Lightspeed POS Inc.

Annual Report

Fiscal Year Ended
March 31, 2019

lightspeed

LETTER FROM DAX DASILVA

Lightspeed was founded on our belief in the independent, entrepreneurial spirit of small and medium-sized businesses. Our logo, the flame, represents the fire and passion of the retailers, restaurateurs, and other businesses that bring our cities and communities to life with local flavor and cultural character. At Lightspeed, we create the software, solutions and support systems that help SMBs power their dreams and ambitions. We are their technology, and we are their partner.

The first product we developed to support our mission of empowering SMBs was a point-of-sale system called Lightspeed. Meticulously crafted with a user interface that combined deft design with deep utility, we made managing a complex retail store as easy to manage as a playlist. Freeing our customers from expensive, proprietary black plastic POS systems began Lightspeed's journey of democratizing technology to give our customers the advantage: to operate and differentiate, to scale, innovate and thrive. Since our founding in 2005 in a studio apartment in Montréal, we have witnessed consumer behavior change rapidly and radically. We have remained true to our philosophy and have become a company of reinvention in the service of SMBs.

Lightspeed has reinvented cloud, mobile, eCommerce, omni-channel, hospitality, analytics, loyalty, supply-chain and payments into a rich commerce-enabling platform and ecosystem that grows as our customers succeed. We have never stopped listening to what our customers need to be their best, and we have never rested in our goal of being ahead of the market in evolving to support their growth.

It has never been more complex to be a small or medium-sized business owner. Consumers today require a great in-store or in-restaurant experience. Products and services must be discoverable online for ordering and reservations. Social media and loyalty engagement have become table stakes. An SMB must have the right product for the right consumer at the right time. This is what it takes to succeed as an SMB in the modern age of commerce. This is what it takes to compete with big box chains and eCommerce giants. There are approximately 226 million SMBs around the world, including 47 million retailers and restaurants. They all have the same need – powerful and easy-to-use systems that can help them manage and grow their business. Lightspeed is that platform for the small and medium-sized business owner.

It is our belief that SMBs don't have the time, resources, or in many cases, the capabilities to stitch together multiple point solutions to accomplish their goals. Our leading platform solves the many business complexities these business owners face. We are the trusted partner and network for businesses that are local yet data-driven and purposefully connected to the online and mobile worlds, where one must be omni-channel in order to maximize one's success.

Lightspeed is a company built on culture just as much as code. Our social mission is to bring the streets of our cities and communities to life by powering SMBs with technology. Our company is designed to support SMBs through every stage of their growth. We are also international, selling our product in approximately 100 countries today, through our teams in nine cities and through partners around the world to a growing customer base generating over $14.5 billion in GTV.

We believe the opportunity to transform commerce and create opportunity for all, with technology that is available to all, is enormous. This is an opportunity where we are a leader, and we are just getting started. We are driven to be the global technology provider that is synonymous with the future of connected, omni-channel commerce – innovating new ways of connecting merchants, vendors and consumers in a digital economy that is continuously being refined, and where the world transacts in ways yet to be seen. We aim to ignite the ambitions of SMBs everywhere, to level the playing field, and to light the journey forward. We invite you to join us on this journey, where commerce is ever-changing and Lightspeed is ready to lead.

Dax Dasilva,
Founder and CEO, Lightspeed

“ **Bringing cities and communities to life** by empowering SMBs ”

Lightspeed
Mission

- **Leading omnichannel commerce enabling SaaS platform** for SMBs, with significant growth profile and scalability
- **Large total addressable market**
- **Attractive and loyal customer base** built through focus on single and multi-location retailers and restaurants
- **Business at key inflection point** with recent launch of Lightspeed Payments
- **Multiple levers available** to continue growth trajectory
- **Founder-led management** with significant ownership position

Lightspeed at a glance

49,000+
Customer locations

$14.5+ billion
Gross Transactional Volume (“GTV”)

~100
Countries

$500,000+ GTV
per Customer

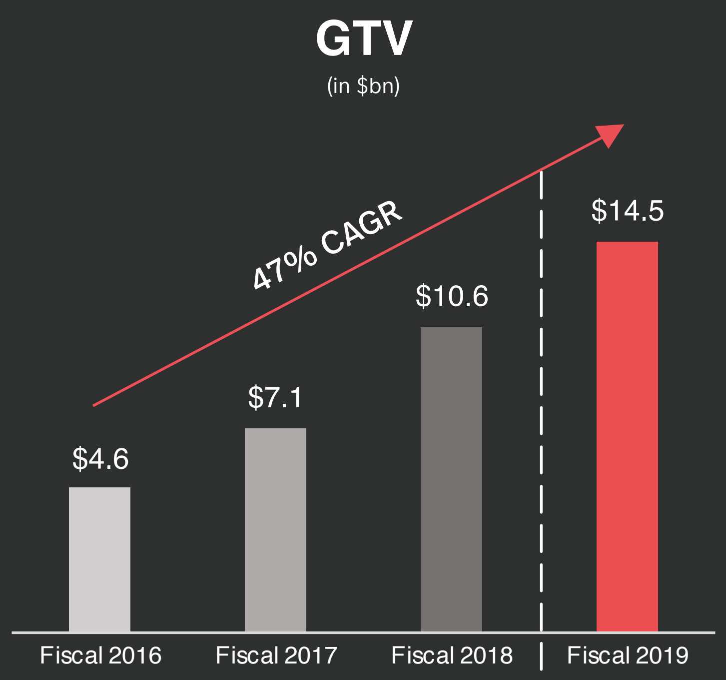
$77.5 million
Revenue

Lightspeed Payments

36%
Revenue CAGR

~90%
Recurring Software
and Payments Revenue

High-quality customer base leading to consistent growth



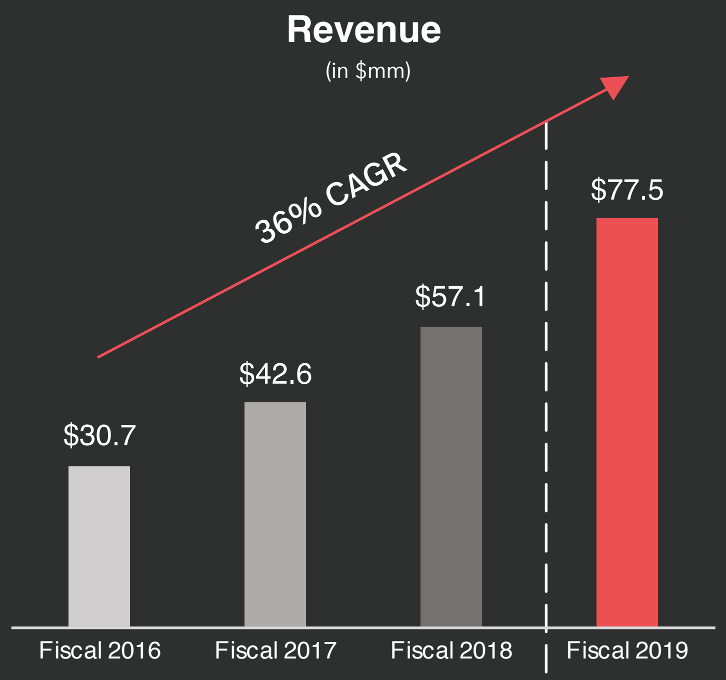
Positive Net Dollar Retention Rate

$500,000+ GTV per customer

No single customer >1% of revenue

~35% of revenue outside of North America

~$200 monthly ARPU with consistent growth



All dollar figures are presented in U.S. dollars

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used in this management's discussion and analysis ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "Lightspeed", "we", "us" or "our" refer to Lightspeed POS Inc. together with our subsidiaries, on a consolidated basis as constituted on March 31, 2019.

This MD&A for the three months ended March 31, 2019 and 2018 and the years ended March 31, 2019 ("Fiscal 2019") and 2018 ("Fiscal 2018") should be read in conjunction with the Company's audited annual consolidated financial statements and the notes related thereto for the years ended March 31, 2019 and 2018, included elsewhere in this annual report. This MD&A is presented as of the date of this annual report and is current to that date unless otherwise stated. The financial information presented in this MD&A is derived from the Company's audited annual consolidated financial statements for Fiscal 2019 and Fiscal 2018, which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in U.S. dollars except where otherwise indicated.

Forward-looking information

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking information") within the meaning of applicable securities laws. Forward looking information may relate to our financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved", the negative of these terms and similar terminology. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

This forward-looking information includes, among other things, statements relating to: expectations regarding industry trends; our growth rates and growth strategies; addressable markets for our solutions; the achievement of advances in and expansion of our platform; expectations regarding our revenue and the revenue generation potential of our payment-related and other solutions; our business plans and strategies; and our competitive position in our industry.

This forward-looking information and other forward-looking information is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to build our market share and enter new markets and industry verticals; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion plans; our ability to continue investing in infrastructure to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in the "Summary of Factors Affecting our Performance" section of this MD&A and in the "Risk Factors" section of our Annual Information Form dated May 30, 2019, which is available under our profile on SEDAR at www.sedar.com.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in "Summary of Factors Affecting our Performance" should be considered carefully by prospective investors.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. No forward-looking statement is a guarantee of future results. Accordingly, you should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of hereof (or as of the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

This MD&A includes certain trademarks, such as "Lightspeed", "Flame Design", "Show & Tell", "Lightspeed Cloud" and "Lightspeed Pro", which are protected under applicable intellectual property laws and are our property. Solely for convenience, our trademarks and trade names referred to in this MD&A may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

Additional information relating to Lightspeed, including our most recently completed Annual Information Form, can be found on SEDAR at www.sedar.com.

Overview

Lightspeed provides an easy-to-use, omni-channel commerce-enabling SaaS platform. Our software platform provides our customers with the critical functionality they need to engage with consumers, manage their operations, accept payments, and grow their business. We operate globally in approximately 100 countries, empowering single- and multi-location small and medium-sized businesses (SMBs) to compete successfully in an omni-channel market environment by engaging with consumers across online, mobile, social, and physical channels. We believe that our platform is essential to our customers' ability to run and grow their business. As a result, most of our revenue is recurring and we have a strong track-record of growing revenue per customer over time.

Our cloud platform is designed around three interrelated elements: front-end consumer experience, back-end operations management to improve our customers' efficiency and insight, and the facilitation of payments. Key functionalities of our platform include full omni-channel capabilities, point of sale ("POS"), product and menu management, inventory management, analytics and reporting, multi-location connectivity, loyalty and customer management. Our position at the point of commerce puts us in a privileged position for payments processing and allows us to collect transaction-related data insights. Lightspeed Payments, our recently-launched payment processing solution, is currently available to our U.S. retail customers. We believe that the broader rollout of Lightspeed Payments will further align us with our customers' success and represents a significant growth opportunity for our Company.

