsidiaries have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of financial position, consolidated statements of loss and comprehensive loss and statements of changes in equity.

Functional currency and foreign currency

a. Presentation currency

These consolidated financial statements have been prepared in Canadian Dollars ("CAD"), which is the presentation currency of the Company.

b. Functional currency

The Group determines the functional currency of each subsidiary, and this currency is used to separately measure each subsidiary's financial position and operating results. The functional currency of Baylin is CAD. The functional currency of each subsidiary is the currency its respective country of incorporation or registration except Galtronics Israel whose functional currency is the United States Dollar ("USD").

Where a subsidiary's functional currency differs from the Company's presentation currency, that subsidiary's financial statements are translated into the Company's presentation currency so that they can be included in the consolidated financial statements. Assets and liabilities are translated at the closing exchange rate at the end of each reporting period. Profit or loss items are translated at average exchange rates for all the relevant periods.

All resulting translation differences are recognized as a component of other comprehensive income (loss) and as a component of accumulated other comprehensive income (loss) in equity.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned or likely to occur in the foreseeable future and which in substance is considered a net investment in the foreign operation, are recognized in accumulated other comprehensive income within equity.

c. Foreign currency

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate approximating the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities measured at historical cost in foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs. Raw materials are measured at cost of purchase using the weighted-average cost method. Work in progress and finished goods are measured on the basis of average costs including materials, labour and other direct and indirect manufacturing costs. The Company periodically evaluates the condition and age of inventories and makes provisions to decrease inventories to net realizable value accordingly.

Revenue recognition

The Company recognizes revenue in line with IFRS 15 Revenue from contracts with customers which utilizes a single model for recognizing revenue from contracts with customers. Revenue is recognized in a manner that depicts the transfer of promised goods or services to the customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

For each contract with a customer, the Company applies the following five step model:

1. Identify the contract with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price which takes into account estimates of variable consideration and the time value of money
4. Allocate the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered
5. Recognize revenue when the performance obligation is satisfied and in a manner that depicts the transfer of the goods or services promised to the customer

Sale of goods and services rendered by the Company do not contain separate performance obligations. Revenue from the sale of goods is recognized at the point in time when the customer obtains control of the goods, which is at the time of shipment or delivery depending on the agreed terms with customers. Revenue from a contract to provide services is recognized over time as the services are rendered based on either a fixed price or an hourly rate.

Income taxes

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or directly in equity.

a. Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

b. Deferred taxes

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the consolidated financial statements and the amounts attributed for tax purposes, except for temporary differences related to investments in subsidiaries, to the extent that it is probable that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred taxes are measured at the tax rates that are expected to apply when the asset is realized, or the liability is settled, based on tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes in profit or loss represent the changes in the carrying amount of deferred tax balances during the reporting period, excluding changes attributable to items recognized in other comprehensive income or in equity.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. Temporary differences and loss carry-forward balances for which deferred tax assets have not been recognized are reviewed at the end of each reporting period and a deferred tax asset is recognized to the extent that their realization is probable.
All deferred tax assets and deferred tax liabilities are presented in the statement of financial position as non-current assets and non-current liabilities, respectively. Deferred taxes are offset in the consolidated statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

Leases

The Company has adopted IFRS 16 Leases from January 1, 2019 and has elected to use the modified retrospective approach. The cumulative effect of initial application is recognized in retained earnings as at January 1, 2019 and the Company will not restate comparative information for prior periods presented.

To determine whether a contract contains a lease, the Company applies the new definition of a lease under IFRS 16, namely if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Company elected to apply the practical expedient to apply IFRS 16 only to leases that were previously identified as leases prior to adoption of IFRS 16 rather than to conduct a separate assessment of each lease.

The Company leases assets including buildings, machinery and equipment, vehicles and other office equipment. Previously under IAS 17 the Company classified leases as operating or finance leases based on whether the lease transferred substantially all of the risks and rewards of ownership. The Company previously did not have any leases that were classified as finance leases. Under IFRS 16, the Company recognizes right of use assets and lease liabilities for all leases except where the Company has elected to use the practical expedient to not recognize right-of use assets and lease liabilities for low-value assets or short-term leases under 1 year that are not expected to renew. The Company has recognized low-value assets and short-term lease payments as an expense on a straight-line basis over the lease term. The Company has also elected to apply the practical expedient to not separate non-lease components from lease components for which the Company is the lessee and has accounted for the combined amounts as a single lease component.

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost of the lease liability, adjusted for lease prepayments and lease incentives, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The Company has elected to use the practical expedient of excluding initial direct costs from the measurement of the right of use asset cost at the date of initial application.

The lease liability is initially measured at the present value of the lease payments remaining that are not paid at the commencement date discounted using the interest rate implicit in the lease, or if not readily determinable, the incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or changes in assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not be exercised.

Prior to adoption of IFRS 16, the criteria for classifying leases as finance or operating leases depended on the substance of the agreements and were made at the inception of the lease.

Finance leases transfer substantially all the risks and benefits incidental to ownership of the leased assets to the Group. At the commencement of the lease term, the leased assets were measured at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The liability for lease payments was presented at its present value and the lease payments were apportioned between finance charges and a reduction of the lease liability using the effective interest method. The leased asset was amortized over the shorter of its useful life or the lease term.

Lease agreements were classified as an operating lease if they did not transfer substantially all the risks and benefits incidental to ownership of the leased asset. Lease payments were recognized as an expense in profit or loss on a straight-line basis over the lease term.

Property, plant and equipment

Property, plant and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, and accumulated impairment losses and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

A component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	Useful Life in Years
Buildings (excluding land component)	25 – 50
Machinery and equipment	3 – 10
Motor vehicles	5 – 7
Office furniture, computers and peripheral equipment	3 – 20
Leasehold improvements	Shorter of lease term and expected life

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. An asset is derecognized on disposal or when no further economic benefits are expected from its use. The gain or loss arising from the derecognition of the asset (determined as the difference between the net disposal proceeds and the carrying amount in the consolidated financial statements) is included in profit or loss when the asset is derecognized.

Impairment of non-financial assets

The Company evaluates the need to record an impairment of the carrying amount of non-financial assets, which include right of use assets, property, plant and equipment, intangibles and goodwill, whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss is limited to the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years, and its recoverable amount. The reversal of impairment loss of an asset is recognized in profit or loss.

Intangibles

Intangible assets are recognized at cost which for intangible assets acquired in a business combination is their fair value at the acquisition date. Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over the estimated useful life of the intangible assets. The estimated useful life is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Depreciation is calculated on a straight-line basis over the useful life of the assets at an annual rate as follows:

	Useful Life in Years
Customer relationships	5
Brands and trade names	15
Proprietary knowledge	5
Non-compete agreements	5
Customer order backlog	1
Production development	5 - 10

Business combination

The acquisition method of accounting is used to account for business combinations. The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the Company to former owners of the acquired entity. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognized at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognized in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired and liabilities assumed in the acquisition and the fair value of the consideration transferred is recognized as goodwill.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goodwill

Goodwill is initially recognized at cost, being the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and intangible assets acquired and liabilities assumed at the date acquired and is allocated to the cash generating unit (“CGU”) expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

Subsequently, goodwill assets are not amortized but are assessed at the end of each reporting period for impairment and more frequently whenever events or circumstances indicate that their carrying value may not be fully recoverable. The annual impairment test requires comparing the carrying values of the Company’s CGU, including goodwill, to their recoverable amounts. The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company determines the value in use using estimated future cash flows discounted at an after-tax rate that reflects the risk adjusted weighted-average cost of capital. Any excess of the carrying value amount of a CGU over the recoverable amount is expensed in the period the impairment is identified. An impairment loss recorded for goodwill is not reversed in a subsequent period. Upon disposal of a business, any related goodwill is included in the determination of gain or loss on disposal.

Financial instruments

The Company’s financial assets and liabilities are classified and measured as follows:

Financial asset or financial liability	Classification and Measurement
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Credit from banks	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Term Loan and Loan	Amortized cost

Swap Contract	Fair value through profit or loss
Convertible debentures	Fair value through profit or loss

The Company recognizes financial assets and financial liabilities when the Company becomes party to the contractual provisions of the financial instrument.

a. Classification of financial assets and financial liabilities

Financial assets

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company does not have financial assets classified as subsequently measured at FVTOCI.

A financial asset is measured at FVTPL if the financial assets is neither classified as amortized cost nor FVTOCI or can be designated FVTPL at initial recognition. The Company does not have financial assets classified as subsequently measured at FVTPL.

Financial liabilities

The Company classifies all financial liabilities as subsequently at amortized costs except for financial liabilities at FVTPL which include the convertible debentures, swap contracts and contingent consideration in a business combination or financial liabilities that have been designated FVTPL on initial recognition.

b. Initial recognition

Financial asset or financial liability classified as amortized cost are initially recognized by the Company at its fair value less transaction cost that are directly attributable to the acquisition of issuance of the financial assets or financial liability, except for transaction cost on financial assets or liability designed as FVTPL which are expensed. Trade receivables though, are initially recognized at their transaction price if the trade receivable does not contain a significant financing component.

c. Subsequent measurement

The Company will subsequently measure a financial instrument based on its classification. Financial assets and financial liabilities classified as subsequently measured at amortized cost will be measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. The amortization of the effective interest is recognized in profit or loss. Financial assets at FVTOCI will have subsequently measured changes in fair value recognized in other comprehensive income.

Transaction costs of financial liabilities classified as FVTPL are expensed as incurred. Gains and losses of financial assets and financial liabilities classified as subsequently measured at FVTPL are recognized in net profit and loss.

d. Derecognition of financial instruments

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when it is extinguished, that is when the obligation is discharged, cancelled or expires. A financial liability is extinguished when the debtor (the Group) discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

a. Impairment of financial asset

The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset or group of financial assets.

For financial assets classified at amortized cost, the Company, at each reporting date, measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses given the credit risk on the financial instrument has not increased significantly since initial recognition. The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date. The Company has applied the simplified approach to measuring expected credit losses of trade receivables, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the group is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at December 31, 2019 only the convertible debentures (Note 17) and swap contracts (Note 16) were recognized and measured at fair value. Convertible debentures (Note 17) were recognized and measured at fair value as at December 31, 2018.

Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the consolidated statement of profit or loss net of any reimbursement.

A provision for claims is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required by the Group to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee benefits liabilities

The Company has several employee benefits:

a. Short-term employee benefits

   These benefits include salaries, paid annual leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

b. Post-employment benefits

   Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

   Galtronics Korea operates a defined benefit plan in respect of severance pay pursuant to the severance pay law in the relevant jurisdictions. According to these laws, employees are entitled to severance pay upon dismissal or retirement.

   The liability for termination of employment is measured using the projected unit credit method. The actuarial assumptions include rates of employee turnover and future salary increases based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to market yields on high-quality corporate bonds with a term that is consistent with the estimated term of the benefit obligation. The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation.

