BAYLIN TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

(Canadian dollars in thousands)

INDEX

Date of approval of consolidated financial statements: **March 13, 2019**

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

RSM Canada LLP

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Baylin Technologies Inc.

Opinion

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

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

Basis for Opinion

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

Other matter

The consolidated financial statements of the Company for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on February 28, 2018.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 13, 2019
Toronto, Ontario

Baylin Technologies Inc.

Consolidated Statements of Financial Position

Canadian dollars in thousands

		December 31, 2018	December 31, 2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 20,859	$ 35,156
Trade and other receivables	Note 7	29,387	16,091
Other current assets	Note 8	6,179	4,252
Inventories	Note 9	23,512	9,167
		79,937	64,666
NON-CURRENT ASSETS			
Property, plant and equipment, net	Note 10	27,371	20,151
Other long-term assets		70	65
Deferred tax assets	Note 19	6,426	-
Equity method investment	Note 22	16	-
Intangibles	Note 6, 11	23,551	-
Goodwill	Note 6, 11	33,146	-
		90,580	20,216
TOTAL ASSETS		$ 170,517	$ 84,882
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks	Note 12	$ 377	$ 4,159
Accounts payable and accrued liabilities	Note 13	33,257	22,552
Income tax payable		1,443	162
		35,077	26,873
NON-CURRENT LIABILITIES			
Long-term portion of credit from banks	Note 12	-	347
Term loan	Note 14	30,081	-
Convertible debentures	Note 15	18,975	-
Employee benefit liabilities, net	Note 17	2,301	1,836
Deferred tax liabilities	Note 19	2,256	-
		53,613	2,183
TOTAL LIABILITIES		88,690	29,056
SHAREHOLDERS' EQUITY			
Share capital	Note 20	136,675	109,210
Share-based payment reserve	Note 21	3,798	1,446
Accumulated other comprehensive income		12,840	11,212
Accumulated deficit		(71,486)	(65,947)
		81,827	55,921
Non-controlling interest		-	(95)
TOTAL EQUITY		81,827	55,826
TOTAL LIABILITIES AND EQUITY		$ 170,517	$ 84,882

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

Baylin Technologies Inc.

Consolidated Statements of Loss and Comprehensive Loss

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

		Year ended December 31, 2018	2017
Revenues	Note 26	$ 136,214	$ 91,642
Cost of sales	Note 27	85,373	63,297
Gross profit		50,841	28,345
Operating expenses	Note 27		
Selling and marketing expenses		13,509	5,490
Research and development expenses		15,363	11,248
General and administrative expenses		23,868	13,384
Acquisition expenses		4,318	-
		57,058	30,122
Operating loss		(6,217)	(1,777)
Finance expense, net	Note 28	4,611	1,996
Investment income, net	Note 22	(16)	-
Derecognition of subsidiary		(1,092)	-
Reversal of provision	Note 6	(821)	-
Fair value adjustments	Note 15, 25	1,725	-
Loss before income taxes		(10,624)	(3,773)
Income tax recovery	Note 19	(5,180)	436
Net loss		$ (5,444)	$ (4,209)
Net loss attributable to shareholders of the company		(4,651)	(4,007)
Net loss attributable to non-controlling interests		(793)	(202)
Items that may be reclassified to profit or loss			
Amount arising from translation of foreign operations, net of tax		1,816	(22)
Items that will not be reclassified to profit or loss			
Actuarial gains, net of tax	Note 17	(188)	(13)
Other comprehensive income (loss) (net of tax effect)		$ 1,628	$ (35)
Total comprehensive loss		$ (3,816)	$ (4,244)
Comprehensive loss attributable to shareholders of the company		(3,023)	(4,042)
Comprehensive loss attributable to non-controlling interests		(793)	(202)
Basic and diluted net loss per share	Note 23	$ (0.13)	$ (0.17)
Weighted average shares outstanding		35,371,656	22,935,481

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

Baylin Technologies Inc.

Consolidated Statements of Changes in Equity

Canadian dollars in thousands except number of shares outstanding

	Number of shares outstanding	Share capital	Share-based payment reserve	Accumulated deficit	Accumulated other comprehensive income	Non-controlling interests	Total equity
	Note 20	Note 20	Note 21				
Balance as of January 1, 2018	30,512,912	$ 109,210	$ 1,446	$ (65,947)	$ 11,212	$ (95)	$ 55,826
Net loss	-	-	-	(4,651)	-	(793)	(5,444)
Other comprehensive income	-	-	-	-	1,628	-	1,628
Share-based payment	-	-	2,228	-	-	-	2,228
Employee Share Compensation Plan and Purchase Plan	-	(265)	124	-	-	-	(141)
Issuance of shares, net of share issuance cost	9,493,542	27,730	-	-	-	-	27,730
Derecognition of subsidiary	-	-	-	(888)	-	888	-
Balance as of December 31, 2018	40,006,454	$ 136,675	$ 3,798	$ (71,486)	$ 12,840	$ -	$ 81,827

	Number of shares outstanding	Share capital	Share-based payment reserve	Accumulated deficit	Accumulated other comprehensive income (loss)	Non-controlling interest	Total equity
	Note 20	Note 20	Note 21				
Balance as of January 1, 2017	21,916,813	$ 90,929	$ 1,087	$ (61,940)	$ 11,247	$ 107	$ 41,430
Net loss	-	-	-	(4,007)	-	(202)	(4,209)
Total other comprehensive loss	-	-	-	-	(35)	-	(35)
Share-based payments	-	-	359	-	-	-	359
Issuance of shares, net of share issuance cost	8,596,099	18,281	-	-	-	-	18,281
Balance as of December 31, 2017	30,512,912	$ 109,210	$ 1,446	$ (65,947)	$ 11,212	$ (95)	$ 55,826

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

Baylin Technologies Inc.

Consolidated Statements of Cash Flows

Canadian dollars in thousands

	Year ended December 31, 2018	2017
Cash flows from operating activities		
Net loss	$ (5,444)	$ (4,209)
Adjustments to reconcile net loss to net cash used in operating activities		
Share-based payment	2,524	359
Depreciation, amortization and impairment	8,950	4,083
Impairment of property, plant and equipment	-	499
Finance expense, net	4,611	1,996
Share of net income of equity method investment	(16)	-
Derecognition of subsidiary	(1,092)	-
Reversal of provision (Note 6)	(821)	-
Fair value adjustment	1,725	-
Loss from sale of property, plant and equipment	587	78
Income taxes	(5,180)	436
Unrealized foreign exchange losses	(571)	1,751
	10,717	9,202
Changes in asset and liability items		
Increase in trade receivables	(6,575)	(2,446)
Increase in other current assets	(1,639)	(2,581)
Decrease (increase) in inventories	2,590	(722)
Increase in trade payables and other liabilities	3,730	2,382
	(1,894)	(3,367)
Cash paid and received during the year for		
Interest paid, net	(3,439)	(41)
Taxes paid, net	(533)	(327)
	(3,972)	(368)
Net cash generated by operating activities	(593)	1,258
Cash flows from investing activities		
Purchase of property, plant and equipment	$ (5,433)	$ (3,210)
Proceeds from sale of property, plant and equipment	783	45
Business acquisitions, net of cash acquired (Note 6)	(68,546)	-
Net cash used in investing activities	(73,196)	(3,165)
Cash flows from financing activities		
Net proceeds from share issuance	$ 21,228	$ 18,281
Proceeds from convertible debentures	17,250	-
Receipt of term loan	30,613	-
Receipt (repayment) of short-term credit from banks and others, net	(7,502)	1,036
Repayment of other long term debt (Note 6)	(2,999)	-
Net cash generated by in financing activities	58,590	19,317
Exchange differences on balances of cash and cash equivalents	902	(734)
Decrease in cash and cash equivalents	$ (14,297)	$ 16,676
Cash and cash equivalents at the beginning of the year	35,156	18,480
Cash and cash equivalents at the end of the year	$ 20,859	$ 35,156
Supplemental cash flow information:		
Shares issued for business acquisitions (Note 6)	$ 5,000	
Shares issued as compensation	1,237	