We sell our platform primarily through our direct sales force in North America, Europe and Australia, supplemented by indirect channels in other countries around the world. Our platform is well-suited for various types of SMBs, particularly single and multi-location retailers with complex operations, such as those with a high product count, diverse inventory needs or a service component, and restaurants ranging from quick service to fine dining establishments. On average, the customers we serve generate Gross Transaction Volume (as defined herein) in excess of $500,000 annually, which is reflective of the success of their businesses. Our customers generate monthly ARPU (as defined herein) of approximately $200 as of the month of March 2019 and collectively represented over 49,000 Customer Locations in approximately 100 countries. With respect to eligible new customers, greater than 40% purchased Lightspeed Payments in conjunction with purchasing their Lightspeed software. For Fiscal 2019, our cloud-based SaaS platform processed GTV of $14.5 billion, which represents growth of 37% relative to GTV of $10.6 billion processed in Fiscal 2018.

We generate revenue primarily from the sale of cloud-based software subscription licenses and other recurring revenue sources including payments solutions for both retailers and restaurants. We offer pricing plans designed to meet the needs of our current and prospective customers that enable Lightspeed solutions to scale with SMBs as they grow. Our subscription plans vary from monthly plans to one-year and multi-year terms, with the majority of our Customer Locations contracted for at least 12 months as of March 31, 2019. In addition, our software is integrated with certain third parties that enable electronic payment processing and as part of integrating with these payment processors, we have entered into revenue share agreements with each of them. We have recently launched Lightspeed Payments, our in-house payment processing solution, which provides our customers with full visibility into the final steps of their sale process. In Fiscal 2019, software and payments revenue accounted for 89% of our total revenues (90% in Fiscal 2018).

In addition, we offer a variety of hardware and other services to provide value-added support to our merchants and supplement our software and payments revenue solutions. These revenues are generally one-time revenues associated with the sale of hardware with which our solutions integrate and the sale of professional services in support of the installation and implementation of our solutions. In Fiscal 2019, this revenue accounted for 11% of our total revenues (10% in Fiscal 2018).

We believe we have a distinct leadership position in SMB commerce given our scale, breadth of capabilities, and diversity of customers. As a result, our business has grown significantly. Our total revenue has increased to $77.5 million in Fiscal 2019 from $57.1 million in Fiscal 2018, representing year-over-year growth of 36%. No customer represented more than 1% of our revenue in Fiscal 2019 or Fiscal 2018 or the three months ended March 31, 2019 and 2018.

Our business is growing rapidly and we plan to continue making investments to drive future growth. We believe that our future success depends on a number of factors, including our ability to expand our customer base, increase revenue from existing customers, accelerate the adoption of Lightspeed Payments, add more solutions to our platform, and selectively pursue acquisitions. We believe that our continued investments will increase our revenue base, improve the retention of this base and strengthen our ability to increase sales to our customers.

We have not been profitable to date, and if we are unable to successfully implement our growth strategies, we may not be able to achieve profitability. In Fiscal 2019 and Fiscal 2018, we incurred an operating loss of $23.2 million and $21.9 million, respectively, and our operating cash outflow was $7.6 million and $10.0 million, respectively.

Lightspeed completed an Initial Public Offering of its shares on the Toronto Stock Exchange in March 2019 (the "Initial Public Offering").

Key Performance Indicators

We monitor the following key performance indicators to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

Average Revenue Per User. “**Average Revenue Per User**” or “**ARPU**” represents the total software and payments revenue of the Company in the period divided by the number of unique customers of the Company in the period.

Customer Locations. “**Customer Location**” means a billing customer location for which the term of services have not ended, or with which we are negotiating a renewal contract. A single unique customer can have multiple Customer Locations including physical and eCommerce sites. We believe that our ability to increase the number of Customer Locations served by our platform is an indicator of our success in terms of market penetration and growth of our business. We have successfully demonstrated a history of growing both the number of our Customer Locations and GTV per Customer Location through the increased use of our platform. At the end of Fiscal 2019 and Fiscal 2018, over 49,000 and over 41,000 Customer Locations were utilizing our platform, respectively.

Gross Transaction Volume. “**Gross Transaction Volume**” or “**GTV**” means the total dollar value of transactions processed through our cloud-based SaaS platform in the period, net of refunds, inclusive of shipping and handling, duty and value-added taxes. We believe GTV is an indicator of the success of our Customer Locations and the strength of our platform. GTV does not represent revenue earned by us. For Fiscal 2019 and Fiscal 2018, GTV was $14.5 billion and $10.6 billion, respectively.

Net Dollar Retention Rate. We believe that our ability to retain and expand the revenue generated from our existing customers is an indicator of the long-term value of our customer relationships. We track our performance in this area by measuring our “**Net Dollar Retention Rate**”, which is calculated as of the end of each month by considering the cohort of customers on our commerce platform as of the beginning of the month and dividing our subscription and payments revenue attributable to this cohort in the then-current month by total subscription and payments revenue attributable to this cohort in the immediately preceding month. For Fiscal 2019, we had Net Dollar Retention Rates in excess of 100% as calculated using an average of the monthly Net Dollar Retention Rates for those periods.

Non-IFRS Measures and Reconciliation of Non-IFRS Measures

The information presented within this MD&A includes certain financial measures such as “Adjusted EBITDA”, “Adjusted Operating Expenses Before Depreciation and Amortization” and “Free Cash Flow.” These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

Adjusted EBITDA

Adjusted EBITDA is defined as net loss excluding interest, taxes, depreciation and amortization, or EBITDA, as adjusted for stock-based compensation and related expenses, fair value loss on Redeemable Preferred Shares, compensation expenses relating to acquisitions completed, foreign exchange gains and losses and transaction-related expenses. The following table reconciles Adjusted EBITDA to net loss for the periods indicated:

	Fiscal year ended March 31,		Three months ended March 31,	
(In thousands of US dollars)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Net loss	(183,525)	(96,179)	(96,076)	(11,688)
Fair value loss on Redeemable Preferred Shares(1)	191,219	59,985	132,135	4,644
Stock-based compensation and related payroll taxes(2)	3,110	1,258	2,043	425
Depreciation and amortization	4,537	5,119	1,064	1,305
Foreign exchange loss (gain)(3)	987	(287)	637	(31)
Interest expense (income)	(181)	26	(81)	7
Acquisition-related compensation(4)	454	942	188	-
Transaction-related expenses(5)	1,023	-	718	-
Income tax expense	(30,729)	14,246	(44,773)	1,004
Adjusted EBITDA	(13,105)	(14,890)	(4,145)	(4,334)

(1) These costs include costs with respect to the change in valuation of our Redeemable Preferred Shares from period to period, which is a non-cash expense. Prior to the completion of our Initial Public Offering, all of our Redeemable Preferred Shares were converted and the liability was reduced to $Nil with a corresponding increase in share capital. There will be no further impact on our results of operations from these shares.

(2) These expenses represent non-cash expenditures recognized in connection with the issuance of stock options under our stock option plans to our employees and directors as well as related payroll taxes given that they are directly attributable to stock-based compensation, are estimates and therefore subject to change, and don’t reflect a current cash outlay. We do expect future cash outlays with respect the payroll tax component of stock-based compensation.

(3) These non-cash losses (gains) relate to foreign exchange translation.

(4) These costs represent a portion of the purchase price that is associated with the ongoing employment obligations for certain key employees of acquired businesses.

(5) These expenses relate to our Initial Public Offering and include professional, legal, consulting and accounting fees that are non-recurring and would otherwise not have been incurred.

Adjusted Operating Expenses Before Depreciation and Amortization

Adjusted Operating Expenses Before Depreciation and Amortization is defined as the sum of general and administrative, research and development and sales and marketing expenses, and excludes compensation expenses relating to acquisitions completed, stock based compensation, foreign exchange gains and losses, and transaction-related expenses. The following table reconciles Adjusted Operating Expenses Before Depreciation and Amortization to our total operating expenses:

	Fiscal year ended March 31,		Three months ended March 31,	
	2019 **$**	**2018** **$**	**2019** **$**	**2018** **$**
Total operating expenses	77,094	61,522	23,118	16,879
Depreciation of property and equipment	(1,389)	(1,188)	(415)	(351)
Foreign exchange (loss) gain(1)	(987)	287	(637)	31
Acquisition-related compensation(2)	(454)	(942)	(188)	-
Amortization of intangible assets	(3,148)	(3,931)	(649)	(954)
Stock-based compensation(3)	(2,850)	(1,199)	(1,892)	(403)
Transaction-related expenses(4)	(1,023)	-	(718)	-
Adjusted Operating Expenses Before Depreciation and Amortization	67,243	54,549	18,619	15,202
Total revenues	77,451	57,079	21,285	15,688
Adjusted Operating Expenses Before Depreciation and Amortization as a % of total revenues	86.8%	95.6%	87.5%	96.9%

(1) These non-cash (losses) gains relate to foreign exchange translation.

(2) These costs represent a portion of the purchase price that is associated with the ongoing employment obligations for certain key employees of acquired businesses.

(3) These expenses represent non-cash expenditures recognized in connection with the issuance of stock options under our stock option plans to our employees and directors as well as related payroll taxes given that they are directly attributable to stock-based compensation, are estimates and therefore subject to change, and don't reflect a current cash outlay. We do expect future cash outlays with respect the payroll tax component of stock-based compensation.

(4) These expenses relate to our Initial Public Offering and include non-capitalized professional, legal, consulting and accounting fees that are non-recurring and would otherwise not have been incurred.

Free Cash Flow

Free Cash Flow is defined as cash flow from (used in) operating activities less cash flow used for the purchase of property and equipment. The following table reconciles our cash flow from (used in) operating activities to Free Cash Flow:

	Fiscal year ended March 31,		Three months ended March 31,	
(In thousands of US dollars)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Cash flow from (used in) operating activities	(7,556)	(10,023)	(238)	(926)
Additions to property and equipment	(2,030)	(937)	(519)	(96)
Free Cash Flow	(9,586)	(10,960)	(757)	(1,022)

Free Cash Flow for Fiscal 2019 was ($9.6) million compared to ($11.0) million for Fiscal 2018. Excluding transaction costs associated with our Initial Public Offering, Free Cash Flow would have been ($8.9) million in Fiscal 2019. Free Cash Flow for the three months ended March 31, 2019 increased by $0.3 million compared to the three months ended March 31, 2018. Excluding transaction costs associated with our Initial Public Offering, Free Cash Flow was ($0.2) in the three months ended March 31, 2019.

Summary of Factors Affecting Our Performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the "Risk Factors" section of our most recent Annual Information Form, which can be found on SEDAR at www.sedar.com.

