Project Ottawa

Due diligence assistance

Deal Advisory

April 16, 2019

Important notice

This report is provided to Quisitive Technology Solutions Inc. (“Client” or “you”) on a confidential basis pursuant to our engagement letter dated March 27, 2019 and is subject in all respects to the terms and conditions of the Engagement Agreement, including restrictions on use of this report by third parties.

If this report is received by any party other than Client, the recipient is placed on notice that this report has been prepared solely for Client’s benefit and its own use. KPMG LLP (“KPMG”) does not authorize recipient or any other party to rely on this report and any such reliance shall be at recipient’s sole risk. Therefore, KPMG shall have no liability or responsibility in respect of the advice, recommendations, or other information in this report to recipient or any other party other than Client. Further, this report and its contents may not be shared with or disclosed by the recipient to any party without the express written consent of Client and KPMG. KPMG neither warrants nor represents that the information contained in this report is accurate, complete, sufficient or appropriate for use by any person or entity other than Client or for any purpose other than set out in the Engagement Agreement.

In preparing our report, our primary source has been the Company’s internal Management information and representations made to us by Management of the Company. We do not accept responsibility for such information which remains the responsibility of Management. We have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work in accordance with the terms of our Engagement Agreement. We have not, however, sought to establish the reliability of the sources by reference to other evidence.

This engagement is not an assurance engagement conducted in accordance with any generally accepted assurance standards and consequently no assurance opinion is expressed.

The Quality of Earnings analysis is for indicative purposes only. We have sought to illustrate the effect on EBITDA of adjusting for those items identified in the course of our work that may be considered to be 'non-recurring' or 'exceptional'. However the selection and quantification of such adjustments is necessarily judgmental. Because there is no authoritative literature or common standard with respect to the calculation of 'underlying' earnings, there is no basis to state whether all appropriate and comparable adjustments have been made. In addition, while the adjustments may indeed relate to items which are 'non-recurring’ or 'exceptional' or otherwise unrepresentative of the trend, it is possible that earnings trends for future periods may be affected by such items, which may be different from the historical items.

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Stephanie Ratza
Chief Financial Officer
Quisitive Technology Solutions Inc.
161 Bay Street, Suite 2325
Toronto, ON M5J 2S1

April 16, 2019

Dear Stephanie,

We have completed our procedures to assist you in performing financial due diligence in connection with your prospective acquisition ("Transaction") of Corporate Renaissance Group ("Company", or "Target"), in accordance with the terms of our engagement letter dated March 27, 2019, including its Terms and Conditions for Advisory and Tax Services.

Objective

The objective of our engagement was to assist you with your assessment of the risks and opportunities of entering into a potential sale. Our work in this report was based on information provided by an electronic data room and discussions with Target's Management. The primary scope of our engagement was to make inquiries and perform analyses based on information made available to us, directed toward those business activities and related financial data of interest to you.

Basis of Information

The engagement letter describes the procedures we were to perform and are attached herein as Appendix 1. Those procedures were selected by you and were limited in nature and extent to those that you determined best fit your needs. We make no representation regarding the sufficiency for your purposes of the procedures selected, and those procedures will not necessarily disclose all significant matters about Target or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. This report was prepared by us on the basis that you provided us with all relevant information you received concerning Target.

The procedures we performed do not constitute an audit, examination or review in accordance with standards established by the Auditing and Assurance Standards Board ("AASB") in Canada, and we have not otherwise verified the information we obtained or presented in this report. We express no opinion or any other form of assurance on Target's internal control over financial reporting or on the information presented in our report, and make no representations concerning its accuracy or completeness.

We have not compiled, examined, or applied other procedures in accordance with the Assurance and Related Services Guidelines issued by the AASB to prospective information contained in this document and, accordingly, express no opinion or any other form of assurance or representations concerning the accuracy, completeness or presentation format of such prospective information. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The data included in this report was obtained the Target from March 27, 2019 to April 16, 2019, inclusive. Since many aspects of the transaction with Target have either not been finalized or are not yet documented, changes may occur that materially affect the financial and other information we received and reported to you. We have no obligation to update our report or to revise the information contained herein to reflect events and transactions occurring subsequent to April 16, 2019. We have not reviewed this Report with Target Management for the purpose of confirming the factual accuracy of the information we presented.

Because of its special nature, this report is not suited for any purpose other than to assist you in your evaluation of Target and, as such and as agreed in the engagement letter, is restricted for your internal use only. Accordingly, KPMG does not accept any liability or responsibility to any third party who may use or place reliance on our report.

Yours truly,

KPMG LLP

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Executive summary

Basis of presentation

Finance department and financial information	■ The Company's financial statements are reviewed by Bouris, Wilson LLP in accordance with ASPE. As of the date of this report, draft FY18 have been received, but they have not been finalized. During the diligence process, we continue to receive journal entries that are recorded in the accounts subsequent to the receipt of internal trial balances received by Management. Where applicable, we have reflected these journal entries in our analysis. ■ Our discussions were primarily held with Vijay Jog (CEO) and Donna Paoletti (Business Solutions Consultant) who acts as the Company's lead finance individual (collectively, referred to as "Management" throughout the report). ■ The Company recognizes the majority of its revenues on an invoiced basis and, for certain revenue streams, records transactions on a gross basis whereas ASPE and IFRS require these revenues to be recorded on a net basis (i.e., net of partner discounts). Revenue recognition policies by revenue stream are discussed in detail on pages 22 to 27 and the impact of the diligence adjustments to both revenues and earnings are discussed in the Quality of Earnings section of this report beginning on page 15. ■ Our report makes reference to "KPMG analysis". This indicates only that KPMG has undertaken certain analytical procedures on the underlying data to arrive at the information presented. We do not accept responsibility for the underlying data. ■ Certain rounding differences may exist in tables and text presentations within this report and the databook due to decimal places not being presented.
Fiscal year end	■ The Company's fiscal year end is December 31. ■ The periods in scope are FY16, FY17 and FY18.
Currency	■ Figures throughout this report are presented in CAD dollars, unless otherwise noted.
Diligence Adjustments	■ Represents non-recurring and non-operating items identified during diligence relating to the periods in scope.

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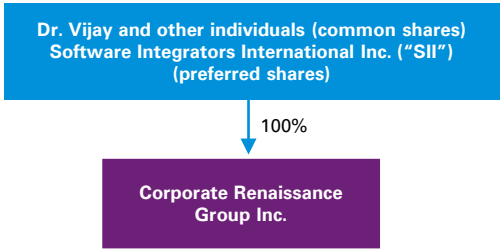
Business overview

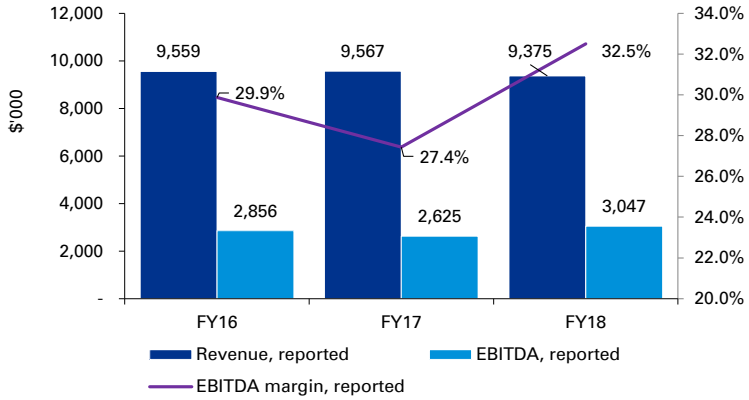
Organizational structure



Source: CIM

Note:
(b) The above does not represent the complete and / or legal organizational structure.

Financial summary



Source: Management provided information

Business overview

- Corporate Renaissance Group Inc. ("Company") is an enterprise performance management consulting and software firm founded by Dr. Vijay Jog in 1989 and is located in Ottawa, Ontario.
- The Company's consulting and solutions services are comprised of:
  - Enterprise resource planning ("ERP"): advises clients in selecting, integrating and automating ERP solutions;
  - Employee performance management: through its emPerform platform, the Company offers automated and streamlined performance management software; and
  - Other consulting services: includes business intelligence, corporate performance management, strategy and planning.
- The Company's revenue is primarily generated through :
  - Professional consulting, integration and implementation services;
  - Sale of third party software (e.g., Microsoft, Tableau, BOARD, Adaptive Insights, etc.); and
  - Sale of proprietary products (e.g., emPerform), add-ons and customization services.
- As at December 31, 2018, the Company has 36 employees.

Sources of information

- The analysis contained in this report is prepared based on the following sources and information:
  - **Financial information:** Key information including monthly trial balances, Management EBITDA adjustment schedules and other supporting financial records such as select general ledger details; and
  - **Management calls:** Conference call discussions held with Dr. Vijay Jog (CEO) and Donna Paoletti (Business Solutions Consultant), (collectively, "Management").

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Summary financial statements

The Company's financial year end is December 31.

Management prepares financial statements on an annual basis in accordance with the Canadian accounting standards for private enterprises ("ASPE").

The financial statements are subject to a Review by Bouris Wilson LLP and are draft for FY18.

Income statement summary			
$'000	**FY16**	**FY17**	**FY18**
Professional Services	3,690	4,186	4,575
Software Revenues Renewal	3,223	3,636	3,668
Software Revenues New	2,506	1,672	1,079
Hosting Services	40	42	46
External Consulting Services	99	31	7
Revenue	**9,559**	**9,567**	**9,375**
Cost of revenue	(2,743)	(2,332)	(2,233)
Gross profit	**6,815**	**7,235**	**7,142**
Operating expenses	(4,164)	(4,452)	(4,348)
Operating income/(loss)	2,651	2,783	2,794
Other income/(expense)	84	(264)	185
Income taxes	(500)	(642)	(697)
Net income	**2,234**	**1,876**	**2,282**
Add / (deduct):			
Depreciation and amortization	67	78	57
Interest	54	28	11
Taxes	500	642	697
EBITDA, reported	**2,856**	**2,625**	**3,047**

Source: Management provided information, KPMG analysis

Balance sheet summary			
$'000	**31-Dec-16**	**31-Dec-17**	**31-Dec-18**
Assets			
Cash	1,115	1,881	1,834
Short-term investments	55	71	91
Accounts receivable	1,890	1,802	2,033
Loan receivable - related company	859	(756)	(1,500)
Prepaid expenses	11	21	15
Current assets	3,930	3,020	2,473
Property, plant and equipment	155	88	42
Total assets	**4,085**	**3,108**	**2,515**
Liabilities and equity			
Accounts Payable	(459)	(352)	(112)
Accrued expenses	(273)	(232)	(244)
Payroll liabilities	(34)	(43)	(41)
Deferred Revenue	(536)	(288)	(187)
Tax payable	133	(53)	(88)
Current liabilities	(1,169)	(967)	(672)
Equity	(2,915)	(2,140)	(1,843)
Total liabilities and equity	**(4,085)**	**(3,108)**	**(2,515)**

Source: Management provided information, KPMG analysis

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Key findings - Financial (1)

Issue	Summary observations	Key analysis
Quality of earnings *FY18 reported revenues decreased from $9.4 million to $7.8 million due primarily to gross versus net accounting under IFRS.* *Revenue recognition is further discussed in detail on pages 22 to 27.* *Reported and potential FY18 adjusted EBTIDA remained consistent at $3.0 million after Management and potential diligence adjustments.* *FY18 EBITDA margin based on adjusted revenues is 38.7%.*	■ The following table summarizes reported and adjusted revenues and EBITDA for FY16, FY17 and FY18:	Pages 14 to 20

Quality of Earnings

$'000	FY16	FY17	FY18
Net sales, reported	**9,559**	**9,567**	**9,375**
Revenue adjustments	(1,826)	(1,742)	(1,621)
Net sales, adjusted	**7,732**	**7,825**	**7,754**
Net income, reported	**2,234**	**1,876**	**2,282**
EBITDA, reported	**2,856**	**2,625**	**3,047**
EBITDA margin, reported	*29.9%*	*27.4%*	*32.5%*
Management adjustments	(100)	(30)	(110)
EBITDA, Management adjusted	**2,756**	**2,595**	**2,937**
EBITDA margin, Management adjusted	*35.6%*	*33.2%*	*37.9%*
Potential adjustments	(246)	(281)	62
EBITDA, potential adjusted	**2,510**	**2,314**	**2,999**
EBITDA margin, potential adjusted	*32.5%*	*29.6%*	*38.7%*

Source: Internal trial balances; KPMG analysis

- Significant potential adjustments to revenue identified as a result of due diligence for FY18 include:
  - **Revenue recognition – CRG products (decrease of $0.6 million; EBITDA decrease of $0.1 million):** Records revenues for custom add-on applications ("Apps") and emPerform on a net basis and defers the annual maintenance fee over the term of the contract (e.g., 12 months).
  - **Revenue recognition – Partners' products (decrease of $1.2 million):** Adjusts revenues earned from the sale of Partner products and annual maintenance fees on a net basis under IFRS (no EBITDA impact).
- Significant potential adjustments to EBITDA identified as a result of due diligence for FY18 include:
  - **emPerform invoice credits / returns (increase of $0.1 million):** Credits and returns processed in subsequent periods related to emPerform billings were adjusted to the period in which the corresponding invoice was issued and recorded as revenue based on credit/return information available as of the date of this report.
- Other considerations to normalized EBITDA identified as a result of due diligence include Dr. Jog's post close contract period and related contributions to the Company as well as IT opex spend. In addition, foreign currency fluctuations have significantly impacted reported earnings in historical periods with FY17 and FY18 EBITDA containing a reported FX loss of $275,000 and a gain of $163,000 respectively. A 1% appreciation of the US dollar would increase EBITDA by approximately $40,000.

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Key findings - Financial (2)

Issue	Summary observations	Key analysis
Revenues *The Company recognizes revenues primarily on a gross basis and on invoicing (other than revenues earned on select multi-year emPerform contracts).* *As the Company does not monitor recurring and non-recurring revenues, assumptions were made in segregating the results in the adjacent table.* *Total non-recurring revenues (e.g., professional services, etc.) decreased from $5.5 million in FY16 to $5.1 million in FY18.* *Over the same period, recurring revenues increased from $4.2 million to $4.5 million.*	■ The following table provides and indicative view of the Company's recurring and non-recurring revenues by business class as reported by the Company (i.e., revenues recognized on a gross basis on invoicing):	Page 30

Non-recurring and recurring revenue by business class

	Non-recurring			Recurring			Total		
$'000	**FY16**	**FY17**	**FY18**	**FY16**	**FY17**	**FY18**	**FY16**	**FY17**	**FY18**
emPerform	460	436	495	1,515	2,001	2,027	1,975	2,437	2,522
Dynamics GP	1,742	1,293	1,193	1,260	1,050	923	3,002	2,344	2,116
Consulting - Board	722	1,156	1,129	193	251	291	915	1,408	1,420
Consulting - Other	1,301	908	815	193	350	131	1,495	1,258	946
APPS - Products	466	332	299	661	569	552	1,127	901	851
Dynamics CRM	138	497	493	63	96	77	202	593	570
APPS - Customizations	336	259	351	-	-	-	336	259	351
Other	332	248	355	174	119	242	-	-	-
Total	**5,498**	**5,130**	**5,130**	**4,060**	**4,438**	**4,244**	**9,559**	**9,567**	**9,374**

Source: Internal trial balances; KPMG analysis

■ Significant trends by business class are as follows:

- **emPerform:** Total emPerform revenues increased from $2.0 million in FY16 to $2.5 million in FY18 driven by recurring revenues as non-recurring revenues remained relatively consistent over the historical period.
- **Dynamics GP and Apps - Products:** Dynamics GP was the Company's largest business class in FY16 with $3.0 million of revenues. In FY18, total revenues decreased to $2.1 million due to what Management represents is Microsoft's lack of a cloud-based solution until recently. Although Dynamics 365 was released late in FY16, Management represents the initial release lacked certain functionality which caused potential customers to choose competing products. According to Management, Microsoft improved their cloud-based product in FY18 and is now a competitive alternative. Apps – Products revenue trends are related to Dynamics GP revenue trends. Management represents the Company will offer similar solutions in a cloud-based environment.
- **Consulting – BOARD:** BOARD revenues increased from $0.9 million in FY16 to $1.4 million in FY17 and remained consistent in FY18. Although the new software stream of non-recurring revenue declined from $378,000 in FY17 to $52,000 in FY18, professional services increased from $0.8 million to $1.1 million, offsetting the decline in new software revenues. Management represents new software revenues are lower FY18 as the Company has exhausted its current customer base for potential sales. The increase in professional services is due to BOARD USA involving the Company in installations related to their portfolio.
- **Consulting – Other:** Consulting – Other includes strategic and other high-level consulting services largely comprised of Dr. Jog's efforts (approximately 50% in FY18).

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Key findings - Financial (3)

Issue	Summary observations	Key analysis
Working capital *Reported average working capital, defined as current assets less current liabilities (excluding cash, income taxes and deferred revenues), decreased from $1.4 million in to $1.2 million in FY18 after potential adjustments.* *As a percentage of adjusted revenues, average adjusted working capital is 15.4%.*	■ The following table summarizes reported and adjusted average working capital for FY16, FY17 and FY18:	Pages 33 to 36

Working capital summary

	As at			Average		
$'000	**31-Dec-16**	**31-Dec-17**	**31-Dec-18**	**FY16**	**FY17**	**FY18**
Net working capital, reported	**1,228**	**1,286**	**1,617**	**759**	**1,650**	**1,385**
Potential adjustments	99	(86)	(20)	143	(284)	(188)
Net working capital, adjusted	**1,327**	**1,201**	**1,597**	**902**	**1,365**	**1,197**
TTM adjusted revenues	7,732	7,825	7,754	7,732	7,825	7,754
Adjusted WC, as a % of revenues	*17.2%*	*15.3%*	*20.6%*	*11.7%*	*17.4%*	*15.4%*

Source: Internal trial balances; KPMG analysis

■ Significant potential adjustments to average reported working capital identified as a result of due diligence for FY18 include:

- **Related party balances (excluding Due to India) (increase of $139,000):** Removal of related party balances that are financing in nature and will not comprise part of the working capital profile of the Company post close.
- **Accrued bonus payable (decrease of $108,000):** Monthly adjustment to reflect increasing accrual based on actual payments to employees subsequent to year end.
- **emPerform invoice credits/returns (decrease of $93,000):** Adjustment to reallocate credits/returns to the periods in which the original invoices were issued.
- **HST payable (decrease of $98,000):** Records an average HST payable balance based on the FY16 average. Reported balances in FY18 are impacted by short payments of the Company's actual HST liability due refunds owing from prior periods (according to Management). Rather than amend historical remittances, the Company drew down on its self-quantified receivable balance via monthly short payments.