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

NOTE 1: NATURE OF OPERATIONS

Corporate information

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

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

Approval of financial statements

These consolidated financial statements of the Company for the year ended December 31, 2018 have been prepared by management and were authorized for issue in accordance with a resolution of the board of directors on March 13, 2019.

NOTE 2: BASIS OF PREPARATION

The consolidated financial statements for the year ended December 31, 2018, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations by the IFRS Interpretations Committee.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

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

Consolidated Financial Statements

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

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

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

Canadian dollars in thousands, unless otherwise stated

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

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

Name of entity	Country of incorporation or registration	Ownership interest held as at December 31, 2018	Ownership interest held as at December 31, 2017
Galtronics Israel	Israel	100%	100%
Galtronics USA	United States of America	100%	100%
Galtronics Wuxi	China	100%	100%
Galtronics Korea	Korea	100%	100%
Galtronics Vietnam	Vietnam	100%	100%
Advantech Wireless	Canada	100%	N/A
Alga Microwave	Canada	100%	N/A

Galtronics USA was previously a division of Galtronics Israel but has been set up as a separate company in the year ended December 31, 2018. The Company previously held a 49% ownership interest in Galtronics Canada Ltd. in the year ended December 31, 2017 (Note 22). The subsidiaries have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

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

Functional currency and foreign currency

a. Presentation currency

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

b. Functional currency

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

When a subsidiary's functional currency differs from the Company's presentation currency, that subsidiary's financial statements are translated into the Company's presentation currency so that they can be included in the consolidated financial statements. Assets and liabilities are translated at the closing rate at the end of each reporting period. Profit or loss items are translated at average exchange rates for all the relevant periods. All resulting translation differences are recognized as a component of other comprehensive income (loss) and as a component of accumulated other comprehensive income (loss) in equity.

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

c. Foreign currency

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

Cash and cash equivalents

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

Inventories

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

Revenue recognition

The company has adopted the new accounting standard IFRS 15 Revenue from contracts with customers which utilizes a single model for recognizing revenue from contracts with customers. Revenue is recognized in a manner that depicts the transfer of promised goods or services to the customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. For each contract with a customer, the Company applies the following five step model:

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

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

Income taxes

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

a. Current taxes

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

b. Deferred taxes

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

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

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. Temporary differences and loss carry-forward balances for which deferred tax assets have not been recognized are reviewed at the end of each reporting period and a deferred tax asset is recognized to the extent that their realization is probable.

All deferred tax assets and deferred tax liabilities are presented in the statement of financial position as non-current assets and non-current liabilities, respectively. Deferred taxes are offset in the consolidated statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

Leases

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease.

a. Finance Lease

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

b. Operating Lease

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

Property, plant and equipment

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

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

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

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

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.
Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. An asset is derecognized on disposal or when no further economic benefits are expected from its use. The gain or loss arising from the derecognition of the asset (determined as the difference between the net disposal proceeds and the carrying amount in the consolidated financial statements) is included in profit or loss when the asset is derecognized.

Impairment of non-financial assets

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

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

Intangibles

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

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

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

Business combination

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

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

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

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

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

Goodwill

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

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

Financial instruments

The company's financial assets and liabilities are classified and measured as follows:

Financial asset or financial liability	Classification and Measurement
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Credit from banks	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Term Loan	Amortized cost
Convertible debentures	Fair value through profit or loss

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

a. Classification of financial assets and financial liabilities

Financial assets

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

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

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

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

Financial liabilities

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

b. Initial recognition

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

c. Subsequent measurement

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

d. Derecognition of financial instruments

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

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

a. Impairment of financial asset

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

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

Fair value measurement

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

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

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

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

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

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

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

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

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

As at December 31, 2018 only the convertible debentures (Note 15) were recognized and measured at fair value and categorized as a Level 1. There were none as at December 31, 2017.

Provisions

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

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

Employee benefits liabilities

The Company has several employee benefits:

a. Short-term employee benefits

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

b. Post-employment benefits

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

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

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

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

c. Termination benefits

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

Share-based payments

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

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

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

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

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

Loss per share

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

Research and Development

Research and development costs are expensed except in cases where development costs meet the definition of an intangible asset and the recognition criteria for intangible assets as prescribed in IAS 38. For all periods presented, development costs incurred have not met the criteria for capitalization. An estimate of investment tax credits ("ITC") on scientific research and experimental development ("SRED") expenditures is recorded in the year the expenditures are incurred provided there is reasonable assurance that the ITC will be recovered or realized. The expenditures are reduced by the amount of the estimated investment tax credit. SRED ITCs include refundable and non-refundable tax credits. Refundable ITCs are refunded to the Company once assessed by the Canada Revenue Agency and Revenue Quebec, which is generally within a year from applying for the ITC. Unused non-refundable ITCs are carried forward to reduce taxes payable of future years, and expire 20 years from the year they were granted.

Equity Method

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

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

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

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

Convertible debentures

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

The convertible debentures are revalued each reporting period with changes in the fair value recorded through profit or loss.

On conversion of the convertible debentures to common shares the value of the convertible option is taken into share capital.

NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Operating segments

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

Impairment of property, plant and equipment

Impairment exists when the carrying amount of an asset exceeds its recoverable amount. In evaluating impairment of property, plant and equipment, the Company determines recoverable amount based on fair value less costs of disposal of the assets. The fair value of property plant and equipment is determined using the depreciated replacement cost ("DRC") approach for certain assets, and a market approach using comparable transactions for other assets.

Estimates used in arriving at fair value involve significant judgment of changes in market and other conditions that can affect fair values. DRC includes adjustments for obsolescence which are based in part on assumptions that are influenced by factors that are both internal and external to the Company, and therefore, changes in such factors can affect those assumptions.

Income taxes

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

Business combination

Management applies IFRS 3, Business Combinations, to account for business acquisitions. Significant judgment is required in identifying and determining the fair value of assets and liabilities acquired, including intangible assets and residual goodwill, if any. As at December 31, 2018, the final purchase price allocations for the business combinations disclosed in Note 6 were completed for Advantech (as defined in Note 6) acquisition but not complete for Alga Microwave Inc. as further information was required and provisional amounts are reported and disclosed in Note 6. New information obtained during the measurement period may result in an adjustment to some or all of the provisional amounts.