Market adoption of our platform

We intend to continue to drive adoption of our commerce-enabling platform by scaling our solutions to meet the needs of both new and existing customers of all types and sizes. We believe that there is significant potential to increase penetration of our total addressable market and attract new customers. We plan to do this by further developing our products and services as well as continuing to invest in marketing strategies tailored to attract new businesses to our platform, both in our existing geographies and new markets around the world. We also intend to selectively evaluate opportunities to offer our solutions to businesses operating in industry verticals that we do not currently serve. We plan to continue to invest in our platform to expand our customer base and drive market adoption and our operations may fluctuate as we make these investments.

Customer adoption of Lightspeed Payments

We recently released our payment processing solution, Lightspeed Payments, to our U.S. retail customers, and we believe that Lightspeed Payments will become an increasingly important part of our business as we make it available to our broader customer base and across multiple geographies. Lightspeed Payments is designed to be transparent and easy to understand, and we have priced our solution at market competitive rates based on a percentage of GTV electronically processed through our platform. As an increasing proportion of our revenue is generated from Lightspeed Payments, we believe that while our total revenues may grow significantly, our gross margins will decrease slightly over time due to the lower gross margin profile of our payments revenue stream relative to the higher gross margin profile of our software subscription revenue stream.

Cross-selling and up-selling with existing customers

Our existing customers represent a significant opportunity to cross-sell and up-sell products and services with limited incremental sales and marketing expense. We use a "land and expand" approach, with many of our customers initially deploying our platform for a specific use case. Once they realize the benefits and wide functionality of our platform, they can expand the number of use cases including services such as Lightspeed Loyalty, Lightspeed Analytics and Lightspeed Payments. We plan to continually invest in product development, and in sales and marketing, to add more solutions to our platform and to increase the usage and awareness of our solutions. Our future revenue growth and our ability to achieve and maintain profitability is dependent upon our ability to maintain existing customer relationships and to continue to expand our customers' use of our comprehensive suite of our solutions.

Scaling our sales and marketing team

Our ability to achieve significant growth in future revenue will largely depend upon the effectiveness of our sales and marketing efforts, both domestically and internationally. The majority of our sales and marketing efforts are accomplished in-house, and we believe the strength of our sales and marketing team is critical to our success. We have invested and intend to continue to invest meaningfully in terms of expanding our sales force, and consequently, we anticipate that our headcount will continue to increase as a result of these investments.

International sales

We believe that global demand for our platform will continue to increase as SMBs seek out end-to-end solutions with omni-channel capabilities to enable their businesses to thrive and succeed in an increasingly complex operating environment. Accordingly, we believe there is significant opportunity to grow our international business. We have invested, and plan to continue to invest, ahead of this potential demand in personnel and marketing, and to make selective acquisitions outside of North America to support our international growth.

Seasonality

We believe our transaction-based revenues will begin to represent an increasing proportion of our overall revenue mix over time as a result of the recent introduction of Lightspeed Payments, and we expect seasonality of our quarterly results to increase. While rapid growth in our subscription base and upsells to existing customers has largely mitigated seasonal trends in our revenues to date, we expect our transaction-based revenues will become increasingly correlated with respect to the GTV processed by our customers through our platform.

Foreign currency

Our presentation and functional currency is the U.S. dollar. We derive the majority of our revenues in U.S. dollars and a smaller proportion of our expenses in U.S. dollars. Our head office and a significant portion of our employees are located in Montréal, Canada, along with additional presence in Europe, and as such, a significant amount of our expenses are incurred in Canadian dollars and Euros. As a result, our results of operations will be adversely impacted by a decrease in the value of the U.S. dollar relative to the Canadian dollar or the Euro. See the “Risk Factors” section of our most recent Annual Information Form, which can be found on SEDAR at www.sedar.com, for a discussion on exchange rate fluctuations.

Key Components of Results of Operations

Revenues

Software and payments revenues

We principally generate subscription-based revenues through the sale of subscription licenses to our retail and restaurant software solutions and transaction-based revenues. We offer pricing plans designed to meet the needs of our current and prospective customers that enable Lightspeed solutions to scale with SMBs as they grow. Our subscription plans are sold as monthly, one-year or multi-year plans, with the majority of our Customer Locations contracted for at least 12 months. A meaningful proportion of our customers elect to pay their full contract upfront, which results in the creation of a deferred revenue balance on our balance sheet. Subscription plans for our cloud-based solutions include maintenance and support. Customers purchase subscription plans directly from us or through our channel partners.

We also generate transaction-based revenues by providing our customers with the functionality to accept payments from consumers. Such revenues come in the form of payment processing fees and transaction fees and represent a percentage of GTV processed by our customers through our offered solutions. We have two sources of transaction-based revenues: our recently launched proprietary payments processing solution, Lightspeed Payments, and revenue sharing agreements with our integrated payment partners.

Lightspeed Payments allows our customers to accept electronic payments in-store, through connected terminals and online. Given its recent launch, initially limited to only our base of U.S. retail customers, Lightspeed Payments represents only a nominal source of revenue to date. We believe it will become an increasingly important part of our business, as it is made available to our broader customer base. Offering a fully integrated payment functionality is highly complementary to the platform we offer our customers today and will allow us to monetize a greater portion of the $14.5 billion in GTV processed on our cloud-based SaaS platform annually.

We also continue to support our legacy on-premise retail solution, which is downloaded by the customer and installed on the customer's server. As we transition this small group of customers to our cloud platform, we expect revenue from our on-premise solution to decline.

In addition, we generate revenues through referral fees and revenue sharing agreements from our partners to whom we direct business or who sell their applications through our apps and themes marketplace. Pursuant to the terms of our agreements with these partners, these revenues can be recurring or non-recurring.

Hardware and other revenues

These revenues are generally one-time revenues associated with the sale of hardware with which our solutions integrate and the sale of professional services in support of the installation and implementation of our solutions. We generate revenues through the sale of POS peripheral hardware such as receipt printers, cash drawers, servers, stands, bar-code scanners, and an assortment of accessories, as well as our Lite Server product that enables restaurant customers to operate on our platform without requiring an active internet connection.

Although our software solutions are intended to be turnkey solutions that can be used by the customer as delivered, we provide professional services to our restaurant customers in some circumstances in the form of onsite installations and implementations. These implementation services are typically delivered through a network of certified partners.

Direct Cost of Revenues

Cost of software and payments revenue

Cost of software and payments revenue primarily includes employee expenses for the support team and cost associated with maintaining hosting infrastructure for our services. Significant expenses include data center capacity costs and costs directly associated with our cloud infrastructure, including total salaries and benefits, stock-based compensation, customer support and royalties. We expect that cost of software and payments revenue will increase on an absolute dollar basis and as a percentage of total revenues due to the lower gross margin profile of Lightspeed Payments relative to the higher gross margin profile of our software subscription revenue stream.

Cost of hardware and other revenue

Cost of these revenues primarily includes costs associated with our hardware solutions, such as the cost of acquiring the hardware inventory, including hardware purchase price, expenses associated with a third-party fulfillment company, shipping and handling and inventory adjustments.

Operating Expenses

General and administrative

General and administrative expenses comprise employee expenses, including stock-based compensation and related expenses, for finance, accounting, legal, administrative, human resources, information technology, legal costs, professional fees, and other corporate expenses. We expect that general and administrative expenses will increase on an absolute dollar basis as we incur the costs of compliance associated with being a public company, including increased accounting and legal expenses. In the longer term, however, we expect general and administrative expenses to decrease as a percentage of total revenues as we focus on processes, systems and controls to enable our internal support functions to scale with the growth of our business.

Research and development

Research and development expenses consist primarily of employee expenses, including stock-based compensation and related expenses, for product-related expenses including product management, product design and development and other corporate overhead allocations. We continue to invest our research and development efforts on developing added features and solutions, as well as increasing the functionality and enhancing the ease of use of our platform. Historically, these expenses have been reduced by the Canadian Federal Scientific Research and Experimental Development Program and Tax Credit for the Development of e-business, or “SR&ED” and “e-business” tax credits respectively. As a newly public company, we will no longer be eligible for refundable SR&ED tax credits, while e-business tax credits will remain available. However, we remain eligible for non-refundable SR&ED credits under this program, which are eligible to reduce future income taxes payable and will have no direct impact on our research and development expenses. Although not immediately, given that we are still scaling our technology group in line with anticipated growth, we expect research and development expenses to decline in proportion to total revenue as we achieve additional economies of scale from our expansion.

Sales and marketing

Sales and marketing expenses consist primarily of selling and marketing costs and employee expenses, including stock-based compensation and related expenses, for sales and business development, marketing as well as a small portion of onboarding for new customers. Other costs within sales and marketing include costs of acquisition of new customers, travel-related expenses and corporate overhead allocations. We plan to continue to expand sales and marketing efforts to attract new customers, retain existing customers and increase revenues from both new and existing customers. Over time, we expect sales and marketing expenses will decline as a percentage of total revenues as we achieve additional economies of scale from our expansion.

Acquisition-related compensation

Acquisition-related compensation expenses represent the portion of the purchase price from acquisitions which is payable contingent upon ongoing employment obligations of certain key employees of the acquired businesses. This portion of the purchase price is amortized over the required service period for those key employees.

Other Expenses

Fair value loss on Redeemable Preferred Shares

These costs include costs with respect to the change in valuation of the Redeemable Preferred Shares from period to period. Immediately prior to the completion of the Initial Public Offering of our shares on the Toronto Stock Exchange in March 2019, all of our Redeemable Preferred Shares were converted and the liability was reduced to $Nil with a corresponding increase in share capital. Following their conversion, the Redeemable Preferred Shares ceased to impact our results of operations.