■ Net revenues remained relatively consistent from FY16 to FY18 whereas adjusted working capital increased from $0.9 million to $1.2 million over the same period. Based on information provided by Management, it appears more payables were recorded in FY16 due to product cost of goods sold. As the mix in revenues increased towards professional services and renewals in FY17 and FY18, fewer amounts related to product costs were recorded in accounts payable.

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Key findings - Financial (4)

Issue	Summary observations	Key analysis
Net debt *Adjusted net debt at December 31, 2018 is $1.6 million and is primarily comprised of deferred revenue balances and a capital expenditure liability not recorded in the Company's accounts.*	■ The following table summarizes reported and adjusted net debt as at December 31, 2018:	Page 38

Net debt	
$'000	**31-Dec-18**
Net cash/ (debt)	
Cash	1,834
Short-term investments	91
Income taxes payable	(55)
Net debt, reported	**1,871**
Potential adjustments	
1 Leasehold improvements	(150)
2 Deferred revenue, reported	(187)
3 Deferred revenue, unrecorded	(1,605)
4 Credits in accounts receivable subledger	(48)
5 Dividend payable	(1,500)
Potential adjustments	(3,490)
Net debt, potentially adjusted	**(1,619)**

Source: Internal trial balances; KPMG analysis

■ Significant potential adjustments to net debt identified as a result of due diligence include:

- **Leasehold improvements:** Management's upper range of an estimate for remodeling costs that will be incurred in FY19 and FY20. Management's estimate ranges from $100,000 to $150,000.
- **Deferred revenue, reported:** Deferred revenue recorded in the Company's accounts related to customer deposits and cash received from certain multi-year emPerform contract customers.
- **Deferred revenue, unrecorded:** Unrecorded deferred revenue relating to emPerform and Apps annual maintenance contracts. As the Company received cash from its customers, this item should be considered debt-like in nature to reserve funds to service costs in subsequent periods to which the revenues relate.
- **Credits in AR:** Customer credits exist in the AR subledger totaling $48,000 relating to Petroservice and J2 Global Canada, Inc.
- **Dividend payable:** Based on draft FY18 financial statements provided, a dividend payable of $1.5 million was recorded at year end. To the extent this liability isn't paid prior to close, it should be considered debt-like in nature.

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Quality of earnings

Quality of earnings (1) - *Overview*

Reported FY18 EBITDA of $3.0 million remains consistent after Management and other potential adjustments.

Revenues in FY18 decreased from $9.4 million to $7.8 million after revenue recognition adjustments related to the deferral of revenues and the recording of revenues on a net basis as opposed to on a gross basis.

Quality of earnings			
$'000	**FY16**	**FY17**	**FY18**
Revenues, reported	**9,559**	**9,567**	**9,375**
Revenue adjustments	(1,826)	(1,742)	(1,621)
Revenues, adjusted	**7,732**	**7,825**	**7,754**
Net income, reported	**2,234**	**1,876**	**2,282**
Add/(deduct)			
Tax	500	642	697
Interest	54	28	11
Depreciation	67	78	57
EBITDA, reported	**2,856**	**2,625**	**3,047**
EBITDA margin, reported	*29.9%*	*27.4%*	*32.5%*
Management adjustments	(100)	(30)	(110)
EBITDA, Management adjusted	**2,756**	**2,595**	**2,937**
EBITDA margin, Management adjusted	*35.6%*	*33.2%*	*37.9%*
Potential adjustments	(246)	(281)	62
EBITDA, potential adjusted	**2,510**	**2,314**	**2,999**
EBITDA margin, potential adjusted	*32.5%*	*29.6%*	*38.7%*

Source: Information provided by Management; KPMG analysis

Basis of preparation

The above Quality of Earnings schedule illustrates potential EBITDA adjustments which were identified for the fiscal years ended December 31, 2016, 2017 and 2018. The proposed adjustments are not necessarily all-inclusive and are based on information provided by Management to date.

The proposed normalizations are not necessarily all-inclusive and are based on information provided by Management to date. Further analysis and access to additional information could uncover additional or different proposed normalizations.

Overview

- The Quality of Earnings analysis is prepared based on the following sources of information:
  - Monthly trial balances;
  - Additional supporting information provided by Management; and
  - Discussions held with Management, namely Dr. Vijay Jog (CEO) and Donna Paoletti (Business Solutions Consultant) who is responsible for the Company's finance function.
- The following pages provide details on Management and diligence EBTIDA adjustments as well as a discussion of other considerations.
- The nature of adjustments included in the Quality of Earnings analysis are as follows:
  - **EBITDA, reported:** Represents reported EBITDA based on the trial balance and the definitional adjustments.
  - **EBITDA, potential adjusted:** Includes non-recurring, non-operating and other normalization items (e.g., out of period expenses, etc.) identified during diligence.

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Quality of earnings (2) - Revenue adjustments

Quality of earnings			
$'000	**FY16**	**FY17**	**FY18**
Revenues, reported	**9,559**	**9,567**	**9,375**
Revenue adjustments			
1 emPerform invoice credits / returns	(53)	(27)	122
2 Revenue recognition - CRG products	(420)	(392)	(601)
3 Dynamics CRM professional services revenue	-	-	50
4 Revenue recognition - Partners' products	(1,353)	(1,323)	(1,192)
Revenue adjustments	(1,826)	(1,742)	(1,621)
Revenues, adjusted	**7,732**	**7,825**	**7,754**
EBITDA, reported	**2,856**	**2,625**	**3,047**
EBITDA margin, reported	*29.9%*	*27.4%*	*32.5%*
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EBITDA, potential adjusted	**2,510**	**2,314**	**2,999**
EBITDA margin, potential adjusted	*32.5%*	*29.6%*	*38.7%*

Source: Information provided by Management; KPMG analysis

Revenue adjustments

The following are potential revenues adjustments identified during due diligence:

1. **emPerform invoice credits / returns:** Based on billings data provided by Management, we noted credits relating to previously issued emPerform invoices that were processed, at times, several months subsequent to when the initial invoice was recorded. This adjustment applies the credits to the periods in which the original sale was recorded. Management represents invoices are sent to the customer three months in advance of the contract date and follow up occurs when amounts are not paid within a few months. Management monitors the emPerform invoices throughout the year but dedicates more time at year end to ensure proper cut-off for the year end financial statements. The impact of this adjustment in FY18 is an increase to EBITDA of $122,000.

2. **Revenue recognition – CRG products:** The Company offers custom add-on applications ("Apps") to GP Dynamics as well as a proprietary product called emPerform which is a web-based employee performance management platform. The Company records Apps and emPerform revenues as they are invoiced and on a gross basis with revenues and cost of revenues recorded separately. IFRS dictates these revenues should be recorded on a net basis and the component of the annual maintenance fee should be deferred over the contract period. Revenue recognition for each of the Company's significant revenue streams is further discussed in detail beginning on page 22. The impact of this adjustment reduces revenues in FY16, FY17, and FY18 by $420,000, $392,000 and $601,000, respectively.

3. **Dynamics CRM professional services revenue:** Dynamics CRM professional services revenue was minimal in Nov-18 and Dec-18. Management represents work relating to the first phase of a customer contract was agreed not to have an overage in excess of 12% of the budgeted amount. When the second phase commenced in Jan-19, the Company invoiced the unbilled hours worked in Nov-18 and Dec-18. This adjustment reflects the revenues for the time incurred in Nov-18 and Dec-18, 200 hours and 100 hours, respectively.

4. **Revenue recognition – Partners' products:** Revenues earned from the sale of Partner products and annual maintenance fees should be recorded on a net basis under IFRS. This adjustment reduces revenues by the related amount of the cost of revenues. This revenue adjustment results in a nil EBITDA impact.

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Quality of earnings (3) - Management adjustments

Quality of earnings			
$'000	**FY16**	**FY17**	**FY18**
Revenues, reported	**9,559**	**9,567**	**9,375**
Revenue adjustments	(1,826)	(1,742)	(1,621)
Revenues, adjusted	**7,732**	**7,825**	**7,754**
EBITDA, reported	**2,856**	**2,625**	**3,047**
EBITDA margin, reported	*29.9%*	*27.4%*	*32.5%*
Management adjustments			
1 Dr. Jog consulting revenue	(351)	(336)	(350)
2 Costs for Dr. Jog consulting revenue	60	115	115
3 Increased salaries for identified leaders	(75)	(75)	(75)
4 Discretionary bonus paid to employees	266	266	200
Management adjustments	(100)	(30)	(110)
EBITDA, Management adjusted	**2,756**	**2,595**	**2,937**
EBITDA margin, Management adjusted	*35.6%*	*33.2%*	*37.9%*
Potential adjustments	(246)	(281)	62
EBITDA, potential adjusted	**2,510**	**2,314**	**2,999**
EBITDA margin, potential adjusted	*32.5%*	*29.6%*	*38.7%*

Source: Information provided by Management; KPMG analysis

Management adjustments

The below management adjustments are presented in an undated Confidential Information Memorandum ("CIM") provided by the Company. We understand the CIM was prepared during 2017 and may have been addressed to potential financial buyers rather than strategic acquirers which would potentially render the following adjustments as not applicable under the current proposed deal terms.

The rationale for Management's adjustments is discussed below and adjustments to Management's adjustments are discussed in the "Potential adjustments" section of the Quality of Earnings analysis.

1. **Dr. Jog consulting revenue:** Revenue is reduced for the amount of strategic consulting revenues generated by Dr. Jog. These services relate to strategic and other corporate consulting engagements from individuals within Dr. Jog's personal network. According to the CIM, this revenue stream is not expected to continue post close.
2. **Costs for Dr. Jog consulting revenue:** The cost of generating the revenues identified in management adjustment #1 is quantified as Dr. Jog's base compensation which substantially agrees to payroll register details provided during the course of diligence.
3. **Increased salaries for identified leaders:** In the absence of Dr. Jog, three Directors (business development, enterprise business solutions and applications) are identified in the CIM as potential leaders. This adjustment reflects a potential increase in their salaries given the incremental responsibility in a scenario where the buyer is an inactive financial investor.
4. **Discretionary bonus paid to employees:** Employee bonuses are added back to EBITDA by Management due to their discretionary nature. We note that employee bonuses totaling $0.2 million or more have been paid each year since 2014 based on information contained in the CIM.

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Quality of earnings (4) - Potential adjustments

Quality of earnings			
$'000	**FY16**	**FY17**	**FY18**
Revenues, reported	**9,559**	**9,567**	**9,375**
Revenue adjustments	(1,826)	(1,742)	(1,621)
Revenues, adjusted	**7,732**	**7,825**	**7,754**
EBITDA, reported	**2,856**	**2,625**	**3,047**
EBITDA margin, reported	*29.9%*	*27.4%*	*32.5%*
Management adjustments	(100)	(30)	(110)
EBITDA, Management adjusted	**2,756**	**2,595**	**2,937**
EBITDA margin, Management adjusted	*35.6%*	*33.2%*	*37.9%*
Potential adjustments			
1 Management adjustments	25	(45)	35
2 emPerform invoice credits / returns	(53)	(27)	122
3 Revenue recognition - CRG products	(115)	(154)	(72)
4 Dynamics CRM professional services revenue	-	-	50
5 Dr. Jog compensation	(115)	(60)	(55)
6 Gain on sale of investments	-	(16)	(20)
7 IT resources	(12)	15	3
8 Gain/(loss) on disposal of equipment	24	6	-
9 Employee bonus	-	-	-
Potential adjustments	(246)	(281)	62
EBITDA, potential adjusted	**2,510**	**2,314**	**2,999**
EBITDA margin, potential adjusted	*32.5%*	*29.6%*	*38.7%*

Source: Information provided by Management; KPMG analysis

Potential adjustments

The following are adjustments to Management EBITDA identified during due diligence:

1. **Management adjustments:** Management adjustments #1, #2 and #4 are reversed as we understand Dr. Jog will have a continuing role with the Company post close and will be able to leverage his personal networks for the benefit of the Company during his three year employment contract. Discretionary bonuses are also reversed and this incentive can be considered a cost of earning revenues based on historical bonus payouts (greater than $0.2 million since 2014) and employee expectations. We also understand that a similar cash bonus pool will be established post close and certain senior individuals will have access to non-cash compensation in the form of restricted stock units. The following table summarizes this EBTIDA adjustment:

Management adjustments			
$'000	**FY16**	**FY17**	**FY18**
Dr. Jog consulting revenue	351	336	350
Costs for Dr. Jog consulting revenue	(60)	(115)	(115)
Discretionary bonus paid to employees	(266)	(266)	(200)
Potential EBITDA adjustment	**25**	**(45)**	**35**

Source: Information provided by Management; KPMG analysis

2. **emPerform invoice credits / returns:** Based on billings data provided by Management, we noted credits relating to previously issued emPerform invoices that were processed several months subsequent to when the initial invoice was recorded. This adjustment applies the credits to the periods in which the original sale was recorded. Management represents invoices are sent to the customer three months in advance of the contract date and follow up occurs when amounts are not paid within a few months. Management monitors the emPerform invoices throughout the year but dedicates more time at year end to ensure proper cut-off for the year-end financial statements. Because of this practice, it may be possible that invoice credits and returns are processed subsequent to the date of this report which relate to FY18. However, based on the information available as of the date of this report, the impact of this adjustment in FY18 is an increase to EBITDA of $122,000.

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Quality of earnings (5) - Potential adjustments

Quality of earnings				
$'000		**FY16**	**FY17**	**FY18**
Revenues, reported		**9,559**	**9,567**	**9,375**
Revenue adjustments		(1,826)	(1,742)	(1,621)
Revenues, adjusted		**7,732**	**7,825**	**7,754**
EBITDA, reported		**2,856**	**2,625**	**3,047**
EBITDA margin, reported		*29.9%*	*27.4%*	*32.5%*
Management adjustments		(100)	(30)	(110)
EBITDA, Management adjusted		**2,756**	**2,595**	**2,937**
EBITDA margin, Management adjusted		*35.6%*	*33.2%*	*37.9%*
Potential adjustments				
1	Management adjustments	25	(45)	35
2	emPerform invoice credits / returns	(53)	(27)	122
3	Revenue recognition - CRG products	(115)	(154)	(72)
4	Dynamics CRM professional services revenue	-	-	50
5	Dr. Jog compensation	(115)	(60)	(55)
6	Gain on sale of investments	-	(16)	(20)
7	IT resources	(12)	15	3
8	Gain/(loss) on disposal of equipment	24	6	-
9	Employee bonus	-	-	-
Potential adjustments		(246)	(281)	62
EBITDA, potential adjusted		**2,510**	**2,314**	**2,999**
EBITDA margin, potential adjusted		*32.5%*	*29.6%*	*38.7%*

Source: Information provided by Management; KPMG analysis

Potential adjustments (continued)

3. **Revenue recognition – CRG products:** This adjustment reflects the EBITDA impact of the revenue deferral of the Apps and emPerform products discussed in revenue adjustment #2.

4. **Dynamics CRM professional services revenue:** Dynamics CRM professional services revenue was minimal in Nov-18 and Dec-18. Management represents work relating to the first phase of a customer contract was agreed not to have an overage in excess of 12% of the budgeted amount. When the second phase commenced in Jan-19, the Company invoiced the unbilled hours worked in Nov-18 and Dec-18. This adjustment reflects the revenues for the time incurred in Nov-18 and Dec-18, 200 hours and 300 hours, respectively, at a rate of $165/hour and totals $50,000.

5. **Dr. Jog compensation:** This adjustment considers management EBTIDA adjustment #3 (increased salaries for identified business leaders) and increases Dr. Jog's base compensation to $250,000. The table below contains calculation details of this adjustment:

Dr. Jog compensation			
$'000	**FY16**	**FY17**	**FY18**
Reported compensation	60	115	120
Management adjustment #3 (business leader)	75	75	75
Less: Pro forma salary	(250)	(250)	(250)
Potential EBITDA adjustment	**(115)**	**(60)**	**(55)**

Source: Information provided by Management; KPMG analysis

6. **Gain on sale of investments:** The Company disposed of marketable securities in FY17 and recorded a gain of $16,000. This income item is considered non-operating removed from reported EBITDA.

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Quality of earnings (6) - Potential adjustments

Quality of earnings				
$'000		**FY16**	**FY17**	**FY18**
Revenues, reported		**9,559**	**9,567**	**9,375**
Revenue adjustments		(1,826)	(1,742)	(1,621)
Revenues, adjusted		**7,732**	**7,825**	**7,754**
EBITDA, reported		**2,856**	**2,625**	**3,047**
EBITDA margin, reported		*29.9%*	*27.4%*	*32.5%*
Management adjustments		(100)	(30)	(110)
EBITDA, Management adjusted		**2,756**	**2,595**	**2,937**
EBITDA margin, Management adjusted		*35.6%*	*33.2%*	*37.9%*
Potential adjustments				
1	Management adjustments	25	(45)	35
2	emPerform invoice credits / returns	(53)	(27)	122
3	Revenue recognition - CRG products	(115)	(154)	(72)
4	Dynamics CRM professional services revenue	-	-	50
5	Dr. Jog compensation	(115)	(60)	(55)
6	Gain on sale of investments	-	(16)	(20)
7	IT resources	(12)	15	3
8	Gain/(loss) on disposal of equipment	24	6	-
9	Employee bonus	-	-	-
Potential adjustments		(246)	(281)	62
EBITDA, potential adjusted		**2,510**	**2,314**	**2,999**
EBITDA margin, potential adjusted		*32.5%*	*29.6%*	*38.7%*

Source: Information provided by Management; KPMG analysis

Potential adjustments (continued)

7. **IT resources:** The Company employed a junior IT resource from Jan-16 to Sep-17 at an average monthly cost of $3,300. In addition to this employee, a contracted consultant also performed certain duties for the company and charged a monthly amount of $7,200 (representing 12 days at $600/day or $75/hour). Trueups were billed for excess hours and the trueups occurred approximately every six months at an hourly rate of $75. This adjustment allocates the trueup invoices over the previous six months. On an annual basis, the adjustment ranges from ($12,000) to $3,000 whereas the monthly adjustments range from ($51,000) to $10,000. See "other considerations" for further discussion on the Company's IT costs.

8. **Gain/(loss) on disposal of equipment:** Management represents, prior to FY17, the Company's capital assets were maintained on a manual spreadsheet. In Dec-17, the balances were recorded in the GL and various asset categories were cleaned up which resulted in a non-operating expense in FY17. A small gain on sale was recorded in FY18. As these items do not relate to the operations of the business, they are added back for normalization purposes.

9. **Employee bonus:** The Company expenses employee bonuses when an accrual is established at year end. This adjustment records an even monthly bonus expense to correspond to the accrued bonus liability adjustment in the working capital section of this report. Within each fiscal year, the monthly adjustments net to nil.