Re-measurement arising from defined benefit plans comprises actuarial gains and losses and the return on plan assets (excluding interest). The Group recognizes them immediately in other comprehensive income (loss) and all other expenses related to defined benefit plans, including past service costs, in employee benefits expenses in profit or loss.

c. Termination benefits

Employee termination benefits are recognized as an expense when the Group has committed, without realistic possibility of withdrawal, to terminate employees before the normal retirement date according to a detailed formal plan. Benefits to employees in respect of voluntary retirement are provided for when the Group has offered the employees a plan that encourages voluntary redundancy, it is expected that the offer will be accepted, and the number of respondents can be reliably measured.

Share-based payments

The cost of equity-settled transactions with employees are measured at the fair value of the equity instruments granted in exchange for the rendering of services on the grant date. The fair value is determined based on market prices if available, taking into account terms and conditions upon which the equity instruments are granted. If market prices are not available, an acceptable option pricing model is used to determine fair value.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments. In cases where the fair value of the goods or services received as consideration for equity instruments cannot be measured, they are measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss, together with a corresponding increase in equity, during the period in which the performance and/or service conditions are satisfied, ending on the date on which the relevant party become fully entitled to the award (the "vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

The expense or income recognized in profit or loss represents the change between the cumulative expense recognized at the end of the reporting period and the cumulative expense recognized at the end of the previous reporting period. Where vesting is conditional upon a market condition, an expense is recognized over the vesting period irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

The fair value of stock options and warrants are independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the relevant party to receive payment. No account is taken of any other vesting conditions.

Loss per share

Loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted number of common shares outstanding during the period. Potential common shares (convertible securities such as convertible debentures, options and warrants) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share. Potential common shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share.

Research and development

Research and development costs are expensed except in cases where development costs meet the definition of an intangible asset and the recognition criteria for intangible assets as prescribed in IAS 38. Development costs are related to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. Development costs having a future benefit are recognized only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

An intangible asset arriving from development should be recognized only if the Company can demonstrate all of the following:

1. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
2. its intention to complete the intangible asset and use or sell it;
3. its ability to use or sell the intangible asset;
4. how the intangible asset will generate probable future economic benefits;
5. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
6. its ability to measure reliably the expenditure attributable to the intangible asset during its development

Development costs representing intangible assets are initially measured at cost and then amortized over their expected useful life. The Company reviews the amortization method and estimate of the useful life of an intangible asset at lease annually.

An estimate of investment tax credits (“ITC”) on scientific research and experimental development (“SRED”) expenditures is recorded in the year the expenditures are incurred provided there is reasonable assurance that the ITC will be recovered or realized. The expenditures are reduced by the amount of the estimated investment tax credit. SRED ITCs include refundable and non-refundable tax credits. Refundable ITCs are refunded to the Company once assessed by the Canada Revenue Agency and Revenue Quebec, which is generally within a year from applying for the ITC. Unused non-refundable ITCs are carried forward to reduce taxes payable of future years and expire 20 years from the year they were granted.

Equity method investments

Investments in which the Company has significant influence, defined as the power to participate in the financial and operating policy decisions of the investee but not control or jointly control of those policies, are accounted for using the equity method of accounting.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Convertible debentures

The proceeds received on issuance of the Company's convertible debentures have been recorded as a liability. The convertible debentures contain more than one embedded derivative, and therefore the Company has designated the entire hybrid contract as a financial liability at fair value through profit or loss. The Company values the convertible debentures using the fair value of the convertible debentures traded in an active market.

The convertible debentures are revalued each reporting period with changes in the fair value recorded through profit or loss. On conversion of the convertible debentures to common shares the value of the convertible option is taken into share capital.

NOTE 4: SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates and judgements made by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Operating segments

The Company is considered to operate as one segment. In making this judgement, the Company has evaluated the business activities from which it earns revenues and incurs expenses, at which level operating results are reviewed by the chief operating decision maker and for which discrete financial information is available. The chief executive officer has been deemed the chief operating decision maker.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset exceeds its recoverable amount. In evaluating impairment, the Company determines recoverable amount based on value in use. The fair value of property plant and equipment and finite-life intangible assets is determined using the depreciated replacement cost ("DRC") approach for certain assets, and a market approach using comparable transactions for other assets. The value in use of indefinite life intangibles and goodwill are based on estimated discounted future cash flows.

Estimates used in arriving at value in use involve significant judgement of changes in market and other conditions that can affect value in use. DRC includes adjustments for obsolescence which are based in part on assumptions that are influenced by factors that are both internal and external to the Company, and therefore, changes in such factors can affect those assumptions. Discounted future cash flows include a number of estimates and assumptions surrounding assumed growth rates, number of years in discounted future cash flow models and the discount rate.

The determination of CGUs or groups of CGUs for the purpose of impairment testing requires judgement.

Leases

The Company has applied judgement to determine the incremental borrowing rate and the lease term for some lease contracts in which it is a lessee that include renewal options, which significantly affects the amount of lease liability and right of use assets recognized. The Company has used the practical expedient of applying hindsight in assessing certain lease extension options. The Company has also used judgement in determining the incremental borrowing rate based on the term, security, the lessee entities economic environment, credit rating, level of indebtedness and asset specific adjustments.

Interest rate swap contracts

The Company has an interest rate swap arrangement valued at fair value through profit and loss. Judgement is applied to determine the LIBOR forward curve for the term of the interest rate swap contract.

Income taxes

The Company is subject to income taxes in all jurisdictions in which it operates. Significant judgement is required in determining the tax provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Deferred tax assets are recognized for unutilized carry forward tax losses and deductible temporary differences to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Business combination

Management applies IFRS 3, Business Combinations, to account for business acquisitions. Significant judgement is required in identifying and determining the fair value of assets and liabilities acquired, including intangible assets and residual goodwill, if any.

As disclosed in Note 6, Advantech Wireless Inc. was entitled to additional compensation between $750 and $3,000 conditional on Advantech (as defined in Note 6) meeting certain performance targets in each of 2018 and 2019. Further, as disclosed in Note 6, the vendors of Alga Microwave Inc. earned an additional $1,000 upon completion of certain criteria and may be entitled to receive additional compensation of up to $1,000 conditional on Alga meeting certain performance targets in each of 2019 and 2020. The Company's liability for the additional compensation to Advantech Wireless Inc. and to the vendors of Alga Microwave Inc. is carried at fair value. Management uses current and historical operational results, estimates and probabilities of future earnings and discounted cash flows to estimate the additional compensation.
Significant judgement and estimation was applied in arriving at the discount rate used to determine the fair value of the time based 385,802 share release portion of the consulting agreement as disclosed in Note 6.

Share-based payments

The Company generally utilizes the Black-Scholes option pricing model to determine the fair values of stock options and warrants. The Company uses significant judgement in the determination of the input variables in the Black-Scholes calculation which include: risk free interest rate, expected stock price volatility, expected life, and expected dividend yield.

Deferred tax assets and liabilities

The Company makes significant judgements in interpreting tax rules and regulations when calculating deferred tax assets and liabilities. Judgement is used to evaluate whether a deferred tax asset can be recovered based on our assessment of existing tax laws, estimates of future profitability, and tax planning strategies.

Intercompany net investment

Long term receivables or loans from the Company's foreign operations may have exchange gains and losses. Judgement is required to determine if the long term loan or receivable form part of the Company's net investment in the foreign operation based on whether settlement is neither planned nor likely to occur in the foreseeable future. In this case exchange differences are recognized in other comprehensive income rather than net loss.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

NOTE 5: DISCLOSURES OF NEW STANDARDS ADOPTED AND PRIOR TO THEIR ADOPTION

New standards and amendments adopted

IFRS 16 Leases

Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2019, the IASB issued the new standard, IFRS 16 Leases, to replace IAS 17 Leases. The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts based on whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and right-of-use assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). Lease liabilities will be reduced over the term of the lease by allocating lease payments to a reduction in liability and an expense recognized in finance costs. Right-of-use assets will be amortized over the term of the lease.

The Company has adopted IFRS 16 Leases from January 1, 2019 and has elected to use the modified retrospective approach. The cumulative effect of initial application is recognized in retained earnings as at January 1, 2019 and the Company will not restate comparative information for prior periods presented. The details of the changes in accounting policy are discussed below.

To determine whether a contract contains a lease, the Company applies the new definition of a lease under IFRS 16 namely if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases and thus applied IFRS 16 only to leases that were previously identified as leases prior to adoption of IFRS 16.

The Company leases assets including buildings, machinery and equipment, vehicles and other office equipment. Previously under IAS 17 the Company classified leases as operating or finance leases based on whether the lease transferred substantially all of the risks and rewards of ownership. The Company previously did not have any leases that were classified as finance leases. Under IFRS 16, the Company recognizes right of use assets and lease liabilities for all leases except where the Company has elected to use the practical expedient to not recognize right-of use assets and lease liabilities for low-value assets or short-term leases under 1 year that are not expected to renew, upon adoption of IFRS 16. The Company has recognized low-value assets and short-term lease payments as an expense on a straight-line basis over the lease term. The Company has also elected to apply the practical expedient to not separate non-lease components from lease components for which the Company is the lessee and has accounted for the combined amounts as a single lease component.

Canadian dollars in thousands, unless otherwise stated

The Company recognizes a right of use asset as a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The Company has elected to use the practical expedient of excluding initial direct costs from the measurement of the right of use asset cost at the date of initial application.

The lease liability is initially measured at the present value of the lease payments remaining that are not paid at the commencement date adjusted for lease prepayments and lease incentives, discounted using the interest rate implicit in the lease, or if not readily determinable, the incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or changes in assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not be exercised.

The Company presents right of use assets on the balance sheet as follows:

	Buildings	Machinery and Equipment	Motor Vehicles	Office, furniture, computers, peripheral equipment	Right of Use Asset
Balance as at January 1, 2019	$ 3,741	$ 85	$ 72	$ 172	$ 4,070
Balance as at December 31, 2019	$ 14,187	$ 138	$ 63	$ 121	$ 14,509

The impact of adoption on opening retained earnings as at January 1, 2019 was as follows:

	As at January 1, 2019
Right of use assets	$ 4,070
Short-term lease liabilities	801
Long-term lease liabilities	3,753
Retained Earnings	(484)

Canadian dollars in thousands, unless otherwise stated

The reconciliation from the operating lease commitment disclosed in the Annual Financial Statements as of December 31, 2018 and the lease liability as at January 1, 2019 is as follow:

Operating lease commitment as at December 31, 2018	$	5,560
Discounted using incremental borrowing rate as at January 1, 2019	$	4,576
Recognition exemption of low value leases		(10)
Recognition exemption of leases with terms lease than 1 year		(4)
Extension options reasonably certain to be exercised		(8)
Lease liability as at January 1, 2019	$	4,554
Short-term portion of lease liability		801
Long-term portion of lease liability		3,753
Lease liability as at January 1, 2019	$	4,554

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its weighted average incremental borrowing rate as at January 1, 2019 which was 6%.

For the year ended December 31, 2019, the Company recognized $1,424 as depreciation on right of use assets within Cost of sales and General and administrative expense. The Company also recognized $385 as interest cost on lease liabilities within Finance expense during year ended December 31, 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 was issued in June 2017 as a clarification to requirements under IAS 12, Income Taxes. IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods on or after January 1, 2019. The Company has adopted IFRIC 23 and determined the application did not have a material impact on the Company's consolidated financial statements as its policies were in line with the guidance.

