PRODIGY VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(expressed in Canadian dollars)

Independent Auditor's Report

To the Shareholders of Prodigy Ventures Inc.:

Opinion

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

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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 audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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.

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Natalie Hope Brykman.

Toronto, Ontario
April 7, 2020

Chartered Professional Accountants
Licensed Public Accountants

Prodigy Ventures Inc.
Consolidated Statements of Financial Position as at December 31, 2019 and 2018
(Expressed in Canadian dollars)

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash	$ 2,025,741	$ 1,269,182
Accounts receivable (Note 10)	2,539,997	3,418,191
Contract asset	246,625	-
Income taxes recoverable	96,551	180,386
Prepaid expenses	82,890	52,264
	4,991,804	4,920,023
Non-current assets:		
Prepaid expenses	19,187	33,490
Deferred tax asset (Note 14)	-	53,594
Property and equipment (Note 3)	115,707	77,820
Right of use assets (Note 4)	315,746	-
	450,640	164,904
Total assets	$ 5,442,444	$ 5,084,927
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 6)	$ 1,987,643	$ 2,181,510
Lease liability (Note 7)	160,043	-
Dividends payable (Note 8(e))	115,606	-
Contract liability	-	50,245
	2,263,292	2,231,755
Non-current liabilities:		
Deferred tax liability (Note 14)	18,964	-
Lease liability (Note 7)	154,036	-
	173,000	-
Total liabilities	2,436,292	2,231,755
Shareholders' Equity		
Share capital (Note 8(b))	715,995	699,822
Contributed surplus	122,409	97,800
Retained earnings	2,167,748	2,055,550
	3,006,152	2,853,172
Total liabilities and shareholders' equity	$ 5,442,444	$ 5,084,927

On behalf of the Board:

“Thomas Beckerman”, Director
“Stephen Moore”, Director

Subsequent events (Note 17)

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

Prodigy Ventures Inc.
Consolidated Statements of Operations and Comprehensive Income
Years ended December 31, 2019 and 2018
(Expressed in Canadian dollars)

	2019	2018
Revenue (Note 12)	$ 20,330,350	$ 16,943,045
Direct costs	14,688,627	12,892,061
Gross profit	5,641,723	4,050,984
Expenses:		
Advertising and promotion	66,185	55,261
Compensation	3,048,872	2,057,982
Computer	121,433	121,224
Depreciation (Notes 3 and 4)	196,316	24,849
Finance costs	30,838	5,988
Office and general (Note 13)	323,066	221,325
Professional fees	319,303	168,119
Research and development	942,451	1,017,945
Share-based compensation (Note 8(c))	30,782	60,950
Telecommunications	14,603	11,308
Travel	55,254	37,841
	5,149,103	3,782,792
Net income before tax	492,620	268,192
Income taxes (Note 14)	149,309	92,597
Net income and comprehensive income for the year	$ 343,311	$ 175,595
Net income per share - basic and diluted (Note 15)	$ 0.00	$ 0.00

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

Prodigy Ventures Inc.
Consolidated Statements of Changes in Shareholders' Equity
Years ended December 31, 2019 and 2018
(Expressed in Canadian dollars)

	Common shares	Non-Voting shares	Share capital (Note 8)	Contributed surplus	Retained earnings	Total shareholders' equity
Balance, December 31, 2017	26,229,902	88,051,416	$ 501,537	$ 112,635	$ 1,879,955	$ 2,494,127
Share-based compensation (Note 8(c))	–	–	–	60,950	–	60,950
Exercise of options (Note 8(c))	1,225,000	–	198,285	(75,785)	–	122,500
Net income	–	–	–	–	175,595	175,595
Balance, December 31, 2018	27,454,902	88,051,416	$ 699,822	$ 97,800	$ 2,055,550	$ 2,853,172

	Common shares	Non-Voting shares	Share capital (Note 8)	Contributed surplus	Retained earnings	Total shareholders' equity
Balance, December 31, 2018	27,454,902	88,051,416	$ 699,822	$ 97,800	$ 2,055,550	$ 2,853,172
Rounding adjustment	–	2	–	–	–	–
Conversion of non-voting shares (Note 8)	88,051,418	(88,051,418)	–	–	–	–
Share-based compensation (Note 8(c))	–	–	–	30,782	–	30,782
Exercise of options (Note 8(c))	100,000	–	16,173	(6,173)	–	10,000
Net income	–	–	–	–	343,311	343,311
Dividends declared (Note 8(e))	–	–	–	–	(231,113)	(231,113)
Balance, December 31, 2019	115,606,320	–	$ 715,995	$ 122,409	$ 2,167,748	$ 3,006,152