As disclosed in Note 6, Advantech Wireless Inc. may be entitled to additional compensation between $750 and $3,000 conditional on Advantech (as defined in Note 6) meeting certain performance targets in each of 2018 and 2019. Further, as disclosed in Note 6, the vendors of Alga Microwave Inc. earned an additional $1,000 upon completion of certain criteria and may be entitled to receive additional compensation of up to $1,000 conditional on Alga meeting certain performance targets in each of 2019 and 2020. The Company's liability for the additional compensation to Advantech Wireless Inc. and to the vendors of Alga Microwave Inc. is carried at fair value. Management uses current and historical operational results, estimates and probabilities of future earnings and discounted cash flows to estimate the additional compensation.

Significant judgement and estimation was applied in arriving at the discount rate used to determine the fair value of the time based 385,802 share release portion of the consulting agreement as disclosed in Note 6. Changes in these estimates may affect the carrying value of the Company's liability and the related gain or loss in the statement of loss or comprehensive loss.

Share-based payments

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

Deferred tax assets and liabilities

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

Intercompany net investment

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

Provision for impairment of inventories

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

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

New standards and amendments adopted

IFRS 15 Revenue from Contracts with Customers

On January 1, 2018, IFRS 15 Revenue from Contracts with Customers became effective and the Company has applied the standard on a modified retrospective basis. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to retained earnings thus information has not been restated. No adjustment to retained earnings was required upon adoption of IFRS 15. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue from contracts with customers is recognized.

The Company considers the terms of the contract in determining all steps of the framework (Note 4) to recognize revenue from contracts with customers. The transaction price is based upon the amount the entity expects to be entitled to in exchange for the transferring of promised goods and related services. The Company earns revenue from contracts with customers related to its product sales and related services. The Company satisfies its performance obligation and control is transferred for its product sales based upon specified contract terms which are generally upon shipment or upon delivery. At this time the Company has transferred the significant risk and rewards of ownership of the goods to the buyer and the Company has a present right to payment. Revenue from a contract to provide services is recognized over time as the services are rendered based on either a fixed price or an hourly rate. IFRS 15 requires additional disclosures relating to the disaggregation of revenue which has been included in Note 26 to these consolidated financial statements. In addition, as a result of this adoption, the Company has revised the description of its accounting policy for revenue recognition included in Note 3.

The Company assessed whether the new guidance on its existing contracts with customers to produce certain goods would permit the Company to recognize revenue over time versus at a point in time, based on whether the given product has an alternative use or not and whether there is an enforceable right to payment under the contract for product produced to date. Based on its assessment, the Company has concluded that it does not satisfy the criteria to recognize revenue over time, and, therefore, expects to continue to recognize revenue at a point in time which is at shipment or delivery.

Canadian dollars in thousands, unless otherwise stated

The Company's standard warranty period is not considered to be a distinct performance obligation. Warranties are accounted for as warranty obligations and the estimated cost of satisfying them is recognized at the time the necessity of such provision is evident. The adoption of IFRS 15 has no material impact on the timing or the amount of sales revenue or warranty provisions recognized. Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved.

Consequently, the adoption of IFRS 15 does not have a material impact on its consolidated financial statements and revenue recognition practices.

IFRS 9 Financial instruments

On January 1, 2018, IFRS 9 Financial Instruments became effective. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from January 1, 2018 resulted in changes in accounting policies as described in Note 3. In accordance with the transitional provisions in IFRS 9 comparative figures have not been restated.

As of January 1, 2018, the Company's management has assessed that the Company has a business model whose objective is to hold financial assets held by the Group in order to collect contractual cash flows and has determined that amortized cost is the appropriate IFRS 9 category. The Company was required to revise its impairment methodology under IFRS 9. There was no additional impairment loss identified. There was no impact from the IFRS 9 adoption on the Company's financial assets and financial liabilities as these continued to be accounted as financial assets and financial liabilities at amortized cost except for convertible debentures that are classifies as FVTPL and were issued during the year.

Financial liabilities at FVTPL which include convertible debentures are initially recognized at fair value with changes to fair value recognized in the consolidated statements of loss.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities:

Financial asset or financial liability	**Prior Classification and Measurement under IAS 39**	**Current Classification and Measurement under IFRS 15**
Cash and cash equivalents	Loans and receivables at amortized cost	Amortized cost
Trade and other receivables	Loans and receivables at amortized cost	Amortized cost
Credit from banks	Other liabilities at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other liabilities at amortized cost	Amortized cost
Term Loan	Other liabilities at amortized cost	Amortized cost
Convertible debentures	Fair value through profit or loss	Fair value through profit or loss

IFRS 2 Share-Based Payments

In June 2016, the IASB issued final amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. This amendment is effective for annual periods beginning on or after January 1, 2018. The adoption of the new amendments did not have a material impact on the measurement, presentation and disclosure of share-based payments in the consolidated financial statements.

New standards and interpretations not yet adopted

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

IFRS 16 Leases

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

The company has elected not to restate comparative information for reporting periods after January 1, 2019, instead the cumulative effect of initially applying this standard will be reflected as an adjustment to the opening balance of retained earnings. Using a borrowing rate, the present value of the lease liabilities will be recognized for agreements previously recognized as operating leases. The liability will be adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. A right-of-use asset will be recognized using a cost model as if the standard had been applied since the commencement date of the lease, future periods will recognize a depreciation charge on right-of-use assets in the statement of profit and loss. The company has elected not to apply the recognition requirements to short term leases and leases for which the underlying asset is less than $7.

The company has identified leases in terms of contracts that were previously identified as leases in terms of IAS 17 Leases, assessed the lease term on those contracts and determined an interest rate based on either the incremental borrowing rate or the implicit interest rate in the lease if readily determinable. The Company has set up a committee and implemented a workplan to review and assess the impact of IFRS 16 on the consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 was issued in June 2017 as a clarification to requirements under IAS 12, Income Taxes. IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods on or after January 1, 2019. The Company is currently assessing the impact of IFRIC 23 may have on its consolidated financial statements.

Canadian dollars in thousands, unless otherwise stated

NOTE 6: ACQUISITIONS

Advantech

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

The purchase price paid for the Advantech Acquisition was $49,000, subject to customary adjustments, of which $48,000 was paid in cash and $1,000 was satisfied through the issuance of 308,642 common shares of the Company at a deemed price of $3.24 per share. The recorded amount of the Advantech Acquisition was $49,000.

The purchase price for the Advantech Acquisition is subject to customary post-closing adjustments and Advantech Wireless Inc. may be entitled to additional compensation between $750 and $3,000 conditional on Advantech meeting certain performance targets in each of 2018 and 2019.

The Advantech Acquisition was financed using the Company's available cash and the Loan (as defined in Note 14).

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

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

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

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

Canadian dollars in thousands, unless otherwise stated

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

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

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

Alga

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

The purchase price for the Alga Acquisition was $25,000, subject to customary adjustments. The purchase price was satisfied by the payment of $21,000 in cash and the issuance of $4,000 in common shares of the Company at a deemed price of $3.40 per share. Pursuant to the terms of the Alga Acquisition, the vendors earned an additional $1,000 upon completion of certain criteria and may be entitled to receive additional compensation of up to $1,000 conditional on Alga meeting certain performance targets in each of 2019 and 2020.