Results of Operations

The following table outlines our consolidated statements of loss and comprehensive loss for Fiscal 2019 and Fiscal 2018, and for the three months ended March 31, 2019 and 2018:

(In thousands of US dollars, except per share data)	Fiscal year ended March 31, 2019 $	Fiscal year ended March 31, 2018 $	Three months ended March 31, 2019 $	Three months ended March 31, 2018 $
Revenues				
Software and payments	68,650	51,144	18,702	14,030
Hardware and other	8,801	5,935	2,583	1,658
	77,451	57,079	21,285	15,688
Direct cost of revenues				
Software and payments	15,752	12,194	4,604	3,370
Hardware and other	7,821	5,285	2,358	1,472
	23,573	17,479	6,962	4,842
Gross profit	53,878	39,600	14,323	10,846
Operating expenses				
General and administrative	13,790	9,225	4,793	2,523
Research and development	18,283	13,295	5,074	3,820
Sales and marketing	39,043	33,228	11,362	9,262
Depreciation of property and equipment	1,389	1,188	415	351
Foreign exchange loss (gain)	987	(287)	637	(31)
Acquisition-related compensation	454	942	188	-
Amortization of intangible assets	3,148	3,931	649	954
Total operating expenses	77,094	61,522	23,118	16,879
Operating loss	(23,216)	(21,922)	(8,795)	(6,033)
Fair value loss on Redeemable Preferred Shares	(191,219)	(59,985)	(132,135)	(4,644)
Interest income (expense)	181	(26)	81	(7)
Loss before income taxes	(214,254)	(81,933)	(140,849)	(10,684)
Income tax expense (recovery)				
Current	59	113	64	18
Deferred	(30,788)	14,133	(44,837)	986
Total income tax expense (recovery)	(30,729)	14,246	(44,773)	1,004
Net loss and comprehensive loss	(183,525)	(96,179)	(96,076)	(11,688)
Loss per share – basic and diluted	(5.53)	(3.30)	(2.21)	(0.40)

The following table outlines stock-based compensation and the related payroll taxes associated with these expenses included in the results of operations for Fiscal 2019 and Fiscal 2018 and the three months ended March 31, 2019 and 2018:

	Fiscal year ended March 31,		Three months ended March 31,	
(In thousands of US dollars)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Direct cost of revenues	260	59	151	22
General and administrative	1,030	372	647	159
Research and development	245	407	350	114
Sales and marketing	1,575	420	895	130
Total stock-based compensation	3,110	1,258	2,043	425

Results of Operations for the Three Months Ended March 31, 2019 and 2018

Revenues

	Three months ended March 31,			
(In thousands of US dollars, except percentages)	**2019 $**	**2018 $**	**Change $**	**Change %**
Revenues				
Software and payments	18,702	14,030	4,672	33.3
Hardware and other	2,583	1,658	925	55.8
Total revenues	21,285	15,688	5,597	35.7
Percentage of total revenues				
Software and payments	87.9%	89.4%		
Hardware and other	12.1%	10.6%		
Total	100.0%	100.0%		

Software and Payments Revenue

Software and payments revenue for the three months ended March 31, 2019 increased by $4.7 million or 33% as compared to the three months ended March 31, 2018. The increase was primarily due to growth in our subscription revenue and payment referral fees. The number of new Customer Locations using our platform increased and the GTV processed through our platforms grew from $2.7 billion for the three months ended March 31, 2018 to $3.5 billion for the three months ended March 31, 2019, evidencing increased use of our platform. Customers adopting additional modules of our platform also contributed to the increase in subscription license revenue in the period.

Hardware & Other Revenue

Hardware and other revenue for the three months ended March 31, 2019 increased by $0.9 million or 56% as compared to the three months ended March 31, 2018 primarily due to the increase in sales of our hardware to new customers during the period.

Direct Cost of Revenues

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Direct cost of revenues				
Software and payments	4,604	3,370	1,234	36.6
Hardware and other	2,358	1,472	886	60.2
Total costs of revenues	6,962	4,842	2,120	43.8
Percentage of total revenues				
Software and payments	21.6%	21.5%		
Hardware and other	11.1%	9.4%		
Total	32.7%	30.9%		

Direct Cost of Software and Payments Revenue

Direct cost of software and payments revenue for the three months ended March 31, 2019 increased by $1.2 million or 37% as compared to the three months ended March 31, 2018. The increase was primarily due to increased costs associated with supporting a greater number of Customer Locations utilizing our platform, as well as increased stock-based compensation and associated costs resulting in a $0.9 million increase in support costs over the prior period and a $0.3 million increase in incremental hosting costs. Overall, direct cost of software and payments revenue as a percentage of revenue remained constant for the three months ended March 31, 2019 compared with that for the three months ended March 31, 2018.

Direct Cost of Hardware and Other Revenue

Direct cost of hardware and other revenue for the three months ended March 31, 2019 increased by $0.9 million or 60% as compared to the three months ended March 31, 2018. The increase was primarily due to an increase in sales of our hardware to new customers during the period.

Gross Profit

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Gross profit	14,323	10,846	3,477	32.1
Percentage of total revenues	67.3%	69.1%		

Gross profit for the three months ended March 31, 2019 increased $3.5 million or 32% compared to the three months ended March 31, 2018. The increase was primarily due to growth in our software and payments revenue as a result of increased Customer Locations using our platform and increased GTV processed through our platforms. A slightly higher mix of hardware and other revenue, which has lower gross profit margins, initial costs from the introduction of Lightspeed Payments, as well as an increase in stock-based compensation and related payroll taxes reduced gross profit as a percentage of revenue.

Operating Expenses

General and Administrative

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
General and administrative	4,793	2,523	2,270	90.0
Percentage of total revenues	22.5%	16.1%		

General and administrative expenses for the three months ended March 31, 2019 increased by $2.3 million compared to the three months ended March 31, 2018. Of this increase, $0.7 million was due to transaction fees incurred as part of our Initial Public Offering, and $0.5 million was due to higher stock-based compensation and related payroll tax costs as compared to the prior year quarter. The remainder of the increase was due to higher salary costs as we continued to scale our back-office operations with additional headcount in our finance, human resources, legal, information technology and data departments. As a result of the above, our general and administrative expenses as a percentage of revenue excluding the costs related to our Initial Public Offering increased to 19.2% from 16.1% between the three months ended March 31, 2019 and the three months ended March 31, 2018.

Research and Development

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Research and development	5,074	3,820	1,254	32.8
Percentage of total revenues	23.8%	24.4%		

Research and development expenses for the three months ended March 31, 2019 increased by $1.3 million or 32.8% compared to the three months ended March 31, 2018. This increase was due primarily to $1.3 million of additional salary and other employee costs due to increased headcount in our research and development teams. Our research and development costs as a percentage of revenue decreased from 24.4% to 23.8% from the three months ended March 31, 2018 to the three months ended March 31, 2019.

Sales and Marketing

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Sales and marketing	11,362	9,262	2,100	22.7
Percentage of total revenues	53.4%	59.0%		

Sales and marketing expenses for the three months ended March 31, 2019 increased by $2.1 million or 22.7% as compared to the three months ended March 31, 2018. The increase was mainly due to added personnel tied to our continued growth in revenue. Approximately $1.3 million of the additional expenses related to salaries and other employee costs, $0.8 million of which related to stock-based compensation and related benefits. An additional $0.8 million in costs was incurred for the increase of conferences and training for our marketing teams and advertising, acquisition and growth spend including payments made to our distribution partners as reseller commissions, after the implementation of the IFRS 15 accounting standard. As a result of the above, sales and marketing costs as a percentage of revenue decreased from 59.0% to 53.4% from the three months ended March 31, 2018 to the three months ended March 31, 2019.

Depreciation of Property and Equipment

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Depreciation of property and equipment	415	351	64	18.2
Percentage of total revenues	2.0%	2.2%		

Depreciation of property and equipment expenses for the three months ended March 31, 2019 increased 18.2% as compared to the three months ended March 31, 2018. The marginal increase in the depreciation expense results from additions to property and equipment made throughout Fiscal 2019.

Foreign Exchange Loss (Gain)

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Foreign exchange loss (gain)	637	(31)	668	2,154.8
Percentage of total revenues	3.0%	(0.2)%		

Foreign exchange loss for the three months ended March 31, 2019 increased $0.7 million as compared to the foreign exchange gain for the three months ended March 31, 2018. This was due to the weakening of the Canadian dollar given that subsequent to our Initial Public Offering, a significant portion of the Company's cash was held in Canadian dollars. Items included in our results are measured in the functional currency (U.S. dollar), and foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or when items are re-measured with resulting gains and losses subsequently recognized.

Acquisition-related Compensation

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Acquisition-related compensation	188	-	188	100
Percentage of total revenues	0.9%	-		

Acquisition-related compensation expenses for the three months ended March 31, 2019 increased by $0.2 million or 100% as compared to the three months ended March 31, 2018. The increase was due to our acquisition of ReUp Technologies Inc. ("ReUp"), a cloud-based digital loyalty solutions provider, in July 2018. We issued contingent equity instruments as part of our acquisition, and these contingent equity instruments were not included in the total purchase consideration, but rather were treated as an acquisition-related compensation expense for post-combination services to be received over a two-year period starting on the date of acquisition.

Amortization of Intangible Assets

	Three months ended March 31,			
(In thousands of US dollars, except percentages)	**2019 $**	**2018 $**	**Change $**	**Change %**
Amortization of intangible assets	649	954	(305)	(32.0)
Percentage of total revenues	3.0%	6.1%		

Amortization of intangible assets for the three months ended March 31, 2019 decreased by $0.3 million or 32% as compared to the three months ended March 31, 2018. The decrease was primarily due to specific additions made in previous periods becoming fully amortized during the three months ended March 31, 2018, and thus having no impact on the three months ended March 31, 2019.

Other Income (Expenses)

	Three months ended March 31,			
(In thousands of US dollars, except percentages)	**2019 $**	**2018 $**	**Change $**	**Change %**
Fair value loss on Redeemable Preferred Shares	(132,135)	(4,644)	(127,491)	(2,745.0)
Percentage of total revenues	(620.8)%	(29.6)%		

Other income (expenses) mainly include losses on the Redeemable Preferred Shares that are measured at fair value, and interest income (expenses).

Fair value loss on Redeemable Preferred Shares for the three months ended March 31, 2019 increased by $127 million or 2,745.0% as compared to the three months ended March 31, 2018. The increase was primarily due to the increase in fair value of the preferred shares as the Company approached its Initial Public Offering in March 2019 resulting in an increase in loss on the Redeemable Preferred Shares.

Income Taxes

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Income tax expense (recovery)				
Current	64	18	46	256.6
Deferred	(44,837)	986	(45,823)	(4,647.4)
Total income tax expense (recovery)	(44,773)	1,004	(45,777)	(4,559)
Percentage of total revenues				
Current	0.3%	0.1%		
Deferred	(210.7)%	6.3%		
Total costs of revenues	(210.4)%	6.4%		

Deferred income tax expense (recovery) for the three months ended March 31, 2019 decreased by $45.8 million or 4,647.4% as compared to the three months ended March 31, 2018. The decrease was primarily due to the reversal of the balance of the Part VI.I tax given the conversion of the Redeemable Preferred Shares upon the Initial Public Offering.

Results of Operations for the Fiscal Years Ended March 31, 2019 and 2018

Revenues

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Revenues				
Software and payments	68,650	51,144	17,506	34.2
Hardware and other	8,801	5,935	2,866	48.3
Total revenues	77,451	57,079	20,372	35.7
Percentage of total revenues				
Software and payments	88.6%	89.6%		
Hardware and other	11.4%	10.4%		
Total	100.0%	100.0%		

Software and Payments Revenue

Software and payments revenue for Fiscal 2019 increased by $17.5 million or 34.2% as compared to Fiscal 2018. The increase was primarily due to growth in our subscription revenue and payment referral fees. The number of new Customer Locations using our platform increased from approximately 41,000 Customer Locations as at March 31, 2018, to approximately 49,000 Customer Locations as at March 31, 2019. Additionally, the GTV processed through our platforms grew from $10.6 billion in Fiscal 2018 to $14.5 billion in Fiscal 2019 evidencing the increased use of our platform. Customers adopting additional modules of our commerce-enabling platform also contributed to the increase in subscription license revenue in the period.