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Quality of earnings (7) - Other considerations

Other considerations

The following includes potential Quality of Earnings considerations identified during due diligence. These items relate to other potential issues that should be considered in the overall evaluation of the business. In addition, these items may be subjective in nature and as a result, have not been included in the Quality of Earnings schedule.

1. **Dr. Jog's historical contribution:** Dr. Jog has consulting revenues directly related to him totalling $365,000, $558,000 and $445,000, in FY16, FY17 and FY18, respectively. We understand Dr. Jog will continue in his role post close under a three year agreement.

   Based on the information provided in the CIM, Dr. Jog's consulting revenues are represented to be generated from clients within his personal network. For historical "consulting – other" revenues to sustain in future periods, consideration should be given to another individual's ability to generate the same quantity and nature of revenues subsequent to the expiry of Dr. Jog's employment agreement.

   Information provided by Management indicates only two other consulting employees have billed revenues greater than $200,000 in the historical period and the average billed revenues for employees (other than the two afore-mentioned employees) who spend more than half their time in client service is approximately $115,000.

2. **Returning employee:** The Company had a Customer Solutions employee from the Administration department recently return from maternity leave. Based on our discussion with Management, the individual who filled in during the maternity leave period will also remain with the Company. On an annualized basis, an additional $35,000 in payroll costs will be incurred which would reduce the adjusted EBITDA on the previous page.

Other considerations (continued)

3. **IT consultant and employee costs:** The Company has historically incurred approximately $0.2 million of IT related costs between an external consultant who has been servicing the Company for numerous years and a junior employee with the Company in FY16 and part of FY17 (details provided in the table below). The consultant performs substantially all IT related services including maintenance, implementation, repairs, firewall, hardware, phone and internet related tasks. The amount paid to the external consultant in FY18 totals $195,000. To the extent Client is able to hire an internal resource to perform the same duties at a lower annual salary, a potential adjustment to increase EBITDA should be considered.

IT consultant and employee costs			
$'000	**FY16**	**FY17**	**FY18**
IT Consultant			
External consulting (#5100)	52	84	192
Consulting fees (#6010)	107	50	-
Reported IT consultant costs	159	133	192
Proration of over-time costs (EBITDA adjustment)	**(12)**	**15**	**3**
IT consultant costs	147	148	195
IT employee costs	40	30	-
Total IT consultant and employee costs	**187**	**178**	**195**

Source: Information provided by Management; KPMG analysis

4. **Foreign exchange:** The Company, on average over FY17 and FY18 is long on USD exposure of 4.0 million and GBP of 0.2 million. Based on information provided by Management, using a USD/CAD exchange rate of 1.33 and a GBP/CAD exchange rate of 1.74, FY17 reported EBITDA would increase by $177,000 and FY18 reported EBITDA would decrease by $35,000.

   Included in adjusted EBITDA is an FX loss of $275,000 in FY17 and a gain of $163,000 in FY18.

   For every 1% appreciation of the US dollar, reported FY18 EBITDA would increase by approximately $40,000.

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Revenue recognition

emPerform and Apps (1/2)

Type	Current policy	IFRS 15 Considerations	Impact	Ref
emPerform and Apps **(Software developed and owned by the Company)**	▪ The Company currently recognizes revenue based on the invoiced amount at the time of invoicing. ▪ The entire invoiced amount for the contract term (e.g. 12 months of services) is recognized at this time. ▪ Management indicated that there is a three month delay between the time of invoicing and when the product is available for use by the customer. ▪ If the product is resold by an authorized reseller, any partner discounts provided are recorded in cost of goods sold. ▪ Based on discussion with management, resellers enter into agreements with end customers directly and the Company bills the reseller based on a list price less the agreed upon discount.	▪ The timing of revenue recognized depends on the nature of product or service transferred to the customer. Since the intellectual property for these products is owned by the Company, principal vs agent analysis is not required. *Identifying the customer (resellers or partners)* ▪ To the extent these products are sold by resellers (e.g. emPerform UK) or partners, the Company will need to evaluate whether the reseller / partner is the customer or the end user is the customer, based on the contractual terms of the arrangement. ▪ If the Company's customer is the reseller / partner, the consideration payable to a customer guidance in IFRS 15 is applicable with respect to any partner discounts. Based on this guidance, the partner discount should be recorded as a reduction to revenue. ▪ In contrast, if the Company's customer is the end user, the reseller / partner is acting as an agent. In this case, revenue should be recognized based on the sales price agreed upon in the contract with the end user. The margin provided to the reseller / partner would be considered a cost to obtain a contract and therefore would need to be evaluated for capitalized, unless the amortization period of the asset would be 12 months or less. ▪ Based on discussion with management, resellers typically have the ability to independently negotiate the contract with the end customer. The Company bills the reseller based upon a list price less the agreed upon discount and does not directly contract with the end user. In such a case, the reseller would likely be the Company's customer and revenue would be recognized based on the discounted sales price (i.e. list price less the partner discount).	▪ See next page.	

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emPerform and Apps (2/2)

Type	Current policy	IFRS 15 Considerations	Impact	Ref
emPerform and Apps **(Software developed and owned by the Company)**	■ The Company currently recognizes revenue based on the invoiced amount at the time of invoicing. ■ The entire invoiced amount for the contract term (e.g. 12 months of services) is recognized at this time. ■ Management indicated that there is a three month delay between the time of invoicing and when the product is available for use by the customer. ■ If the product is resold by an authorized reseller, any partner discounts provided are recorded in cost of goods sold. ■ Based on discussion with management, resellers enter into agreements with end customers directly and the Company bills the reseller based on a list price less the agreed upon discount.	*emPerform (SaaS) – timing of recognition* ■ Based on discussion with management, the customer typically does not have the ability to take possession of the software and rather accesses emPerform via a hosted platform. As such, revenue recognized over time as the services are provided to the customer. *Apps – timing of recognition* ■ Revenue relating to software licenses (on premise products) should be recognized when the customer is able to use and benefit from the license (i.e. upfront). *Maintenance / technical support – timing of recognition* ■ Services related to software maintenance / technical support are a separate performance obligation from the software license. The Company is responsible for the delivery of these services over the agreed upon term. ■ If unspecified upgrades or updates are provided when-and-if available and technical support is provided when and as needed, the customer consumes and receives the benefit of these services throughout the service period. Recognition of revenue on straight-line basis typically will be appropriate in this case.	*emPerform (SaaS) and Apps renewals* ■ Revenue should deferred and recognized over the period for which the SaaS solution and related services are made available to the customer. ■ Management prepared a calculation of the deferral of billed amounts (net of partner discounts). Revenue was deferred on a straight-line basis over the contract term starting 3 months after invoicing. This calculation was used as the basis for the proposed adjustment. *Apps (new and renewals)* ■ To estimate the impact all renewal revenues were deferred. For new sales, we assumed that 20% of the contract value related to maintenance / support services and therefore should be deferred over the initial term. ■ For the remainder of revenue related to new sales, it should be recognized upon transfer of the software to the customer, reduced by any partner discounts.	

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Resale of partner products - software licenses

Type	Current policy	IFRS 15 Considerations	Impact	Ref
Software licenses[1]	■ The Company currently recognizes revenue based on the invoiced amount at the time of invoicing. ■ The Company typically invoices the end customer directly for the agreed upon sales price per the agreement with the end customer. ■ Revenue related to new licenses (including new additional license copies) is tracked separately from renewals. ■ For new license sales, no distinction is made between the recognition of revenue for the software license versus maintenance/support services.	*Gross versus net revenue recognition:* ■ **View A:** In its role as a value-added reseller the Company is acting as a principal in the sale of the software license to the customer. The Company is responsible for managing the front end of the fulfilment process (e.g. ordering, contract facilitation), and has the ability to sell a license to the customer and thereby direct the software entity (i.e. partner) to transfer the license (e.g. provide the license key) to the customer within the context of its channel agreement. In addition, the Company often has some pricing discretion. ■ This is the predominant policy that has been applied by other resellers such as Insight, CDW, Synnex and Tech Data, with the exception of security software products (latter is not applicable to the Company). This view has been reflected in our analysis. ■ **View B:** The Company is arranging for the sale of a software license and does not take control of the software at any point before it transferred to the customer, therefore revenue is recognized on a net basis. Depending on the facts and circumstances, this view is also considered to be supportable in the VAR industry. *Timing of revenue recognition:* ■ Revenue is recognized at the point in time the license is transferred to the customer. However, revenue cannot be recognized before the beginning of the period during which the customer can use and benefit from the license.	■ If View A is applied, expect limited impact as revenue would be recognized at the time the license is granted (or the license start date if later). This likely is similar to the timing of invoicing. ■ However, going forward consideration should be given to whether the invoice date is consistent with the timing of performance (i.e. the point in time at which the customer can use and benefit from the license). ■ Consideration should be given to system changes that may be needed to separately track: software license sales, maintenance / support services, and cloud / SaaS solutions. In addition, it may be beneficial to be have the ability to view reseller sales on both a gross and a net basis.	

[1]If the customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty and it is feasible for the customer to either run the software on its own hardware or contract another party to the host the software, license accounting is applied.

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Resale of partner products - maintenance / support services

Type	Current policy	IFRS 15 Considerations	Impact	Ref
Software maintenance / support services (upgrades, updates, bug fixes, technical support, etc.) **This is considered to be "recurring" revenue**	■ The Company currently recognizes revenue based on the invoiced amount at the time of invoicing. ■ The Company typically invoices the end customer directly for the agreed upon sales price per the agreement with the end customer. ■ Revenue related to new licenses (including new additional license copies), is tracked separately from renewals. ■ For new license sales, no distinction is made between the recognition of revenue for the software license versus maintenance/support services.	*Gross versus net revenue recognition:* ■ The Company is not responsible for fulfilling these services over the contact term and does not have the ability to direct the software entity to perform on its behalf. Rather the services are delivered by the third party directly to the end customer. ■ The Company does not control the service delivery and instead is acting as agent to arrange for the provision of these services by the third party. As such revenue should be recognized on a net basis (i.e. only reflect the Company's margin on the transaction). ■ Net recognition of software maintenance / support services provided by a third party is consistent across the industry. *Timing of revenue recognition:* ■ Revenue is recognized at the point in time that the parties to the contract agree to the initial purchase or renewal. At this point in time, the Company's performance obligation to arrange for the services to be provided is complete.	*New software sales* ■ The contract contains two performance obligations, the sale of a software license and arranging for the provision of software maintenance / support services. ■ The initial contract value should be allocated to performance obligations. Given that the Company is acting as an agent for the maintenance / support services, only the margin earned should be recognized as revenue. ■ It is common practice that maintenance / support services are priced as approximately 20% of the contract value. As revenue for each performance obligation has not been tracked or determined by the Company historically, in order to estimate the impact we have assumed that the maintenance/support services portion of the initial contract represents 20% of the contract value. We have also assumed that 20% of any COGS would relate to these services. *Renewals* ■ To estimate the impact we have assumed that all of the revenue related to software renewals for partner products other than Adaptive (see next page) relate to software maintenance and support services. *Estimated adjustment* ■ Based on the historical gross margin by product type, we determined a high-level estimate of the margin that the Company is entitled to. Using the estimated margin, the net amount of revenue to be recognized in relation to 20% of new software sales and all partner renewals was calculated, resulting in a reduction of both revenue and COGS.	Page 15

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Resale of partner products - cloud or SaaS solutions

Type	Current policy	IFRS 15 Considerations	Impact	Ref
Cloud or SaaS solutions (Adaptive sales) **This is considered to be "recurring" revenue**	▪ The Company currently recognizes revenue based on the invoiced amount at the time of invoicing. ▪ The nature of revenue by product type is not currently tracked. As such, there is limited visibility into the nature of sales (e.g. on-Premise versus cloud or SaaS agreements). ▪ However, Adaptive products are entirely cloud based and the Company invoices Adaptive rather than invoicing the end customer. As a result, the invoiced amount is for the margin earned, therefore revenue for Adaptive products is recognized on a net basis.	*Gross versus net revenue recognition:* ▪ The Company is not responsible for fulfilling these services over the contact term and does not have the ability to direct the software entity to perform on its behalf. Rather the services are delivered by the third party directly to the end customer. ▪ The Company does not control the service delivery and instead is acting as agent to arrange for the provision of these services by the third party. As such revenue should be recognized on a net basis (i.e. only reflect the Company's margin on the transaction). ▪ Net recognition of cloud or SaaS solutions provided by a third party is consistent across the industry. *Timing of revenue recognition:* ▪ Revenue is recognized at the point in time that the parties to the contract agree to the initial purchase or renewal. At this point in time, the Company's performance obligation to arrange for the services to be provided is complete.	*Adaptive* ▪ Sales related to Adaptive products are already recognized on a net basis. Therefore there is no impact related to these sales. *Other Partners* ▪ Management indicated that there currently is a directional trend towards cloud based products; however, historically most software sales have been on premise. ▪ As such, we have assumed that all of the revenue for new software and software renewals for partner products other than Adaptive relates to on premise software licenses with software related software maintenance and support services. The related impact and estimated adjustment is discussed on the previous page.	

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Professional services

Type	Current policy	IFRS 15 Considerations	Impact	Ref
Professional services	■ Revenue is typically recognized on an as-invoiced basis. ■ However, a cut-off analysis will be performed to determine if there are professional services that have been billed but not yet provided, in which case an adjustment will be recorded to defer revenue related to the services not yet provided.	*Timing of revenue recognition* ■ Revenue should be recognized as the services are transferred to the customer. ■ If the amount that the Company has the right to invoice the customer corresponds directly with the value to the customer of the performance to date, the "as invoiced" practical expedient can be applied. Therefore in the case of a project that is billed on a time and materials basis, it may be appropriate to recognize revenue based on the invoiced amount. ■ In the case of a fixed fee project, it may be more appropriate to use a percentage of completion measure of progress that reflects the Company's performance to date. For example, costs incurred to date compared to total forecasted costs. Since these services are provided by employees of the Company, a third party is not involved and therefore principal vs agent analysis is not required.	■ For time and materials projects, likely no impact. ■ For fixed projects, the Company may need to consider how to measure progress completed to date. This change would only affect projects that span across reporting periods. ■ Based on discussion with management, professional services projects are often only a few days in duration. Given the short time frame and that management has a process in place to evaluate whether any pre-billed amounts should be deferred on cut-off dates, there impact to this revenue stream is not likely to be significant.	

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Financial performance

Income statement - Overview

Income statement summary			
$'000	**FY16**	**FY17**	**FY18**
Revenue	**9,559**	**9,567**	**9,375**
Cost of revenue	(2,743)	(2,332)	(2,233)
Gross profit	**6,815**	**7,235**	**7,142**
Employee wages	(2,370)	(2,573)	(2,601)
Employee benefits	(371)	(414)	(426)
Payroll costs	(2,741)	(2,987)	(3,026)
Advertising and promotion	(339)	(426)	(344)
Consultants	(312)	(260)	(295)
Rent	(265)	(250)	(269)
Travel	(70)	(95)	(103)
Telephone and communications	(106)	(118)	(88)
Amortization	(67)	(78)	(57)
Postage, stationery and office	(71)	(73)	(54)
Insurance	(17)	(18)	(19)
Equipment rental	(18)	(20)	(18)
Licenses, fees and dues	(23)	(26)	(17)
Bad debts	(35)	(34)	(13)
Bank charges and interest	(55)	(30)	(12)
Entertainment	(20)	(15)	(11)
Supplies	(13)	(14)	(11)
Professional fees	(13)	(9)	(9)
Repairs and maintenance	(0)	(1)	-
Operating expenses	(4,164)	(4,452)	(4,348)
Operating income/(loss)	2,651	2,783	2,794
Gain (loss) on foreign exchange	107	(275)	163
Unrealized gain in FMV of investm	-	16	20
Interest income	1	1	1
Loss on disposal of PPE	(24)	(6)	-
Other income/(expense)	84	(264)	185
Income taxes	(500)	(642)	(697)
Net income	**2,234**	**1,876**	**2,282**
Add / (deduct):			
Depreciation and amortization	67	78	57
Interest	54	28	11
Taxes	500	642	697
EBITDA, reported	**2,856**	**2,625**	**3,047**

Source: Internal trial balances; KPMG analysis

Revenue

- The Company's revenues are generated primarily from the following business classes/lines which are detailed on the following page:
  - emPerform: A cloud-based software as a service ("SaaS") solution in employee performance management developed and launched by the Company in 2004.
  - Dynamics GP: The Company resells and implements Microsoft Dynamics ERP, GP systems. Installation/configuration is billed at approximately $165 per hour.
  - Consulting – Board: Leads from Board in the US are channeled to the company for implementation. The Company also works with the Board Americas team to provide services for their US clients.
  - Consulting – Other: Strategic and other non-implementation and integration services primarily rendered by Dr. Jog at an hourly rate of $225.
  - Apps – Products: A set of software add-ons to extend Dynamics' capabilities, designed by the Company and sold through channel partners across the world. They are built for GP and adapt to Dynamics AX.
  - Dynamics CRM: The Company resells and implements Microsoft Dynamics CRM. The Company offers Dynamics CRM in conjunction with or as a follow-on sale to GP or AX to provide clients with insights into their customers and pipeline.
  - APPS – Customizations: Services provided at an hourly rate to complete clients' custom set-ups for Dynamics or the requirements that are different from the functionality that is available in Dynamics' "out-of-the-box" solution.

Expenses

- The Company's employee base consists of 33 to 35 individuals throughout FY16 to FY18. Commissions are not paid to employees but they receive an annual discretionary bonus. Compensation, revenue/wage multiplier and other payroll analysis are contained in Appendix 8.
- Consultants are primarily used for implementations and corporate IT services. In FY18, approximately $200,000 was paid to the Company's external IT consultant.
- Rent relates to the Company's only premise in Ottawa, Ontario. An agreement exists with the a third party landlord, 1202180 Ontario Limited, that expires on July 31, 2020. Rent has been relative consistent from FY16 to FY18.