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

Prodigy Ventures Inc.
Consolidated Statements of Cash Flows
Years ended December 31, 2019 and 2018
(Expressed in Canadian dollars)

	2019	2018
Cash flows from operating activities		
Net income for the year	$ 343,311	$ 175,595
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation (Notes 3 and 4)	196,316	24,849
Share-based compensation (Note 8(c))	30,782	60,950
Finance costs	30,838	5,988
Income taxes	149,309	92,597
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	878,194	(1,116,598)
(Increase) decrease in contract asset	(246,625)	23,758
(Increase) in prepaid expenses	(30,626)	(37,277)
(Decrease) increase in accounts payable and accrued liabilities	(193,867)	738,231
(Decrease) increase in contract liability	(50,245)	9,678
Cash flows from (used in) operating activities	1,107,387	(22,229)
Income taxes recovered (paid)	7,084	(22,669)
Net cash from (used in) operating activities	1,114,471	(44,898)
Cash flows from investing activities		
Purchase of property and equipment (Note 3)	(69,465)	(25,468)
Net cash used in investing activities	(69,465)	(25,468)
Cash flows from financing activities		
Repayment of lease liabilities (Note 7)	(152,102)	-
Dividends paid	(115,507)	-
Proceeds from exercise of stock options	10,000	122,500
Finance costs paid	(30,838)	(5,988)
Net cash flows (used in) from financing activities	(288,447)	116,512
Increase in cash	756,559	46,146
Cash, beginning of year	1,269,182	1,223,036
Cash, end of year	$ 2,025,741	$ 1,269,182

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

1. NATURE OF OPERATIONS

Prodigy Ventures Inc. ("Prodigy" or the "Company") delivers Fintech innovation. The Company develops software and services with emerging technologies for digital transformation, identity and payments. Digital transformation services include strategy, architecture, design, project management, agile development, quality engineering and staff augmentation. The Company was incorporated as 71 Capital Corp. under the Canada Business Corporations Act on February 6, 2008 and was classified as a Capital Pool Company, as defined by the TSX Venture Exchange ("TSXV").

The Company's registered office is as follows: 161 Bay Street, Suite 4420, P.O. Box 125, TD Canada Trust Tower, Toronto, Ontario M5J 2S1. The Company's common shares are listed on the TSXV under the symbol PGV.

On September 10, 2015, the Company closed its Qualifying Transaction pursuant to an agreement between 71 Capital Corp., TCB Corporation and 2478677 Ontario Ltd., and 71 Capital Corp. changed its name to Prodigy Ventures Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are carried at fair value.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on April 7, 2020.

Critical accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of expenses and other income during the year.

Management continuously evaluates the estimates and underlying assumptions based on management's experience and knowledge of facts and circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods if affected.

Significant estimates made by management include the following:

Revenue recognition:

Revenue relating to fixed price professional services contracts is recognized based on the percentage of completion of the performance obligation which is assessed based on actual labour cost and budgeted cost required to complete the performance obligation. The Company estimates the costs associated with the performance obligation based on labour cost. Refer to Revenue Recognition section for discussion on the impact on the adoption of IFRS 15 *Revenue from Contracts with Customers.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Critical accounting judgments and estimates - continued

Deferred tax assets and liabilities:

The Company estimates the amount and the timing of the reversing of temporary differences giving rise to deferred tax assets or liabilities and recognizes this amount based on historical experience and substantively enacted tax rates.

Share-based compensation:

The Company uses estimates in the calculation of the expenses its share-based incentive plans including, but not limited to, share price volatility, dividends, expected life of the award, and risk-free interest rates. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the carrying value of contributed surplus, net income, and comprehensive income in future periods.

Leases:

The Company applies significant judgement in assessing whether a contract is or contains a lease. Critical judgements and estimates may include, but are not limited to: a) determining whether or not a contract contains a lease; b) establishing whether or not it is reasonably certain that an extension option will be exercised; c) determining whether or not variable leased payments are truly variable, or in-substance fixed; and d) calculating the appropriate discount rate to use.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, and its wholly owned subsidiary company, TCB Corporation. All significant intercompany balances and transactions have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and investment dealers, and short-term deposits with original maturities of less than three months at date of acquisition and are initially recorded at fair value. As at December 31, 2019 and 2018, the Company did not have any cash equivalents.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses recorded. Cost includes expenses that are directly attributable to the acquisition of the asset. When parts of an item of equipment have different useful lives, they are accounted for as separate components of equipment and depreciated accordingly. The carrying amount of any replaced component or a component no longer in use is derecognized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item of property and equipment will flow to the Company and the costs of the item can be reliably measured. All other expenses are charged to operating expenses as incurred.