Concurrent with the closing of the Alga Acquisition, Baylin acquired, through a wholly-owned subsidiary, the premises in which Alga's operations are primarily conducted (the "Alga Facility") for a purchase price of $6,200. The purchase price for the Alga Facility was satisfied in part by the assumption of existing debt, with the balance of the purchase price payable to the vendor one year after closing and bearing interest at 8% per annum, payable quarterly, and repayable at any time without penalty. The Company repaid the amount owing to the vendor on September 12, 2018. The existing debt, assumed by the Company, due to a Canadian chartered bank, had a principal amount of $2,999 at the closing of the acquisition of the Alga Facility, bears interest at 3.22% and matured and was repaid on December 19, 2018.

A portion of the net proceeds of the Offering (as defined in Note 15), was used to satisfy payment of the cash purchase price for the Alga Acquisition.

This transaction qualifies as a business combination and was accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. To account for the transaction, the Company has performed a preliminary business valuation of Alga at the date of acquisition and a preliminary purchase price allocation. At the time of issuance of these financial statements, certain aspects of the valuation are not finalized, and the business valuation and the purchase price allocations are subject to change.

Canadian dollars in thousands, unless otherwise stated

	Purchase Price July 11, 2018
Cash consideration	$ 21,433
Share consideration	4,000
Contingent consideration	2,144
	$ 27,577

	Provisional Fair Values July 11, 2018
Cash	$ 887
Accounts and other receivable	4,078
Inventories	6,680
Other current assets	46
Property, plant and equipment	6,950
Intangibles	8,600
Goodwill	11,931
Accounts payables and accrued liabilities	(2,570)
Current portion of long term debt	(6,200)
Deferred tax liability	(2,825)
	$ 27,577

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

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

Since the acquisition dates of Advantech and Alga, revenues of $36,857 and net loss of $15,836 related to these entities have been included in the consolidated statement of net loss. If the Advantech and Alga Acquisitions had occurred on January 1, 2018, consolidated pro-forma revenue and net loss for the Company for the year ended December 31, 2018 would have been $145,092 and $9,322 respectively.

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

Canadian dollars in thousands, unless otherwise stated

NOTE 7: TRADE RECEIVABLES, NET

The following comprise the balance of trade receivables, net:

	December 31, 2018	December 31, 2017
Trade receivables, gross	$ 29,825	$ 16,369
Less: Allowance for doubtful accounts	(438)	(278)
Trade receivables, net	$ 29,387	$ 16,091

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

	2018	2017
Balance as at January 1	$ 278	$ 1,050
Allowance for doubtful accounts taken during the year	155	4
Receivables written off during the year as uncollectible	-	(745)
Effects of translation from changes in foreign exchange	5	(31)
Balance as at December 31	$ 438	$ 278

The following is the aging of trade receivables, net:

	December 31, 2018	December 31, 2017
Current trade receivables, net	$ 21,529	$ 11,662
Past due but not impaired trade receivables, net		
under 30 days	5,321	3,499
30 - 60 days	1,532	747
60 - 90 days	634	183
over 90 days	371	-
Total trade receivables, net	$ 29,387	$ 16,091

The consolidated entity has recognized a loss of $155 (2017 - $4) in profit or loss in respect of the expected credit losses for the year ended December 31, 2018.

Canadian dollars in thousands, unless otherwise stated

NOTE 8: OTHER CURRENT ASSETS

The following comprise the balance of other current assets:

	December 31, 2018	December 31, 2017
Due from government authorities	$ 3,251	$ 501
Advance to suppliers	196	412
Prepaid expenses	1,529	3,069
Other receivables	1,203	270
Total other current assets	$ 6,179	$ 4,252

NOTE 9: INVENTORIES

The following comprise the balance of inventories:

	December 31, 2018	December 31, 2017
Raw materials	$ 10,222	$ 2,925
Work in progress	5,108	1,250
Finished good	8,182	4,992
Total inventory	$ 23,512	$ 9,167

The inventory reserve taken against inventory amounted to $3,860 and $316 as at December 31, 2018 and December 31, 2017 respectively.

Canadian dollars in thousands, unless otherwise stated

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

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

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

	Land and building	Machinery and Equipment	Motor Vehicles	Office furniture, computers, peripheral equipment	Leasehold improvement	Construction in progress	Total
Cost							
Balance as at January 1, 2017	$ 6,742	$ 36,884	$ 355	$ 4,916	$ 4,257	$ 84	$ 53,238
Additions	248	1,114	-	375	173	1,300	3,210
Disposals	-	(1,487)	(162)	(46)	-	-	(1,695)
Reclassifications	-	(8,641)	(155)	(2,153)	(103)	-	(11,052)
Impairments	-	(499)	-	-	-	-	(499)
Effects of translation	(44)	305	(21)	(114)	(580)	-	(454)
Balance as at December 31, 2017	$ 6,946	$ 27,676	$ 17	$ 2,978	$ 3,747	$ 1,384	$ 42,748
Accumulated depreciation							
Balance as at January 1, 2017	$ 3,383	$ 22,306	$ 355	$ 4,443	$ 879	$ -	$ 31,366
Additions	278	3,229	-	199	377	-	4,083
Disposals	-	(1,369)	(162)	(41)	-	-	(1,572)
Reclassifications	-	(8,776)	(156)	(2,075)	(45)	-	(11,052)
Effects of translation	(768)	752	(20)	(175)	(17)	-	(228)
Balance as at December 31, 2017	$ 2,893	$ 16,142	$ 17	$ 2,351	$ 1,194	$ -	$ 22,597
Carrying amount							
Balance as at December 31, 2017	$ 4,053	$ 11,534	$ -	$ 627	$ 2,553	$ 1,384	$ 20,151

Canadian dollars in thousands, unless otherwise stated

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

	December 31, 2018	December 31, 2017
Asia Pacific	$ 15,880	$ 17,611
North America	11,462	2,540
Europe and the Middle East	17	-
South America	12	-
	$ 27,371	$ 20,151

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

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Cost of goods sold	$ 3,323	$ 3,055
Research and development	405	772
General and administrative	473	256
	$ 4,201	$ 4,083

On June 12, 2017, the Company made the decision to cease operations at its engineering facility in Tiberias, Israel. Existing assets in Tiberias, Israel have been transferred to other locations of the Company. The Company evaluated as of December 31, 2017, whether there were any indications of impairment of its property, plant and equipment. In relation to the closure of the Company's engineering facility in Tiberias, Israel, an impairment charge of $351 was recognized in net loss for the year ended December 31, 2017 for property and equipment that could not be transferred. The property and equipment only has use in the Tiberias, Israel engineering facility thus the carrying value had exceeded fair value. The Company also expensed $801 in the year ended December 31, 2017 for property carrying costs, severance costs and other cost related to the closure.

During the year ended December 31, 2017 Galtronics Wuxi recognized an impairment charge of $148.