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Revenue – Recurring vs. Non-recurring by business class

Non-recurring and recurring revenue by business class

	[A]			[B]			[C]			[D]			[E] = [A] + [B] + [C] +[D]			[F]			[G]			[H] = [F] + [G]			[I] = [E] + [H]		
	Non-recurring															Recurring											
	Professional Services			Software New			Hosting Services			External Consulting			Total non-recurring			Software Renewal			Software New			Total recurring			Total Company		
$'000	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
emPerform (1)	433	436	495	28	-	-	-	-	-	-	-	-	460	436	495	1,043	1,417	1,578	471	584	449	1,515	2,001	2,027	1,975	2,437	2,522
Dynamics GP (2)	1,223	1,142	1,085	424	135	102	2	2	2	93	15	3	1,742	1,293	1,193	1,185	1,029	910	75	21	13	1,260	1,050	923	3,002	2,344	2,116
Consulting - Board (3)	436	778	1,078	285	378	52	-	-	-	-	-	-	722	1,156	1,129	121	157	278	71	94	13	193	251	291	915	1,408	1,420
Consulting - Other	831	883	815	466	24	-	5	1	-	-	-	-	1,301	908	815	77	344	123	117	6	9	193	350	131	1,495	1,258	946
APPS - Products	-	-	-	466	332	299	-	-	-	-	-	-	466	332	299	579	510	499	82	59	53	661	569	552	1,127	901	851
Dynamics CRM	125	467	480	-	-	-	13	13	13	-	17	-	138	497	493	63	96	77	-	-	-	63	96	77	202	593	570
APPS - Customizations	336	259	351	-	-	-	-	-	-	-	-	-	336	259	351	-	-	-	-	-	-	-	-	-	336	259	351
SharePoint	189	167	180	-	-	-	-	-	-	-	-	-	189	167	180	-	-	-	-	-	-	-	-	-	189	167	180
Infrastructure	14	0	-	-	1	-	21	26	31	6	-	-	41	28	31	102	22	132	-	-	-	102	22	132	143	50	164
Consulting - Adaptive Planning	35	11	8	-	-	-	-	-	-	-	-	-	35	11	8	52	59	66	21	37	28	72	97	93	108	107	101
Consulting - Atlassian	-	-	31	-	-	51	-	-	-	-	-	-	-	-	81	-	-	4	-	-	13	-	-	17	-	-	98
Dynamics 365 BC	-	-	30	-	-	-	-	-	-	-	-	4	-	-	34	-	-	-	-	-	-	-	-	-	-	-	34
Consulting - CPM-BI	65	36	18	-	-	-	-	-	-	-	-	-	65	36	18	-	-	-	-	-	-	-	-	-	65	36	18
CRGroup - General	-	-	2	-	-	-	-	-	-	-	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-	2
Consulting - Costing-SS	2	7	-	-	-	-	-	-	-	-	-	-	2	7	-	-	-	-	-	-	-	-	-	-	2	7	-
Total	**3,690**	**4,186**	**4,574**	**1,669**	**870**	**503**	**40**	**42**	**46**	**99**	**31**	**7**	**5,498**	**5,130**	**5,130**	**3,223**	**3,636**	**3,668**	**837**	**802**	**576**	**4,060**	**4,438**	**4,244**	**9,559**	**9,567**	**9,374**

Source: Management provided information; KPMG analysis

(1) **emPerform:** The Company's proprietary offering generates the most revenues out of all the business classes in FY18. New revenues from professional services have ranged from $0.4 million to $0.5 million over the historical period.

Recurring revenues increased from $1.5 million in FY16 to $2.0 million in FY17 and remained consistent in FY18.

(2) **Dynamics GP:** Both one-time revenues (e.g., implementations, etc.) and recurring revenues for Dynamics GP declined from FY16 to FY18. Management attributes the decline to other competitors' cloud-based products that have been successful in RFP processes over on premise solutions largely due to Microsoft not having an equivalent, competing offering until mid FY18.

Basis of preparation

The figures in the above table are for indicative purposes only as the Company does not maintain records to identify recurring and non-recurring revenues. The information above was obtained from the Company's billing system and trial balances. For new software sales, 20% of the revenues were assumed to be related to annual maintenance fees.

(3) **Consulting – Board:** Board implementations have been successful in FY16 and FY17 with non-recurring revenues totalling $0.7 million and $1.2 million, respectively. However, although non-recurring revenues in FY18 are only slightly less than FY17 at $1.1 million, only $0.1 million of new software sales were generated. Management represents the Company has nearly exhausted its existing customer base and any significant new revenues would need to be generated by clients not currently known to the Company.

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Income statement - Profitability

Revenue and margin - By revenue type

		Sales			COGS			GP			Gross margin %		
$'000		FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
Professional services revenue													
Professional Services		3,625	4,043	4,419	-	-	-	3,625	4,043	4,419	*100.0%*	*100.0%*	*100.0%*
Support Plan		64	143	155	-	-	-	64	143	155	*100.0%*	*100.0%*	*100.0%*
Total professional services revenue	1	3,690	4,186	4,574	-	-	-	3,690	4,186	4,574	*100.0%*	*100.0%*	*100.0%*
External consulting revenue													
External Consulting Revenue		99	31	7	-	-	-	99	31	7	*100.0%*	*100.0%*	*100.0%*
Total external consulting revenue		99	31	7	-	-	-	99	31	7	*100.0%*	*100.0%*	*100.0%*
Hosting services													
Hosting Services		40	42	46	-	-	-	40	42	46	*100.0%*	*100.0%*	*100.0%*
Total hosting service revenue		40	42	46	-	-	-	40	42	46	*100.0%*	*100.0%*	*100.0%*
Software new revenue													
CRG Product New Revenue	2	1,012	975	800	(200)	(202)	(225)	812	773	575	*80.2%*	*79.3%*	*71.8%*
Board Software New		357	472	64	(209)	(291)	(41)	148	181	23	*41.3%*	*38.4%*	*36.1%*
MS Software New		411	106	63	(271)	(69)	(40)	140	37	24	*34.0%*	*35.2%*	*37.4%*
Atlassian Prod New Revenue		-	-	63	-	-	(57)	-	-	7	-	-	*10.6%*
MS 3P Add-on New		123	51	52	(91)	(34)	(32)	32	17	19	*25.8%*	*33.1%*	*37.2%*
Adaptive Software New		21	37	28	(5)	(5)	-	16	32	28	*75.6%*	*86.6%*	*100.0%*
Rapidstart Software		-	-	9	-	-	(6)	-	-	3	-	-	*29.3%*
Tableau Software New	3	583	30	-	(506)	(23)	-	77	7	-	*13.1%*	*23.9%*	-
Kemp Software New		-	1	-	-	-	-	-	1	-	-	*100.0%*	-
Total software new revenue	3	2,506	1,672	1,079	(1,283)	(623)	(402)	1,223	1,049	678	*48.8%*	*62.7%*	*62.8%*
Software renewal revenues													
CRG Product Renewal	2	1,623	1,957	2,078	(369)	(411)	(641)	1,254	1,546	1,437	*77.3%*	*79.0%*	*69.1%*
MS Software Renewal		864	992	841	(630)	(772)	(624)	234	220	217	*27.1%*	*22.1%*	*25.8%*
Board Software Renewal		121	157	278	(97)	(126)	(222)	24	30	57	*20.0%*	*19.3%*	*20.4%*
MS 3P Add-on Renewal		370	110	150	(217)	(81)	(129)	153	29	21	*41.5%*	*26.4%*	*13.8%*
Tableau Software Renewal		77	344	123	(50)	(279)	(102)	27	65	21	*35.0%*	*18.9%*	*17.0%*
Kemp Software Renewal		102	17	99	(74)	(21)	(79)	28	(4)	20	*27.1%*	*(22.3%)*	*20.3%*
Adaptive Software Renewal		52	59	66	-	-	-	52	59	66	*100.0%*	*100.0%*	*100.0%*
CRM Online Renewal		-	1	15	(3)	(2)	(11)	(3)	(1)	4	-	*(82.4%)*	*28.3%*
Project Online Renewal		-	-	7	-	-	(0)	-	-	7	-	-	*93.3%*
Atlassian Prod Renewal		-	-	4	-	-	(3)	-	-	1	-	-	*19.9%*
Business Central Renewal		-	-	3	-	-	(2)	-	-	2	-	-	*46.2%*
Power BI Renewal		-	2	2	(2)	(1)	(2)	(2)	2	0	-	*75.6%*	*21.0%*
Office 365 Renewal		-	2	1	(2)	(17)	(18)	(2)	(16)	(17)	-	-	-
Dynamics 365 Renewal		15	(6)	0	(3)	(1)	(3)	12	(7)	(2)	*79.1%*	*113.4%*	-
Total renewal revenues		3,223	3,636	3,668	(1,446)	(1,711)	(1,836)	1,777	1,925	1,832	*55.1%*	*52.9%*	*50.0%*
Total		**9,559**	**9,567**	**9,374**	**(2,730)**	**(2,334)**	**(2,237)**	**6,829**	**7,233**	**7,137**	***71.4%***	***75.6%***	***76.1%***

Source: Management provided information; KPMG analysis

Basis of preparation

The information presented in the aside table is based on the Company's reported results and will differ under IFRS as several revenue streams would be presented on a net basis (i.e., net of partner discounts).

1 **Professional services:**

Professional services does not have an assigned cost as the cost to service is included in operating expenses under salaries and wages. Management does not separately monitor the cost of providing professional services.

2 **CRG product - new revenue**

Management represents that revenue in this account relates to emPerform and Apps products. Along with other captions that contain "new revenue", this revenue relates to first year customer revenues and subsequent years' revenues are in accounts with "renewal" in the caption.

3 **Total software - new revenue**

Total new software revenues declined from $2.5 million in FY16 to $1.1 million in FY18. Over this period, Tableau revenues declined from $0.6 million to nil as Management represents the Company shifted focus to selling solutions which would require a professional services component rather than merely a product, like Tableau, which generated low margin.

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Working capital

Working capital (1) - Overview

The adjacent table presents our working capital analysis.

Income taxes payable and deferred revenues are excluded from the analysis and further discussed in the net debt section of this report.

Average net working capital for FY18 decreased by $0.2 million from $1.4 million to $1.2 million after potential adjustments.

Refer to the following pages for further details on potential adjustments.

Working capital

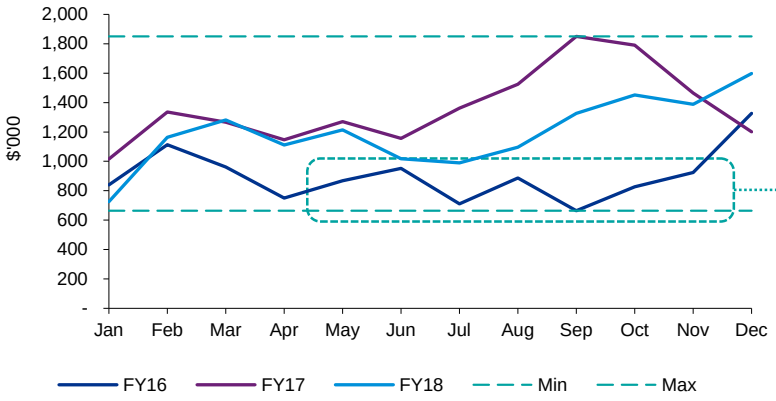
	As at			Average		
$'000	**31-Dec-16**	**31-Dec-17**	**31-Dec-18**	**FY16**	**FY17**	**FY18**
Current assets						
Accounts receivable	1,890	1,802	2,033	1,250	1,877	1,519
Prepaid expenses and other assets	11	21	15	32	19	22
Total current assets	1,901	1,823	2,048	1,282	1,897	1,542
Current liabilities						
Accounts Payable	(459)	(352)	(112)	(322)	(264)	(114)
Accrued expenses	(273)	(232)	(244)	(46)	(48)	(45)
GST payable	95	90	(33)	(51)	100	46
Payroll liabilities	(34)	(43)	(41)	(103)	(35)	(43)
Total current liabilities	(672)	(537)	(431)	(523)	(247)	(157)
Net working capital, reported	**1,228**	**1,286**	**1,617**	**759**	**1,650**	**1,385**
TTM reported net sales	9,559	9,567	9,375	9,559	9,567	9,375
As % of TTM net sales	*12.8%*	*13.4%*	*17.2%*	*7.9%*	*17.2%*	*14.8%*
Potential adjustments	99	(86)	(20)	143	(284)	(188)
Net working capital, potentially adjusted	**1,327**	**1,201**	**1,597**	**902**	**1,365**	**1,197**
TTM potentially adjusted net sales	7,732	7,825	7,754	7,732	7,825	7,754
As % of TTM net sales	*17.2%*	*15.3%*	*20.6%*	*11.7%*	*17.4%*	*15.4%*

Source : Internal trial balances; KPMG analysis

Basis of presentation

- The net working capital normalization schedule summarizes potential adjustments to be considered which were identified for the fiscal years ended December 31, 2016, 2017 and 2018.
- The proposed adjustments are not necessarily all-inclusive and are based on information provided by Management to date. Further analysis and access to additional information could uncover additional or different proposed adjustments.

Adjusted net working capital seasonality



Based on sample AP subledgers provided by Management, FY16 working capital trends lower due to the magnitude of BOARD and Microsoft invoices. As products in the associated business classes declined and shifted to a mix of increasing service revenues, fewer amounts were recorded in accounts payable relating to the cost of revenues.

Source : Internal trial balances; KPMG analysis

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Working capital (2) - *Potential adjustments*

Working capital						
	As at			Average		
$'000	31-Dec-16	31-Dec-17	31-Dec-18	FY16	FY17	FY18
Current assets						
Accounts receivable	1,890	1,802	2,033	1,250	1,877	1,519
Prepaid expenses and other assets	11	21	15	32	19	22
Total current assets	1,901	1,823	2,048	1,282	1,897	1,542
Current liabilities						
Accounts Payable	(459)	(352)	(112)	(322)	(264)	(114)
Accrued expenses	(273)	(232)	(244)	(46)	(48)	(45)
GST payable	95	90	(33)	(51)	100	46
Payroll liabilities	(34)	(43)	(41)	(103)	(35)	(43)
Total current liabilities	(672)	(537)	(431)	(523)	(247)	(157)
Net working capital, reported	**1,228**	**1,286**	**1,617**	**759**	**1,650**	**1,385**
TTM reported net sales	9,559	9,567	9,375	9,559	9,567	9,375
As % of TTM net sales	*12.8%*	*13.4%*	*17.2%*	*7.9%*	*17.2%*	*14.8%*
Potential adjustments						
1 Related party balances (excl. Due to India)	156	161	-	312	159	139
2 Accrued bonus payable	-	-	-	(122)	(103)	(108)
3 emPerform invoice credits/returns	(97)	(121)	-	(77)	(205)	(93)
4 GST/HST payable	-	(142)	(18)	-	(151)	(98)
5 Due to India	40	16	(52)	30	16	(34)
6 Dynamics CRM prof. services revenue	-	-	50	-	-	7
Potential adjustments	99	(86)	(20)	143	(284)	(188)
Net working capital, potentially adjusted	**1,327**	**1,201**	**1,597**	**902**	**1,365**	**1,197**
TTM potentially adjusted net sales	7,732	7,825	7,754	7,732	7,825	7,754
As % of TTM net sales	*17.2%*	*15.3%*	*20.6%*	*11.7%*	*17.4%*	*15.4%*

Source: Internal trial balances; KPMG analysis

Potential adjustments

The following net working capital adjustments were identified during due diligence:

1. **Related party balances (excl. Due to India):** Several related party balances, other than the entity in India that conducts emPerform, are financing in nature and will be cleared prior to close. Post close, activity with these entities is not expected. Therefore, the respective related party balances are removed from working capital as shown in the table below:

Related party balances (excl. Due to India)			
	Average		
$'000	FY16	FY17	FY18
SII credit included in AR subledger	209	209	191
Loan Receivable from CRG South	(35)	(35)	(32)
Loan Receivable South Africa	(21)	(14)	(21)
Intercompany Clearing ACCT CRG	0	-	-
AR Vijay Jog	0	-	-
CRG India - A/R	159	-	-
WC adjustment	**312**	**159**	**139**

Source: Internal trial balances; KPMG analysis

An adjustment for the activity performed by the Indian entity is discussed on the next page.

2. **Accrued bonus payable:** This adjustment records a bonus accrual ratably over the fiscal year as Management only records the bonus payable at year end. The actual amounts paid formed the basis of the quantified amount.

3. **emPerform invoice credits/returns:** Invoice credits and returns were processed several months subsequent to the recording of the original invoice. The impact of this practice inflated accounts receivable until the credits and returns were processed. This adjustment allocates the credits and returns to their corresponding invoices and decreases reported working capital.

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Working capital (3) - *Potential adjustments*

Working capital						
	As at			Average		
$'000	31-Dec-16	31-Dec-17	31-Dec-18	FY16	FY17	FY18
Current assets						
Accounts receivable	1,890	1,802	2,033	1,250	1,877	1,519
Prepaid expenses and other assets	11	21	15	32	19	22
Total current assets	1,901	1,823	2,048	1,282	1,897	1,542
Current liabilities						
Accounts Payable	(459)	(352)	(112)	(322)	(264)	(114)
Accrued expenses	(273)	(232)	(244)	(46)	(48)	(45)
GST payable	95	90	(33)	(51)	100	46
Payroll liabilities	(34)	(43)	(41)	(103)	(35)	(43)
Total current liabilities	(672)	(537)	(431)	(523)	(247)	(157)
Net working capital, reported	**1,228**	**1,286**	**1,617**	**759**	**1,650**	**1,385**
TTM reported net sales	9,559	9,567	9,375	9,559	9,567	9,375
As % of TTM net sales	*12.8%*	*13.4%*	*17.2%*	*7.9%*	*17.2%*	*14.8%*
Potential adjustments						
1 Related party balances (excl. Due to India)	156	161	-	312	159	139
2 Accrued bonus payable	-	-	-	(122)	(103)	(108)
3 emPerform invoice credits/returns	(97)	(121)	-	(77)	(205)	(93)
4 GST/HST payable	-	(142)	(18)	-	(151)	(98)
5 Due to India	40	16	(52)	30	16	(34)
6 Dynamics CRM prof. services revenue	-	-	50	-	-	7
Potential adjustments	99	(86)	(20)	143	(284)	(188)
Net working capital, potentially adjusted	**1,327**	**1,201**	**1,597**	**902**	**1,365**	**1,197**
TTM potentially adjusted net sales	7,732	7,825	7,754	7,732	7,825	7,754
As % of TTM net sales	*17.2%*	*15.3%*	*20.6%*	*11.7%*	*17.4%*	*15.4%*

Source: Internal trial balances; KPMG analysis

Potential adjustments (continued)

4. **GST/HST payable:** Average reported GST/HST payable balances in FY16, FY17 and FY18 are ($51,000), $100,000 and $46,000, respectively. Management represents that a year end entry was made in FY16 to correct $288,000 of HST charged to a related party that should not have occurred. During FY18, the Company short paid its HST remittances by approximately $13,000 per month as their external accountant advised they were owed money from prior periods. Tax diligence was not included in the scope of our work and without an accurate estimate of historical GST/HST balances, the average balance of FY16 is used as the basis of this adjustment.