Depreciation is based on the cost of an asset less its estimated residual value. Depreciation is charged to profit or loss over the estimated useful life of an asset. Depreciation is provided on a declining-balance basis using the following rates:

Computer hardware – 30% declining balance

Computer software – 30% declining balance

Furniture – 30% declining balance

Depreciation methods, rates and residual values are reviewed annually and revised if the current method, estimated useful life or residual value is different from that estimated previously. The effect of such a change is recognized on a prospective basis in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue recognition

On January 1, 2018, the Company adopted IFRS 15 *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgement thresholds have been introduced which may affect the timing of revenue recognized.

The Company records revenue from contracts with customers in accordance with the five steps in IFRS 15 as follows:
1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the total consideration provided by the customer;
4. Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
5. Recognize revenue when the relevant criteria are met for each unit (at a point in time or over time).

The Company derives its revenues from software and related professional service contracts. Revenue comprises the fair value of consideration received or receivable from the provision of services in the ordinary course of business.

Revenue from contracts with customers is recognized for each performance obligation as control is transferred to the customer over time as progress towards completion of the performance obligation. The transaction price is generally the amount stated in the contract.

The Company recognizes professional services revenues based on time and material incurred, or for fixed price professional service contracts, based on the percentage of completion of the performance obligation, which is assessed based on actual labour cost and budgeted cost required to complete the performance obligation. If a loss on a contract is considered probable, the loss is recognized when it is determinable.

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

Contract costs, such as commissions or incremental costs of obtaining a contract with a customer, are recognized as an asset if the period of benefit for those costs is expected to be longer than one year and those costs are expected to be recoverable under the expected term of the contract. As all contracts are for a period of less than one year, no contract costs have been recorded.

Research and development costs and investment tax credits

All costs relating to research are expensed as incurred. Investment tax credits are recognized in the period in which the credits are earned and realization is considered more likely than not. Assistance received or receivable is accounted for using the cost reduction approach.

Income tax and deferred taxes

The tax expense recognized in net income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

The tax currently payable is based on the taxable income or loss for the period. The taxable income or loss may differ from the income or loss for the period as reported in the accompanying consolidated statements of operations and comprehensive income due to the exclusion, if any, of revenue or expense items that are taxable or deductible in other periods, as well as items that are not taxable or deductible. The Company's liability for current income taxes is calculated using income tax rates that have been enacted or substantively enacted by the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income tax and deferred taxes - continued

Deferred tax assets and liabilities are measured, without discounting, at the tax rates that have been enacted or substantively enacted by the end of the reporting period and applicable in the period in which the liability is expected to be settled or the asset realized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of all or part of the asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when these relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. Changes in deferred tax assets or liabilities are recognized as a component of taxable revenue or expense in profit or loss, except where these relate to items that are recognized in other comprehensive income or directly in equity, in which case, the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as share-based compensation expense, with a corresponding increase in contributed surplus, over the vesting period of the award (Note 8(c)). The amount recognized is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that vest. Upon the exercising of options, the fair value of the options exercised that has been added to contributed surplus is reclassified to common shares and reflected in the consolidated statements of changes in shareholders' equity.

Equity settled transactions with non-employees are generally measured at the fair value of the goods or services received, and are measured with reference to the fair value of the equity instruments granted if the fair value of the goods or services received cannot be measured reliably.

Impairment testing of property and equipment

Property and equipment that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For purposes of assessing impairment, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU"s). An impairment loss is recognized for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset or CGU's fair value, less costs to sell, and value-in-use.

To determine the value-in-use, management estimates expected future cash flows and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by management. As a result, some assets are tested individually for impairment and some are tested at the CGU level.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (or group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (or group of CGUs) on a pro rata basis. Long-lived assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date. For such assets, an impairment charge is reversed if the CGUs or individual asset's recoverable amount exceeds its carrying amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Provisions

Provisions are recognized when the Company has a present legal obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and this amount can be reliably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. Additionally, the Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision would be measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company would recognize any impairment loss on the assets associated with the contract.