Hardware and Other Revenue

Hardware and other revenue for Fiscal 2019 increased by $2.9 million or 48% as compared to Fiscal 2018. The increase was primarily due to an increase in hardware sold as we expanded our customer base.

Direct Cost of Revenues

	Fiscal year ended March 31,			
(In thousands of US dollars, except percentages)	**2019 $**	**2018 $**	**Change $**	**Change %**
Direct cost of revenues				
Software and payments	15,752	12,194	3,558	29.2
Hardware and other	7,821	5,285	2,536	48.0
Total costs of revenues	23,573	17,479	6,094	34.9
Percentage of total revenues				
Software and payments	20.3%	21.4%		
Hardware and other	10.1%	9.2%		
Total	30.4%	30.6%		

Direct Cost of Software and Payments Revenue

Direct cost of revenues for software and payments revenue for Fiscal 2019 increased by $3.6 million or 29.2% as compared to Fiscal 2018. The increase was primarily due to increased costs associated with supporting a greater number of Customer Locations utilizing our platform, resulting in a $3.2 million increase in support costs over the prior year and a $0.5 million increase in infrastructure costs to support a larger customer base. This was partially offset by a $0.2 million decrease in royalty costs as a result of the fact that we purchased a third party add-on software provider in late 2018 and no longer had to pay these royalties in Fiscal 2019. The 29% increase was not commensurate with software and payments revenue growth of 34.2% due primarily to scaling and efficiencies realized as our customer base continued to expand. As a result of the above, direct cost of software and payments revenue as a percentage of revenue decreased from 21.4% to 20.3% from Fiscal 2018 to Fiscal 2019.

Direct Cost of Hardware and Other Revenue

Direct cost of hardware and other revenue for Fiscal 2019 increased by $2.5 million or 48% as compared to Fiscal 2018. The increase was primarily due to an increase in hardware sold as we expanded our customer base.

Gross Profit

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Gross profit	53,878	39,600	14,278	36.1
Percentage of total revenues	69.6%	69.4%		

Gross profit for Fiscal 2019 increased by $14.3 million compared to Fiscal 2018. The increase was primarily due to growth in our software and payments revenue as a result of increased Customer Locations using our platform and increased GTV processed through our platforms. An increase in support costs as a result of the additional Customer Locations as well as an increase in stock-based compensation costs and benefits resulted in gross margin remaining constant at approximately 69%.

Operating Expenses

General and Administrative

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
General and administrative	13,790	9,225	4,565	49.5
Percentage of total revenues	17.8%	16.2%		

General and administrative expenses for Fiscal 2019 increased by $4.6 million, or 50%, as compared to Fiscal 2018. In Fiscal 2019, an additional expense of $2.1 million was incurred from higher salaries and benefits, including an increase of $0.7 million in stock-based compensation and related payroll taxes, as we continued to scale our back-office operations with additional headcount in our finance, human resources, information technology and data departments. Overall, our back-office headcount increased by 21% to 92 employees from 76 employees in the prior period. In addition, professional fees increased by $1.0 million in connection with our Initial Public Offering in March 2019. The remaining increase was due to higher costs incurred as a result of the increased headcount. As a result of the above, our general and administrative expenses as a percentage of revenue increased from 16.2% in Fiscal 2018 to 17.8% in Fiscal 2019.

Research and Development

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Research and development	18,283	13,295	4,988	37.5
Percentage of total revenues	23.6%	23.3%		

Research and development expenses for Fiscal 2019 increased by $5.0 million, or 37.5%, as compared to Fiscal 2018. The increase was primarily the result of $2.9 million increase in salary and benefits due to an increase in average headcount between Fiscal 2019 and Fiscal 2018 of 15%. The higher headcount also increased other employee costs by $1.2 million. In addition, tax credits decreased by $0.9 million in Fiscal 2019 as compared to Fiscal 2018 due to two years of tax credits accrued in Fiscal 2018 which reduced research and development expenses in that year. Our research and development costs as a percentage of revenue remained constant at approximately 23% in Fiscal 2018 and Fiscal 2019.

Sales and Marketing

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Sales and marketing	39,043	33,228	5,815	17.5
Percentage of total revenues	50.4%	58.2%		

Sales and marketing expenses for Fiscal 2019 increased by $5.8 million or 17.5% as compared to Fiscal 2018 due to the addition of personnel to facilitate our growth. Approximately $3.4 million of the additional expense related to salaries and benefits, including an increase of $1.2 million in stock-based compensation and related payroll taxes. Between Fiscal 2018 and Fiscal 2019, our average headcount increased by 18% to 235 employees from 199 employees in the prior period. Other employee-driven costs such as corporate allocations, training, user licenses, and travel increased by $0.8 million as a result of the increased headcount. An additional $1.6 million in costs was incurred from the increase of conferences and training for our marketing teams as well as advertising, acquisition and growth spend. As a result of the scaling and efficiencies realized as our customer base continued to expand, our sales and marketing expenses as a percentage of revenue decreased from 58.2% to 50.4% from Fiscal 2018 to Fiscal 2019.

Depreciation of Property and Equipment

(In thousands of US dollars, except percentages)	**Fiscal year ended March 31,**			
	2019 **$**	**2018** **$**	**Change** **$**	**Change** **%**
Depreciation of property and equipment	1,389	1,188	201	16.9
Percentage of total revenues	1.8%	2.1%		

Depreciation of property and equipment expenses for Fiscal 2019 increased by $0.2 million, or 16.9% as compared to Fiscal 2018. The increase in the depreciation expense results from additions to property and equipment made throughout the Fiscal year.

Foreign Exchange Loss (Gain)

(In thousands of US dollars, except percentages)	**Fiscal year ended March 31,**			
	2019 **$**	**2018** **$**	**Change** **$**	**Change** **%**
Foreign exchange loss (gain)	987	(287)	1,274	443.9
Percentage of total revenues	1.3%	(0.5)%		

Foreign exchange loss for Fiscal 2019 was $1.0 million as compared to a gain of $0.3 million for Fiscal 2018. This was due to the weakening of current assets in U.S. dollar terms, in particular, cash held in Canadian dollars. Items included in our results are measured in the functional currency, which is the U.S. dollar, and foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or when items are re-measured at the end of the Fiscal period with resulting gains and losses subsequently being recognized.

Acquisition-related Compensation

(In thousands of US dollars, except percentages)	**Fiscal year ended March 31,**			
	2019 **$**	**2018** **$**	**Change** **$**	**Change** **%**
Acquisition-related compensation	454	942	(488)	(51.8)
Percentage of total revenues	0.6%	1.7%		

Acquisition-related compensation expenses for Fiscal 2019 decreased by $0.5 million or 51.8% as compared to Fiscal 2018. We issued contingent equity instruments for our acquisition of SEOshop and these contingent equity instruments were not included in the total purchase consideration, but rather treated as an acquisition-related compensation expense for post-combination services received over a two-year period since the date of acquisition. The decrease was due to the two-year term of the contingent equity instruments issued for our acquisition of SEOshop. This term ended in Fiscal 2018. In addition, in Fiscal 2019, the Company again issued contingent equity instruments for the acquisition of ReUp, a provider of a cloud-based digital loyalty solutions. These contingent equity instruments were not included in the total purchase consideration, but rather were treated as an acquisition-related compensation expense for post-combination services to be received over a two-year period starting from the date of acquisition.

Amortization of Intangible Assets

(In thousands of US dollars, except percentages)	**Fiscal year ended March 31,**			
	2019 $	**2018 $**	**Change $**	**Change %**
Amortization of intangible assets	3,148	3,931	(783)	19.9
Percentage of total revenues	4.1%	6.9%		

Amortization of intangible assets for Fiscal 2019 decreased by $0.8 million or 19.9% as compared to Fiscal 2018. The decrease was primarily due to specific additions to intangible assets made in previous periods becoming fully amortized in Fiscal 2018. Additional acquisitions of intangible assets for Fiscal 2019 were lower than past periods, contributing to the decline in cost.

Fair Value Loss on Redeemable Preferred Shares

(In thousands of US dollars, except percentages)	**Fiscal year ended March 31,**			
	2019 $	**2018 $**	**Change $**	**Change %**
Fair value loss on Redeemable Preferred Shares	(191,219)	(59,985)	(131,234)	(218.8)
Percentage of total revenues	246.9%	(105.1)%		

Fair value loss on Redeemable Preferred Shares for Fiscal 2019 increased by $131.2 million or 219% as compared to Fiscal 2018. The increase was primarily due to the increase in fair value of the Common Shares as the Company approached its Initial Public Offering in March 2019, resulting in an increase in the loss on the Redeemable Preferred Shares in Fiscal 2019.

Income Taxes

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Income tax expense (recovery)				
Current	59	113	(54)	(47.8)
Deferred	(30,788)	14,133	(44,921)	(317.8)
Total income tax expense (recovery)	(30,729)	14,246	(44,975)	(315.7)
Percentage of total revenues				
Current	0.1%	0.2%		
Deferred	(39.8)%	24.8%		
Total	(39.7)%	25.0%		

Deferred income tax expense (recovery) for Fiscal 2019 decreased by $44.9 million or 317.8% as compared to Fiscal 2018. The decrease was primarily due to the reversal of the balance of the Part VI.I tax given the conversion of the Redeemable Preferred Shares upon our Initial Public Offering.

Selected Annual Information

(In thousands of US dollars	Fiscal year ended March 31, 2019 $	2018 $	2017 $
Total revenues	77,451	57,079	42,612
Net loss and comprehensive loss	(183,525)	(96,179)	(58,404)
Loss per share – basic and diluted	(5.53)	(3.30)	(2.02)
Total assets	255,811	64,025	55,451
Total long-term liabilities	10,510	295,278	203,068

See “Results of Operations” in this MD&A for a more detailed discussion of the year-over-year changes in revenues and net loss and comprehensive loss.

Total Assets

Fiscal 2019 Compared to Fiscal 2018

Total assets increased $191.8 million or 300% from Fiscal 2018 to Fiscal 2019, with cash accounting for $183.1 million of the increase, accounts receivable accounting for $1.3 million of the increase, commission assets accounting for $6.7 million of the increase, goodwill from the ReUp acquisition accounting for $2.0 million of the increase, property and equipment accounting for $0.6 million of the increase, offset by a decrease in prepaid expenses of $0.3 million and a decrease in intangible assets of $1.5 million due to amortization. The proceeds from our Initial Public Offering net of issuance costs accounted for the increase in cash.