Canadian dollars in thousands, unless otherwise stated

NOTE 11: INTANGIBLES AND GOODWILL

The following comprise the balance of intangibles:

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

Amortization of intangibles is presented within General and Administrative expenses on the Consolidated Statement of Loss and was $4,749 during the year ended December 31, 2018.

The following comprise the balance of goodwill:

	Allocation to Cash Generating Unit		
	Advantech	Alga	Goodwill
Cost			
Balance as at January 1, 2018	$ -	$ -	$ -
Business acquisition addition (Note 6)	21,215	11,931	33,146
Balance as at December 31, 2018	$ 21,215	$ 11,931	$ 33,146

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

The Company performs its annual impairment test at December 31st.

The recoverable amount of the Company's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5 year projection period approved by management, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

Canadian dollars in thousands, unless otherwise stated

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

i. 11.7% pre-tax discount rate;
ii. 15.0% per annum growth rate for years 1 to 3;
iii. 5.0% per annum growth rate for subsequent years

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

Based on the impairment analysis performed, the Company concluded that there was no impairment to goodwill and the fair value of its cash generating units exceeded its carrying value.

NOTE 12: CREDIT FROM BANKS

The following comprise the balance of credit from banks:

		December 31,	
	Annual Interest Rate %	**2018**	**2017**
Short-term credit from banks			
a. In United States dollar	USD fund: U.S. Base + 1.25%, CAD fund: Prime + 1.25%	$ -	$ -
b. In Chinese yuan	Annual Bank benchmark lending rate	-	3,470
c. In United States dollar	3 month Libor + 2.8%	377	689
d. In Korean won	Korean Central Bank lending rate + 1.4%	-	-
		377	4,159
Long-term portion of credit from banks			
c. In United States dollar	3 month Libor + 2.8%	-	347
		$ 377	$ 4,506

The Group has revolving credit lines which are being drawn as needed. As at December 31, 2018, the aggregate credit facility of the Group is approximately $11,017 of which $377 was drawn and utilized. As at December 31, 2017, the aggregate credit facility of the Group was approximately $10,338 of which $4,506 was drawn and utilized.

a. The Company has a United States dollar revolving credit facility with Hong Kong Shanghai Bank Corporation ("HSBC") for up to $5,457 (2017 - $5,018). This facility is collateralized by the Company's accounts receivables, inventory and building in Canada. There were no borrowings under the facility as at December 31, 2018 and December 31, 2017.

b. The Company's Chinese subsidiary has a Yuan equivalent $3,569 (2017 - $3,170) short-term credit facility with the Shanghai Pudong Development Bank ("SPD") secured by the Company's Chinese subsidiary building. As at December 31, 2018 there was no outstanding balance under this facility. As at December 31, 2017, the full balance was outstanding under this facility. It was repaid in 2018.

Canadian dollars in thousands, unless otherwise stated

c. In January 2017, the Company's Vietnamese subsidiary entered into a $1,501 (2017 - $1,380) credit facility with a Vietnamese bank in United States Dollar equivalent. This facility is collateralized by certain equipment owned by the Company's Vietnamese subsidiary. As at December 31, 2018, there was $377 outstanding under this facility and was repaid in January of 2019. As at December 31, 2017 the amount outstanding was $1,036.

d. The Company's Korean subsidiary has a $490 (2017 - $170) short-term credit facility with the Shinhan Bank in South Korean Won currency equivalent. The credit facility is secured by an irrevocable letter of credit issued by Baylin to the lender in Korea. As at December 31, 2018 and December 31, 2017, there was no balance outstanding under this facility.

The Group's ability to utilize bank credit facilities is dependent on being able to provide collateral in accordance with the requirements of the banks providing the credit facilities. Bank credit facilities are for working capital and are secured by the Group's buildings in China and Canada, accounts receivable, inventory and certain equipment owned by the Company's Vietnamese subsidiary. The company is in compliance with all of its covenants.
The following table sets out an analysis of net debt and the movements in net debt for each of the periods presented

	Cash and cash equivalents	Credit from banks	Term Loan	Convertible Debentures	Total
Net debt as at January 1, 2017	$ 18,480	$ (3,483)	$ -	$ -	$ 14,997
Cash flows	(871)	(1,036)	-	-	(1,907)
Share issuance	18,281	-	-	-	18,281
Foreign exchange adjustments	(734)	13	-	-	(721)
Net debt as at December 31, 2017	$ 35,156	$ (4,506)	$ -	$ -	$ 30,650
Cash flows	(15,744)	4,159	-	-	(11,585)
Share issuance	21,228	-	-	-	21,228
Term Loan	30,613	-	(30,613)	-	-
Convertible debenture	17,250	-	-	(17,250)	-
Business acquisitions	(68,546)	-	-	-	(68,546)
Foreign exchange and other adjustments	902	(30)	532	(1,725)	(321)
Net debt as at December 31, 2018	$ 20,859	$ (377)	$ (30,081)	$ (18,975)	$ (28,574)

NOTE 13: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2018	December 31, 2017
Trade payables	$ 22,004	$ 16,875
Employee payroll and short-term benefits	4,125	1,217
Accrued expenses	6,115	4,101
Other	1,013	359
Total accounts payables and accrued liabilities	$ 33,257	$ 22,552

NOTE 14: TERM LOAN

On January 17, 2018, in connection with the Advantech Acquisition (Note 6), the Company entered into a term loan (“Loan”) with Crown Capital Fund IV, LP (“Lender”) with a principal amount of $33,000, an annual interest rate of 9% and a maturity date of January 17, 2023. Interest on the Loan is payable monthly in arrears. Baylin and certain of its subsidiaries are guarantors of the Loan and granted and pledged certain security in favour of the Lender including, without limitation, a general security agreement, as well as executing and delivering in favour of the Lender various other loan documents. The credit agreement applicable to the Loan contains certain covenants that the Company must comply with including the following financial covenants: a fixed charge coverage ratio and net debt to trailing twelve month (“TTM”) EBITDA ratio (as defined in the Loan agreement dated January 17, 2018, as amended) calculated at the end of each quarter. The credit agreement also includes other customary covenants and events of default. The Company is in compliance with all of the covenants under the credit agreement as at December 31, 2018.

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

Debt issuance costs of $3,452, including the warrants, were incurred and have been capitalized against the Loan. During the period from January 18, 2018 to December 31, 2018, $533 of amortization of debt issuance costs was recognized in finance expense.

NOTE 15: CONVERTIBLE DEBENTURES

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

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

The Debentures will not be redeemable by the Company prior to July 10, 2021 (except in certain limited circumstances following a Change of Control (as defined in the Indenture)). On or after July 10, 2021, and prior to the Maturity Date, the Company may, at its option, subject to providing not more than 60 days’ and not less than 30 days’ prior notice, redeem the Debentures, in whole or, from time to time, in part, at par plus accrued and unpaid interest provided that the volume weighted-average trading price of the common shares on the Toronto Stock Exchange (the “TSX”) for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given (the “Current Market Price”) is not less than 125% of the Conversion Price. The Company may, at its option, subject to regulatory approval, elect to satisfy its obligation to pay the principal amount of Debentures on redemption or at maturity, provided no Event of Default (as defined in the Indenture) has occurred and is continuing at such time, upon not more than 60 days’ and not less than 30 days’ prior written notice, by delivering that number of freely tradeable common shares obtained by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable.