Financial instruments – assets and liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expired.

At initial recognition, the Company classifies its financial instruments depending on the purpose for which the instruments were acquired, as follows:

Cash is measured at fair value.

Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's accounts receivable comprise trade receivables and are included in current assets due to their short-term nature. Accounts receivable are initially measured at fair value and, subsequently, are measured at amortized cost.

Accounts payable and those accrued liabilities which are financial instruments are initially recognized at fair value and, subsequently, they are measured at amortized cost, which generally corresponds to cost. These instruments are included in current liabilities due to their short-term nature.

Impairment of financial assets

On January 1, 2018, the Company adopted IFRS 9 Financial Instruments.

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (“ECL”) model. The ECL model requires judgement, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each reporting date, to the Company’s financial assets measured at amortized cost.

The Company determined ECL on trade receivables using a provision matrix based on historical credit loss experiences adjusted to reflect information about current economic conditions and forecasts of future economic conditions to estimate lifetime ECL.

Impairment losses, if any, are recorded in general and administrative expenses with the carrying amount of the financial asset or contract asset reduced through the use of impairment allowance accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

Comprehensive income (loss)

Basic comprehensive income (loss) comprises net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) represents changes in shareholders' equity and would be presented as accumulated other comprehensive income (loss). However, the Company has not had material income or losses relating to other comprehensive income (loss) and, accordingly, has made no adjustments to the accompanying consolidated financial statements.

Income per share

The Company calculates basic income per share by dividing the net income attributable to common and non-voting shareholders by the weighted average number of common and non-voting shares outstanding during the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common or non-voting shares are exercised or converted. Diluted income (loss) per share would be equal to basic income (loss) per share when the effect of dilutive securities is anti-dilutive.

Recently adopted accounting policy changes

Effective January 1, 2019, the Company has adopted IFRS 16 *Leases*:

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. The standard is effective for annual periods beginning on or after January 1, 2019 and the Company is required to apply IFRS 16 to all contracts that are not complete on the date of initial application. The Company applied the modified retrospective approach, to remaining lease payments as at January 1, 2019, without restatement of comparative figures presented for 2018 as previously reported under IAS 17. Upon the initial application as of January 1, 2019, right-of-use assets and lease liabilities were recorded, with no net impact on retained earnings. For leases previously classified as operating leases under IAS 17, the lease liability has been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at the date of initial application. Additionally, the right-of-use asset has been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognized in the statement of financial position immediately before the date of initial application. For leases previously classified as finance leases under IAS 17, the lease liability and the right-of-use asset has been measured as the carrying amount of the lease asset and lease liability immediately before the date of initial application. The following table summarizes the impact of initial application on the consolidated statement of financial position:

	Balance at December 31, 2018	IFRS 16 Initial Application	Balance at January 1, 2019
Assets			
Long-term prepaid expenses	$ 33,490	$ (14,303)	$ 19,187
Right of use assets	-	480,484	480,484
Liabilities			
Lease liabilities	$ -	$ 466,181	$ 466,181

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recently adopted accounting policy changes - continued

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company has elected to account for all short-term leases and all leases for which the underlying asset is of low value as expenses on either a straight-line basis over the lease term or another systematic basis, and thus not recognize a lease liability and a right-of-use asset at the date of initial application. Short-term leases are leases with a lease term of twelve months or less.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rates depending on the lease terms and other factors as at January 1, 2019. The incremental borrowing rate applied is 5.1%.

The following table reconciles the Company's operating lease commitments at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease liabilities recognized on initial application of IFRS 16 at January 1, 2019:

Operating lease commitments at December 31, 2018	$ 500,573
Discounted using incremental borrowing rates	(34,392)
Lease liabilities recognized at January 1, 2019	$ 466,181

3. PROPERTY AND EQUIPMENT

	Computer hardware	Computer software	Furniture	Total
Cost				
Balance, December 31, 2017	$ 110,880	$ 5,994	$ 4,910	$ 121,784
Additions	24,103	–	1,365	25,468
Balance, December 31, 2018	$ 134,983	$ 5,994	$ 6,275	$ 147,252
Additions	63,668	–	5,797	69,465
Balance, December 31, 2019	$ 198,651	$ 5,994	$ 12,072	$ 216,717
Accumulated depreciation				
Balance, December 31, 2017	$ 38,288	$ 5,789	$ 506	$ 44,583
Depreciation	23,415	62	1,372	24,849
Balance, December 31, 2018	$ 61,703	$ 5,851	$ 1,878	$ 69,432
Depreciation	29,518	43	2,017	31,578
Balance, December 31, 2019	$ 91,221	$ 5,894	$ 3,895	$ 101,010
Carrying amounts				
Balance, December 31, 2018	$ 73,280	$ 143	$ 4,397	$ 77,820
Balance, December 31, 2019	$ 107,430	$ 100	$ 8,177	$ 115,707