Fiscal 2018 Compared to Fiscal 2017

Total assets increased $8.6 million or 16% from Fiscal 2017 to Fiscal 2018, with cash accounting for $9.3 million of the increase, offset by a decrease in intangible assets of $3.4 million due to amortization. The Class E preferred share issuance and proceeds received from exercise of stock options under our Legacy Option Plans contributed to the increase in cash. Accounts receivable increased by $2.8 million from Fiscal 2017 to Fiscal 2018 reflecting growth in revenue and also due to an increase in the research and development tax credits receivables of $1.1 million. These tax credits receivables are the estimated refunds we anticipate receiving as a result of research and development that is considered qualified for tax credits.

Total Long-Term Liabilities

Fiscal 2019 Compared to Fiscal 2018

Total long-term liabilities decreased $284.8 million or 96.4% from Fiscal 2018 to Fiscal 2019. The main drivers of the decrease was the conversion of the Redeemable Preferred Shares which had a carrying value of $250.9 million at the end of Fiscal 2018 into Common Shares, the decrease in deferred tax liabilities of $30.2 million and the decrease in long-term portion of deferred revenue of $3.8 million. The decrease in deferred tax liabilities is due to the reversal of the balance of the Part VI.I tax given the conversion of the Redeemable Preferred Shares upon our Initial Public Offering. The decrease of deferred revenue was due to the shorter durations of our contracts in general which increased the short-term portion of deferred revenue and decreased the long-term portion of deferred revenue versus Fiscal 2018.

Fiscal 2018 Compared to Fiscal 2017

Total long-term liabilities increased $92.2 million or 45% from Fiscal 2017 to Fiscal 2018. The main drivers of the increase were the increase in the fair value of Redeemable Preferred Shares of $80.2 million and the increase in deferred tax liabilities of $14.0 million, offset by a decrease in long-term portion of deferred revenue of $2.1 million. The increase in deferred tax liabilities is due to the increase in loss on fair value of Redeemable Preferred Shares in Fiscal 2018 creating a larger Part VI.I tax balance according to the Tax Act. The decrease of deferred revenue was due to the shorter durations of our contracts in general which increased the short-term portion of deferred revenue and decreased the long-term portion of deferred revenue vs Fiscal 2017.

Quarterly Results of Operations

The following table sets forth selected unaudited quarterly statements of operations data for each of the eight quarters ended March 31, 2019. This data should be read in conjunction with our audited annual consolidated financial statements and the notes related thereto. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

(In thousands of US dollars, except per share data)	Three months ended							
	Jun. 30, 2017 $	Sept. 30, 2017 $	Dec. 31, 2017 $	Mar. 31, 2018 $	Jun. 30, 2018 $	Sept. 30, 2018 $	Dec. 31, 2018 $	Mar. 31, 2019 $
Revenues	12,801	13,602	14,988	15,688	17,471	18,598	20,097	21,285
Direct cost of revenues	4,156	3,982	4,499	4,842	5,390	5,251	5,970	6,962
Gross profit	8,645	9,620	10,489	10,846	12,081	13,347	14,127	14,323
Operating expenses								
General and administrative	2,038	2,075	2,589	2,523	2,644	2,910	3,443	4,793
Research and development	3,371	3,037	3,067	3,820	4,184	4,024	5,001	5,074
Sales and marketing	7,693	8,087	8,186	9,262	8,647	9,039	9,995	11,362
Depreciation of property and equipment	282	258	297	351	272	324	378	415
Foreign exchange loss (gain)	(119)	(153)	16	(31)	119	(9)	240	637
Acquisition-related compensation	604	338	-	-	-	108	158	188
Amortization of intangible assets	1,003	1,031	943	954	980	875	644	649
Total operating expenses	14,872	14,673	15,098	16,879	16,846	17,271	19,859	23,118
Operating loss	(6,227)	(5,053)	(4,609)	(6,033)	(4,765)	(3,924)	(5,732)	(8,795)
Fair value loss on Redeemable Preferred Shares	(5,565)	(30,758)	(19,018)	(4,644)	(2,952)	(3,643)	(52,489)	(132,135)
Interest income (expense)	9	8	(36)	(7)	58	33	9	81
Loss before income taxes	(11,783)	(35,803)	(23,663)	(10,684)	(7,659)	(7,534)	(58,212)	(140,849)
Income tax expense (recovery)								
Current	17	18	60	18	(5)	-	-	64
Deferred	1,170	7,476	4,501	986	471	662	12,916	(44,837)
Total income tax expense (recovery)	1,187	7,494	4,561	1,004	466	662	12,916	(44,773)
Net loss and comprehensive loss	(12,970)	(43,297)	(28,224)	(11,688)	(8,125)	(8,196)	(71,128)	(96,076)
Loss per share – Basic and diluted	(0.45)	(1.48)	(0.97)	(0.40)	(0.28)	(0.27)	(2.37)	(2.21)

Revenues

Our total quarterly revenue increased in all periods presented due primarily to increased sales to existing and new customers. The increase in total revenue was due to increases in subscription revenue and payment referral fees as well as additional hardware sales. The number of Customer Locations using our platform and the GTV processed through our platforms have both exhibited increases over the cumulative period evidencing their increased usage and adoption.

Direct Cost of Revenues

Our total quarterly costs of revenue increased sequentially for all periods presented except for the two quarters ended September 30, 2017 and September 30, 2018. The aggregate increase was primarily due to increased costs associated with supporting a greater number of Customer Locations utilizing our platform.

Gross Profit

Our total quarterly gross profit increased sequentially for all periods presented due primarily to increased sales to existing and new customers.

Operating Expenses

Total operating expenses generally increased sequentially for each period presented except for the three quarters ended June 30, 2017, September 30, 2017 and June 30, 2018. The aggregate increase was primarily due to the additional resources such as headcount required to support our expanding base of Customer Locations as well as higher sales and marketing expenses required to attract additional customers to our platform.

Liquidity and Capital Resources

Overview

The general objectives of our capital management strategy reside in the preservation of our capacity to continue operating, in providing benefits to our stakeholders and in providing an adequate return on investment to our shareholders by selling our services at a price commensurate with the level of operating risk assumed by us.

We thus determine the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and risks of the underlying assets. We are not subject to any externally imposed capital requirements.

Working Capital

Our primary source of cash flow is from raising capital totaling $272.2 million, net of issuance costs, since Fiscal 2016. Our approach to managing liquidity is to ensure, to the extent possible, that we always have sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow and performing budget-to-actual analysis on a regular basis. In addition to the cash balances, since April 2, 2019, we have a $55 million credit facility available to be drawn to meet ongoing working capital requirements. Our principal cash requirements are for working capital and acquisitions we may execute. Working capital surplus as at March 31, 2019 was $173.0 million. Excluding the short-term portion of deferred revenue of $32.3 million, our working capital as at March 31, 2019 is $205.3 million. Given our existing cash and credit facilities, along with proceeds obtained from our Initial Public Offering, we believe there is sufficient liquidity to meet our current and short-term financial obligations.

Cash Flows

The following table presents cash and cash equivalents as at March 31, 2019 and 2018, and cash flows from operating, investing, and financing activities for Fiscal 2019 and Fiscal 2018:

	Fiscal year ended March 31,		Three months ended March 31,	
(In thousands of US dollars)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Cash and cash equivalents	207,703	24,651	207,703	24,651
Net cash provided by (used in)				
Operating activities	(7,556)	(10,023)	(238)	(926)
Investing activities	(3,419)	(1,479)	(802)	(61)
Financing activities	194,919	20,490	194,623	89
Effect of foreign exchange on cash and cash equivalents	(892)	354	(752)	78
Net increase (decrease) in cash and cash equivalents	183,052	9,342	192,831	(820)

Cash Flows Used in Operating Activities

Cash flows used in operating activities for Fiscal 2019 were $7.6 million compared to $10.0 million for Fiscal 2018. Excluding costs associated with our Initial Public Offering, cash flows used in operating activities were $6.9 million in Fiscal 2019. Cash flows used for operations were lower in Fiscal 2019 due primarily to $2.9 million more cash generated from working capital than in the prior year.

Cash Flows Used in Investing Activities

Cash flows used in investing activities for Fiscal 2019 were $3.4 million compared to $1.5 million for Fiscal 2018. The increase in cash outflows for investing activities of $1.9 million was mainly due to an increase in additions to property and equipment of $1.1 million as well as an increase of $1.1 million relating to the acquisition of ReUp for total proceeds of $4.2 million, $1.1 million of which was cash.

Cash Flows from Financing Activities

Cash flows from financing activities for Fiscal 2019 was $194.9 million compared to $20.5 million for Fiscal 2018. The increase in cash inflows from financing activities of $174.4 million was due to the closing of our Initial Public Offering on March 15, 2019 which yielded proceeds of $193.8 million net of issuance costs. In addition, cash flows from financing activities include $0.6 million of proceeds from exercise of stock options under our stock option plans offset by $0.8 million in cash outflow from the repurchase of Common Shares from a shareholder.

Recent Developments

Chronogolf

On May 9, 2019, the Company acquired all of the outstanding shares of Chronogolf Inc., a long-standing partner of the Company that leverages Lightspeed's retail and restaurant platform within its comprehensive golf course management platform that also includes booking and membership capabilities with $9,323 being paid in cash and 50,199 Common Shares, at a value of $18.23 per share, which were issued on the closing of the sale. An additional $1,483 is payable if certain milestones are achieved by December 31, 2019, along with the issuance of 50,198 additional Common Shares and cash of $1,018 to be paid over two years, both of which are contingent upon key employees' continued employment with the Company. Additional cash may be paid to (or returned to) the Company due to a post-closing working capital adjustment. The accounting for this acquisition has not yet been finalised and certain IFRS 3 disclosures have not been included due to the timing of the acquisition. We do not expect this acquisition to have a material effect on our financial condition, financial performance or cash flows.

Credit Facility

On April 2, 2019, the Company entered into new credit facilities with the Canadian Imperial Bank of Commerce ("CIBC"), which include a $25,000 demand revolving operating credit facility (the "Revolver") and a $30,000 stand-by acquisition term loan (the "Acquisition Facility", and together with the Revolver, the "New Credit Facilities"). The New Credit Facilities replace the previous $15,000 working capital line of credit granted to the Company by Silicon Valley Bank. The Acquisition Facility will be available for draw up to 24 months and will mature 60 months after the initial drawdown under the Acquisition Facility. The Revolver will be available for draw at any time during the term of the New Credit Facilities.