5. **Due to India:** Amounts owed to a related party that conducts activities related to emPerform do not reflect standard trade terms. This adjustment is quantified based on the fiscal year's average monthly expense, therefore implying 30 day terms, and is applied throughout the historical period.

Due to India			
	Average		
$'000	FY16	FY17	FY18
Due to India, reported	(50)	(41)	13
Due to India, pro forma	(20)	(25)	(21)
WC adjustment	**30**	**16**	**(34)**

Source: Internal trial balances; KPMG analysis

6. **Dynamics CRM professional services revenue:** The Company billed a client in Jan-19 and Feb-19 for services pertaining to Nov-18 and Dec-18. This adjustment records the unbilled receivable balances in FY18.

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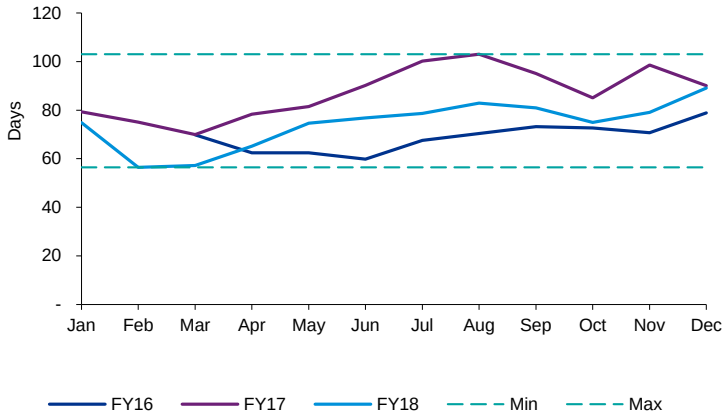
Working capital (4) – Trade ratios

Working capital metrics, adjusted	FY16	FY17	FY18
DSO			
Max	79	103	86
Average	69	87	74
Min	60	70	56
Variance from high	*10*	*16*	*12*
Variance from low	*(9)*	*(17)*	*(18)*
DPO			
Max	47	46	56
Average	40	38	26
Min	32	32	13
Variance from high	*7*	*8*	*30*
Variance from low	*(8)*	*(6)*	*(13)*
Cash conversion cycle			
Max	36	68	64
Average	29	49	48
Min	24	32	8
Variance from high	*7*	*19*	*16*
Variance from low	*(5)*	*(18)*	*(40)*

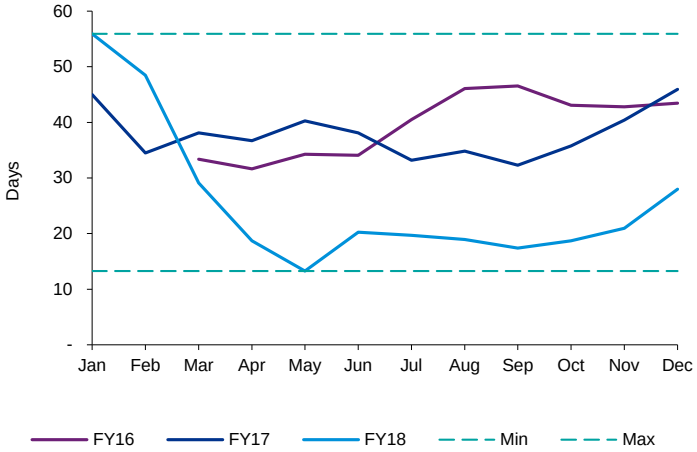
Source: Internal trial balances; KPMG analysis

DSO, adjusted



Source: Internal trial balances; KPMG analysis

DPO, adjusted



Source: Internal trial balances; KPMG analysis

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Net debt

Net debt

Net debt	
$'000	**31-Dec-18**
Net cash/ (debt)	
Cash	1,834
Short-term investments	91
Income taxes payable	(55)
Net debt, reported	**1,871**
Potential adjustments	
1 Leasehold improvements	(150)
2 Deferred revenue, reported	(187)
3 Deferred revenue, unrecorded	(1,605)
4 Credits in accounts receivable subledger	(48)
5 Dividend payable	(1,500)
Potential adjustments	(3,490)
Net debt, potentially adjusted	**(1,619)**

Source: Internal trial balances; KPMG analysis

Net debt

The Company's reported net debt at December 31, 2018 consists of cash, marketable securities and income taxes payable.

We understand that the marketable securities will be liquidated prior to close and that the cash balance will be distributed to the shareholders. As a result, the income taxes payable balance may change significantly.

We recommend that the reported net debt items in the table be considered in your valuation and suggest the following debt-like items also be considered in your valuation of the Company.

Potential adjustments to net debt

1. **Leasehold improvements:** Based on our discussion with Management, the Company expects to incur $100,000 - $150,000 in office remodeling costs. The upper end of the range is reflected in the adjacent table.
2. **Deferred revenue, reported:** The Company has a few customers that have signed on for multi-year agreements related to its emPerform products. Invoices are generated annually and Management separately monitors the deferred revenues associated with these invoices. As the Company has received the cash from the customer and the services remain to be performed throughout the year, the reported deferred revenue balance should be considered debt-like in nature.
3. **Deferred revenue, unrecorded:** Other than select customers mentioned in potential net debt adjustment #2, the Company does not record deferred revenues relates to its emPerform and Apps offerings. Based on information provided by Management, the estimated deferred revenue balance associated with these offerings is $1.6 million at December 31, 2018. This balance should also be considered debt-like in nature.
4. **Credits in accounts receivable subledger:** Based on a review of the AR subledger, credits totaling $48,000 were recorded for two customers: Petroservice and J2 Global Canada, Inc. As these amounts reflect customer credits, they are debt-like in nature and should be considered in your valuation model.
5. **Accrued dividend payable:** According to the draft FY18 financial statements, a dividend payable was recorded which is due to SII. To the extent the dividends were legally declared and not paid prior to close, any remaining amount should be considered net debt and factored into your valuation model.

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Appendices

1. Engagement letter procedures
2. Reconciliation to external financial statements
3. Adjusted income statement
4. EBITDA bridge
5. Revenue recognition guidance: Principal vs. agent
6. Revenue analysis – Non-recurring vs. Recurring
7. Top 10 customers (ranked by FY18)
8. Payroll and headcount analysis
9. Stratified balance sheet
10. Accounts receivable
11. Accounts payable
12. Fixed assets continuity
13. Deferred revenue (reported)

Engagement letter procedures (1/2)

Financial Due Diligence

Our work will include diligence on Corporate Renaissance Group ("Target"), and will concentrate on financial information for the last three fiscal years ended December 31, 2016, 2017 and 2018.

1. **Overview**
   Meet with Target's officers and management in order to develop an understanding of operations, including its:
   a) Basis of financial information;
   b) Organization structure;
   c) Historical growth by business/segment/geography;
   d) Significant accounting policies and estimates; and
   e) Finance function, financial reporting framework and internal control environment.
2. **Quality of earnings**
   Identify, and where possible quantify, potential earnings before interest, taxes, depreciation, and amortization ("EBITDA") normalization items by considering:
   a) The impact of the normalization adjustments identified by Management;
   b) Large, unusual or non-recurring events, or transactions that may have distorted results;
   c) The impact of any changes to senior management or management team structure;
   d) The impact of provisions (allowance for doubtful accounts, etc.), management estimates or adjusting entries on the reported results;
   e) The impact of foreign currency transactions;
   f) The impact of related party transactions and shared services provided by other entities, if applicable;
   g) The impact of any changes in accounting policies, procedures and estimates; and
   h) Other potential items identified during the due diligence process.
3. **EBITDA Bridge**
   Analyze the Target's historical EBITDA and identify key drivers of year over year change:
   a) Fiscal year 2016 to fiscal year 2017; and
   b) Fiscal year 2017 to fiscal year 2018.

Supporting analyses to quality / sustainability of earnings

4. **Revenue and profitability trends**
   Obtain and read an analysis of Target's revenue and margins and inquire about:
   a) Revenue and profitability by type;
   b) Revenue and profitability by product/service;
   c) Revenue and profitability by significant customer;/retail partner;
   d) Impact of seasonality, if any;
   e) Billing practices; and
   f) Recurring vs. non-recurring revenues.
   For each of the above items a) – c), inquire about key performance indicators such as average billing rate, etc.
5. **Cost of sales**
   Obtain and read an analysis of cost of sales and inquire about:
   a) Cost of sales components and costing methodology;
   b) Vendor rebates, if any;
   c) Purchase commitments and related programs;
   d) Foreign exchange gains or losses (realized and unrealized).
1. **Operating expenses**
   Obtain and read an analysis of operating expenses and inquire about:
   a) Payroll analysis including bonus/incentive compensation;
   b) Selling, general and administration expenses;
   c) Rent and utilities expense;
   d) Research and development expenses, if any; and
   e) Unusual and extraordinary items.
2. **Working capital**
   a) Comment on working capital trends for the past 24 months;
   b) Adjust working capital for any significant items which are considered to be non-recurring in nature;
   c) Comment on the seasonality of working capital;
   d) Comment on cash management procedures; and
   e) Understand trade ratio trends.

Supporting analyses to working capital

3. **Accounts receivable**
   Obtain and read an analysis of accounts receivable and inquire and comment on:
   a) Trade and non-trade balances;
   b) Aging analysis and turnover analysis; and
   c) Allowance for uncollectible accounts, write-offs and reserves.
4. **Other assets**
   Prepare a summary of other assets (e.g., other receivables, prepaid expenses and other current assets, etc.,) and comment on unusual items, significant fluctuations and significant balances.
5. **Accounts payable and accrued liabilities**
   Obtain and read an analysis of accounts payable, accrued liabilities and customer deposits and inquire about:
   a) Accounts payable aging and days outstanding;
   b) Accrued liabilities;
   c) Supplier settlement terms; and
   d) Other current and non-current liabilities.
6. **Capital expenditure and fixed assets**
   Obtain and read an analysis of historic and future capital cost requirements including:
   a) Maintenance versus growth capital expenditures;
   b) Other historical, deferred, and planned capital expenditures;
   c) Historical replacement cycle and costs; and
   d) Impairment write-downs and other issues.

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Engagement letter procedures (2/2)

12. **Net Debt**
    Prepare a summary of debt and debt-like items (e.g. notes payable, letters of credit, capital vendor payables, etc.), other assets, and liabilities and comment on unusual items, significant fluctuations and significant balances.

13. **Related Party Transactions**
    Inquire about and summarize related party transactions including:
    a) Nature and extent of related party transactions; and
    b) Basis of pricing for arrangements with related parties.

14. **Commitments and Contingencies**
    Inquire about significant commitments and contingent liabilities including:
    a) Off-balance sheet liabilities;
    b) Purchase commitments;
    c) Operating and capital leases;
    d) Incentive compensation and employee benefit obligations;
    e) Expected or contingent liabilities (e.g. environmental, litigation, regulatory and tax); and
    f) Pending or threatened litigation or investigations.

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Appendix 2

Reconciliation to external financials - Income statement

Income statement reconciliation									
	FY16			FY17			FY18		
$'000	Reviewed	Variance	Internal	Reviewed	Variance	Internal	Reviewed	Variance	Internal
Revenue	9,559	0	9,559	9,567	(0)	9,567	9,374	(1)	9,375
Cost of sales	(2,744)	(1)	(2,743)	(2,332)	(0)	(2,332)	(2,508)	(275)	(2,233)
Gross margin	6,814	(1)	6,815	7,235	(0)	7,235	6,866	(276)	7,142
Advertising and promotion	(339)	(0)	(339)	(426)	(0)	(426)	(344)	0	(344)
Amortization	(67)	(0)	(67)	(78)	0	(78)	(57)	0	(57)
Bad debts	(35)	0	(35)	(34)	(0)	(34)	(13)	(0)	(13)
Bank charges and interest	(55)	(0)	(55)	(30)	(0)	(30)	(12)	(0)	(12)
Consultants	(312)	1	(312)	(260)	(0)	(260)	(20)	275	(295)
Employee wages	(2,370)	0	(2,370)	(2,573)	0	(2,573)	(2,601)	(0)	(2,601)
Employee benefits	(371)	0	(371)	(414)	(0)	(414)	(426)	0	(426)
Entertainment	(20)	0	(20)	(15)	0	(15)	(11)	0	(11)
Equipment rental	(18)	0	(18)	(20)	0	(20)	(18)	(0)	(18)
Insurance	(17)	0	(17)	(18)	0	(18)	(19)	0	(19)
Licenses, fees and dues	(23)	0	(23)	(26)	(0)	(26)	(17)	(0)	(17)
Postage, stationery and office	(71)	(0)	(71)	(73)	(0)	(73)	(54)	(0)	(54)
Professional fees	(13)	0	(13)	(9)	-	(9)	(9)	-	(9)
Rent	(265)	0	(265)	(250)	(0)	(250)	(269)	(0)	(269)
Repairs and maintenance	(0)	-	(0)	(1)	(0)	(1)	-	-	-
Supplies	(13)	(0)	(13)	(14)	0	(14)	(11)	(0)	(11)
Telephone and communications	(106)	(0)	(106)	(118)	0	(118)	(88)	(0)	(88)
Travel	(70)	(0)	(70)	(95)	(0)	(95)	(103)	0	(103)
Expenses	(4,163)	1	(4,164)	(4,452)	(0)	(4,452)	(4,073)	275	(4,348)
Income from operations	2,651	0	2,651	2,783	(0)	2,783	2,793	(1)	2,794
Gain (loss) on foreign exchange	102	(4)	107	(275)	0	(275)	164	1	163
Unrealized gain in FMV of investments	4	4	-	16	0	16	20	(0)	20
Interest income	1	0	1	1	(0)	1	1	0	1
Loss on disposal of property, plant and equipment	(24)	0	(24)	(6)	-	(6)	-	-	-
Income before income taxes	2,735	0	2,735	2,518	(0)	2,518	2,979	(0)	2,979
Income taxes	(500)	-	(500)	(642)	-	(642)	(697)	-	(697)
Net income	**2,234**	**0**	**2,234**	**1,876**	**(0)**	**1,876**	**2,282**	**(0)**	**2,282**

Source: Internal and audited financials

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Appendix 2

Reconciliation to external financials - Balance sheet

Balance sheet reconciliation									
	31-Dec-16			31-Dec-17			31-Dec-18		
$'000	Reviewed	Variance	Internal	Reviewed	Variance	Internal	Draft	Variance	Internal
Assets									
Cash	1,115	0	1,115	1,881	0	1,881	1,834	0	1,834
Short-term investments	55	0	55	71	0	71	91	(0)	91
Accounts receivable	1,997	108	1,890	1,884	82	1,802	2,033	(0)	2,033
Income taxes recoverable	39	39	-	-	-	-	-	-	-
Loan receivable from a related company	859	(0)	859	-	756	(756)	(1,469)	31	(1,500)
Prepaid expenses	11	(0)	11	21	(0)	21	15	(0)	15
Current assets	4,076	147	3,930	3,858	838	3,020	2,504	31	2,473
Loan receivable from a related company, not expected to be received within one year	53	53	-	48	48	-	-	-	-
Property, plant and equipment	155	0	155	88	(0)	88	42	(0)	42
Total assets	**4,284**	**199**	**4,085**	**3,994**	**886**	**3,108**	**2,546**	**31**	**2,515**
Liabilities and shareholders' equity									
Accounts payable and accrued liabilities	(773)	(161)	(612)	(625)	(130)	(495)	(461)	(0)	(461)
Other accounts payable	(60)	(0)	(60)	(41)	(0)	(41)	-	(31)	31
Unearned revenue	(536)	-	(536)	(288)	(0)	(288)	(187)	0	(187)
Income taxes payable	-	(39)	39	(143)	-	(143)	(55)	-	(55)
Loan payable to a related company	-	-	-	(756)	(756)	-	-	-	-
Current liabilities	(1,369)	(199)	(1,169)	(1,853)	(886)	(967)	(703)	(31)	(672)
Total liabilities	(1,369)	(199)	(1,169)	(1,853)	(886)	(967)	(703)	(31)	(672)
Share capital	(600)	(0)	(600)	(600)	(0)	(600)	(600)	(0)	(600)
Retained earnings	(2,315)	(0)	(2,315)	(1,540)	(0)	(1,540)	(1,242)	0	(1,243)
Total shareholders' equity	(2,915)	(0)	(2,915)	(2,140)	(0)	(2,140)	(1,843)	(0)	(1,843)
Total liabilities and shareholders' equity	**(4,284)**	**(200)**	**(4,084)**	**(3,994)**	**(886)**	**(3,108)**	**(2,546)**	**(31)**	**(2,515)**