4. RIGHT OF USE ASSETS

		Premises
Cost		
Balance, December 31, 2018	$	–
IFRS 16 Adoption		480,484
Balance, December 31, 2019	$	480,484
Accumulated depreciation		
Balance, December 31, 2018	$	–
Depreciation		164,738
Balance, December 31, 2019	$	164,738
Carrying amounts		
Balance, December 31, 2018	$	–
Balance, December 31, 2019	$	315,746

5. LINE OF CREDIT

In December 2017, the Company established an operating line of credit for up to $2,000,000, which carries an interest rate of prime plus 1.15%. This facility is covered by a General Security Agreement and standard operating covenants. The Company has not utilized the operating line as of December 31, 2019.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities included the following as at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Salaries	$ 399,739	$ 407,203
Trade payables	1,161,957	1,166,647
Accrued liabilities	352,347	519,059
HST payable	73,600	88,601
Total	$ 1,987,643	$ 2,181,510

7. LEASE LIABILITY

	December 31, 2019	December 31, 2018
Current	$ 160,043	$ -
Non-current	154,036	-
Total lease liabilities	$ 314,079	$ -

The Company’s leases are for office premises. When measuring these liabilities, lease payments were discounted using an incremental borrowing rate of 5.1%.

7. LEASE LIABILITY - CONTINUED

The following table summarizes the undiscounted future lease payments beyond December 31, 2019:

		December 31, 2019
Less than one year	$	171,625
One to five years		157,323
Total undiscounted future lease payments		328,948

The following table summarizes lease-related cash flows for the year ended December 31, 2019:

		Year ended December 31, 2019
Principal repayment	$	152,103
Interest		19,522
Total cash outflows	$	171,625

8. SHARE CAPITAL

a) Authorized

Unlimited common shares: voting, without par value, participating
Unlimited non-voting shares: non-voting, without par value, participating in dividends when concurrently declared on common shares

b) Shares issued and outstanding

	Number of shares		Amount
Common shares			
Balance, December 31, 2017	26,229,902	$	501,042
Exercise of options	1,225,000		198,285
Balance, December 31, 2018	27,454,902	$	699,327
Conversion of non-voting shares	88,051,418		495
Exercise of options	100,000		16,173
Balance, December 31, 2019	115,606,320	$	715,995
Non-Voting shares (i)			
Balance, December 31, 2017 and December 31, 2018	88,051,416	$	495
Rounding adjustment	2		-
Conversion of non-voting shares	(88,051,418)		(495)
Balance, December 31, 2019	-	$	-
Total, December 31, 2019		$	715,995

8. SHARE CAPITAL – CONTINUED

b) Shares issued and outstanding - continued

(i) On July 17, 2019 the Company converted its 88,051,418 issued and outstanding non-voting shares to common shares.

The non-voting voting shares were identical to the Company's common shares in all respects other than the fact that they only entitled the holder to vote such shares in limited circumstances. The non-voting voting shares were created in connection with the completion of the Company's qualifying transaction in 2015 to ensure that the Company was able to satisfy the TSX Venture Exchange's public float distribution requirements. The terms of such shares provided that the non-voting voting shares would be automatically converted to common shares when such conversion is permitted by the rules of the TSX Venture Exchange. The TSX Venture Exchange has confirmed that such conversion will be permitted provided that following such conversion the Company's Public Float is not less than 10% of the issued and outstanding common shares following such conversion. This condition has been satisfied as a result of a transfer of 1,115,500 non-voting voting shares held by a former 10% shareholder of the Company to the Company's Chief Executive Officer (and the release of such holder from a voting trust agreement in favour of Mr. Beckerman).

Given that the non-voting voting shares had the same economic entitlements as common shares, the conversion of the non-voting voting shares had no impact on the financial results of the Company including its per share financial disclosure. The sole impact of the change was to simplify the Company's capital structure and to ensure that all outstanding shares carry one vote per share.

c) Stock options outstanding

The Company has adopted a Stock Option Plan (the "Option Plan") to provide an incentive to the Company's directors, senior officers, employees and consultants to continue their involvement with the Company and to increase their efforts on the Company's behalf. The Option Plan is a "rolling" stock option plan, whereby options may be granted equal in number to up to 10% of the issued common shares of the Company at the time of the grant of the stock option.