New standards and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company. All pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards, amendments and interpretations may have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

The following are new standards that have been issued but are not yet in effect and which are relevant to the Group:

On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations for the 'Definition of a Business' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company will evaluate the impact of the standard on its consolidated financial statements if the Company has a business combination.

On October 31, 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for 'Definition of Material,' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. The amendments include specifying that conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists and expectations about events after the balance sheet date are not relevant. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

NOTE 6: ACQUISITIONS

Advantech

On January 17, 2018, through a wholly-owned subsidiary, the Company acquired from Advantech Wireless Inc. and certain of its affiliates 100% of the assets (the "Advantech Acquisition") of the radio frequency, terrestrial microwave and antenna equipment divisions (collectively, "Advantech"). Advantech is a leading designer and manufacturer of customizable radio frequency, terrestrial microwave and antenna products for highly specialized wireless communications markets. The Advantech Acquisition provides entry into the satellite connectivity market, broadening the Company's product offering and expanding the Company's geographical footprint.

The purchase price paid for the Advantech Acquisition was $49,000, subject to customary adjustments, of which $48,000 was paid in cash and $1,000 was satisfied through the issuance of 308,642 common shares of the Company at a deemed price of $3.24 per share. The recorded amount of the Advantech Acquisition was $49,000. The Advantech Acquisition was financed using the Company's available cash and the Loan (as defined in Note 16)

The purchase price for the Advantech Acquisition was subject to customary post-closing adjustments and Advantech Wireless Inc. (now known as SpaceBridge Inc.) was entitled to additional compensation between $750 and $3,000 conditional on Advantech meeting certain performance targets in each of 2018 and 2019. The performance targets were not met in 2018 and 2019.

In connection with the Advantech Acquisition, Advantech Wireless Inc. entered into a consulting agreement with the Company, pursuant to which Advantech Wireless Inc. agreed to provide the services of its principals David and Stella Gelerman for a period of two years following closing of the Advantech Acquisition. In consideration for these services, Advantech Wireless Inc. was entitled to receive a fee of $2,500, payable, as to one-half, in cash and, as to one-half, through the issuance of 385,802 common shares at a deemed price of $3.24 per share, in each case, payable in quarterly installments. The trading of such shares was subject to certain time release restrictions for a period of up to 24 months following the closing of the Advantech Acquisition.

This transaction qualifies as a business combination and was accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. To account for the transaction, the Company has performed a business valuation of Advantech at the date of acquisition and a purchase price allocation.

Canadian dollars in thousands, unless otherwise stated

The following table summarizes the consideration and closing date fair values of the net identifiable assets acquired pursuant to the Advantech Acquisition:

	Purchase Price January 17, 2018
Cash consideration	$ 48,000
Share consideration	1,000
	$ 49,000

	Fair Values January 17, 2018
Accounts and other receivables	$ 3,441
Inventory	9,770
Other current assets	161
Property, plant and equipment	882
Intangibles	19,700
Goodwill	21,215
Accounts payables and other liabilities	(6,035)
Other long-term provisions	(134)
	$ 49,000

Trade receivables have been reflected at fair value which represent gross contractual amounts receivable.

Factors that make up the goodwill recognized include cost reduction programs and intangible assets that do not qualify for separate recognition. Goodwill is expected to be deductible for tax purposes.

Alga

On July 11, 2018, the Company acquired all of the issued and outstanding shares of Alga Microwave Inc. ("Alga") through a newly incorporated, wholly-owned subsidiary of the Company (the "Alga Acquisition"). Alga is a leading supplier of RF and microwave solid state power amplifiers, pulsed amplifiers for radar applications, transmitter and transceiver products as well as RF passive components and systems. The Alga Acquisition enhances the Company's satellite connectivity product offering, provides a modern facility for expansion and adds experienced employees to the Company's management team.

The purchase price for the Alga Acquisition was $25,000, subject to customary adjustments. The purchase price was satisfied by the payment of $21,000 in cash and the issuance of 1,176,470 common shares of the Company for $4,000. Pursuant to the terms of the Alga Acquisition, the vendors earned an additional $1,000 upon satisfaction of certain conditions and may be entitled to receive additional compensation of up to $1,000 conditional on Alga meeting certain performance targets in each of 2019 and 2020.

Concurrent with the closing of the Alga Acquisition, Baylin acquired, through a wholly-owned subsidiary, the premises in which Alga's operations are primarily conducted (the "Alga Facility") for a purchase price of $6,200. The purchase price for the Alga Facility was satisfied in part by the assumption of existing debt, with the balance of the purchase price payable to the vendor one year after closing and bearing interest at 8% per annum, payable quarterly, and repayable at any time without penalty. The Company repaid the amount owing to the vendor on

Canadian dollars in thousands, unless otherwise stated

September 12, 2018. The existing debt, assumed by the Company, due to a Canadian chartered bank, had a principal amount of $2,999 at the closing of the acquisition of the Alga Facility, bore interest at 3.22% and matured and was repaid on December 19, 2018.

A portion of the net proceeds of the Offering (as defined in Note 17), was used to satisfy payment of the cash purchase price for the Alga Acquisition.

This transaction qualifies as a business combination and was accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. To account for the transaction, the Company has performed a business valuation of Alga at the date of acquisition and a purchase price allocation and updated through the measurement period. The measurement period adjustments were made to reflect facts and circumstances existing as of the acquisition date and did not result from intervening events to the acquisition date. The consolidated financial statements have been restated for these adjustments as at December 31, 2018.

	Amounts Recognized as of the Acquisition Date	Measurement period Adjustments	Purchase Price July 11, 2018
Cash consideration	$ 21,433	$ -	$ 21,433
Share consideration	4,000	(165)	3,835
Contingent consideration	2,144	(434)	1,710
	$ 27,577	$ (599)	$ 26,978

	Amounts Recognized as of the Acquisition Date	Measurement period Adjustments	Fair Values July 11, 2018
Cash	$ 887	$ -	$ 887
Accounts and other receivable	4,078	-	4,078
Inventories	6,680	(170)	6,510
Other current assets	46	-	46
Property, plant and equipment	6,950	-	6,950
Intangibles	8,600	1,450	10,050
Goodwill	11,931	(1,545)	10,386
Accounts payables and accrued liabilities	(2,570)	-	(2,570)
Current portion of long-term debt	(6,200)	-	(6,200)
Deferred tax liability	(2,825)	(334)	(3,159)
	$ 27,577	$ (599)	$ 26,978

Trade receivables have been reflected at fair value which represent gross contractual amounts receivable.

Factors that make up the goodwill recognized include cost reduction programs and intangible assets that do not qualify for separate recognition. Goodwill is not expected to be deductible for tax purposes.

Since the acquisition dates of Advantech and Alga, revenues of $36,857 and net loss of $15,836 related to these entities were included in the consolidated statement of net loss for the year ended December 31, 2018. If the

Canadian dollars in thousands, unless otherwise stated

Advantech and Alga Acquisitions had occurred on January 1, 2018, consolidated pro-forma revenue and net loss for the Company for the year ended December 31, 2018 would have been $145,092 and $9,322, respectively.

Transaction costs of $720 and $4,318 were expensed during the year ended December 31, 2019 and December 31, 2018, respectively, and are included in Acquisition expenses.

NOTE 7: TRADE RECEIVABLES, NET

The following comprise the balance of trade receivables, net:

	December 31, 2019	December 31, 2018
Trade receivables, gross	$ 19,843	$ 29,825
Less: Allowance for doubtful accounts	(400)	(438)
Trade receivables, net	$ 19,443	$ 29,387

The movement in the allowance for doubtful accounts is as follows:

	2019	2018
Balance as at January 1	$ 438	$ 278
Allowance for doubtful accounts taken during the year	51	155
Receivables written off during the year as uncollectible	(65)	-
Effects of translation from changes in foreign exchange	(24)	5
Balance as at December 31	$ 400	$ 438

The following is the aging of trade receivables, net:

	December 31, 2019	December 31, 2018
Current trade receivables, net	$ 14,426	$ 21,529
Past due but not impaired trade receivables, net		
under 30 days	1,972	5,321
30 - 60 days	1,116	1,532
60 - 90 days	536	634
over 90 days	1,393	371
Total trade receivables, net	$ 19,443	$ 29,387

The consolidated entity has recognized a loss of $51 (2018 - $155) in profit or loss in respect of the expected credit losses for the year ended December 31, 2019.

Canadian dollars in thousands, unless otherwise stated

NOTE 8: OTHER CURRENT ASSETS

The following comprise the balance of other current assets:

	December 31, 2019	December 31, 2018
Due from government authorities	$ 3,384	$ 3,251
Advance to suppliers	183	196
Prepaid expenses	1,750	1,529
Other receivables	4,471	1,203
Total other current assets	$ 9,788	$ 6,179

NOTE 9: INVENTORIES

The following comprise the balance of inventories:

	December 31, 2019	December 31, 2018
Raw materials	$ 11,695	$ 10,222
Work in progress	3,920	5,108
Finished good	5,473	8,182
Total inventory	$ 21,088	$ 23,512

The inventory reserve taken against inventory amounted to $1,397 and $3,860 as at December 31, 2019 and December 31, 2018 respectively. The release of inventory reserve taken to income was $1,517 for the year ended December 31, 2019 and the expense recorded related to inventory reserves was $2,599 for the year ended December 31, 2018.