Source: Internal and audited financials

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Appendix 3

Adjusted Income statement

Income statement - Reported and adjusted															
	Reported (A)			Reclassification (B)			Management adjustments (C)			Potential adjustments (D)			Potentially Adjusted [E] = [A] + [B] + [C] + [D]		
$'000	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
Sales	9,559	9,567	9,375	-	-	-	(351)	(336)	(350)	(1,475)	(1,406)	(1,271)	7,732	7,825	7,754
Cost of Goods Sold	(2,743)	(2,332)	(2,233)	-	-	-	-	-	-	1,658	1,561	1,721	(1,085)	(771)	(512)
Gross Profit	**6,815**	**7,235**	**7,142**	**-**	**-**	**-**	**(351)**	**(336)**	**(350)**	**183**	**155**	**449**	**6,647**	**7,054**	**7,241**
Advertising and promotion	(339)	(426)	(344)	-	-	-	-	-	-	-	-	-	(339)	(426)	(344)
Depreciation Expense	(67)	(78)	(57)	-	-	-	-	-	-	-	-	-	(67)	(78)	(57)
Bad Debts Expense	(35)	(34)	(13)	-	-	-	-	-	-	-	-	-	(35)	(34)	(13)
Bank charges and interest	(55)	(30)	(12)	-	-	-	-	-	-	-	-	-	(55)	(30)	(12)
Consultants	(312)	(260)	(295)	-	-	-	-	-	-	(12)	15	3	(324)	(245)	(292)
Employee benefits	(371)	(414)	(426)	-	-	-	-	-	-	-	-	-	(371)	(414)	(426)
Employee wages	(2,370)	(2,573)	(2,601)	-	-	-	251	306	240	(441)	(441)	(370)	(2,560)	(2,708)	(2,731)
Entertainment	(20)	(15)	(11)	-	-	-	-	-	-	-	-	-	(20)	(15)	(11)
Equipment Rental	(18)	(20)	(18)	-	-	-	-	-	-	-	-	-	(18)	(20)	(18)
Insurance Expense	(17)	(18)	(19)	-	-	-	-	-	-	-	-	-	(17)	(18)	(19)
Licenses, fees and dues	(23)	(26)	(17)	-	-	-	-	-	-	-	-	-	(23)	(26)	(17)
Gain/(Loss) on Disposal of Equ	(24)	(6)	-	-	-	-	-	-	-	24	6	-	-	-	-
Postage, stationary and office	(71)	(73)	(54)	-	-	-	-	-	-	-	-	-	(71)	(73)	(54)
Professional fees	(13)	(9)	(9)	-	-	-	-	-	-	-	-	-	(13)	(9)	(9)
Security/Alarm System	(0)	(1)	-	-	-	-	-	-	-	-	-	-	(0)	(1)	-
Rent - Ottawa	(265)	(250)	(269)	-	-	-	-	-	-	-	-	-	(265)	(250)	(269)
Supplies	(13)	(14)	(11)	-	-	-	-	-	-	-	-	-	(13)	(14)	(11)
Telephone and communication	(106)	(118)	(88)	-	-	-	-	-	-	-	-	-	(106)	(118)	(88)
Travel & Accomodation Expenses	(70)	(95)	(103)	-	-	-	-	-	-	-	-	-	(70)	(95)	(103)
Unrealized Gain/Loss	-	16	20	-	-	-	-	-	-	-	(16)	(20)	-	-	-
Gain/(Loss) on Foreign Exchange	107	(275)	163	-	-	-	-	-	-	-	-	-	107	(275)	163
Interest Income	1	1	1	-	-	-	-	-	-	-	-	-	1	1	1
Other Expense	-	-	0	-	-	-	-	-	-	-	-	-	-	-	0
Operating Expense	(4,081)	(4,716)	(4,163)	-	-	-	251	306	240	(429)	(436)	(388)	(4,258)	(4,846)	(4,311)
Operating profit	2,735	2,518	2,979	-	-	-	(100)	(30)	(110)	(246)	(281)	62	2,389	2,208	2,931
Income Taxes	(500)	(642)	(697)	-	-	-	-	-	-	-	-	-	(500)	(642)	(697)
Net Income	**2,234**	**1,876**	**2,282**	**-**	**-**	**-**	**(100)**	**(30)**	**(110)**	**(246)**	**(281)**	**62**	**1,889**	**1,566**	**2,233**
Add / (deduct):															
Depreciation and amortization	67	78	57	-	-	-	-	-	-	-	-	-	67	78	57
Interest	54	28	11	-	-	-	-	-	-	-	-	-	54	28	11
Taxes	500	642	697	-	-	-	-	-	-	-	-	-	500	642	697
EBITDA	**2,856**	**2,625**	**3,047**	**-**	**-**	**-**	**(100)**	**(30)**	**(110)**	**(246)**	**(281)**	**62**	**2,510**	**2,314**	**2,999**

Source: Internal trial balances; KPMG analysis

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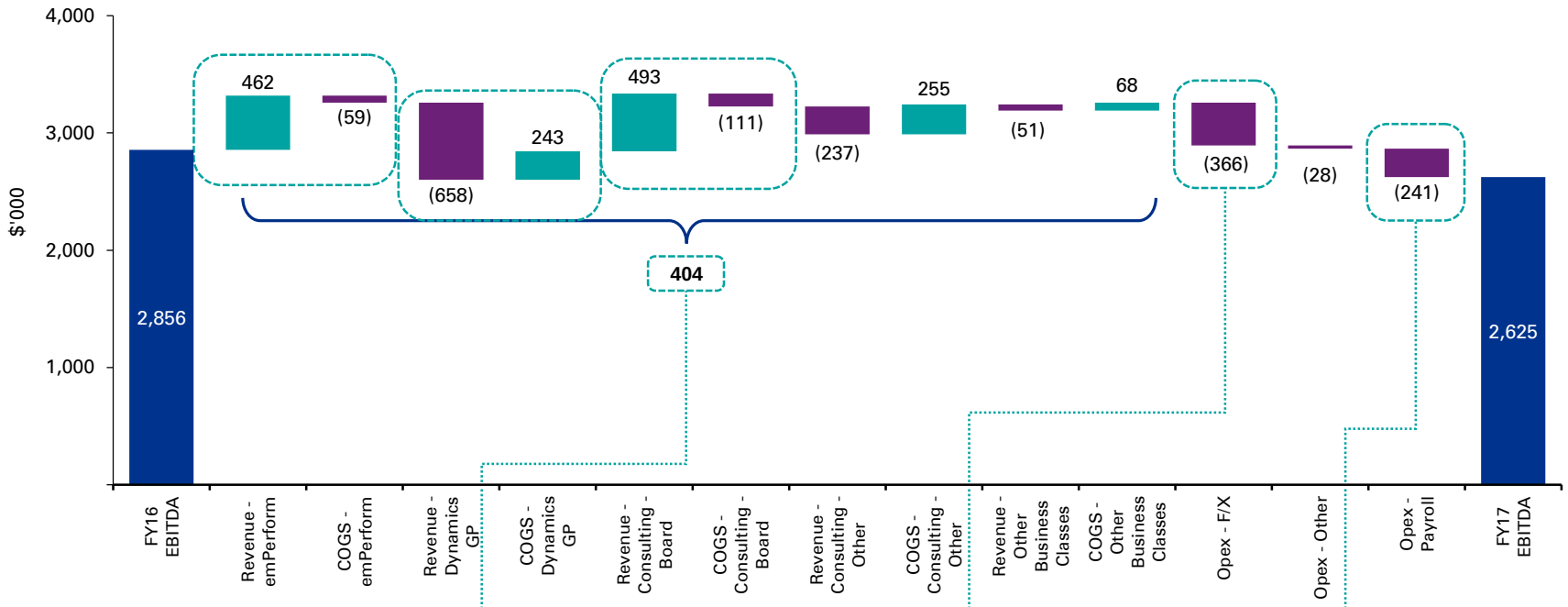
Appendix 4

EBITDA bridge FY16 - FY17 (reported)

FY16 - FY17 EBITDA bridge (Reported)



Gross profit increased by $404,000 in FY17 primarily due to an increase in emPerform revenues (renewal revenues increased from $1.0 million to $1.4 million) and BOARD consulting revenues (specifically professional services) which contributed an increase of $0.5 million.

The above increases were offset by a decline in Dynamics GP gross margin of $0.4 million.

Reported foreign exchange in FY17 was a loss of $275,000 compared to a gain of $107,000 in FY16.

Payroll expenses increased by $241,000 which is comprised of an increase in bonus ($50,000), increase in average base salary ($105,000) and an increase in headcount ($86,000).

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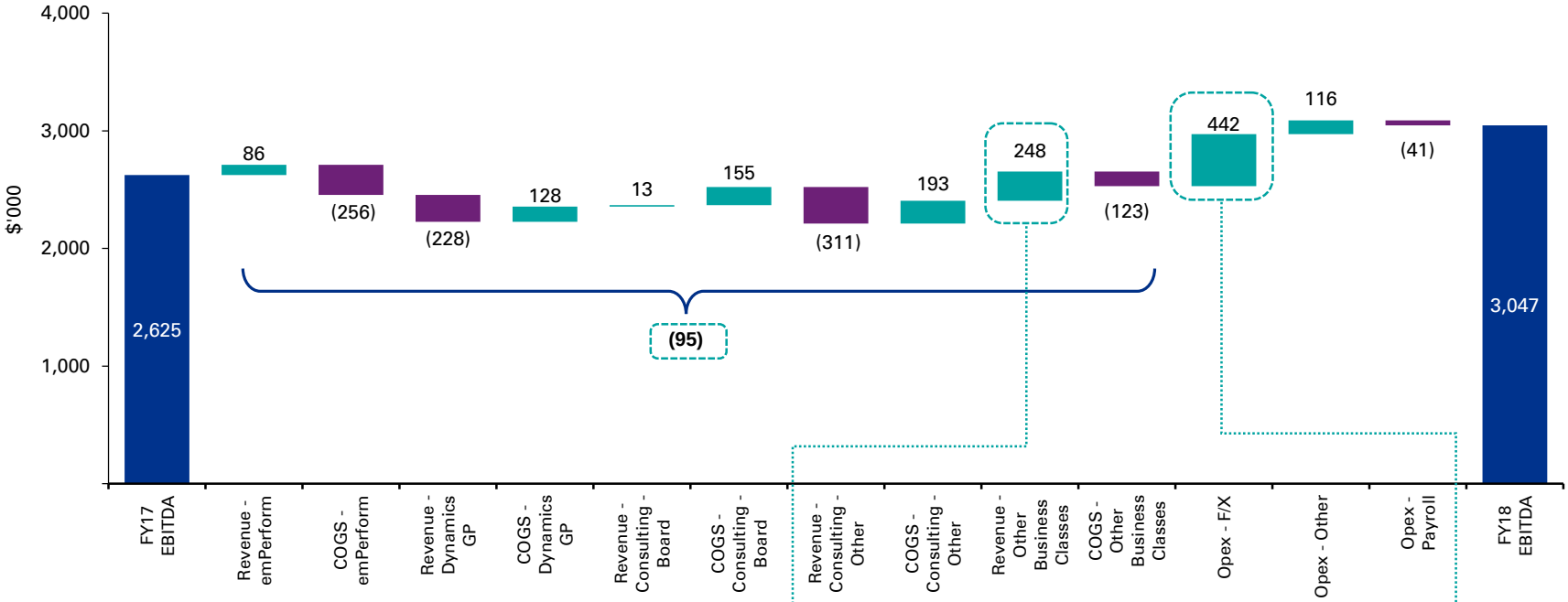
Appendix 4

EBITDA bridge FY17 - FY18 (reported)

FY17 - FY18 EBITDA bridge (Reported)



Included in "other business classes" is marginal revenue associated with Dynamics 365, Microsoft's cloud-based solution.

Reported foreign exchange in FY18 was a gain of $163,000 compared to a loss of $275,000 in FY17.

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Appendix 5

Revenue recognition guidance: Principal versus agent

Determination of whether the performance obligation is to provide a specified good or service or to arrange for the other party to provide the specified good or service under IFRS 15:

If the entity ***controls*** the specified good or service (which may be a right to a good or service) in advance of transferring that good or service to the customer

then

Entity is the **principal** in the transaction

Revenue recognized **gross**

Control = the ability to direct the use of, and obtain substantially all of the remaining benefits from the specified good or service

Indicators that an entity ***controls*** the specified good or service before it is transferred to the customer

Entity is **primarily responsible for fulfilling** the promise to provide the specified good or service

Entity has **inventory risk**

Entity has **discretion in establishing prices**

If entity **does not obtain control** of the good or service in advance of transferring that good or service to the customer, the entity is an **agent** and recognizes the **net** amount of revenue.

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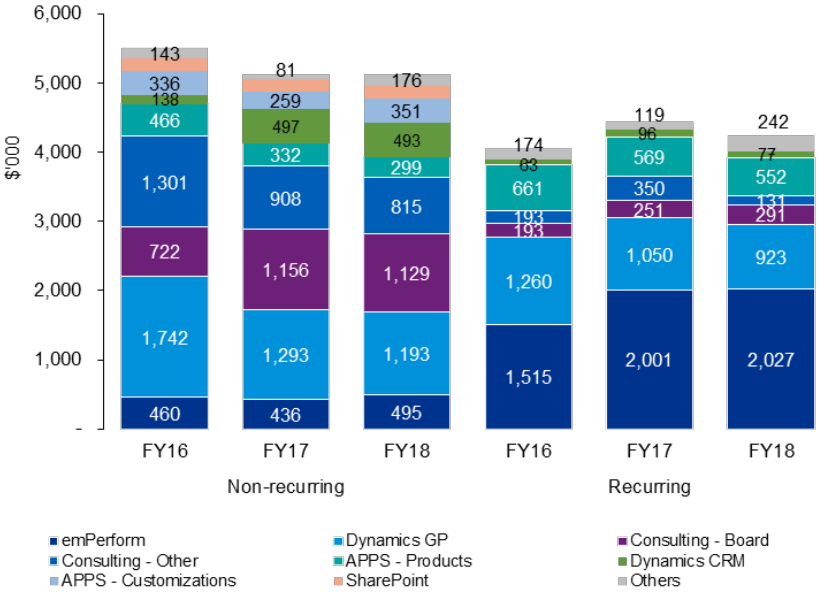
Appendix 6

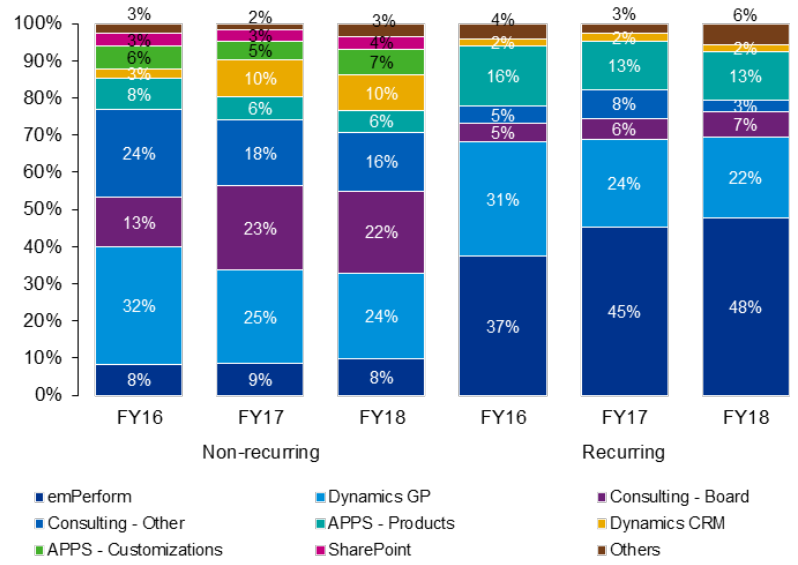
Recurring and non-recurring revenues by business class (reported)

Revenue - Non-recurring vs. recurring by business class



Source: Management provided information; KPMG analysis

Revenue - Non-recurring vs. recurring by business class %



Source: Management provided information; KPMG analysis

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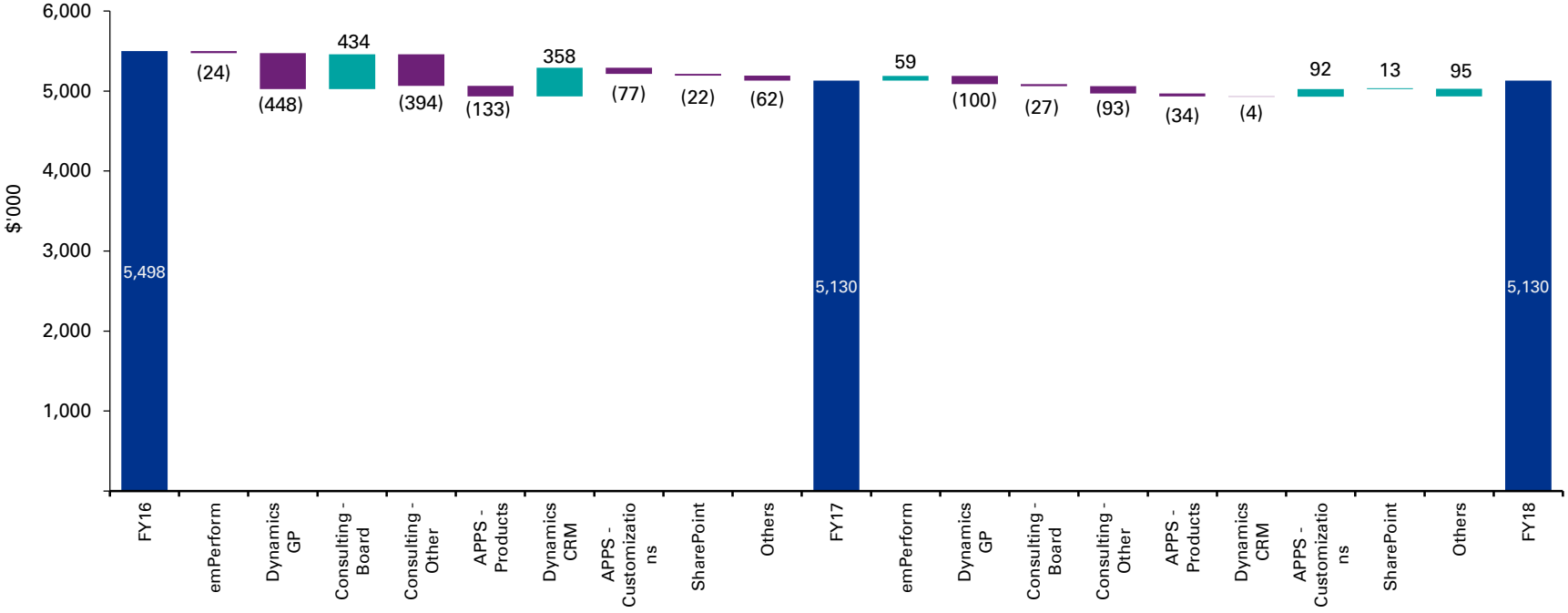
Appendix 6

Non-recurring revenue bridge - FY16 - FY18 (reported)

Revenue bridge - Non-recurring revenue (Reported)



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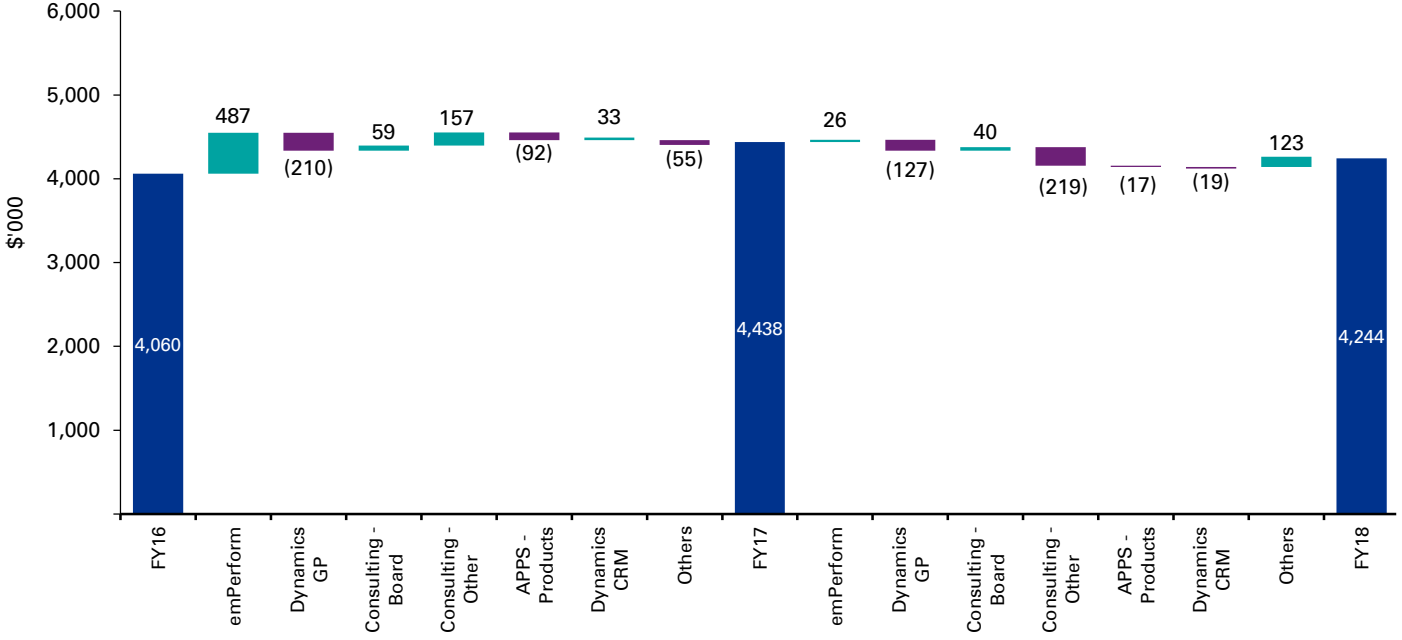
Appendix 6