The following table reflects the continuity of stock options for the years ended December 31, 2019 and 2018:

	December 31, 2019			December 31, 2018		
Expiry date	**Number of options**	**Exercise price**	**Weighted average exercise price**	**Number of options**	**Exercise price**	**Weighted average exercise price**
Outstanding, beginning of year	1,050,000		$ 0.142	1,785,000		$ 0.100
Granted (i)	-	-	-	590,000	$ 0.175	$ 0.175
Granted (ii)	240,000	$ 0.185	$ 0.185	-	-	-
Exercised	(100,000)	$ 0.100	$ 0.100	(1,225,000)	$ 0.100	$ 0.100
Cancelled/Expired	(360,000)	$ 0.100	$ 0.100	(100,000)	$ 0.100	$ 0.100
Outstanding, end of year	830,000		$ 0.178	1,050,000		$ 0.142
Exercisable, end of year	650,000		$ 0.176	718,750		$ 0.127

8. SHARE CAPITAL – CONTINUED

c) Stock options outstanding - continued

(i) On April 1, 2018, officers of the Company were granted 590,000 incentive stock options. Of the total, 345,000 options vested 12 equal monthly instalments over 12 months which began on April 30, 2018, each exercisable into one common share at a price of $0.175 per share for a period of two years from each vesting date. An additional 245,000 incentive stock options vested on March 31, 2019 each exercisable into one common share at a price of $0.175 per share until March 31, 2021.

(ii) On September 6, 2019, the Company granted 240,000 incentive stock options for investor relations services. The options vest in equal amounts over four quarters commencing on December 10, 2019 and are exercisable at a price of $0.185 per share until September 6, 2022.

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at December 31, 2019 are as follows:

	Options Outstanding			**Options Exercisable**	
Exercise price	**Number outstanding**	**Weighted average exercise price**	**Average remaining contractual life (years)**	**Number exercisable**	**Weighted average exercise price**
$ 0.175	590,000	$ 0.175	0.98	590,000	$ 0.175
$ 0.185	240,000	$ 0.185	2.68	60,000	$ 0.185
Total	830,000	$ 0.178	1.47	650,000	$ 0.176

The estimated fair value of options granted during the years ended December 31, 2019 and 2018 was determined on the date of grant using the Black-Scholes option pricing model with the following assumptions where applicable:

	2019	**2018**
Fair value of options	$0.152	$0.108 - $0.123
Exercise price	$0.185	$0.175
Risk-free interest rate	1.42%	1.92%
Dividend yield	0%	0%
Volatility factor based on comparable companies	154.1%	118.7%
Weighted average expected life of the options, in years	3.0	2.1 – 3.0

The Company recorded stock-based compensation expense of $30,782 for the year ended December 31, 2019 (2018 - $60,950) in connection with stock options issued.

d) Restricted Share Unit Plan

The Company has also adopted a Restricted Share Unit Plan (the "RSU Plan"). The RSU Plan is a complimentary mechanism to the Company's Option Plan. Its purpose is to provide an incentive to the Company's senior officers, employees and consultants to continue their involvement with the Company and to increase their efforts on the Company's behalf. Under the RSU Plan, the aggregate number of common shares which may be issued will not exceed 2,568,823 at the time of grant of any restricted share unit ("RSU"). As of December 31, 2019, the Company has not granted any RSU's under the RSU Plan.

e) Dividends

On September 20, 2019, the Company declared a quarterly dividend of 0.1 cents per share for holders of record of common shares of the Company on October 2, 2019, and payable in cash on October 15, 2019. On December 17, 2019, the Company declared a quarterly dividend of 0.1 cents per share for holders of record of common shares of the Company on December 31, 2019, and payable in cash on January 8, 2020. Dividends paid during the year ended December 31, 2019 totalled $115,507.

9. CAPITAL MANAGEMENT

The Company defines capital as the aggregate of shareholders' equity and debt. The Company's equity comprises the common and non-voting shares of the Company subscribed by the shareholders and retained earnings. The Board of Directors manages the dividend policy and the pricing of products and services of the Company so as to ensure that there is adequate cash flow to fund the Company's operations and safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders.