Contractual Obligations

We have contractual obligations with a variety of expiration dates. The table below outlines our contractual obligations as at March 31, 2019:

	Payments due by period				
(In thousands of US dollars)	**< 1 Year**	**1 to 3 Years**	**4 to 5 Years**	**>5 Years**	**Total**
Accounts payable and accrued liabilities	16,183	-	-	-	16,183
Other long-term liabilities	-	582	-	-	582
Operating lease obligations	2,995	4,500	4,373	2,930	14,798
Total contractual obligations	19,178	5,082	4,373	2,930	31,563

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, other than operating leases disclosed above under "Contractual Obligations". From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

Related Party Transactions

We have no related party transactions, other than those noted in our consolidated financial statements. The executive compensation expense for the top five key management personnel is as follows for Fiscal 2019 and Fiscal 2018:

	Fiscal year ended March 31,	
(In thousands of US dollars)	**2019** **$**	**2018** **$**
Short-term employee benefits and other benefits	1,892	1,783
Stock-based payments	1,288	735
Total compensation paid to key management personnel	3,180	2,518

<u>Share Repurchase and Cancellation</u>

For Fiscal 2019, there was no related party rental expense with one of our former investors under operating leases compared to $0.4 million in Fiscal 2018.

Pursuant to separate agreements reached in 2014 and 2016 between the Company, its CEO and his holding company, DHIDasilva Holdings Inc. ("DHI"), for the benefit of the Company's other shareholders, the Company's CEO agreed to absorb from his own shareholdings, in the case of the first agreement, 60% of the dilutive impact of an increase in the number of shares issuable under the Company's stock option plan, and in the case of the second agreement, the full dilutive impact of option grants to certain executives. In the case of the first agreement, the dilutive impact of the increase was to be absorbed upon exercise of a specified number of options by the Company's stock option plan participants through the repurchase by the Company for nominal consideration of options and shares held beneficially by the Company's CEO. In the case of the second agreement, the dilutive impact of the increase was to be absorbed upon the exercise of the specific options granted to the key executives through the repurchase by the Company of shares held beneficially by the Company's CEO for an amount equal to the aggregate exercise price of the specific options being exercised.

These arrangements were unwound on March 7, 2019 when the agreements were cancelled and the Company acquired 966,651 Common Shares in the capital of the Company and 10,928 options to purchase Common Shares in the capital of the Company from DHI for total cash process of $792. The Company also agreed to indemnify DHI for certain costs, including taxes, in connection with such transaction. The Common Shares acquired from DHI were cancelled on such same date in order to give effect to the intent of the cancelled agreements.

Financial Instruments and Other Instruments

Credit and Concentration Risk

Generally, the carrying amount in our consolidated statement of financial position exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

Our credit risk is primarily attributable to our cash and cash equivalents and trade accounts receivable. We do not require guarantees from our customers. Credit risk with respect to cash and cash equivalents is managed by maintaining balances only with high credit quality financial institutions.

Due to our diverse customer base, there is no particular concentration of credit risk related to our trade accounts receivable. Moreover, balances for trade accounts receivable are managed and analyzed on an ongoing basis to ensure allowances for doubtful accounts, which are established and maintained at an appropriate amount.

We maintain a provision for impairment of a portion of trade receivables when collection becomes doubtful. We estimate anticipated losses from doubtful accounts based upon the expected collectability of all accounts receivable, which estimate takes into account the number of days past due, collection history, identification of specific customer exposure and current economic trends. An impairment loss on trade receivables is calculated as the difference between the carrying amount and the present value of the estimated future cash flow. Impairment losses are charged to general and administrative expense in the consolidated statements of loss and comprehensive loss. Receivables for which an impairment provision was recognized are written off against the corresponding provision when it is deemed uncollectible. As at April 1, 2018, impairment losses for trade receivables has been calculated based on the expected credit losses model instead of historical collection evidence as under the previous standards.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. We do not hold any collateral as security.

Foreign Currency Exchange Risk

We are exposed to currency risk due to financial instruments denominated in foreign currencies. The following table provides a summary of our exposure to the Canadian dollar, the Euro, the British pound sterling and the Australian dollar, expressed in thousands of U.S. dollars:

2019	**CAD** **$**	**EUR** **$**	**GBP** **$**	**AUD** **$**	**Total** **$**
Cash and cash equivalents	194,978	1,865	547	2	197,392
Accounts receivable	102	1,705	98	11	1,916
Accounts payable and accrued liabilities	(8,250)	(3,584)	(431)	-	(12,265)
Long-term debt	(98)	(94)	-	-	(192)
Net financial position exposure	186,732	(108)	214	13	186,851

2018	CAD $	EUR $	GBP $	AUD $	Total $
Cash and cash equivalents	606	883	240	1	1,730
Accounts receivable	960	1,637	179	17	2,793
Accounts payable and accrued liabilities	(4,353)	(3,161)	(413)	(22)	(7,949)
Long-term debt	(38)	(10)	-	-	(48)
Net financial position exposure	(2,825)	(651)	6	(4)	(3,474)

We have not generally entered into arrangements to hedge our exposure to currency risk.

Share price risk

Share price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the fair value of the Company's ordinary share price. The Company's exposure to this risk relates primarily to the outstanding options and accrued payroll taxes on stock-based compensation.

Other share price risk

Accrued payroll taxes on stock-based compensation are payroll taxes associated with share-based compensation that we are subject to in various countries in which we operate. Payroll taxes are accrued at each reporting period based on the number of vested stock options and awards outstanding, the exercise price, and the Company's share price. An increase in share price will increase the accrued expense for payroll taxes, and when the share price decreases, the accrued expense will become a reduction in payroll tax expense, all other things being equal, including the number of vested stock options and exercise price remaining constant.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We review these estimates on an ongoing basis based on management's best knowledge of current events and actions that we may undertake in the future. Actual results could differ from these estimates. Areas requiring the most significant estimates and judgments are outlined below. Management has determined that we operate in a single operating and reportable segment.

Revenue Recognition

Our main sources of revenue are subscriptions for our platform as well as subscriptions and licenses from our legacy product. In addition, we generate revenue from our apps and themes marketplace, payment residuals, Lightspeed Payments, lead generation fees, professional services and the sale of hardware.

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of our Company's activities.

We determine whether revenue should be recognized based on the gross amount billed to a customer or the net amount retained. This determination is a matter of judgment that depends on the facts and circumstances of each arrangement.

As of April 1, 2018, we implemented the new revenue standard which requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Software and Payments Revenue

We recognize revenue for our software subscriptions ratably over the contract term, primarily commencing with the date the services are made available to customers.

Revenues for sales of software licences begin to be recognized on the date that our services are made available to the merchant. Support fees are typically paid in advance and are recognized on a straight-line basis over the term of the contract.

Payment Residuals and Lead Generation Fees

We recognize revenue we receive from third party vendors on a net basis, whereby only the portion of revenues that we receive (or that is due) from the counterparty is recognized. These revenues are recognized at a point in time when they are due from third party vendors.

Lightspeed Payments

We recognize revenue from Lightspeed Payments at a point in time at the time of the transaction, on a gross basis as we have determined we are the principal in the arrangement.

Apps & Themes

We recognize revenues from the sale of separately priced Apps & Themes ratably over time, over the contractual term. We recognize revenue from the sales of Apps & Themes on a net basis, as it has been determined that we are the agent in the arrangement with merchants.

Hardware

Hardware equipment revenues are recognized on a gross basis at a point in time, based on the receipt of the goods by the customer in accordance with the shipping terms.

Professional Services

Most professional services are sold on a time-and-materials basis. Consulting engagements can last anywhere from one day to several weeks and are based strictly on the customer's requirements. Our software, as delivered, can typically be used by the customer. Our professional services are generally not essential to the functionality of our software, as delivered. For services performed on a time and materials basis, revenues are recognized as the services are delivered.

Recoverability of Deferred Tax Assets and Current and Deferred Income Taxes and Tax Credits

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. We establish provisions based on reasonable estimates for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred income tax assets are recognized for unused tax losses and deductible temporary differences to the extent it is probable that taxable income will be available against which the losses and deductible temporary differences can be utilized. Management's judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies.

Share-Based Payments

We measure the cost of equity-settled transactions with employees by reference to the fair value of the related instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant, which depends on the terms and conditions of the grant. This also requires making assumptions and determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield.

Financial Instruments

Effective April 1, 2018, we adopted IFRS 9 using the modified retrospective approach. The impact of the new standard led to a decrease in the loss allowance of $557. There was no other material impact on our consolidated financial statements.

Fair Value of Redeemable Preferred Shares

The fair value evaluation of the embedded financial derivative liability is based on numerous assumptions and estimates that may have a significant impact on the amount recognized as a financial liability. The impact of material changes in assumptions and the review of estimates is recognized in profit or loss in the period in which the changes occur or the estimates are reviewed, as required. The fair value of Redeemable Preferred Shares recognized in the consolidated balance sheet has been determined using a discounted cash flow (DCF) approach in order to determine the fair market value of our enterprise value. The DCF approach is considered to be appropriate when valuing a business where significant fluctuations in the future earnings or discretionary cash flow are expected or where historical/current operating results are not considered to be representative of our future earnings capacity. A discount rate of 23.0% to 25.0% was used in the DCF approach.

Business Combinations and Impairment of Non-financial Assets

Business combinations are accounted for in accordance with the acquisition method. The consideration transferred and the acquiree's identifiable assets, liabilities and contingent liabilities are measured at their fair value. We develop the fair value internally by using appropriate valuation techniques, which are generally based on a forecast of the total expected future net discounted cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate. Contingent consideration is measured at fair value using a discounted cash flow model.

Our impairment test for goodwill is based on internal estimates of fair value less costs of disposal calculations and uses valuation models such as the discounted cash flows model. Key assumptions on which management has based its determination of fair value less costs of disposal include estimated growth rates, discount rates and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment.

Whenever property and equipment and intangible assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

Provisions

We have recorded provisions to cover cost exposures that could materialize in future periods. In determining the amount of the provisions, assumptions and estimates are made in relation to discount rates and the expected cost to settle such liabilities.

Recently Issued Accounting Standards Not Yet Adopted

From time to time, new accounting pronouncements are issued by the International Accounting Standards Board ("IASB") or other standards-setting bodies, and are adopted as of the specified effective date.

IFRS 16 – Leases

In January 2016, the IASB released IFRS 16. The new standard, which represents a major revision of the way in which companies account for leases, sets out the principles that both parties to a contract, i.e. the customer (lessee) and the supplier (lessor), apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, a lessee is required to recognize assets and liabilities arising from a lease, following a single model, where previously leases were classified as either finance leases or operating leases. Most leases will be recognized on our consolidated balance sheet. Certain exemptions will apply for short-term leases and leases of low-value assets.

On April 1, 2019, we will adopt IFRS 16 using the modified retrospective approach and recognize the cumulative effect of initially applying the standard as an adjustment to accumulated deficit. We intend to elect the available practical expedients on adoption. Although we are in the process of evaluating the impact of adoption on our consolidated financial statements, we currently believe the most significant change will be related to the recognition of right-of-use assets and lease liabilities on the consolidated statement of financial position for real estate operating leases, along with the net impact on transition recorded to accumulated deficit, and deferred tax assets, potentially unrecognized, resulting from the aforementioned changes. Our consolidated statements of loss and comprehensive loss after adoption will reflect additional amortization expense due to the right-of use assets and an increase in finance costs for effective interest expense on its lease liabilities and be partially offset by a reduction in rent expense.