Canadian dollars in thousands, unless otherwise stated

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

The following comprise the balance of property, plant and equipment:

	Land and building	Machinery and Equipment	Motor Vehicles	Office furniture, computers, peripheral equipment	Leasehold improvement	Construction in progress	Total
Cost							
Balance as at January 1, 2019	$ 15,718	$ 28,417	$ 17	$ 4,500	$ 4,208	$ 553	$ 53,413
Additions	1,360	2,195	44	2,199	283	632	6,713
Disposals	(8,664)	(73)	(17)	(33)	(106)	(3)	(8,896)
Effects of translation	(1,574)	(1,792)	(5)	(136)	(224)	388	(3,343)
Balance as at December 31, 2019	$ 6,840	$ 28,747	$ 39	$ 6,530	$ 4,161	$ 1,570	$ 47,887
Accumulated depreciation							
Balance as at January 1, 2019	$ 3,300	$ 17,659	$ 10	$ 3,369	$ 1,704	$ -	$ 26,042
Additions	470	3,516	25	591	546	-	5,148
Disposals	(380)	(111)	(23)	(33)	(106)	-	(653)
Effects of translation	(154)	(1,752)	0	70	(173)	-	(2,009)
Balance as at December 31, 2019	$ 3,236	$ 19,312	$ 12	$ 3,997	$ 1,971	$ -	$ 28,528
Carrying amount							
Balance as at December 31, 2019	$ 3,604	$ 9,435	$ 27	$ 2,533	$ 2,190	$ 1,570	$ 19,359

	Land and building	Machinery and Equipment	Motor Vehicles	Office furniture, computers, peripheral equipment	Leasehold improvement	Construction in progress	Total
Cost							
Balance as at January 1, 2018	$ 6,946	$ 27,676	$ 17	$ 2,978	$ 3,747	$ 1,384	$ 42,748
Additions	2,384	1,804	-	600	189	456	5,433
Disposals	-	(3,366)	(8)	(16)	(41)	-	(3,431)
Derecognition of subsidiary	-	(60)	-	-	-	(1,272)	(1,332)
Business Acquisition	6,200	1,426	7	199	-	-	7,832
Effects of translation	188	937	1	739	313	(15)	2,163
Balance as at December 31, 2018	$ 15,718	$ 28,417	$ 17	$ 4,500	$ 4,208	$ 553	$ 53,413
Accumulated depreciation							
Balance as at January 1, 2018	$ 2,893	$ 16,142	$ 17	$ 2,351	$ 1,194	$ -	$ 22,597
Additions	390	3,156	-	287	368	-	4,201
Disposals	-	(2,314)	(8)	(16)	(41)	-	(2,379)
Derecognition of subsidiary	-	(10)	-	-	-	-	(10)
Effects of translation	17	685	1	747	183	-	1,633
Balance as at December 31, 2018	$ 3,300	$ 17,659	$ 10	$ 3,369	$ 1,704	$ -	$ 26,042
Carrying amount							
Balance as at December 31, 2018	$ 12,418	$ 10,758	$ 7	$ 1,131	$ 2,504	$ 553	$ 27,371

Canadian dollars in thousands, unless otherwise stated

Property, plant and equipment by geographic location are as follows:

	December 31, 2019	December 31, 2018
China	$ 3,553	$ 4,470
Vietnam	9,513	9,552
Korea	1,610	1,858
Canada	3,612	10,334
United States of America	1,068	1,128
Israel	-	17
Brazil	3	12
	$ 19,359	$ 27,371

The depreciation expense recognized in the consolidated statements of loss is as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Cost of goods sold	$ 3,882	$ 3,323
Research and development	398	405
General and administrative	868	473
	$ 5,148	$ 4,201

On October 28, 2019, the Company entered into arrangement with 3NP Realty I (Montreal) Limited Partnership for the sale and leaseback of its property in Quebec, Canada. The property was sold for proceeds of $7,100 and the Company recognized a loss within General and administrative expenses on rights transferred to the buyer of $27 on the sale and leaseback transaction.

Canadian dollars in thousands, unless otherwise stated

NOTE 11: LEASES

The balance sheet shows the following amounts related to assets held:

	December 31, 2019	January 1, 2019
Cost		
Buildings	$ 16,998	$ 5,270
Equipment	193	97
Vehicles	182	141
Office, furniture, computers, peripheral equipment	182	184
	$ 17,555	$ 5,692
Accumulated depreciation		
Buildings	$ 2,811	$ 1,529
Equipment	55	12
Vehicles	119	69
Office, furniture, computers, peripheral equipment	61	12
	$ 3,046	$ 1,622
Carrying amount		
Buildings	$ 14,187	$ 3,741
Equipment	138	85
Vehicles	63	72
Office, furniture, computers, peripheral equipment	121	172
	$ 14,509	$ 4,070

	December 31, 2019	January 1, 2019
Short-term lease liabilities	$ 1,437	$ 801
Long-term lease liabilities	12,412	3,753
	$ 13,849	$ 4,554

Additions to right of use assets for the year ended December 31, 2019 were $11,860.

Canadian dollars in thousands, unless otherwise stated

The statement of loss shows the following amounts related to leases:

		For the year ended December 31, 2019
Depreciation of right of use assets:		
Buildings	$	1,282
Equipment		43
Vehicles		50
Office furniture, computers peripheral equipment		49
	$	1,424
Interest cost on lease liability		385
Expense related to short-term leases		8
Expense related to leases of low value		8
Expense related to variable lease payments not included in lease liabilities		80

The total cash outflow for leases for the year ended December 31, 2019 were $1,796.

The Group leases buildings, equipment, computer and peripheral equipment and vehicles. Rental contracts are typically made for fixed periods between 1 year and 10 years but may have extension options.

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximize operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercised only by the Group and not by the respective lessor. As at December 31, 2019, potential future cash outflows of $9,253 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The Group did not provide residual value guarantees in relation to leases.

The Company subleased a portion of its facility in Quebec, Canada. Lease income of $242 was recorded for the year ended December 31, 2019 and the Company is expected to receive lease payments of $194 related to the sublease in 2020 and $64 for subsequent years for the remainder of the head lease.

NOTE 12: OTHER LONG-TERM ASSETS

The following comprise the balance of other long-term assets:

	December 31,			
		2019		2018
Deposits on capital expenditures	$	2,429	$	70
Long-term receivables		697		-
Total other long-term assets	$	3,126	$	70

Canadian dollars in thousands, unless otherwise stated

NOTE 13: INTANGIBLES AND GOODWILL

The following comprise the balance of intangibles:

	Customer relationships	Brands and trade names	Proprietary knowledge	Non-compete agreements	Customer order backlog	Production development	Total
Cost							
Balance as at December 31, 2018	$ 18,600	$ 5,200	$ 2,400	$ 1,200	$ 900	$ -	$ 28,300
Measurement period adjustment (Note 6)	2,095	(400)	(150)	-	-	-	1,545
Balance as at January 1, 2019	$ 20,695	$ 4,800	$ 2,250	$ 1,200	$ 900	$ -	$ 29,845
Additions	-	-	-	-	-	397	397
Disposals	(95)	-	-	-	-	-	(95)
Balance as at December 31, 2019	$ 20,600	$ 4,800	$ 2,250	$ 1,200	$ 900	$ 397	$ 30,147
Accumulated amortization							
Balance as at January 1, 2019	2,943	284	392	230	900	-	4,749
Additions	4,309	306	544	240	-	-	5,399
Balance as at December 31, 2019	$ 7,252	$ 590	$ 936	$ 470	$ 900	$ -	$ 10,148
Carrying amount							
Balance as at December 31, 2019	$ 13,348	$ 4,210	$ 1,314	$ 730	$ -	$ 397	$ 19,999

	Customer relationships	Brands and trade names	Proprietary knowledge	Non-compete agreements	Customer order backlog	Production development	Total
Cost							
Balance as at January 1, 2018	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business acquisition addition (Note 6)	18,600	5,200	2,400	1,200	900	-	28,300
Balance as at December 31, 2018	$ 18,600	$ 5,200	$ 2,400	$ 1,200	$ 900	$ -	$ 28,300
Accumulated amortization							
Balance as at January 1, 2018	-	-	-	-	-	-	-
Additions	2,943	284	392	230	900	-	4,749
Balance as at December 31, 2018	$ 2,943	$ 284	$ 392	$ 230	$ 900	$ -	$ 4,749
Carrying amount							
Balance as at December 31, 2018	$ 15,657	$ 4,916	$ 2,008	$ 970	$ -	$ -	$ 23,551
Measurement period adjustment (Note 6)	2,095	(400)	(150)	-	-	-	1,545
Balance as at January 1, 2019	$ 17,752	$ 4,516	$ 1,858	$ 970	$ -	$ -	$ 25,096

Amortization of intangibles presented within General and Administrative expenses on the consolidated statement of loss was $5,399 and $4,749 during the year ended December 31, 2019 and December 31, 2018 respectively.

Canadian dollars in thousands, unless otherwise stated

The following comprise the balance of goodwill:

Cost allocation to cash generating unit	**Advantech and Alga Group**	**Goodwill**
Balance as at December 31, 2018	$ 33,146	$ 33,146
Measurement period adjustment (Note 6)	(1,545)	(1,545)
Balance as at January 1, 2019	$ 31,601	$ 31,601
Additions	-	-
Goodwill impairment	(12,693)	(12,693)
Balance as at December 31, 2019	$ 18,908	$ 18,908

Cost allocation to cash generating unit	**Advantech**	**Alga**	**Goodwill**
Balance as at January 1, 2018	$ -	$ -	$ -
Business acquisition addition (Note 6)	21,215	11,931	33,146
Balance as at December 31, 2018	21,215	11,931	33,146
Measurement period adjustment (Note 6)	-	(1,545)	(1,545)
Balance as at January 1, 2019	$ 21,215	$ 10,386	$ 31,601

Intangible assets and goodwill were acquired through business combinations related to the acquisitions (Note 6).

During the year ended December 31, 2019, the Company determined that Advantech and Alga were one cash generating unit and were thus assessed as a combined group ("Advantech and Alga Group"). The Company performs its annual impairment test at December 31st. The recoverable amount of the Company's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5 year projection period, together with a terminal value. Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for Advantech and Alga Group cash generating unit:

i. 19.7% pre-tax discount rate;
ii. 12.9% per annum growth rate for year 1;
iii. 15.0% per annum growth rate for year 2 and 3;
iv. 5.0% per annum growth rate for year 4 and 5;
v. 2.0% per annum growth rate subsequent to year 5

The pre-tax discount rate reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the entities, the risk free rate and the volatility of the share price relative to market movements. Management believes the projected growth rate for Advantech and Alga, is prudent and justified, based on the growth in the market, inflation rate and efforts by the consolidated entity to contain costs.

Canadian dollars in thousands, unless otherwise stated

The Company tests for impairment on an annual basis. Since the closing of the acquisitions of Advantech and Alga in 2018, the Company has dealt with ongoing, historical legacy issues and experienced a number of challenges integrating the Advantech and Alga Group. These challenges include an industry wide shortage of a key component, factory production optimization and consolidation following the move of Advantech's operations into the Alga facility and product line consolidation. As a result, the Company experienced a more prolonged path to achieving the financial performance than the Company believes the Advantech and Alga Group is capable of generating. Based on the impairment analysis performed, the Company concluded the recoverable amount of the CGU, which has been determined by a value-in-use calculation using a discount cash flow model for the Advantech and Alga Group is less than the carrying value, resulting in a goodwill impairment charge. The Company recorded an impairment expense of $12,693 during the year ended December 31, 2019 within operating expenses.