Canadian dollars in thousands, unless otherwise stated

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

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

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

	Debentures Principal	Debentures Fair Value
Issued July 10, 2018	$ 17,250	$ 17,250
Fair value adjustment	-	1,725
Balance as of December 31, 2018	$ 17,250	$ 18,975

NOTE 16: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	December 31, 2018	December 31, 2017
Financial assets		
Cash and cash equivalents	$ 20,859	$ 35,156
Trade and other receivables	29,387	16,091
	$ 50,246	$ 51,247
Financial liabilities		
Credit from banks	377	4,159
Accounts payable and accrued liabilities	33,257	22,552
Long-term portion of credit from banks	-	347
Term Loan	30,081	-
Convertible debentures	18,975	-
	$ 82,690	$ 27,058

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

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

Canadian dollars in thousands, unless otherwise stated

Market risk

a. Foreign exchange risk

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

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

	December 31, 2018	December 31, 2017
Gain (loss) from change in U.S. dollar exchange rate:		
5% increase in exchange rate	$ 759	$ 879
5% decrease in exchange rate	$ (759)	$ (879)

b. Interest rate risk

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

Credit risk

A significant portion of products are sold to a limited number of major customers located primarily in North America and Asia. The top three customers in any given year may not be the same top three customers in a previous or subsequent year. The loss of, or a significant reduction in, orders from one or more major customers would adversely affect our business, results of operations and financial condition. In particular, the Company received 33% and 51% of revenue, directly and indirectly, from the Company's largest customer and its subcontractors for the years ended December 31, 2018 and December 31, 2017, respectively. The Company's strategy in managing this risk is to diversify its customer base by expanding its product portfolio and enhancing our sales and marketing efforts.

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

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Customer A	33%	51%
Customer B	8%	6%
Customer C	5%	4%

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

Canadian dollars in thousands, unless otherwise stated

Liquidity risk

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

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

	December 31, 2018		
	Less than one year	Over one year	Total
Credit from banks	$ 377	-	$ 377
Accounts payable and accrued liabilities	33,257	-	33,257
Term loan	-	30,081	30,081
Convertible debentures	-	17,250	17,250

	December 31, 2017		
	Less than one year	Over one year	Total
Credit from banks	$ 4,159	347	$ 4,506
Accounts payable and accrued liabilities	22,552	-	22,552

NOTE 17: EMPLOYEE BENEFIT ASSETS AND LIABILITIES

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

Canadian dollars in thousands, unless otherwise stated

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

	December 31, 2018	December 31, 2017
Balance as at January 1	$ 1,836	$ 1,462
Amount recognized in net loss:		
Interest expense	58	42
Current service cost	297	270
	355	312
Amounts recognized in Other Comprehensive Income:		
Experience adjustments	83	69
Actuarial (gains) losses from changes in financial assumptions	105	(56)
	188	13
Benefits paid by the plan	(154)	(39)
Effect of movement in exchange rates	76	88
Balance as at December 31	$ 2,301	$ 1,836

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

	December 31, 2018	December 31, 2017
Discount rate	2.96%	3.46%
Future salary increases	5.00%	5.00%

c. Sensitivity analysis of underlying assumptions

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

	December 31, 2018	December 31, 2017
Change in discount rate		
+1%	$ (191)	$ (154)
-1%	224	181
Future salary increases		
+1%	$ 218	$ 176
-1%	(211)	(153)

Canadian dollars in thousands, unless otherwise stated

NOTE 18: COMMITMENTS

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

The future minimum lease fees payable as of December 31, 2018, for the Group in total are as follows:

		December 31, 2018
Year 1:	2019	$ 1,269
Years 2 to 5:	2020 to 2023	3,857
Years 6 onward:	2024 to 2028	434
		$ 5,560

Limitations on dividend distribution from Galtronics Wuxi

In accordance with applicable Chinese laws, Galtronics Wuxi is only permitted to distribute up to 90% of its after-tax earnings. As of December 31, 2018, amounts restricted from distribution, which constitute 10% of GTW's retained earnings, amounted to approximately $1,366 and was $1,085 as of December 31, 2017.

NOTE 19: INCOME TAXES

Income tax expense included in profit or loss:

	For the Year Ended December 31, 2018	2017
Current income tax expense, net	$ 1,815	$ 436
Deferred taxes recovery, net	$ (6,995)	$ -
	$ (5,180)	$ 436

The Company is subject to tax rates applicable in Canada. The combined federal and provincial rate for 2018 and 2017 is 26.5%. The Company’s subsidiaries are in tax jurisdictions that have tax rates ranging from 11% to 27% (11% to 35% in 2017). Effective January 1, 2018, the federal corporate tax rate in the United States has decreased from 35% to 21%.

Canadian dollars in thousands, unless otherwise stated

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

	For the Year Ended December 31, 2018	2017
Loss before income taxes	$(10,624)	$(3,773)
Statutory tax rate in Canada	26.5%	26.5%
Tax expenses (recovery) computed at the statutory tax rate	$(2,815)	$(1,000)
Increase (decrease) in taxes on income resulting from the following factors:		
Non-deductible expenses	1,337	36
Utilization of previously unrecognized tax losses	(190)	(351)
Tax exemption	(4,129)	(1,249)
Increase in unrecognized tax losses in the year	1,552	3,294
Effect of different tax rates of subsidiaries	(555)	(267)
Taxes in respect of previous years	(645)	-
Other	265	(27)
Taxes on income	$(5,180)	$436

Recognized deferred tax assets and liabilities

	For the Year Ended December 31, 2018	2017
Deferred tax assets		
Property plant and equipment	$ 68	$ 331
Carry forward tax losses	2,689	162
Intangibles	3,303	-
Receivables	-	119
Inventories	107	59
Current liabilities	259	13
Unrecognized deferred tax	-	(684)
	6,426	-
Deferred tax liabilities		
Property plant and equipment	$ (4)	$ (263)
Inventories	-	1
Intangibles	(2,238)	-
Current liabilities	-	209
Tax credits	(14)	-
Unrecognized deferred tax	-	53
	(2,256)	-
Net deferred tax	$ 4,170	$ -

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

Canadian dollars in thousands, unless otherwise stated

Unrecognized deferred tax assets

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

		For the Year Ended December 31,	
Region	**Expiry**	**2018**	**2017**
Canada - operating	Between 2027 and 2038	$ 13,337	$ 13,226
Israel - operating	No expiry	48,652	57,430
Israel - capital	No expiry	15,932	15,932
Korea - operating	Between 2023 and 2028	15,217	14,853
Other - operating	Various	380	-
		$ 93,518	$ 101,441

The Company has non-refundable investment tax credits not yet utilized of $534 as of December 31, 2018.

NOTE 20: SHARE CAPITAL

Authorized share capital

The company is authorized to issue the following share capital:

a. An unlimited number of preferred shares
b. An unlimited number of common shares at no par value

Movement in share capital

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

On November 18, 2017, the company completed a bought deal offering of 8,441,490 common shares at a price of $2.35 per common share for aggregate gross proceeds of $19,838.