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

There were no changes in the Company's approach to capital management during the years ended December 31, 2019 and 2018. As at December 31, 2019, the Company was not subject to externally imposed capital requirements other than standard operating covenants associated with the line of credit.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments comprise cash, accounts receivable, accounts payable and accrued liabilities and long-term debt where applicable. The fair values of these financial instruments approximate their carrying values, unless otherwise noted, due to their short-term maturities or interest rates which management believes approximates those of similar instruments in the current market. Except as otherwise noted, the Company is not exposed to significant risks in relation to its financial instruments.

The Company's risk management policies are established to identify and analyze the Company's risk, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no changes to the Company's exposure to risks in respect of its financial instruments, and there have been no changes in respect of management's objectives, policies and processes in the management of its financial instruments from that of the prior reporting period.

The Company does not hold or issue derivative financial instruments for trading or speculative purposes.

Credit risk

Concentration of credit risk relates primarily to the Company's accounts receivable, as the receivables are principally derived from one revenue source: technology services. During the year ended December 31, 2019, the Company derived 57% of its revenue from one customer (2018 – 74% from one customer). As at December 31, 2019, one customer represented 56% (December 31, 2018 – 62%) of the accounts receivable balance. Approximately 95% of the Company’s revenue was received from customers currently located in Canada (2018 – 99%). As at December 31, 2019, approximately 41% (December 31, 2018 – 53%) of the Company’s accounts receivable are greater than 30 days past due.

As at the following dates, the aging of gross trade and other receivables were as follows:

	December 31, 2019	December 31, 2018
Current	$ 1,499,018	$ 1,588,230
1 - 30 days	2,338	6,780
31 - 60 days	821,833	1,211,650
61 - 90 days	19,888	253,009
Greater than 90 days	196,920	358,522
Total	$ 2,539,997	$ 3,418,191

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - CONTINUED

Credit risk – continued

The expected credit loss was $nil at both December 31, 2019 and December 31, 2018. There is no indication, as at these dates, that the debtors will not meet their obligations. Bad debt expenses were $nil for all reporting periods. The Company manages its credit risk relating to its trade receivables through credit approval and monitoring procedures, including senior management prior approval of all rental contracts. Such approvals are based on trade information, payment history, credit rating and financial analysis, where possible.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally large financially established organizations, which limits the credit risk relating to the customer.

Liquidity risk

The Company is exposed to liquidity risk to the extent that it must meet its financial obligations as and when due. The Company's approach to managing liquidity risk is to ensure that it always has sufficient cash and other current financial assets to meet its obligations when due without incurring unacceptable losses or damage to the Company's reputation. Management forecasts cash flows to identify financing requirements. These requirements are then addressed through combination of cash management and access to additional capital.

Management is of the view, based on historical cash flow, that there is sufficient current and future cash flow from its operating activities and third-party financing to sustain ongoing operations. Should contractual commitments require payment, management believes that its current sources of liquidity are sufficient to cover these obligations.

Foreign currency risk

The Company earns a portion of its revenue in US dollars and is therefore subject to risk from changes in foreign currency rates. The Company does not utilize any financial instruments to mitigate the risks arising from changes in foreign currency rates. For the year ended December 31, 2019 a 1% increase in the value of the US dollar would have increased income by approximately $20,184 and a 1% decrease in the US dollar would have the opposite effect.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. As at December 31, 2019 and December 31, 2018, the Company did not have any active debt and was therefore not subject to interest rate risk.

Fair value hierarchy

The following summarizes the Company's financial instruments that are carried at fair values according to the fair value hierarchy, which comprises the following levels. The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers of financial assets between any of the levels during the years ended December 31, 2019 and 2018.

11. ECONOMIC DEPENDENCE

For the year ended December 31, 2019, approximately 57% (2018 – 74%) of the Company's revenue related to transactions entered into with one customer. As at December 31, 2019, approximately 56% (December 31, 2018 – 62%) of the accounts receivable balance related to this same customer.

12. REVENUE

Revenue comprises:

	Year ended December 31, 2019	Year ended December 31, 2018
Time and materials contracts	$ 17,474,056	$ 11,918,967
Fixed price contracts	2,856,294	5,024,078
Total	$ 20,330,350	$ 16,943,045

At December 31, 2019, the aggregate amount of costs incurred and revenue recognized to date under open fixed price contracts amounted to $374,546 and $416,650, respectively (December 31, 2018 - $253,615 in costs incurred and $365,642 in revenue recognized).