NOTE 14: CREDIT FROM BANKS

The following comprise the balance of credit from banks:

		As at	
	Annual Interest Rate %	**December 31, 2019**	**December 31, 2018**
Short-term credit from banks			
a. In United States dollar	Libor advances: Libor + 2.75 %	$ 10,874	$ -
	USD fund: U.S. Base + 1.25%, CAD fund: Prime + 1.25%	-	-
b. In Chinese yuan	Annual Bank benchmark lending rate	-	-
c. In United States dollar	3 month Libor + 2.8%	-	377
d. In Korean won	Korean Central Bank lending rate + 1.4%	-	-
		$ 10,874	$ 377

The Group has revolving credit lines which are being drawn as needed. As at December 31, 2019, the aggregate credit facility of the Group is approximately $23,807 of which $10,874 was drawn and utilized. As at December 31, 2018, the aggregate credit facility of the Group was approximately $11,017 of which $377 was drawn and utilized.

a. On March 29, 2019, the Company entered into a credit agreement (the "Credit Agreement") with Royal Bank of Canada and HSBC Bank Canada (collectively, the "Lenders") pursuant to which the Lenders established a revolving credit facility (the "Revolving Facility") in favour of the Company for up to $20,000. As at December 31, 2019, $10,874 was outstanding under the Revolving Facility. The availability of the Revolving Facility is based on the Company's accounts receivables and inventory balances. The interest rate on the Revolving Facility is determined based on the type of advance, the applicable margin and the Company's senior debt to EBITDA ratio and is payable monthly in arrears, as set out in the Credit Agreement. The Revolving Facility matures on March 29, 2022. As at December 31, 2019, the interest rate on the Revolving Facility was 7.0% on United States Dollar advances and 5.70% on Canadian Dollar advances and 4.56% on LIBO Rate advances. The standby fee on the undrawn portion of the Revolving Facility is 0.50% per annum if the Company's senior debt to EBITDA ratio is less than 1.75:1.0 and 0.55% per annum if the Company's senior debt to EBITDA ratio is equal to or greater than 1.75:1.0. Certain of Baylin's subsidiaries are guarantors of the Revolving Facility. The Revolving Facility is secured by substantially all the assets of Baylin and the guarantors. The Credit Agreement contains certain covenants that the Company must comply with, including the following financial covenants: the Company must maintain a fixed charge coverage ratio and senior debt to EBITDA ratio (as defined in the Credit Agreement) calculated at the end of each quarter. The Credit Agreement also includes other customary covenants and events of default. For the year ended December 31, 2019, the Company is in compliance with all of the covenants under the Credit Agreement.

Prior to March 29, 2019, the Company had a United States Dollar revolving credit facility with HSBC Bank Canada for up to $5,195 (December 31, 2018 - $5,457). This facility was cancelled when the Company entered into the Revolving Facility. There were no borrowings under the facility at the time it was cancelled or at December 31, 2018.

b. The Company’s Chinese subsidiary has a Yuan equivalent $3,357 (December 31, 2018 - $3,569) short-term credit facility with the Shanghai Pudong Development Bank (“SPD”) secured by the Company’s Chinese subsidiary is building. As at December 31, 2019 and December 31, 2018, there was no outstanding balance under this facility.

c. In January 2017, the Company’s Vietnamese subsidiary entered into a $1,429 (December 31, 2018 - $1,501) credit facility with a Vietnamese bank in United States Dollar equivalent. This facility is collateralized by certain equipment owned by the Company’s Vietnamese subsidiary. As at December 31, 2019, there was $0 outstanding under this facility. This facility was repaid in January of 2019. As at December 31, 2018 the amount outstanding was $377.

d. The Company’s Korean subsidiary has a $450 (December 31, 2018 - $490) short-term credit facility with the Shinhan Bank in South Korean Won currency equivalent. The credit facility is secured by an irrevocable letter of credit issued by Baylin to the lender in Korea. As at December 31, 2019 and December 31, 2018, there was no balance outstanding under this facility.

The company is in compliance with all of its covenants.

Canadian dollars in thousands, unless otherwise stated

The following table sets out an analysis of net debt and the movements in net debt for each of the periods presented

	Cash and cash equivalents	Credit from banks	Term Loan	Senior Term Loan	Convertible Debentures	Total
Net debt as at January 1, 2018	$ 35,156	$ (4,506)	$ -	$ -	$ -	$ 30,650
Cash flows	(15,744)	4,159	-	-	-	(11,585)
Share issuance	21,228	-	-	-	-	21,228
Term Loan	30,613	-	(30,613)	-	-	-
Convertible debenture	17,250	-	-	-	(17,250)	-
Business acquisition	(68,546)	-	-	-	-	(68,546)
Foreign exchange and other adjustments	902	(30)	532	-	(1,725)	(321)
Net debt as at December 31, 2018	$ 20,859	$ (377)	$ (30,081)	$ -	$ (18,975)	$ (28,574)
Cash flows	796	(10,497)	-	2,922	-	(6,779)
Share issuance	210	-	-	-	-	210
Term Loan	(33,990)	-	33,990	-	-	-
Senior Term Loan	26,797	-	-	(26,797)	-	-
Convertible debenture	-	-	-	-	-	-
Foreign exchange and other adjustments	(698)	-	(3,909)	-	4,744	137
Net debt as at December 31, 2019	$ 13,974	$ (10,874)	$ -	$ (23,875)	$ (14,231)	$ (35,006)

NOTE 15: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following comprise the balance of accounts payable and accrued liabilities:

	December 31, 2019	December 31, 2018
Trade payables	$ 14,832	$ 22,004
Employee payroll and short-term benefits	1,840	4,125
Accrued expenses	2,942	6,115
Other	728	1,013
Total accounts payables and accrued liabilities	$ 20,342	$ 33,257

NOTE 16: LOAN AND TERM LOAN

On January 17, 2018, in connection with the Advantech Acquisition (Note 6), the Company entered into a term loan (“Loan”) with Crown Capital Fund IV, LP with a principal amount of $33,000, an annual interest rate of 9% and a maturity date of January 17, 2023.

In connection with the Loan, the Company issued warrants to acquire 682,500 common shares at an exercise price of $3.37 per common share, the warrants were valued at $1,065 and this amount was included in share-based payment reserve (using the following Black-Scholes model inputs: expected volatility of the stock prices % of 50.50, risk-free interest rate % of 0.90, 5 year expected life and $1.56 warrant fair value at the grant date) expiring on January 17, 2023.

Debt issuance costs of $3,427, including the warrants, were incurred and were capitalized against the Loan. During the period from January 1, 2019 to March 29, 2019, $142 of amortization of debt issuance costs was recognized in finance expense (January 17, 2018 – December 31, 2018: $508).

On March 29, 2019, the Company prepaid the Loan thus extinguishing the debt, using funds advanced under the Term Loan (as defined below) and the Revolving Facility. The Company paid Crown Capital Fund IV, LP a prepayment fee of $990 and expensed the unamortized debt issuance costs in the amount of $2,777 which were included in finance expense.

On March 29, 2019, in connection with the Revolving Facility and pursuant to the Credit Agreement, the Lenders also established a term credit facility ("Term Loan") in favour of the Company for up to $27,275. The principal amount under the Term Loan was advanced in United States Dollars at closing and was used to repay the Loan. Quarterly principal payments in the amount of $974 are due commencing June 30, 2019. The Term Loan matures on March 29, 2022. The interest rate on the Term Loan is determined based on the LIBO Rate (as defined in the Credit Agreement) plus the applicable margin and the Company's senior debt to EBITDA ratio (as detailed in the Credit Agreement) and is payable quarterly in arrears. As at December 31, 2019, the interest rate on the Term Loan was 4.75%.

Commencing July 26, 2019, the Company entered into an interest rate swap arrangement where the LIBO Rate portion of the interest rate on the Term Loan was fixed at 2% until maturity on March 29, 2022. As at December 31, 2019, the interest rate swap contract was valued as a liability within other long-term liabilities on the balance sheet of $186. The fair value of the interest rate swap contract was valued using a future LIBOR curve.

Certain of Baylin's subsidiaries are guarantors of the Term Loan. The Term Loan is secured by substantially all the assets of Baylin and the guarantors. The Credit Agreement contains certain covenants that the Company must comply with including the following financial covenants: the Company must maintain a fixed charge coverage ratio and senior debt to EBITDA ratio (as defined in the Credit Agreement) calculated at the end of each quarter. The Credit Agreement also includes other customary covenants and events of default. For the year ended December 31, 2019, the Company is in compliance with all of the covenants under the Credit Agreement.

NOTE 17: CONVERTIBLE DEBENTURES

On July 10, 2018, the Company completed a bought deal public offering of 7,419,355 subscription receipts ("Subscription Receipts") at $3.10 per subscription receipt and $17,250 principal amount of 6.5% extendible convertible unsecured debentures ("Debentures") for aggregate gross proceeds of $40,250 (the "Offering"). The Debentures bear interest at a rate of 6.5% per annum, payable in arrears semi-annually on June 30 and December 31 of each year and mature on July 10, 2023 (the "Maturity Date"). On July 11, 2018, upon satisfaction of certain escrow release conditions, each Subscription Receipt was converted into one common share.

The Debentures are convertible at the holder's option into common shares at any time prior to the close of business on the earlier of: (i) last business day before the Maturity Date; or (ii) if called for redemption, the business day immediately preceding the date specified by the Company for redemption, at a conversion price of $3.85 per common share (the "Conversion Price"), being a ratio of approximately 260 common shares per $1 principal amount of Debentures, subject to adjustment in certain events in accordance with a convertible debenture indenture dated July 10, 2018 (the "Indenture").

The Debentures are not redeemable by the Company prior to July 10, 2021 (except in certain limited circumstances following a Change of Control (as defined in the Indenture)). On or after July 10, 2021, and prior to the Maturity Date, the Company may, at its option, subject to providing not more than 60 days' and not less than 30 days' prior notice, redeem the Debentures, in whole or, from time to time, in part, at par plus accrued and unpaid interest provided that the volume weighted-average trading price of the common shares on the Toronto Stock Exchange (the

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"TSX") for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given (the "Current Market Price") is not less than 125% of the Conversion Price. The Company may, at its option, subject to regulatory approval, elect to satisfy its obligation to pay the principal amount of Debentures on redemption or at maturity, provided no Event of Default (as defined in the Indenture) has occurred and is continuing at such time, upon not more than 60 days' and not less than 30 days' prior written notice, by delivering that number of freely tradeable common shares obtained by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable.

Upon a Change of Control of the Company, the Company may be required to repurchase the Debentures, at the option of the holder, in whole or in part, at a price equal to 101% of the principal amount of the Debentures outstanding, plus accrued interest.

The Company paid the underwriters a cash commission equal to 6.0% of the aggregate principal amount of the Debentures issued, except Debentures issued to certain directors and officers of the Company for which a reduced commission of 3.0% was paid.

During the year ended December 31, 2018, the Company incurred $1,065 in transaction costs related to the offering of the Debentures and recorded the costs in finance expense on the consolidated statement of loss. During the year ended December 31, 2019, $1,121 of interest has been paid and during the year ended December 31, 2018, $535 of interest had been paid. No conversion of the Debentures have been exercised to date.

	Debentures Principal	Debentures Fair Value
Issued July 10, 2018	$ 17,250	$ 17,250
Fair value adjustment		1,725
Balance as of December 31, 2018	$ 17,250	$ 18,975
Fair value adjustment		(4,744)
Balance as of December 31, 2019	$ 17,250	$ 14,231

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NOTE 18: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and financial liabilities consist of the following:

	December 31, 2019	December 31, 2018
Financial assets		
Cash and cash equivalents	$ 13,974	$ 20,859
Trade and other receivables	19,443	29,387
	$ 33,417	$ 50,246
Financial liabilities		
Credit from banks	10,874	377
Accounts payable and accrued liabilities	20,342	33,257
Term Loan	-	30,081
Senior Term Loan	23,875	-
Convertible debentures	14,231	18,975
Interest rate swap	186	-
	$ 69,508	$ 82,690

The carrying amount of cash and cash equivalents, trade receivables and other receivables, credit from banks, accounts payables, accrued liabilities and term loan approximates their fair value. The convertible debentures and interest rate swap are carried at their fair value.