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

Canadian dollars in thousands, unless otherwise stated

The following table lists the share capital issued and outstanding:

	Number of shares issued and outstanding		Share capital
Balance as at January 1, 2017	21,916,813	$	90,929
Issued during 2017, net of share issue costs	8,596,099		18,281
Balance as at December 31, 2017	30,512,912	$	109,210
Issued during 2018, net of share issue costs	9,493,542		27,465
Balance as at December 31, 2018	40,006,454	$	136,675

Capital management

The Company's capital management objectives are:

a. To preserve the Group's ability to ensure business continuity thereby creating a return for the shareholders, investors and other interested parties.
b. To ensure adequate return for the shareholders by pricing of products and services that is adjusted to the level of risk in the Group's business activity.
c. To maintain a strong credit rating and healthy capital ratios in order to support business activity and maximize shareholder value. In managing the capital structure, the Company takes into consideration various factors, including the growth of the business and related infrastructure and the up-front cost of taking on new customers. The Company's officers and senior management are responsible for managing the capital and do so through monthly meetings and regular review of financial information. The Board of Directors is responsible for overseeing this process. The Company manages capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the cash flows from operations and capital transactions. There has been no change in capital management during 2018.

NOTE 21: SHARE-BASED PAYMENTS

a. Pursuant to the Company's Deferred Share Unit Plan for directors of the Company (the "DSU Plan"), the Company grants deferred share units ("DSUs") to directors as part of its long-term incentive compensation plan. Unless otherwise approved by the board of directors, each director may elect to receive between 50% and 100% of their annual retainers in DSUs. If no election is made, a deemed election of 50% applies. The number of DSUs issued is determined each month while the applicable director is serving as a board member. DSUs granted will be settled by purchasing and providing common shares on the date the director ceases to be a director of the Company. The number of DSUs issuable is limited to 500,000 units.

Canadian dollars in thousands, unless otherwise stated

The following table lists the number of DSUs issued:

	Number of DSUs	Weighted average price in CAD
DSUs outstanding at January 1, 2017	224,826	$ 2.21
DSUs granted during 2017	77,596	$ 2.19
DSUs outstanding at December 31, 2017	302,422	$ 2.20
DSUs granted during 2018	53,021	$ 3.61
DSUs redeemed during 2018	(30,025)	$ 2.23
DSUs outstanding at December 31, 2018	325,418	$ 2.43

The Company recognized an expense of $191 in the year ended December 31, 2018 and $170 in the year ended December 31, 2017 within general and administrative expenses with regards to the DSU Plan.

b. The Company's stock option plan (the "Stock Option Plan") was adopted so the board of directors can grant stock options to directors, officers, employees and consultants of the Company (or its affiliates) as performance incentives. There are limitations on the number of common shares issuable under the Stock Option Plan (and all other security based compensation arrangements), as well as limitations on the number of common shares issuable to insiders (or their affiliates). At the time of granting a stock option, the board of directors must approve: (i) the exercise price, being not less than the market value of the common shares; (ii) the vesting provisions, generally that one third vest on each anniversary of the grant date (except as noted below); and, (iii) the expiry date, generally being no more than seven years after the grant date.

The below table summarizes grants made under the Stock Option Plan as at December 31, 2018:

				Optioned vested as at:	
Stock option grant date	**Stock options granted**	**Exercise price**	**Option expiry date**	**December 31, 2018**	**December 31, 2017**
Aug. 24, 2015	925,000	$ 1.51	Aug. 24, 2020	925,000	925,000
Mar. 30, 2017	685,000	$ 1.98	Mar. 30, 2022	228,333	-
Aug. 8, 2017	500,000	$ 2.00	Aug. 8, 2022	166,667	-
Mar. 10, 2018	30,000	$ 3.51	Mar. 10, 2023	-	-
May 17, 2018	275,000	$ 3.34	May 17, 2023	-	-
May 22, 2018	25,000	$ 3.34	May 22, 2023	-	-
Jul. 11, 2018	197,500	$ 3.50	Jul. 11, 2023	-	-
Nov. 9, 2018	250,000	$ 3.84	Nov. 9, 2023	-	-

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

Canadian dollars in thousands, unless otherwise stated

Stock option grant date	Stock options granted	Expected volatility of the stock prices (%)	Risk-free interest rate (%)	Expected life of stock options (years)	Option fair value at the grant date (CAD)
Aug. 24, 2015	925,000	44.42 – 45.29	0.90	2.67 – 3.25	$ 0.44 – 0.48
Mar. 30, 2017	685,000	50.48	1.10	5.0	$ 0.89
Aug. 8, 2017	500,000	48.69	1.55	5.0	$ 0.89
Mar. 10, 2018	30,000	50.41	1.98	5.0	$ 1.42
May 17, 2018	275,000	50.91	2.04	5.0	$ 1.89
May 22, 2018	25,000	50.29	2.30	5.0	$ 1.45
Jul. 11, 2018	197,500	48.87	2.07	5.0	$ 1.36
Nov. 9, 2018	250,000	48.65	2.48	5.0	$ 1.78

The Company recognized expenses during the year ended December 31, 2018 due to the stock options under the Company's Stock Option Plan in the amount of $918 as general and administrative expenses and $195 during the year ended December 31, 2017.

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

d. In January 2018, certain employees of the Company ("Participants") commenced participation in the Employee Share Purchase Plan ("ESPP"). The Company will grant each Participant a number of shares equal to each Participant's annual share purchase commitment. The Company also provides for the issuance of common shares to employees of the Company under the terms of the Employee Share Compensation Plan ("ESCP"). A total of 126,968 common shares of the Company were acquired for an aggregate purchase price of $410 and 45,292 common shares were issued with a value of $145 to fulfill the Company's obligations under the ESPP and ESCP.

e. The Company recognized $124 in general and administrative expenses for the year ended December 31, 2018 with regards to the ESPP. The Company issued 43,000 shares and recognized $138 in general and administrative expenses and share capital for the year ended December 31, 2018 in terms of the ESCP.

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

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

h. In connection with the Alga Acquisition (Note 6), on July 11, 2018, the Company issued 1,176,470 common shares to the vendors of Alga at a deemed price of $3.40 per share, in partial satisfaction of the purchase price for the Alga Acquisition.

Canadian dollars in thousands, unless otherwise stated

NOTE 22: EQUITY METHOD INVESTMENT

Baylin's equity-method investments consist of a 19 percent interest in Galtronics Canada Ltd. ("GTC"), a Canadian technology company providing innovative antenna designs and RF test services for wireless communication products and a 19 percent interest in Advantech Wireless Research Inc. ("AWR"), a Canadian technology company that designs terrestrial and satellite communications solutions for wireless broadband communication companies. As at July 1, 2018 the Company ceased consolidating GTC.

For the year ended December 31, 2018, transactions between Baylin and GTC and AWR totaled $5,844 consisting primarily of revenue earned related to the services agreements.