13. RELATED PARTY TRANSACTIONS

The Company rented office space from its Executive Chairman on a month-to-month lease. These transactions were in the normal course of operations and are measured at the fair value of the rented office space, which is the amount agreed to by the related parties. During the year ended December 31, 2019, the Company paid $12,000 (2018 - $12,000) in rent and occupancy costs.

Compensation to key management personnel

Compensation earned for the year ended December 31, 2019 and 2018 due to persons in charge of the planning, direction and control of the Company, including executive and non-executive directors is as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Salaries, fees and benefits	$ 1,464,443	$ 2,307,194
Share-based compensation	9,298	60,950
Total	$ 1,473,741	$ 2,368,144

14. INCOME TAXES

a) The components of the current and deferred tax expense were as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Current income tax expense	$ 76,751	$ 21,909
Deferred tax expense	72,558	70,688
	$ 149,309	$ 92,597

14. INCOME TAXES - CONTINUED

b) A reconciliation of the Company's income taxes at statutory rates with reported taxes is as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Income before income taxes	$ 492,620	$ 268,192
Statutory tax rate	26.5%	26.5%
Income tax expense using the Company's statutory tax rate	130,544	71,071
Increase (decrease) in taxes resulting from:		
Permanent differences	19,133	21,526
Other items	(368)	-
Income tax expense	$ 149,309	$ 92,597

c) Unrecognized deferred tax asset:

The Company had a non-capital loss carried forward of $340,364 at December 31, 2019 (2018 - $340,634). This non-capital loss arose prior to the Qualifying Transaction. The Company did not recognize a deferred tax asset associated with these non-capital losses because the former business of 71 Capital, where the losses arose, has ceased.

d) Temporary differences:

Temporary differences comprising the deferred tax asset (liability) and the amounts of deferred income tax expense recognized in the consolidated statement of operations and comprehensive income for each temporary difference are estimated as follows:

	December 31, 2018	Recognized in net income	December 31, 2019
Property and equipment	$ (9,045)	$ (12,075)	$ (21,120)
Non-capital losses carried forward	47,999	(47,999)	-
Deferred financing costs	14,640	(12,484)	2,156
	$ 53,594	$ (72,558)	$ (18,964)

15. NET INCOME PER SHARE

The computations for basic and diluted net income per share are as follows:

	Year ended December 31, 2019	**Year ended December 31, 2018**
Net income for the year	$ 343,311	$ 175,595
Weighted average number of common and non-voting shares outstanding, basic	115,509,882	114,451,523
Effect of dilutive securities – share-based payments	159,874	715,535
Weighted average number of common and non-voting shares outstanding, Diluted	115,669,756	115,167,058
Net income per share, basic	$ 0.00	$ 0.00
Net income per share, diluted	$ 0.00	$ 0.00

16. OPERATING SEGMENT INFORMATION

Due to a shift in strategic focus in the first half of 2019, the Corporation's Chief Executive Officer, who is also the Chief Operating Decision Maker, now reviews the performance of and makes resource allocation decisions based on the results of the Corporation as a whole. As a result, the Corporation has determined that it comprises a single operating segment and therefore a single reportable segment, which differs from the two reportable segments which existed prior to the change.

17. SUBSEQUENT EVENTS

a) On February 13, 2020 the Company completed the acquisition of ZoftNow Inc. ("ZoftNow"). ZoftNow is a boutique consulting firm with practitioners & associates that have extensive experience and capabilities in both technology products and projects lifecycle from digital transformation assessments to successful ongoing maintenance programs.

   Pursuant to the terms of the share purchase agreement, on closing the Company paid the vendors an aggregate cash payment of $384,084 (being the $450,000 cash portion of the purchase price reduced for certain closing adjustments) and issued to the vendors an aggregate of 1,072,500 common shares in the capital of Prodigy in exchange for all of the issued and outstanding shares of ZoftNow. In addition, the Company will issue an additional 1,072,500 common shares on the second anniversary of the closing date (subject to the terms and conditions of the share purchase agreement). Upon closing of the transaction, key management of ZoftNow, namely Mr. Mario Perez and Mr. Sanjiv Purba became employees of the Company.

   The acquisition will strengthen Prodigy's leadership team, deepen its service delivery capabilities, expand its offerings, and diversify its client base and revenue concentration. This transaction is aligned to the overall corporate strategy of fueling growth both organically and inorganically while maintaining strong operational performance.

b) Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.