The Group's activities expose it to various financial risks such as market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

Market risk

a. Foreign exchange risk

A portion of the Group's transactions are denominated in currencies other than the functional currency of the respective subsidiary. As a result, the Group is exposed to currency risk on these transactions. The Company's objective in managing its currency risk is to minimize its exposure to currencies other than its functional currency. Gains and losses are primarily derived from changes in the Canadian dollar exchange rate in relation to the U.S. dollar.

The sensitivity analysis below illustrates in impact of changes in the U.S. dollar exchange rate on net loss:

	December 31, 2019	December 31, 2018
Gain (loss) from change in U.S. dollar exchange rate:		
5% increase in exchange rate	$ 268	$ 759
5% decrease in exchange rate	$ (268)	$ (759)

Canadian dollars in thousands, unless otherwise stated

b. Interest rate risk

The Company has exposure to interest rate risks on credit from banks with variable interest rate. The Company reduces its exposure to this risk by reducing debt levels and entering into interest rate swap arrangements (Note 16). The Company believes that interest rate risk is low as the majority of its loans are short-term or have fixed interest rates.

Credit risk

A significant portion of products are sold to a limited number of major customers located primarily in North America and Asia. The top three customers in any given year may not be the same top three customers in a previous or subsequent year. The loss of, or a significant reduction in, orders from one or more major customers would adversely affect the Company's business, results of operations and financial condition. In particular, the Company received 38% and 33% of revenue, directly and indirectly, from the Company's largest customer and its subcontractors for the years ended December 31, 2019 and December 31, 2018, respectively. The Company's strategy in managing this risk is to diversify its customer base by expanding its product portfolio and enhancing its sales and marketing efforts.

Below are the Company's top 3 customers including their subcontractors based on sales value:

	For the year ended December 31,	
	2019	**2018**
Customer A	38%	33%
Customer B	5%	8%
Customer C	4%	5%

The Company and its subsidiaries typically extend 30-90 day credit terms to its customers and regularly monitor the credit extended to such customers and their general financial condition but do not require collateral as security for these receivables. The Group provides an allowance for expected credit losses based on the factors that affect the credit risk of certain customers, past experience and other information.

Liquidity risk

The Group monitors its liquidity risk through the use of quarterly budgets, weekly cash flow projections, and close monitoring of accounts receivable balances, inventory build and payment of suppliers. The objective is to maintain sufficient liquidity in its operating entities through a combination of cash on hand, borrowings under Credit Facilities, and generating operating cash flow. The Group also regularly monitors the amounts owing to Galtronics Wuxi by other subsidiaries to ensure compliance with China's State of Administration of Foreign Exchange requirement.

Canadian dollars in thousands, unless otherwise stated

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	December 31, 2019		
	Less than one year	Over one year	Total
Credit from banks	$ 10,874	$ -	$ 10,874
Accounts payable and accrued liabilities	20,342	-	20,342
Lease liabilities	1,437	12,502	13,939
Term loan	3,896	19,979	23,875
Convertible debentures	-	17,250	17,250

	December 31, 2018		
	Less than one year	Over one year	Total
Credit from banks	$ 4,159	$ 347	$ 4,506
Accounts payable and accrued liabilities	22,552	-	22,552

NOTE 19: EMPLOYEE BENEFIT ASSETS AND LIABILITIES

The Group accounts for the part of the payment of compensation that is not covered by contributions in defined contribution plans, as a defined benefit plan for which an employee benefit liability is recognized and for which the Group deposits amounts in qualifying insurance policies. The liability for employee benefits shown in the statement of financial position reflects the present value of the defined benefit obligation less the fair value of the plan assets. The present value of the benefits is determined at year end, based on actuarial valuations.

a. Changes in the present value of defined benefit obligation:

	December 31,	
	2019	2018
Balance as at January 1	$ 2,301	$ 1,836
Amount recognized in net loss:		
Interest expense	55	58
Current service cost	303	297
	358	355
Amounts recognized in Other Comprehensive Income:		
Experience adjustments	76	83
Actuarial (gains) losses from changes in demographic assumptions	(17)	-
Actuarial (gains) losses from changes in financial assumptions	(509)	105
	(450)	188
Benefits paid by the plan	(136)	(154)
Effect of movement in exchange rates	(148)	76
Balance as at December 31	$ 1,925	$ 2,301

Canadian dollars in thousands, unless otherwise stated

b. The principle assumptions underlying the defined benefit plan are as follows:

	December 31, 2019	December 31, 2018
Discount rate	2.69%	2.96%
Future salary increases	2.00%	5.00%

c. Sensitivity analysis of underlying assumptions

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	December 31, 2019	December 31, 2018
Change in discount rate		
+1%	$ (164)	$ (191)
-1%	193	224
Future salary increases		
+1%	$ 192	$ 218
-1%	(166)	(211)

NOTE 20: COMMITMENTS

Significant capital expenditures contracted as of December 31, 2019 but not recognized as liabilities for property, plant and equipment were $5,512 (December 31, 2018 - $0).

The Group leases various premises expiring within 10 years with further extensions available.

The future minimum lease fees payable for the Group in total are as follows:

		December 31, 2019	December 31, 2018
Year 1:	2019	$ -	$ 1,060
Years 2 to 5:	2020 to 2023	-	2,085
Years 6 onward:	2024 to 2028	-	1,447
		$ -	$ 4,592

From January 1, 2019, the Group has recognized lease liabilities for these leases, except for short-term and low-value leases (Note 11).

Limitations on dividend distribution from Galtronics Wuxi

In accordance with applicable Chinese laws, Galtronics Wuxi is only permitted to distribute up to 90% of its after-tax earnings. As of December 31, 2019, amounts restricted from distribution, which constitute 10% of GTW's retained earnings, amounted to approximately $1,511 and was $1,366 as of December 31, 2018.

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NOTE 21: INCOME TAXES

Income tax expense included in profit or loss:

	For the year ended December 31, 2019	2018
Current income tax expense, net	$ 1,729	$ 1,815
Deferred taxes recovery, net	$ (716)	$ (6,995)
	$ 1,013	$ (5,180)

The Company is subject to tax rates applicable in Canada. The combined federal and provincial rate for 2019 and 2018 is 26.5%. The Company's subsidiaries are in tax jurisdictions that have tax rates ranging from 20% to 27% (11% to 27% in 2018). Effective January 1, 2018, the federal corporate tax rate in the United States decreased from 35% to 21%.

The reconciliation between the tax expenses, assuming that all the income and expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	For the year ended December 31, 2019	2018
Loss before income taxes	$(18,601)	$(10,624)
Statutory tax rate in Canada	26.5%	26.5%
Tax expenses (recovery) computed at the statutory tax rate	$(4,929)	$(2,815)
Increase (decrease) in taxes on income resulting from the following factors:		
Non-deductible expenses	(148)	1,337
Utilization of previously unrecognized tax losses	-	(190)
Tax exemption	(969)	(4,129)
Increase in unrecognized tax losses in the year	4,987	1,552
Effect of different tax rates of subsidiaries	(446)	(555)
Taxes in respect of previous years	812	(645)
Withholding tax	1,546	-
Other	160	265
Taxes on income	$1,013	$(5,180)

Canadian dollars in thousands, unless otherwise stated

Recognized deferred tax assets and liabilities

	For the year ended December 31, 2019	2018
Deferred tax assets		
Carry forward tax losses	$ 4,327	$ 2,689
Receivables	37	-
Inventories	132	107
Property plant and equipment	(300)	68
Right of use assets	(215)	-
Intangibles	3,209	3,303
Current liabilities	95	259
	7,285	6,426
Deferred tax liabilities		
Carry forward tax losses	235	-
Tax credits	(1,157)	(14)
Inventories	58	0
Property plant and equipment	13	(4)
Intangibles	(1,908)	(2,238)
Other liabilities	27	-
	(2,732)	(2,256)
Net deferred tax	$ 4,553	$ 4,170

All deferred tax movements were recognized to profit and loss except for currency translation which was recognized to other comprehensive income.

Unrecognized deferred tax assets

The group has additional deferred tax assets relating to carry-forward losses and other temporary differences which have not been recognized because the recovery of the deferred tax assets in the foreseeable future is not probable. The Group had the following carry-forward losses:

Region	Expiry	For the year ended December 31, 2019	2018
Canada - operating	Between 2035 and 2039	$ 21,874	$ 13,337
Israel - operating	No expiry	30,550	48,652
Israel - capital	No expiry	9,354	15,932
Korea - operating	Between 2023 and 2029	14,622	15,217
Other - operating	Various	1,568	380
		$ 77,968	$ 93,518

The Company has non-refundable investment tax credits not yet utilized of $809 as of December 31, 2019.

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NOTE 22: SHARE CAPITAL

Authorized share capital

The company is authorized to issue the following share capital:

a. An unlimited number of preferred shares
b. An unlimited number of common shares

Movement in share capital

Included in the movement in share capital are the share offerings below:

On July 10, 2018, the Company completed a bought deal public offering of 7,419,355 Subscription Receipts at $3.10 for gross proceeds of $23,000. On July 11, 2018, each Subscription Receipt was converted into one common share.

During the year ended December 31, 2018, 63,170 outstanding warrants were exercised for $121 and recorded in share capital. Additional 60,340 common shares for $167 were issued during the year ended December 31, 2018 related to bonuses.

On September 26, 2019, Baylin received approval from the Toronto Stock Exchange ("TSX") for a normal course issuer bid ("NCIB"). Under the NCIB, Baylin may purchase for cancellation up to 2,016,532 of its common shares, representing 5% of its then-outstanding common shares. Baylin may purchase up to 7,780 common shares each trading day, subject to the TSX's rules permitting block purchases. Purchases may be made through the facilities of the TSX and alternative trading systems in Canada at prevailing market prices or other prices as permitted. The NCIB commenced on September 30, 2019 and will continue until the earlier of the date Baylin has completed its purchases and September 29, 2020, when the bid expires. During the year ended December 31, 2019 Baylin purchased 99,559 shares for $204 under the NCIB.

The following table lists the share capital issued and outstanding:

	Number of shares issued and outstanding	Share capital
Balance as at January 1, 2018	30,512,912	$ 109,210
Issued during 2018, net of share issue costs	9,493,542	27,465
Balance as at December 31, 2018	40,006,454	$ 136,675
Issued during 2019, net of share issue costs	324,195	724
Normal course issuer bid	(99,559)	(204)
Balance as at December 31, 2019	40,231,090	$ 137,195

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Capital management

The Company's capital management objectives are:

a. To preserve the Group's ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.
b. To ensure adequate return for the shareholders by pricing of products and services that is adjusted to the level of risk in the Group's business activity.
c. To maintain a strong credit rating and healthy capital ratios in order to support business activity and maximize shareholder value. In managing the capital structure, the Company takes into consideration various factors, including the growth of the business and related infrastructure and the up-front cost of taking on new customers. The Company's officers and senior management are responsible for managing the capital and do so through monthly meetings and regular review of financial information. The board of directors is responsible for overseeing this process. The Company manages capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the cash flows from operations and capital transactions. There has been no change in capital management during 2019.