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

	As of December 31, 2018		
	Galtronics Canada Ltd.	**Advantech Wireless Research Inc.**	**Total**
Cash	$ 105	$ -	$ 105
Other current assets	93	320	413
Accounts receivables	2,642	3,325	5,967
Property, plant and equipment	656	469	1,125
Accounts payables and accrued liabilities	(3,788)	(4,031)	(7,819)
Net assets (liabilities)	$ (292)	$ 83	$ (209)
Share of equity method investment net assets (liability)	(55)	16	(39)
Unrecognized equity method losses	55	-	55
	$ -	$ 16	$ 16

	Galtronics Canada Ltd.	**Advantech Wireless Research Inc.**	**Total**
Revenue	$ 2,217	$ 3,063	$ 5,280
Expenses	2,509	2,980	5,489
Net income (loss)	$ (292)	$ 83	$ (209)
Share of equity method investment net income (loss)	(55)	16	(39)
Unrecognized share of equity method investment net loss	55	-	55
	$ -	$ 16	$ 16

NOTE 23: NET LOSS PER SHARE

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

	For the Year Ended December 31, 2018	2017
Net loss attributable to shareholders	$ (4,651)	$ (4,007)
Weighted number of shares (in thousands of units)	35,372	22,935
Net loss per share attributable to shareholders	$ (0.13)	$ (0.17)

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

NOTE 24: RELATED PARTY TRANSACTIONS

The Company had a service agreement with a company controlled by its principal shareholder, for office space, service of certain employees, administrative support and supplies, computers and communication equipment. The Company incurred expenses of $140 in general and administrative expenses for the year ended December 31, 2017 under this service agreement. The company terminated the service agreement in the second quarter of 2017 with no penalty and secured alternative office space with a non-related party.

Share-based payment for executive officers

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

Share-based payment for directors

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

Employee Purchase Plan

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

Advantech Wireless Inc.

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

Pursuant to the terms of the Advantech Acquisition, Advantech Wireless Inc. may be entitled to additional compensation of between $750 and $3,000 per year in each of 2018 and 2019 conditional on the Advantech Wireless business meeting certain EBITDA targets in those years.

In connection with the Advantech Acquisition, Advantech Wireless Inc. entered into a consulting agreement with the Company payable in cash and common shares as detailed in Note 6. $1,707 was recognized in general and administrative expenses for the year ended December 31, 2018.

During the year ended December 31, 2018, the Company received a payment from the escrow agent of approximately $1,800 as a result of an indemnity claim made by the Company against the portion of the cash purchase price being held in escrow pursuant to the terms of the Advantech Acquisition. Such amount was included as an offset against general and administrative and selling and marketing expenses during the third quarter of 2018. Post the payment, the vendor of Advantech asserted the payment was made without prejudice, which has since been disputed by the Company. Certain other indemnity claims have been asserted by the Company to the escrow agent, which claims remain subject to ongoing discussions between the Company and Advantech Wireless Inc.

During the year ended December 31, 2018, Advantech Wireless Inc. and certain of its affiliates acted as agent for the Company through $8,596 cash collections and $7,467 cash payments on its behalf. As at December 31, 2018, $286 due to the Company was included in trade receivables and $20 due to the agent was included in accounts payable and accrued liabilities.

During the year ended December 31, 2018, the Company recognized revenue in the amount of $1,670 related to the sale of goods to Advantech Wireless Inc. and certain of its affiliates.

For the year ended December 31, 2018, $240 was recognized in cost of sales and $109 in general and administrative expenses for premises subleased from Advantech Wireless Inc. and certain of its affiliates.

During the period from closing of the Advantech Acquisition to December 31, 2018, the Company provided services to Advantech Wireless Inc. and certain of its affiliates in the amount of $487. As of December 31, 2018, $349 was included within trade receivables.

Alga

For the year ended December 31, 2018, $128 was recognized in revenue for premises leased to a company owned by Michael Perelshtein and Frank Panarello, employees of Alga Microwave Inc.

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

Offering

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

Other

The Company retains the services of Mr. Jeffrey C. Royer, pursuant to a services agreement between Mr. Royer and the Company dated as of January 1, 2015, to fulfill the position of Chairman of the board of directors and to provide related strategic leadership and guidance to the board of directors and management of the Company. The agreement has been renewed for one year terms on each of January 1, 2016, January 1, 2017 and most recently on January 1, 2018. As consideration for the services provided under the agreement, the Company agreed to pay Mr. Royer an annual fee of $150 either in cash or securities of the Company as mutually agreed between the Company and Mr. Royer. Mr. Royer irrevocably renounced to be paid any amount under this agreement for the years ended December 31, 2015, 2016 and 2017. For the year ended December 31, 2018 the Company paid $150 to Mr. Royer under this agreement.

Canadian dollars in thousands, unless otherwise stated

Director and executive officer remuneration

The following comprise the remuneration for directors and executive officers:

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

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

b. Directors' remuneration

These amounts represent fees and expense reimbursement paid to directors.

c. Share-based payment for executive officers

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

d. Share-based payment for directors

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

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

	For the Year Ended December 31, 2018	2017
Short-term benefits, pension and post-retirement benefits	$ 6,188	$ 4,953
Directors' remuneration	166	15
Share-based payment for executive management	1,045	195
Share-based payment for directors	191	164

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

NOTE 25: FAIR VALUE MEASUREMENTS

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

The following table presents the Company's financial liabilities measured and recognized at fair value at December 31, 2018 (December 31, 2017: none).

	Level 1	Level 2	Level 3	Total
Convertible Debentures	18,975	-	-	18,975

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the group is the current bid price. As at December 31, 2018, the company did not hold any instruments included in level 1 except the convertible debentures.

Canadian dollars in thousands, unless otherwise stated

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at December 31, 2018 and December 31, 2017, the company did not hold any instruments included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at December 31, 2018 and December 31, 2017, the company did not hold any instruments included in level 3.

NOTE 26: REVENUE

Revenues by geographic destination are as follows:

	For the Year Ended December 31,	
	2018	**2017**
Asia Pacific	$ 75,285	$ 70,188
North America	43,360	19,739
Europe, Middle East and Africa	14,641	1,089
Other	2,928	626
	$ 136,214	$ 91,642

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

NOTE 27: NATURE OF EXPENSES

The nature of cost of sales expenses are as below:

	For the Year Ended December 31,	
	2018	**2017**
Payroll	$ 13,718	$ 7,405
Depreciation	3,323	3,055
Materials	53,680	39,369
Overhead and Freight	14,652	13,468
	$ 85,373	$ 63,297

Canadian dollars in thousands, unless otherwise stated

The nature of operating expenses are as below:

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Payroll	$ 27,509	$ 17,825
Professional services	10,324	2,869
Office and IT costs	6,267	4,435
Depreciation and amortization	5,627	1,028
Other	7,331	3,965
	$ 57,058	$ 30,122

NOTE 28: FINANCE INCOME AND EXPENSES

The following table summarizes finance income and expenses:

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Interest income	$ (96)	$ (47)
Interest expense	5,175	268
Bank charge expense	147	83
Gain (loss) from foreign exchange rate changes	(615)	1,692
Finance expense, net	$ 4,611	$ 1,996