Recurring revenue bridge - FY16 - FY18 (reported)

Revenue bridge - Recurring revenue (Reported)



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Appendix 7

Top 10 customers (ranked by FY18) (1/2)

Blue Waters Products Limited

	Billed revenue			As a % of total		
$'000	FY16	FY17	FY18	FY16	FY17	FY18
100Consulting - Other	15	59	309	*5.1%*	*15.4%*	*50.9%*
140Consulting - Board	8	13	131	*2.6%*	*3.4%*	*21.6%*
150Consulting - Atlassian	193	83	118	*66.8%*	*21.8%*	*19.5%*
210Dynamics GP	-	-	27	-	-	*4.4%*
220Dynamics CRM	13	12	17	*4.4%*	*3.1%*	*2.8%*
230SharePoint	52	214	4	*18.0%*	*56.0%*	*0.6%*
500APPS - Products	6	1	1	*2.2%*	*0.2%*	*0.1%*
600emPerform	2	0	0	*0.9%*	*0.1%*	*0.1%*
Total	**289**	**382**	**608**	***100.0%***	***100.0%***	***100.0%***

Source: Management provided information; KPMG analysis

Canada Deposit Insurance Corporation

	Billed revenue			As a % of total		
$'000	FY16	FY17	FY18	FY16	FY17	FY18
140Consulting - Board	-	163	192	-	*81.1%*	*82.9%*
210Dynamics GP	63	38	39	*99.5%*	*18.8%*	*17.0%*
500APPS - Products	0	0	0	*0.5%*	*0.2%*	*0.1%*
Total	**63**	**201**	**231**	***100.0%***	***100.0%***	***100.0%***

Source: Management provided information; KPMG analysis

Canadian Association for Laboratory Accreditation

	Billed revenue			As a % of total		
$'000	FY16	FY17	FY18	FY16	FY17	FY18
220Dynamics CRM	-	73	247	-	*100.0%*	*98.7%*
300Infrastructure	-	-	2	-	-	*0.7%*
210Dynamics GP	-	-	2	-	-	*0.6%*
Total	**-**	**73**	**250**	**-**	***100.0%***	***100.0%***

Source: Management provided information; KPMG analysis

Medavie Blue Cross

	Billed revenue			As a % of total		
$'000	FY16	FY17	FY18	FY16	FY17	FY18
210Dynamics GP	246	147	130	*60.4%*	*56.8%*	*62.3%*
140Consulting - Board	87	86	69	*21.3%*	*33.5%*	*33.0%*
500APPS - Products	12	10	10	*2.9%*	*3.8%*	*4.7%*
100Consulting - Other	10	15	-	*2.4%*	*6.0%*	-
110Consulting - CPM-BI	53	-	-	*13.0%*	-	-
Total	**408**	**258**	**209**	***100.0%***	***100.0%***	***100.0%***

Source: Management provided information; KPMG analysis

Koppers Inc.

	Billed revenue			As a % of total		
$'000	FY16	FY17	FY18	FY16	FY17	FY18
140Consulting - Board	-	-	234	-	-	*100.0%*
Total	**-**	**-**	**234**	**-**	**-**	***100.0%***

Source: Management provided information; KPMG analysis

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Appendix 7

Top 10 customers (ranked by FY18) (2/2)

Medical Pharmacies Group Ltd.

	Billed revenue			As a % of total		
$'000	FY16	FY17	FY18	FY16	FY17	FY18
210Dynamics GP	87	68	122	*34.2%*	*67.3%*	*70.6%*
510APPS - Customizations	167	33	51	*65.8%*	*32.7%*	*29.4%*
Total	**254**	**101**	**173**	***100.0%***	***100.0%***	***100.0%***

Source: Management provided information; KPMG analysis

Waterloo Brewing Co.

	Billed revenue			As a % of total		
$'000	FY16	FY17	FY18	FY16	FY17	FY18
100Consulting - Other	-	46	74	-	*22.1%*	*68.3%*
140Consulting - Board	-	109	24	-	*52.2%*	*21.8%*
210Dynamics GP	-	53	11	-	*25.7%*	*9.9%*
Total	**-**	**208**	**108**	**-**	***100.0%***	***100.0%***

Source: Management provided information; KPMG analysis

AA Laquis Ltd.

	Billed revenue			As a % of total		
$'000	FY16	FY17	FY18	FY16	FY17	FY18
100Consulting - Other	301	230	159	*97.2%*	*97.4%*	*98.8%*
600emPerform	9	6	2	*2.8%*	*2.6%*	*1.2%*
Total	**309**	**236**	**161**	***100.0%***	***100.0%***	***100.0%***

Source: Management provided information; KPMG analysis

Cdn Foundation for Healthcare Improvement

	Billed revenue			As a % of total		
$'000	FY16	FY17	FY18	FY16	FY17	FY18
140Consulting - Board	-	229	67	-	*65.2%*	*71.0%*
220Dynamics CRM	-	3	14	-	*0.9%*	*15.3%*
210Dynamics GP	37	119	8	*100.0%*	*33.8%*	*8.9%*
110Consulting - CPM-BI	-	-	5	-	-	*4.8%*
Total	**37**	**350**	**95**	***100.0%***	***100.0%***	***100.0%***

Source: Management provided information; KPMG analysis

Sogema Technologie Inc.

	Billed revenue			As a % of total		
$'000	FY16	FY17	FY18	FY16	FY17	FY18
210Dynamics GP	471	81	152	*100.0%*	*100.0%*	*100.0%*
Total	**471**	**81**	**152**	***100.0%***	***100.0%***	***100.0%***

Source: Management provided information; KPMG analysis

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Appendix 8

Payroll register reconciliation and benefits analysis

Payroll register reconciliation			
$'000	**FY16**	**FY17**	**FY18**
Payroll by TB			
Salaries Expense	(1,811)	(1,935)	(1,953)
ADP Income Tax Withheld	(559)	(638)	(648)
Employee Benefits	(104)	(122)	(131)
Total	**(2,474)**	**(2,695)**	**(2,732)**
Payroll by registers			
Regular pay	(2,213)	(2,453)	(2,481)
Bonus	(214)	(266)	(225)
Payroll registers	**(2,427)**	**(2,720)**	**(2,706)**
Difference ($)	(47)	25	(26)
Difference (%)	*1.9%*	*(0.9%)*	*1.0%*

Source: Management provided information; KPMG analysis

Payroll benefits analysis			
$'000	**FY16**	**FY17**	**FY18**
Payroll expense			
Salaries Expense	(1,811)	(1,935)	(1,953)
ADP Income Tax Withheld	(559)	(638)	(648)
Employee Benefits	(104)	(122)	(131)
Subtotal (agrees to registers)	(2,474)	(2,695)	(2,732)
CPP - Employer	(152)	(166)	(170)
EI - Employer	(62)	(62)	(64)
EHT - Employer	(39)	(45)	(44)
Total	**(2,727)**	**(2,968)**	**(3,010)**
As a % of salaries expense			
ADP Income Tax Withheld	*30.9%*	*33.0%*	*33.2%*
Employee Benefits	*5.8%*	*6.3%*	*6.7%*
CPP - Employer	*8.4%*	*8.6%*	*8.7%*
EI - Employer	*3.4%*	*3.2%*	*3.3%*
EHT - Employer	*2.1%*	*2.3%*	*2.3%*
Total	***50.6%***	***53.4%***	***54.1%***

Source: Management provided information; KPMG analysis

Payroll reconciilation to GL			
$'000	**FY16**	**FY17**	**FY18**
Total payroll and payroll related	(2,727)	(2,968)	(3,010)
Misc. Employee Expense	(6)	(7)	(8)
Training and Certification	(7)	(12)	(9)
Total	(2,741)	(2,987)	(3,026)
Per GL			
Employee wages	(2,370)	(2,573)	(2,601)
Employee benefits	(371)	(414)	(426)
Total	(2,741)	(2,987)	(3,026)
Difference	-	-	-

Source: Management provided information; KPMG analysis

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Appendix 8

Full-time equivalents by dept. (1/2)

FTE analysis									
	Salary			Headcount			Salary/Headcount		
$'000	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
Dynamics	470	490	476	6.0	6.3	6.5	78	78	73
Consulting - Board, Tableau, Adaptive etc.	325	425	441	5.0	6.3	6.8	65	68	65
emPerform	397	422	430	5.8	6.0	6.3	69	70	69
Apps (3rd party products), software customization	350	358	414	4.0	4.0	4.5	87	90	92
Administration	296	357	328	5.0	5.3	4.3	59	68	77
Sharepoint /CRM	242	251	231	3.8	4.0	3.5	65	63	66
Marketing	132	150	161	3.0	3.0	3.5	44	50	46
Total	**2,213**	**2,453**	**2,481**	**32.5**	**34.8**	**35.3**	**68**	**71**	**70**

Source: Management provided information; KPMG analysis

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Appendix 8

Full-time equivalents by dept. (2/2)

FTE analysis

$'000	Salary FY16	Salary FY17	Salary FY18	Headcount FY16	Headcount FY17	Headcount FY18	Salary/Headcount FY16	Salary/Headcount FY17	Salary/Headcount FY18
Dynamics / GP									
Lakhani, Mansoor	91	93	95	1.0	1.0	1.0	91	93	95
Atluri, Prasad	91	93	94	1.0	1.0	1.0	91	93	94
Penney, David	84	88	90	1.0	1.0	1.0	84	88	90
Gillis, Angela	70	71	72	1.0	1.0	1.0	70	71	72
Jaber, Ilias	57	60	61	1.0	1.0	1.0	57	60	61
Atluri, Swetha	-	6	38	-	0.3	1.0	-	24	38
Holmes, Lonnie	78	80	25	1.0	1.0	0.5	78	80	51
Dynamics	470	490	476	6.0	6.3	6.5	78	78	73
Consulting - Board, Tableau, Adaptive etc.									
Ironstone, Thomas	76	84	90	1.0	1.0	1.0	76	84	90
Dinh, Quang	60	69	76	1.0	1.0	1.0	60	69	76
Paoletti, Donna	69	73	75	1.0	1.0	1.0	69	73	75
Bhatnagar, Yugank	-	49	66	-	0.8	1.0	-	65	66
Huang, David	66	68	35	1.0	1.0	0.8	66	68	46
Avetisyan, Areg	-	21	38	-	0.5	1.0	-	41	38
Bodnoff, Ryan	-	-	32	-	-	0.5	-	-	64
Nguyen, Trang	-	21	30	-	0.3	0.5	-	82	59
O'Farrell, D'Arcy	54	40	-	1.0	0.8	-	54	54	-
Consulting - Board, Tableau, Adaptive etc.	325	425	441	5.0	6.3	6.8	65	68	65
emPerform									
Smith, John	118	120	122	1.0	1.0	1.0	118	120	122
Rege, Anant	111	113	115	1.0	1.0	1.0	111	113	115
Bensaci, Lokmane	-	34	66	-	0.5	1.0	-	68	66
Simon, Rebecca	39	43	46	1.0	1.0	1.0	39	43	46
Mitchell, Bennett	-	-	36	-	-	0.8	-	-	48
Pajuelo-Blackman, Nicol	67	68	23	1.0	1.0	0.5	67	68	45
Durwas, Pradeep	21	22	22	1.0	1.0	1.0	21	22	22
Bell, Alison	22	-	-	0.5	-	-	43	-	-
Bowen, Margaret	20	23	-	0.3	0.5	-	81	45	-
emPerform	397	422	430	5.8	6.0	6.3	69	70	69

Source: Management provided information; KPMG analysis

FTE analysis

$'000	Salary FY16	Salary FY17	Salary FY18	Headcount FY16	Headcount FY17	Headcount FY18	Salary/Headcount FY16	Salary/Headcount FY17	Salary/Headcount FY18
Apps (3rd party products), software customization									
Rege, Aparna	105	107	109	1.0	1.0	1.0	105	107	109
Harris, Louise	91	93	96	1.0	1.0	1.0	91	93	96
Alwani, Ghaith	87	89	90	1.0	1.0	1.0	87	89	90
Yang, Cindy	68	70	71	1.0	1.0	1.0	68	70	71
Gibbons, David	-	-	47	-	-	0.5	-	-	95
Apps (3rd party products), software customization	350	358	414	4.0	4.0	4.5	87	90	92
Administration									
Hum, Doug	111	113	116	1.0	1.0	1.0	111	113	116
Vijay, Jog	60	115	120	1.0	1.0	1.0	60	115	120
Bodnoff, Lisa	50	52	53	1.0	1.0	1.0	50	52	53
Raymond, Jackie	-	15	35	-	0.5	1.0	-	29	35
Bounket-Curry, Sudara	36	32	5	1.0	1.0	0.3	36	32	19
Buchanan, Carson	40	30	-	1.0	0.8	-	40	40	-
Administration	296	357	328	5.0	5.3	4.3	59	68	77
Sharepoint /CRM									
Brown, Elizabeth	74	82	84	1.0	1.0	1.0	74	82	84
Foy, Matthew	51	65	75	1.0	1.0	1.0	51	65	75
Sarna Hardwar, Sing	-	35	39	-	0.5	0.8	-	69	52
Suh, Hee Won (Kiwi)	-	-	18	-	-	0.5	-	-	37
Xie, Bin	-	25	14	-	0.5	0.3	-	49	58
Aune, Brad	8	-	-	0.3	-	-	32	-	-
Kyritzopoulos, Kris	91	8	-	1.0	0.3	-	91	30	-
Lawal, Adeyemi	-	38	-	-	0.8	-	-	50	-
Tran, Quang	18	-	-	0.5	-	-	35	-	-
Sharepoint /CRM	242	251	231	3.8	4.0	3.5	65	63	66
Marketing									
Trudel, Natalie	72	77	79	1.0	1.0	1.0	72	77	79
Joerges, Brandon	33	37	39	1.0	1.0	1.0	33	37	39
Riera, Gabriel	18	36	32	0.5	1.0	1.0	36	36	32
Braden, Kira	-	-	12	-	-	0.5	-	-	24
Laporte, Carole	6	-	-	0.3	-	-	26	-	-
Morton, Dan	2	-	-	0.3	-	-	7	-	-
Marketing	132	150	161	3.0	3.0	3.5	44	50	46
Total	**2,213**	**2,453**	**2,481**	**32.5**	**34.8**	**35.3**	**68**	**71**	**70**