NOTE 23: SHARE-BASED PAYMENTS

a. The Company's deferred share unit plan for directors of the Company (the "DSU Plan"), the Company grants deferred share units ("DSUs") to directors as part of its long-term incentive compensation plan. Unless otherwise approved by the board of directors, directors may elect to receive between 50% and 100% of their annual retainers in DSUs. If no election is made, a deemed election of 50% applies. The number of DSUs issued is determined each month while the director is serving as a board member. After a director ceases to be a director, DSUs will be settled by one or more of: (i) in common shares purchased by the Company on the open market for delivery to the director; (ii) in common shares issued from treasury; (iii) in cash. The number of DSUs issuable is limited to 500,000 units.

The following table lists the number of DSUs issued:

	Number of DSUs	Weighted average price in CAD
DSUs outstanding at January 1, 2018	302,422	$ 2.20
DSUs granted during 2018	53,021	$ 3.61
DSUs redeemed during 2018	(30,025)	$ 2.23
DSUs outstanding at December 31, 2018	325,418	$ 2.43
DSUs granted during 2019	70,031	$ 2.91
DSUs outstanding at December 31, 2019	395,449	$ 2.51

The Company recognized an expense of $204 in the year ended December 31, 2019 and $191 in the year ended December 31, 2018 within general and administrative expenses with regards to the DSU Plan.

b. The Company's stock option plan (the "Stock Option Plan") was adopted so the board of directors can grant stock options to directors, officers, employees and consultants of the Company as performance incentives. There are limitations on the number of common shares issuable under the Stock Option Plan (and all other security based compensation arrangements), as well as limitations on the number of common shares issuable to insiders.

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At the time of granting a stock option, the board of directors must approve: (i) the exercise price, being not less than the market value of the common shares; (ii) the vesting provisions, generally being over three to five years with an equal number of common shares vesting on each anniversary of the grant date; and (iii) the expiry date, generally being no more than seven years after the grant date.

The below table summarizes grants made under the Stock Option Plan as at December 31, 2019:

		Options vested as at:		Options exercised as at:	Options expired as at:	Options surrendered as at:	Net Outstanding Options
Stock option grant date	**Stock options granted**	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2019**	**December 31, 2019**	**December 31, 2019**
Aug. 24, 2015	925,000	925,000	925,000	138,750	-	786,250	-
Mar. 30, 2017	685,000	456,666	228,333	-	145,000	290,000	250,000
Aug. 8, 2017	500,000	333,333	166,667	-	-	-	500,000
Mar. 10, 2018	30,000	10,000	-	-	-	-	30,000
May 17, 2018	275,000	81,666	-	-	43,334	21,666	210,000
May 22, 2018	25,000	5,000	-	-	-	-	25,000
Jul. 11, 2018	197,500	39,500	-	-	-	-	197,500
Nov. 9, 2018	250,000	83,333	-	-	-	-	250,000
Mar. 25, 2019	325,000	-	-	-	150,000	-	175,000
May 21, 2019	270,000	-	-	-	-	-	270,000
Aug. 16, 2019	60,000	-	-	-	-	-	60,000
	3,542,500	1,934,498	1,320,000	138,750	338,334	1,097,916	1,967,500

The fair value of the stock options was estimated at the grant date using the Black Scholes option pricing model, taking into account the terms and conditions upon which the stock options were granted.

Stock option grant date	Option expiry date	Stock options granted	Exercise price	Expected volatility of the stock prices (%)	Risk-free interest rate (%)	Expected life of stock options (years)	Option fair value at the grant date (CAD)
Aug. 24, 2015	Aug. 24, 2020	925,000	$ 1.51	44.42 – 45.29	0.90	2.67 – 3.25	$ 0.44 – 0.48
Mar. 30, 2017	Mar. 30, 2022	685,000	$ 1.98	50.48	1.10	5.0	$ 0.89
Aug. 8, 2017	Aug. 8, 2022	500,000	$ 2.00	48.69	1.55	5.0	$ 0.89
Mar. 10, 2018	Mar. 10, 2023	30,000	$ 3.51	50.68	1.98	5.0	$ 1.42
May 17, 2018	May 17, 2023	275,000	$ 3.34	50.20	2.04	5.0	$ 1.89
May 22, 2018	May 22, 2023	25,000	$ 3.34	50.29	2.30	5.0	$ 1.45
Jul. 11, 2018	Jul. 11, 2023	197,500	$ 3.50	48.87	2.07	5.0	$ 1.36
Nov. 9, 2018	Nov. 9, 2023	250,000	$ 3.84	48.29	2.48	5.0	$ 1.78
Mar. 25, 2019	Mar. 25, 2024	325,000	$ 3.89	48.42	1.44	5.0	$ 1.76
May 21, 2019	May 21, 2024	270,000	$ 3.57	47.88	1.65	5.0	$ 1.67
Aug. 16, 2019	Aug. 16, 2024	60,000	$ 3.18	46.32	1.19	5.0	$ 1.48
		3,542,500					

The Company recognized expenses during the year ended December 31, 2019 due to the stock options under the Company's Stock Option Plan in the amount of $1,003 as general and administrative expenses and $918 during the year ended December 31, 2018.

In June 2019, 138,750 stock options were exercised at an exercise price of $1.51 for proceeds of $210 recognized in share capital and 786,250 stock options were surrendered and paid in cash by the Company for the intrinsic value of $1,926 recognized in share based payment reserve.

In August 2019, 290,000 stock options were surrendered at an exercise price of $1.98. The intrinsic value of the stock options was issued in 56,319 common shares of the company valued at $179.

In August 2019, another 21,666 stock options were surrendered but did not have an intrinsic value at the time of surrender. An additional 338,334 stock options expired in the year ended December 31, 2019.

c. In January 2018, certain employees of the Company ("Participants") commenced participation in the Employee Purchase Plan ("EPP"). The Company granted each Participant a number of shares equal to each Participant's annual share purchase commitment. In March 2018, a total of 80,968 common shares of the Company were acquired for an aggregate purchase price of $262 to fulfill the Company's obligations under the EPP. During the year ended December 31, 2019, 56,700 common shares were issued with a value of $100 and during the year ended December 31, 2018, 2,292 common shares were issued with a value of $7 to fulfill the Company's obligations under the EPP. The Company did not recognize an expense for the year ended December 31, 2019 and for the year ended December 31, 2018, the Company recognized $124 in general and administrative expenses with regards to the EPP.

d. The Company also provides for the issuance of common shares to employees of the Company under the terms of the Employee Share Compensation Plan ("ESCP").

In February 2018, the Company granted certain employees and executives 49,738 restricted common shares. 50% of the common shares vest 12 months subsequent to the date of grant and 50% vest 24 months subsequent to the date of the grant. The Company recognized $63 and $119 in general and administrative expenses for the year ended December 31, 2019 and December 31, 2018, respectively.

In March 2018, a total of 46,000 common shares of the Company were acquired for an aggregate purchase price of $148. During the year ended December 31, 2018, 43,000 common shares of these acquired shares were issued with a value of $138, recognized in general and administrative expenses and share capital related to the ESCP.

In March 2019, the Company issued 64,263 restricted common shares of which 50% vest 12 months subsequent to the date of grant and 50% vest 24 months subsequent to the date of grant. The Company recognized $141 in general and administrative expenses for the year ended December 31, 2019 in terms of the ESCP.

The Company issued an additional 64,863 shares and recognized $270 in general and administrative expenses for the year ended December 31, 2019 under the ESCP.

e. In connection with the Advantech Acquisition (Note 6), Advantech Wireless Inc. (now known as SpaceBridge Inc.) entered into a consulting agreement with the Company payable as to one-half through the issuance of 385,802 common shares at closing of the Advantech Acquisition at a deemed price of $3.24 per share. The trading of such shares is subject to certain time release restrictions for a period of up to 24 months following the closing of the Advantech Acquisition. The Company estimated the fair value of the shares issued by taking into account the time release restrictions and recognized $1,082 in general and administrative expenses for the year ended December 31, 2018 with regards to the common shares issued in relation to the consulting agreement.

f. In connection with the Advantech Acquisition (Note 6), on January 17, 2018, the Company issued 308,642 common shares of the Company at a deemed price of $3.24 per share, in partial satisfaction of the purchase price for the Advantech Acquisition.

Canadian dollars in thousands, unless otherwise stated

NOTE 24: EQUITY METHOD INVESTMENT

Baylin's equity-method investments consist of a 19 percent interest in Galtronics Canada Ltd. ("GTC"), a Canadian technology company providing innovative antenna designs and RF test services for wireless communication products and a 19 percent interest in Advantech Wireless Research Inc. ("AWR"), a Canadian technology company that designs terrestrial and satellite communications solutions for wireless broadband communication companies. For the year ended December 31, 2019, transactions between the Company and GTC totaled $3,123 and between the Company and AWR totaled $4,124 consisting primarily of R&D expenses related to the services agreements the Company has with GTC and AWR. As at December 31, 2019, the Company was owed $5,977 from GTC and owed AWR $83.

Summary financial information for the Corporation's equity-method investments is as follows:

	As of December 31, 2019			As of December 31, 2018		
	Galtronics Canada Ltd.	Advantech Wireless Research Inc.	Total	Galtronics Canada Ltd.	Advantech Wireless Research Inc.	Total
Cash	$ 334	$ 102	$ 436	$ 105	$ -	$ 105
Other current assets	28	848	876	93	320	413
Accounts receivables	1,142	1,201	2,343	2,642	3,325	5,967
Property, plant and equipment	1,134	491	1,625	656	469	1,125
Accounts payables and accrued liabilities	(2,570)	(2,300)	(4,870)	(3,788)	(4,031)	(7,819)
Net assets (liabilities)	$ 68	$ 342	$ 410	$ (292)	$ 83	$ (209)
Share of equity method investment net assets (liability)	13	65	78	(55)	16	(39)
Unrecognized equity method losses	-	-	-	55	-	55
	$ 13	$ 65	$ 78	$ -	$ 16	$ 16

	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Galtronics Canada Ltd.	Advantech Wireless Research Inc.	Total	Galtronics Canada Ltd.	Advantech Wireless Research Inc.	Total
Revenue	$ 3,156	$ 4,424	$ 7,580	$ 2,217	$ 3,063	$ 5,280
Expenses	3,088	4,165	7,253	2,509	2,980	5,489
Net income (loss)	$ 68	$ 259	$ 327	$ (292)	$ 83	$ (209)
Share of equity method investment net income (loss)	13	49	62	(55)	16	(39)
Unrecognized share of equity method investment net loss	-	-	-	55	-	55
	$ 13	$ 49	$ 62	$ -	$ 16	$ 16

NOTE 25: NET LOSS PER SHARE

Details of the number of shares used in the computation of loss per share attributable to shareholders of the Company:

	For the year ended December 31, 2019	2018
Net loss attributable to shareholders	$ (19,614)	$ (4,651)
Weighted number of shares (in thousands of units)	40,197	35,372
Net loss per share attributable to shareholders	$ (0.49)	$ (0.13)

To compute diluted net loss per share, share options granted, warrants and convertible debentures have not been considered since their effect is anti-dilutive.

NOTE 26: RELATED PARTY TRANSACTIONS AND LITIGATION

Share-based payment for executive officers

These amounts represent the costs of the key executives and employees' grants under the Company's employee share compensation plans and are recognized within general and administrative expenses.

In June 2019, the Company's President and Chief Executive Officer exercised 138,750 stock options at an exercise price of $1.51 for proceeds of $210 and surrendered 786,250 stock options for cash paid by the Company for an intrinsic value of $1,926.

Share-based payment for directors

These amounts represent the costs of directors' grants under the Company's DSU Plan and are recognized within general and administrative expenses.

Employee Purchase Plan

These amounts represent the costs of grants under the Company's EPP and are recognized within general and administrative expenses.

Advantech Wireless Inc.

As described in Note 6, on January 17, 2018, the Company completed the Advantech Acquisition. Advantech Wireless Inc. (now known as SpaceBridge Inc.) is owned and controlled by David Gelerman, a director of the Company.

Pursuant to the terms of the Advantech Acquisition, Advantech Wireless Inc. was entitled to additional compensation of between $750 and $3,000 per year in each of 2018 and 2019 conditional on the Advantech Wireless business meeting certain EBITDA targets in those years. The EBITDA targets were not met in 2018 and 2019.

In connection with the Advantech Acquisition, Advantech Wireless Inc. entered into a consulting agreement with the Company payable in cash and common shares as detailed in Note 6. $625 was recognized in general and administrative expenses for the year ended December 31, 2019 and December 31, 2018.

During the year ended December 31, 2019, Advantech Wireless Inc. and certain of its affiliates acted as agent for the Company through $656 cash collections and $75 cash payments on its behalf. As at December 31, 2019, $2,465 due to the Company was included in trade receivables and $1,481 due to the agent was included in accounts payable and accrued liabilities. As at December 31, 2018, $286 due to the Company was included in trade receivables and $20 due to the agent was included in accounts payable and accrued liabilities.

During the year ended December 31, 2019, the Company recognized revenue in the amount of $272 related to the sale of goods to Advantech Wireless Inc. and certain of its affiliates.

During the year ended December 31, 2019, the Company provided services to Advantech Wireless Inc. and certain of its affiliates in the amount of $78. As of December 31, 2019, $397 was included within trade receivables. During the year ended December 31, 2018, the Company provided services of $487 and as of December 31, 2018, $349 was included within trade receivables related to these services.

Legal Proceedings

In the fourth quarter of 2018, the Company received a payment from the escrow agent of approximately $1,800 as a result of an indemnity claim made by the Company against the portion of the cash purchase price being held in escrow pursuant to the terms of the Advantech Acquisition. The sum was released by the escrow agent because the vendor of Advantech failed to contest the indemnity claim within the prescribed time period. Post the payment, the vendor of Advantech filed an application for relief from forfeiture to have the sum returned to the escrow agent. The Company is opposing the application. No date has been set to hear the application.

The Company has filed statements of claim for certain other indemnity obligations of the vendor pursuant to the terms of the Advantech Acquisition. The claims, in the aggregate, total approximately $5,560. The vendor has filed statements of defence as well as statements of counterclaim totaling approximately $1,600. The vendor has also delivered multiple indemnity claims pursuant to the terms of the Advantech Acquisition seeking to set off the amounts being claimed by the Company. The Company has contested the indemnity claims.

In the second quarter of 2019, the vendor filed an application asserting oppression for, among other things, unspecified amounts in relation to the 2018 earn out under the terms of the Advantech Acquisition and for shares in the Company for which set-off has been claimed by the Company. The vendor alleges that Mr. Gelerman was improperly denied from participating in the management of the Company resulting in a lower earn out. The Company will defend the allegations. No date has been set for the application related to claims for compensation. The issue of whether the Company is entitled to assert set-off on the common shares was argued on October 29, 2019. In January 2020, the court found that Mr. Gelerman is entitled to complete his term as director and the escrow shares must be released. The Company intends to appeal the ruling.

The Company is unable to determine at this time whether it will be entitled to recover or required to pay any amounts related to these legal proceedings. Accordingly, no provision has been recorded in respect of the claims or counter claims except as noted above.

Alga

For the year ended December 31, 2019, $156 was recognized in revenue for premises leased to a company partly owned by Michael Perelshtein, an employee of Alga Microwave Inc.

In connection with the acquisition of Alga Microwave, Michael Perelshtein earned a portion of an additional $1,000 upon satisfaction of certain conditions and may be entitled to a portion of additional compensation of up to $1,000 conditional on the Alga Microwave business meeting certain performance targets in each of 2019 and 2020.

Pursuant to the terms of the Alga Acquisition, 10860085 Canada Inc., a company partly owned by Michael Perelshtein, granted an option to 9380-4987 Quebec Inc. (a wholly owned subsidiary of Baylin which amalgamated with Alga Microwave Inc.) to purchase all of the issued and outstanding shares (the “Trilogix Shares”) of 167018 Canada Inc. (o/a Trilogix). Pursuant to the terms of the option agreement, if 9380-4987 Quebec Inc. elected not to purchase the Trilogix Shares, a payment of $323 became due to 167018 Canada Inc. 9380-4987 Quebec Inc. elected not to purchase the Trilogix Shares and paid $323 to 167018 Canada Inc. on June 24, 2019.

Legal Proceedings

In the third quarter of 2019, the vendors of Alga Microwave filed an application asserting that an event occurred which triggered the payment of an earnout in the amount of $1,000 as detailed in the share purchase agreement. The Company does not agree that the payment has been triggered and has contested the application. No date has been set for the application. The Company is unable to determine at this time whether it will be required to pay any amounts related to these legal proceedings. Accordingly, no provision has been recorded in respect of the claim.

Offering

In July 2018, certain directors and officers of the Company, directly and indirectly, purchased an aggregate of 3,791,724 Subscription Receipts and $8,692 principal amount of Debentures pursuant to the Offering.

Other

The Company retains the services of Mr. Jeffrey C. Royer, pursuant to a services agreement between Mr. Royer and the Company dated as of January 1, 2015, to fulfill the position of Chairman of the board of directors and to provide related strategic leadership and guidance to the board of directors and management of the Company. As consideration for the services provided under the agreement, the Company agreed to pay Mr. Royer an annual fee of $150 either in cash or securities of the Company as mutually agreed between the Company and Mr. Royer. For the year ended December 31, 2019 and 2018 the Company paid $150 to Mr. Royer under this agreement.

Director and executive officer remuneration

The following comprise the remuneration for directors and executive officers:

a. Short-term benefits, pension and post-retirement benefits

   These amounts comprise of executive officers' salary and benefits earned during the year, plus bonuses awarded for the year. The amounts also represent the estimated costs of providing defined benefit pensions and other post-retirement benefits to executive officers in respect of the current year of service.

b. Directors' remuneration

   These amounts represent fees and expense reimbursement paid to directors.

c. Share-based payment for executive officers

   These amounts represent the costs of the grants under the Stock Option Plan.

d. Share-based payment for directors

   These amounts represent the costs of directors' grants under the DSU Plan.

Canadian dollars in thousands, unless otherwise stated

The following table summarizes the remuneration of directors and executive officers:

	For the year ended December 31, 2019	2018
Short-term benefits, pension and post-retirement benefits	$ 8,541	$ 6,188
Directors' remuneration	154	166
Share-based payment for executive management	1,477	1,045
Share-based payment for directors	204	191

There are no other related party transactions other than as described herein.

NOTE 27: FAIR VALUE MEASUREMENTS

The Company classifies its financial instruments into the three levels prescribed under the accounting standards.

The following table presents the Company's financial liabilities measured and recognized at fair value at December 31, 2019 (December 31, 2018: Convertible debentures $18,975).

	Level 1	Level 2	Level 3	Total
Convertible Debentures	$ (14,231)	$ -	$ -	$ (14,231)
Interest Rate Swap	$ -	$ (186)	$ -	$ (186)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the group is the current bid price. As at December 31, 2019, the company did not hold any instruments included in level 1 except the convertible debentures.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at December 31, 2019 the Company held an Interest rate swap instrument and December 31, 2018, the company did not hold any instruments included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at December 31, 2019 and as at December 31, 2018, the company did not hold any instruments included in level 3.

Canadian dollars in thousands, unless otherwise stated

NOTE 28: REVENUE

Revenues by geographic destination are as follows:

	For the year ended December 31, 2019	2018
United States of America	$ 41,832	$ 40,434
Vietnam	39,441	26,084
China	25,360	35,150
South Korea	4,867	4,215
Singapore	8,230	2,871
Sweden	4,746	1,865
United Kingdom	3,030	1,981
Canada	2,875	2,926
Taiwan	2,607	1,043
Russia	2,488	1,839
India	1,227	3,656
Other	16,620	14,150
	$ 153,323	$ 136,214

Timing of satisfaction of its performance obligation and revenue recognition and collection of consideration receivable are typically within 30 to 90 days.

NOTE 29: NATURE OF EXPENSES

The nature of cost of sales expenses are as below:

	For the year ended December 31, 2019	2018
Payroll	$ 14,103	$ 13,718
Depreciation	4,032	3,323
Materials	63,170	53,680
Overhead and Freight	17,079	14,652
	$ 98,384	$ 85,373

Canadian dollars in thousands, unless otherwise stated

The nature of operating expenses are as below:

	For the year ended December 31, 2019	2018
Payroll	$ 28,805	$ 27,509
Professional services	5,297	10,324
Office and IT costs	4,415	6,267
Depreciation and amortization	7,940	5,627
Goodwill impairment	12,693	-
Other	11,614	7,331
	$ 70,764	$ 57,058

NOTE 30: FINANCE INCOME AND EXPENSES

The following table summarizes finance income and expenses:

	For the year ended December 31, 2019	2018
Interest income	$ (38)	$ (96)
Interest expense	3,669	5,175
Interest cost on lease liabilities (Note 11)	385	-
Prepayment fee (Note 16)	990	-
Expense of unamortized deferred financing cost (Note 16)	2,777	-
Bank charge expense	136	147
Changes from foreign exchange rate changes	(924)	(615)
Finance expense, net	$ 6,995	$ 4,611

NOTE 31: SUBSEQUENT EVENTS

The recent emergence of a novel strain of coronavirus, specifically identified as “COVID-19”, in the city of Wuhan and Hubei province of China has resulted in certain emergency measures to combat the spread of the virus, including extension of the Lunar New Year holidays, implementation of travel bans and closure of factories and businesses in China. Although the Company’s manufacturing facility in Wuxi, China was delayed in reopening, it reopened on February 10, 2020 following approval of the local authorities. The Wuxi, China facility is currently operating at a reduced rate and is faced with some labour shortages. The Company expects substantially all employees to be back at work by the end of March 2020. While the full impact of the COVID-19 outbreak is unknown at this time, it could have a material impact on our operations and operating results in China and other areas of the world. The Company’s factory in Vietnam has been impacted as one of its major customers requested a delay in shipments as a result of its other component suppliers having delivery issues due to component shortages sourced from China. The Company has also experienced a delay in the installation of a test chamber in its new factory in Vietnam. This could affect the timing of final certification of the chamber and commencement of production.