Source: Management provided information; KPMG analysis

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Appendix 8

Revenue/wage multiplier by employee

Revenue / wage multiplie analysis											
	Revenue billed			Total wages			Revenue/wage			Emloyee function	
$'000	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	Execution	Admin
Consulting - Board, Tableau, Adaptive etc.											
Ironstone, Thomas	148	170	167	86	100	105	1.7	1.7	1.6	*60.0%*	*40.0%*
Dinh, Quang	194	219	382	61	80	88	3.2	2.7	4.3	*70.0%*	*30.0%*
Paoletti, Donna	102	80	72	75	81	81	1.4	1.0	0.9	*30.0%*	*70.0%*
Bhatnagar, Yugank	1	7	62	-	49	68	-	0.1	0.9	*70.0%*	*30.0%*
Huang, David	107	146	63	66	75	43	1.6	1.9	1.5	*70.0%*	*30.0%*
Avetisyan, Areg	5	24	83	-	21	39	-	1.2	2.1	*70.0%*	*30.0%*
Bodnoff, Ryan	-	0	84	-	-	32	-	-	2.6	*70.0%*	*30.0%*
Nguyen, Trang	0	1	38	-	21	30	-	0.1	1.3	*70.0%*	*30.0%*
O'Farrell, D'Arcy	116	65	28	54	46	-	2.2	1.4	-	*70.0%*	*30.0%*
Consulting - Board, Tableau, Adaptive etc.	673	712	977	342	473	486	2.0	1.5	2.0	*64.4%*	*35.6%*
Apps (3rd party products), s/w customization											
Rege, Aparna	176	160	64	127	132	127	1.4	1.2	0.5	*60.0%*	*40.0%*
Harris, Louise	229	241	314	103	109	110	2.2	2.2	2.9	*70.0%*	*30.0%*
Alwani, Ghaith	264	194	195	97	98	94	2.7	2.0	2.1	*70.0%*	*30.0%*
Yang, Cindy	121	44	64	72	76	75	1.7	0.6	0.9	*70.0%*	*30.0%*
Gibbons, David	0	2	89	-	-	47	-	-	1.9	*70.0%*	*30.0%*
Apps (3rd party products), s/w customization	791	642	726	398	416	453	2.0	1.5	1.6	*68.0%*	*32.0%*
Dynamics											
Lakhani, Mansoor	157	140	157	98	103	104	1.6	1.4	1.5	*70.0%*	*30.0%*
Atluri, Prasad	253	214	202	98	106	103	2.6	2.0	2.0	*70.0%*	*30.0%*
Penney, David	73	69	62	99	93	95	0.7	0.7	0.7	*70.0%*	*30.0%*
Gillis, Angela	34	26	20	75	78	78	0.5	0.3	0.3	*30.0%*	*70.0%*
Jaber, Ilias	114	108	100	61	67	65	1.9	1.6	1.5	*40.0%*	*60.0%*
Atluri, Swetha	-	-	1	-	6	38	-	-	0.0	*40.0%*	*60.0%*
Holmes, Lonnie	161	110	34	82	87	30	2.0	1.3	1.1	*70.0%*	*30.0%*
Dynamics	792	666	576	513	540	514	1.5	1.2	1.1	*55.7%*	*44.3%*
Administration											
Hum, Doug	8	1	50	127	133	134	0.1	0.0	0.4	*20.0%*	*80.0%*
Vijay, Jog	365	558	445	60	115	120	6.1	4.9	3.7	*65.0%*	*35.0%*
Bodnoff, Lisa	-	-	-	54	57	59	-	-	-	-	*100.0%*
Raymond, Jackie	-	-	-	-	15	35	-	-	-	-	*100.0%*
Bounket-Curry, Sudara	-	-	-	37	34	5	-	-	-	-	*100.0%*
Buchanan, Carson	1	0	-	40	32	-	0.0	0.0	-	-	*100.0%*
Administration	373	560	494	318	386	353	1.2	1.5	1.4	*14.2%*	*85.8%*
Sharepoint / CRM											
Brown, Elizabeth	105	123	136	81	91	88	1.3	1.3	1.5	*70.0%*	*30.0%*
Foy, Matthew	7	95	153	55	69	82	0.1	1.4	1.9	*70.0%*	*30.0%*
Sarna Hardwar, Sing	-	60	102	-	35	41	-	1.7	2.5	*70.0%*	*30.0%*
Suh, Hee Won (Kiwi)	-	15	81	-	-	18	-	-	4.4	*70.0%*	*30.0%*
Xie, Bin	-	-	-	-	25	15	-	-	-	*70.0%*	*30.0%*
Aune, Brad	-	-	-	8	-	-	-	-	-	*70.0%*	*30.0%*
Kyritzopoulos, Kris	113	21	8	99	8	-	1.1	2.7	-	*70.0%*	*30.0%*
Lawal, Adeyemi	4	77	11	-	38	-	-	2.0	-	*70.0%*	*30.0%*
Tran, Quang	-	-	-	18	-	-	-	-	-	*70.0%*	*30.0%*
Sharepoint / CRM	229	390	489	261	265	245	0.9	1.5	2.0	*70.0%*	*30.0%*
emPerform											
Smith, John	41	57	99	148	152	144	0.3	0.4	0.7	*50.0%*	*50.0%*
Rege, Anant	29	46	58	125	132	134	0.2	0.3	0.4	*25.0%*	*75.0%*
Bensaci, Lokmane	1	87	106	-	34	69	-	2.6	1.5	*60.0%*	*40.0%*
Simon, Rebecca	-	-	-	39	46	50	-	-	-	-	*100.0%*
Mitchell, Bennett	-	2	50	-	-	36	-	-	1.4	-	*100.0%*
Pajuelo-Blackman, Nicol	78	70	17	73	70	25	1.1	1.0	0.7	*50.0%*	*50.0%*
Durwas, Pradeep	0	2	3	21	22	22	0.0	0.1	0.1	-	*100.0%*
Bell, Alison	25	3	0	25	-	-	1.0	-	-	-	*100.0%*
Bowen, Margaret	39	11	1	20	23	-	2.0	0.5	-	*10.0%*	*90.0%*
emPerform	214	279	334	450	478	481	0.5	0.6	0.7	*21.7%*	*78.3%*
Marketing											
Trudel, Natalie	1	-	-	84	88	88	0.0	-	-	-	*100.0%*
Joerges, Brandon	0	1	5	33	38	40	0.0	0.0	0.1	-	*100.0%*
Riera, Gabriel	-	1	-	18	36	34	-	0.0	-	-	*100.0%*
Braden, Kira	-	-	-	-	-	12	-	-	-	-	*100.0%*
Laporte, Carole	-	-	-	6	-	-	-	-	-	-	*100.0%*
Morton, Dan	-	-	-	3	-	-	-	-	-	-	*100.0%*
Marketing	1	2	5	145	163	174	0.0	0.0	0.0	-	*100.0%*
Total	**3,072**	**3,251**	**3,602**	**2,427**	**2,720**	**2,706**	**1.3**	**1.2**	**1.3**	***42.0%***	***58.0%***

The adjacent table contains an analysis, by business class, by employee that measures revenues billed for each employee relative to their total wages (including bonus).

For each employee, Management indicated an approximate segregation of duties between execution and administrative activities.

Two general observations are highlighted:

1. Top performers within each business class are highlighted in purple.
2. Individuals with 60% or greater portion of their time allocated to execution related activities but are not recovering their total compensation through billings (i.e., employees that have a revenue/wage multiple of less than 1.0).

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Appendix 8

Total compensation by employee

Employee Compensation											
			Regular			Bonus			Total		
$'000	Business Line	Title	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
Smith, John	EP	Director, Enterprise Bus. Solns.	118	120	122	30	32	22	148	152	144
Hum, Doug	ADMIN	Director, Marketing & Bus. Dev.	111	113	116	16	20	18	127	133	134
Rege, Anant	EP	Manager, Systems Development	111	113	115	14	19	18	125	132	134
Rege, Aparna	APPS	Software Solutions Architect	105	107	109	23	25	18	127	132	127
Vijay, Jog	ADMIN	CEO	60	115	120	-	-	-	60	115	120
Harris, Louise	APPS	Senior Solutions Architect	91	93	96	12	17	14	103	109	110
Ironstone, Thomas	CON	Manager, CPM/BI	76	84	90	10	16	16	86	100	105
Lakhani, Mansoor	GP	Business Solutions Consultant	91	93	95	7	11	9	98	103	104
Atluri, Prasad	GP	Business Solutions Consultant	91	93	94	7	13	9	98	106	103
Penney, David	GP	Business Solutions Consultant	84	88	90	15	6	5	99	93	95
Alwani, Ghaith	APPS	Software Engineer	87	89	90	10	10	4	97	98	94
Dinh, Quang	CON	Business Solutions Consultant	60	69	76	1	11	13	61	80	88
Trudel, Natalie	Marketing	Marketing Manager	72	77	79	12	11	10	84	88	88
Brown, Elizabeth	CRM-SP	Business Solutions Consultant	74	82	84	7	10	4	81	91	88
Foy, Matthew	CRM-SP	Business Solutions Consultant	51	65	75	4	4	7	55	69	82
Paoletti, Donna	CON	Business Solutions Consultant	69	73	75	6	8	7	75	81	81
Gillis, Angela	GP	MBS Customer Service Manager	70	71	72	5	7	6	75	78	78
Yang, Cindy	APPS	Software Engineer	68	70	71	4	7	4	72	76	75
Bensaci, Lokmane	EP	Business Solutions Consultant	-	34	66	-	-	3	-	34	69
Bhatnagar, Yugank	CON	Business Solutions Consultant	-	49	66	-	-	2	-	49	68
Jaber, Ilias	GP	Business Solutions Consultant	57	60	61	5	7	4	61	67	65
Bodnoff, Lisa	ADMIN	Office Manager	50	52	53	5	5	6	54	57	59
Simon, Rebecca	EP	Solution Specialist -emPerform	39	43	46	-	3	5	39	46	50
Gibbons, David	APPS	Business Solutions Consultant	-	-	47	-	-	-	-	-	47
Huang, David	CON	Business Solutions Consultant	66	68	35	-	7	9	66	75	43
Sarna Hardwar, Sing	CRM-SP	Business Solutions Consultant	-	35	39	-	-	3	-	35	41
Joerges, Brandon	Marketing	Graphic and Web Designer	33	37	39	-	1	1	33	38	40
Avetisyan, Areg	CON	Business Solutions Consultant	-	21	38	-	-	1	-	21	39
Atluri, Swetha	GP	Business Solutions Consultant	-	6	38	-	-	-	-	6	38
Mitchell, Bennett	EP	Business Solutions Consultant	-	-	36	-	-	-	-	-	36
Raymond, Jackie	ADMIN	Customer Solutions	-	15	35	-	-	-	-	15	35
Riera, Gabriel	Marketing	Sales and Marketing Specialist	18	36	32	-	-	2	18	36	34
Bodnoff, Ryan	CON	Business Solutions Consultant	-	-	32	-	-	-	-	-	32
Holmes, Lonnie	GP	Business Solutions Consultant	78	80	25	5	7	5	82	87	30
Nguyen, Trang	CON	Business Solutions Consultant	-	21	30	-	-	-	-	21	30
Pajuelo-Blackman, Nicol	EP	Business Solutions Consultant	67	68	23	6	2	3	73	70	25
Durwas, Pradeep	EP	Business Solutions / Researcher	21	22	22	-	1	1	21	22	22
Suh, Hee Won (Kiwi)	CRM-SP	Business Solutions Consultant	-	-	18	-	-	-	-	-	18
Xie, Bin	CRM-SP	Business Solutions Consultant	-	25	14	-	-	1	-	25	15
Braden, Kira	Marketing	Sales and Marketing Specialist	-	-	12	-	-	-	-	-	12
Bounket-Curry, Sudara	ADMIN	Customer Solutions	36	32	5	1	2	-	37	34	5
Aune, Brad	CRM-SP	Business Solutions Consultant	8	-	-	-	-	-	8	-	-
Bell, Alison	EP	Business Solutions Consultant	22	-	-	3	-	-	25	-	-
Bowen, Margaret	EP	Business Solutions Consultant	20	23	-	-	-	-	20	23	-
Buchanan, Carson	ADMIN	IT	40	30	-	-	2	-	40	32	-
Kyritzopoulos, Kris	CRM-SP	Business Solutions Consultant	91	8	-	8	-	-	99	8	-
Laporte, Carole	Marketing	Sales and Marketing Specialist	6	-	-	-	-	-	6	-	-
Lawal, Adeyemi	CRM-SP	Business Solutions Consultant	-	38	-	-	-	-	-	38	-
Morton, Dan	Marketing	Sales and Marketing Specialist	2	-	-	1	-	-	3	-	-
O'Farrell, D'Arcy	CON	Business Solutions Consultant	54	40	-	-	6	-	54	46	-
Tran, Quang	CRM-SP	Business Solutions Consultant	18	-	-	-	-	-	18	-	-
Total			**2,213**	**2,453**	**2,481**	**214**	**266**	**225**	**2,427**	**2,720**	**2,706**

Source: Management provided information; KPMG analysis

The adjacent table contains regular and bonus payments by employee as obtained from the Company's payroll registers.

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Appendix 9

Stratified balance sheet

Stratified balance sheet							
	As at			As at 31-Dec-2018			
$'000	31-Dec-16	31-Dec-17	31-Dec-18	NWC	Net Debt	Infra.	Other
Assets							
Cash	1,115	1,881	1,834	-	1,834	-	-
Accounts receivable	1,890	1,802	2,033	2,033	-	-	-
Loan receivable from a related company	859	(756)	(1,500)	-	(1,500)	-	-
Short-term investments	55	71	91	-	91	-	-
Prepaid expenses and other assets	11	21	15	15	-	-	-
Current Assets	3,930	3,020	2,473	2,048	426	-	-
Property, plant and equipment	155	88	42	-	-	42	-
Total Assets	4,085	3,108	2,515	2,048	426	42	-
Liabitities and shareholders' equity							
Accounts Payable	(459)	(352)	(112)	(112)	-	-	-
Accrued expenses	(273)	(232)	(244)	(244)	-	-	-
GST payable	95	90	(33)	(33)	-	-	-
Payroll liabilities	(34)	(43)	(41)	(41)	-	-	-
Accounts payable and accrued liabilities	(672)	(537)	(431)	(431)	-	-	-
Deferred Revenue	(536)	(288)	(187)	-	(187)	-	-
Federal Corporate Income Tax payable	39	(143)	(55)	-	(55)	-	-
Current liabilities	(1,169)	(967)	(672)	(431)	(242)	-	-
Long term Liabilities	-	-	-	-	-	-	-
Total Liabilites	(1,169)	(967)	(672)	(431)	(242)	-	-
Net assets	**2,915**	**2,140**	**1,843**	**1,617**	**184**	**42**	**-**

Source: Internal trial balances; KPMG analysis

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Appendix 10

Accounts receivable

Accounts receivable aging summary

$'000	As at 31-Dec-16	As at 31-Dec-17	As at 31-Dec-18	% of total 31-Dec-16	% of total 31-Dec-17	% of total 31-Dec-18
Current	157	157	(39)	*9.7%*	*9.6%*	*(2.4%)*
1-30 days	322	507	346	*19.9%*	*31.2%*	*21.2%*
31-60 days	487	241	309	*30.1%*	*14.8%*	*18.9%*
61+ days	665	762	1,056	*41.2%*	*46.8%*	*64.7%*
Accounts receivables	1,632	1,667	1,673	*101.0%*	*102.5%*	*102.5%*
AFDA	(16)	(40)	(40)	*(1.0%)*	*(2.5%)*	*(2.5%)*
Accounts receivable	**1,616**	**1,627**	**1,633**	***100.0%***	***100.0%***	***100.0%***

Source: Management provided information; KPMG analysis

The accounts receivable subledger differs from the GL at year end due to adjustments made to emPerform invoices. The Company recognizes revenues when the invoices are billed which is three months in advance of the contract start date.

At 31-Dec-18, GL entries include a $209,000 reclassification of a related party credit, a $140,000 correction of the application of cash, a $100,000 entry related to emPerform billings and a $36,000 adjustment for foreign exchange.

AR Aging - Dec 31, 2018

$'000	Current	0-30	31 - 60	>60	Total	As a % of total
Koppers Inc.	27	-	25	181	234	*14.0%*
Blue Waters Products Limited	29	11	62	85	187	*11.2%*
The Fresh Market, Inc	-	-	-	51	51	*3.0%*
24-7 Intouch	-	-	2	35	37	*2.2%*
NTS Technical Systems	-	-	-	34	34	*2.1%*
Dorel Juvenile (zhongshan) Product Co. Ltd.	-	-	-	31	31	*1.9%*
Pearson Packaging Systems	-	-	3	31	34	*2.0%*
Payments Canada	39	-	17	3	60	*3.6%*
Exchange Bank	-	35	-	-	35	*2.1%*
MHS, Inc	-	33	-	-	33	*2.0%*
Top 10	95	79	110	452	736	*44.0%*
As a % of total	*5.7%*	*4.7%*	*6.6%*	*27.0%*	*44.0%*	
Others	(134)	267	198	604	936	*56.0%*
Total	**(39)**	**346**	**309**	**1,056**	**1,673**	***100.0%***

Source: Management provided information; KPMG analysis

Of the $1.1 million of accounts receivable aged over 60 days, $0.6 million was collected subsequent to year end based on a review of an April 4, 2019 AR subledger.

We made inquiries into $0.2 million of the remaining balance (representing invoices greater than $10,000) and Management noted that the billing contacts for approximately $0.1 million required updating and also noted no significant collection issues with the remaining $0.1 million.

Management also represents no significant collection issues reside with the balance of the over 60 days aging category.

At 31-Dec-18, the current AR aging category is ($39,000) primarily due to a related party (Software Integrators Intl Inc.) credit of ($232,000) dating back to 27-Feb-15.

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Appendix 11

Accounts payable

Accounts payable aging summary						
	As at			As a % of total		
$'000	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-16	31-Dec-17	31-Dec-18
Current	(354)	(214)	(48)	*88.6%*	*69.1%*	*62.2%*
1-30 days	(29)	(94)	(6)	*7.2%*	*30.4%*	*8.1%*
31-60 days	(6)	(1)	(1)	*1.5%*	*0.2%*	*1.4%*
61+ days	(11)	(1)	(22)	*2.7%*	*0.4%*	*28.2%*
Total	**(399)**	**(310)**	**(76)**	***100.0%***	***100.0%***	***100.0%***

Source: Management provided information; KPMG analysis

AP Aging - Dec 31, 2018						
$'000	Current	0-30	31 - 60	>60	31-Dec-18	As a % of total
Microsoft Canada Inc.	15	-	-	1	17	*21.7%*
UXC Eclipse (USA) LLC	-	-	-	15	15	*19.0%*
Merit Solutions	-	-	-	6	6	*7.6%*
Beta Rover Inc	-	6	-	-	6	*7.3%*
Vijay Jog	5	-	-	-	5	*6.0%*
Accountable Software	4	-	-	-	4	*5.0%*
Binary Stream	3	-	-	-	3	*4.5%*
Dynavistics, Inc.	3	-	-	-	3	*3.5%*
eOne Integrated Business Solutions	2	-	-	-	2	*3.0%*
Professional Advantage	2	-	-	-	2	*2.9%*
Top (10)	34	6	-	22	62	*80.6%*
As a % of total	*45.1%*	*7.3%*	*-*	*28.2%*	*80.6%*	
Others	13	1	1	0	15	*19.4%*
Total	**48**	**6**	**1**	**22**	**76**	***100.0%***

Source: Management provided information; KPMG analysis

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Appendix 12

Fixed assets continuity

Fixed assets					
$'000	31-Dec-16	Net addition/ disposal	31-Dec-17	Net addition/ disposal	31-Dec-18
Electronic equipment	187	(22)	165	10	176
Office furniture	51	-	51	-	51
Leasehold improvements	24	-	24	-	24
Automobile	-	-	-	-	-
Other Asset	-	-	-	-	-
Total fixed assets	261	(22)	240	10	250
Accumulated depreciation	(106)	(45)	(152)	(57)	(209)
Net fixed assets	**155**	**(67)**	**88**	**(47)**	**42**

Source: Management provided information; KPMG analysis

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Appendix 13

Balance sheet - *Deferred revenue (reported)*

Deferred revenue						
	As at			Average		
$'000	31-Dec-16	31-Dec-17	31-Dec-18	FY16	FY17	FY18
emPerform	(336)	(181)	(128)	(244)	(323)	(177)
Consulting - Board	-	-	(22)	-	-	(2)
Consulting - Adaptive Planning	(198)	(107)	(20)	(83)	(107)	(20)
Consulting - Other	-	-	(17)	-	-	(1)
CRGroup - General	(2)	23	-	(0)	2	-
Dynamics CRM	-	(23)	-	-	(9)	-
Total	**(536)**	**(288)**	**(187)**	**(327)**	**(436)**	**(200)**

Source: Management provided information; KPMG analysis

Management represents certain customers have entered into three year agreements with the Company. These select multi-year agreement customers are billed on an annual basis and their revenue deferred over the billing period (i.e., 12 months).

Other deferred revenue balances, according to Management, consist of cash received due to advanced billing (e.g., customer deposits) and the unused portion of an IT services package (e.g., unused portion of a 40 hour service package).

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Glossary

$'000	Thousands of Canadian dollars
Adj.	Adjusted
AP	Accounts payable
AR	Accounts receivable
Avg.	Average
BS	Balance sheet
EBITDA	Earnings before interest, taxes, depreciation and amortization
FTE	Full-time equivalent
FX	Foreign exchange
FYXX	Fiscal year ended December 31, 20XX
GM	Gross margin
IS	Income statement
Mgmt	Management of the Company
QofE	Quality of Earnings
QX-XX	Quarter X of 20XX
RFP	Request for proposal
SaaS	Software as a service
SG&A	Selling, general and administrative
Target / Company	Corporate Renaissance Group Inc.
WC	Working capital

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