There will be no impact to the overall statement of cash flows. However, operating cash flows will be positively impacted, while financing cash flows will be negatively impacted due primarily to the classification of principal payments on its lease liabilities. We will also be required to disclose additional qualitative and quantitative disclosures as required by the standard within its post adoption interim and annual financial statements.

Capital Changes

The Company completed the closing of its IPO on March 15, 2019.

Effective March 15, 2019, immediately prior to the completion of the Company's IPO, all classes of Redeemable Preferred Shares were converted into Common Shares on a one-for-one basis.

As approved in a special meeting of the shareholders on March 5, 2019, immediately preceding the IPO, the Company (i) filed articles of amendment to, among other things, (a) reclassified the Company's Common Shares as subordinate voting shares, (b) amended the rights, privileges and conditions of the subordinate voting shares, (c) cancelled all the authorized but unissued Class B Preferred Shares, Class C Preferred Shares, Class D Preferred Shares and Class E Preferred Shares, (d) created an unlimited number of multiple voting shares, and an unlimited number of preferred shares issuable in one or more series, and (e) consolidated the issued and outstanding subordinate voting shares on a 4-for-1 basis, and (ii) entered into a share exchange agreement with DHI, pursuant to which 16,052,445 multiple voting shares were issued to DHI in exchange for an equivalent number of subordinate voting shares held by DHI. The Capital Reorganization was completed on March 15, 2019.

As a result of the 4-for-1 share consolidation, the historical per share amounts presented in the consolidated financial statements have been retroactively adjusted to reflect this change.

On March 15, 2019, the Company completed an IPO and issued 17,250,000 subordinate voting shares for a total gross consideration of $207,547, including 2,250,000 subordinate voting shares issued upon the exercise of the underwriters' over-allotment option which accounted for total gross consideration of $27,071. Share issuance costs amounted to $13,773.

Outstanding Share Information

Lightspeed is a publicly traded company listed on the Toronto Stock Exchange (TSX: LSPD). Our authorized share capital consists of (i) an unlimited number of subordinate voting shares, (ii) an unlimited number of multiple voting shares and (iii) an unlimited number of preferred shares, issuable in series, of which 67,749,964 subordinate voting shares, 16,052,445 multiple voting shares and no preferred shares were issued and outstanding as of May 28, 2019.

As of May 28, 2019, there were 5,338,638 options outstanding under the Company's amended and restated 2012 stock option plan (of which 2,084,053 were vested as of such date), 253,931 options outstanding under the Company's amended and restated 2016 stock option plan (of which 216,691 were vested as of such date), and 350,346 options outstanding under the Company's omnibus incentive plan (of which 0 were vested as of such date). Each such option is or will become exercisable for one subordinate voting share.

As of May 28, 2019, there were 98,903 warrants outstanding, 37,500 of which are exercisable at a price of $4.00 per subordinate voting share and 61,403 of which are exercisable at a price of $3.795732 per subordinate voting share. Each warrant is exercisable for one subordinate voting share. The warrants have not been exercised as of the date hereof.

As of May 28, 2019, there were 646 DSUs outstanding under the Company's omnibus incentive plan. Each such DSU will, upon the holder thereof ceasing to be a director, executive officer, employee or consultant of the Company in accordance with the omnibus incentive plan, be settled at the discretion of the board through (a) the delivery of shares issued from treasury or purchased on the open market, (b) cash, or (c) a combination of cash and shares.

Controls and Procedures

As a result of the Company's IPO in Fiscal 2019, the Company is exempt from representations relating to the establishment and maintenance of disclosures controls and procedures (DC&P) and internal controls over financial reporting (ICFR), as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109).

In particular, the certifying officers filing the certificates required under NI 52-109 are not making any representations relating to the establishment and maintenance of:

i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

In accordance with securities legislations, the Company will begin making the required representations in the first quarter of Fiscal 2020.

Lightspeed POS Inc.

Consolidated Financial Statements
March 31, 2019 and 2018
(expressed in thousands of US dollars)

Independent auditor's report

To the Shareholders of Lightspeed POS Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lightspeed POS Inc. and its subsidiaries (together, the Company) as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at March 31, 2019 and 2018;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended; and
- the notes to consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

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

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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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 Andrew Popliger.

/s/PricewaterhouseCoopers LLP [1]

Montreal, Quebec
May 30, 2019

[1] CPA auditor, CA, public accountancy permit No. A125677

Lightspeed POS Inc.

Consolidated Balance Sheets

As at March 31, 2019 and 2018

(expressed in thousands of US dollars)

	2019 $	2018 $
Assets		
Current assets		
Cash and cash equivalents	207,703	24,651
Accounts receivable (note 12)	8,424	7,124
Inventories (note 11)	269	238
Prepaid expenses and deposits	1,527	1,800
Commission assets (note 6)	3,677	-
Total current assets	221,600	33,813
Property and equipment, net (note 13)	5,372	4,731
Intangible assets, net (note 14)	2,618	4,087
Goodwill (note 15)	22,536	20,404
Commission assets (note 6)	2,993	-
Other long-term assets (note 16)	506	714
Deferred tax assets (note 22)	186	276
Total assets	255,811	64,025
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	16,183	8,953
Income taxes payable (note 22)	135	144
Current portion of deferred revenue (note 6)	32,317	25,211
Total current liabilities	48,635	34,308
Deferred tax liabilities (note 22)	706	30,893
Deferred revenue (note 6)	8,025	11,793
Redeemable Preferred Shares (note 21)	-	250,884
Other long-term liabilities (note 19)	1,779	1,708
Total liabilities	59,145	329,586
Shareholders' equity (deficiency)		
Share capital (note 20)		
83,752,210 Common Shares issued and outstanding, unlimited shares authorized (2018 – 29,366,937)	652,336	14,325
Additional paid-in capital (notes 20 and 25)	4,278	2,804
Accumulated deficit	(459,948)	(282,690)
Total shareholders' equity (deficiency)	196,666	(265,561)
Total liabilities and shareholders' equity	255,811	64,025

Commitments and contingencies (notes 23 and 24)

Approved by the Board of Directors

(signed) Paul McFeeters Director (signed) Dax Dasilva Director

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

Lightspeed POS Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended March 31, 2019 and 2018

(expressed in thousands of US dollars)

	2019 $	2018 $
Revenues (note 6)	77,451	57,079
Direct cost of revenues (notes 7, 9)	23,573	17,479
Gross profit	53,878	39,600
Operating expenses		
General and administrative (note 9)	13,790	9,225
Research and development (notes 8, 9)	18,283	13,295
Sales and marketing (note 9)	39,043	33,228
Depreciation of property and equipment (note 13)	1,389	1,188
Foreign exchange loss (gain)	987	(287)
Acquisition-related compensation (note 5)	454	942
Amortization of intangible assets (note 14)	3,148	3,931
Total operating expenses	77,094	61,522
Operating loss	(23,216)	(21,922)
Fair value loss on Redeemable Preferred Shares (note 21)	(191,219)	(59,985)
Interest income (expense)	181	(26)
Loss before income taxes	(214,254)	(81,933)
Income tax expense (recovery) (note 22)		
Current	59	113
Deferred	(30,788)	14,133
Total income tax expense (recovery)	(30,729)	14,246
Net loss and comprehensive loss	(183,525)	(96,179)
Loss per share – Basic and diluted (note 10)	(5.53)	(3.30)

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

Lightspeed POS Inc.

Consolidated Statements of Cash Flows

For the years ended March 31, 2019 and 2018

(expressed in thousands of US dollars)

	2019 $	2018 $
Cash flows from (used in) operating activities		
Net loss	(183,525)	(96,179)
Items not affecting cash and cash equivalents		
Acquisition-related compensation	454	942
Fair value loss on Redeemable Preferred Shares	191,219	59,985
Amortization of intangible assets	3,148	3,931
Depreciation of property and equipment	1,389	1,188
Loss on disposal of property and equipment	-	24
Deferred income taxes	(30,788)	14,133
Stock-based compensation expense	1,693	1,160
Unrealized foreign exchange loss (gain)	929	(282)
(Increase)/decrease in operating assets and increase/(decrease) in operating liabilities		
Accounts receivable	(727)	(2,796)
Prepaid expenses and deposits	287	49
Commission assets	(953)	-
Inventories	(31)	28
Other long-term assets	331	(312)
Accounts payable and accrued liabilities	5,647	1,016
Income taxes payable	(9)	54
Deferred revenue	3,309	6,868
Other long-term liabilities	71	168
Total operating activities	(7,556)	(10,023)
Cash flows from (used in) investing activities		
Additions to property and equipment	(2,030)	(937)
Additions to intangible assets	-	(548)
Proceeds on disposal of property and equipment	-	6
Acquisition of business, net of cash acquired	(1,389)	-
Total investing activities	(3,419)	(1,479)
Cash flows from (used in) financing activities		
Proceeds from exercise of stock options	536	490
Proceeds from issuance of share capital	207,547	20,000
Share issuance costs	(12,372)	-
Repurchase of Common Shares	(792)	-
Total financing activities	194,919	20,490
Effect of foreign exchange rate changes on cash and cash equivalents	(892)	354
Net increase in cash and cash equivalents during the year	183,052	9,342
Cash and cash equivalents – Beginning of year	24,651	15,309
Cash and cash equivalents – End of year	207,703	24,651
Interest paid	26	5
Income taxes paid	124	60

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

Lightspeed POS Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the years ended March 31, 2019 and 2018

(expressed in thousands of US dollars, except number of shares)

	Issued and Outstanding Shares				
	Number of shares	Amount $	Additional paid-in capital $	Accumulated deficit $	Total $
Balance as at March 31, 2017	29,045,864	12,938	1,725	(186,511)	(171,848)
Net loss and comprehensive loss	-	-	-	(96,179)	(96,179)
Shares exchanged in Series E financing (note 20)	(683,785)	(220)	-	-	(220)
Exercise of stock options (note 25)	1,004,858	665	(175)	-	490
Stock-based compensation (note 25)	-	-	1,160	-	1,160
Issuance of warrants (note 20)	-	-	94	-	94
Acquisition-related compensation in connection with acquired business (note 5)	-	942	-	-	942
Balance as at March 31, 2018	29,366,937	14,325	2,804	(282,690)	(265,561)
Beginning accumulated deficit IFRS adjustments (note 3)	-	-	-	6,267	6,267
Net loss and comprehensive loss	-	-	-	(183,525)	(183,525)
Issuance of shares upon initial public offering (note 20)	17,250,000	207,547	-	-	207,547
Share issuance costs (note 20)	-	(13,773)	-	-	(13,773)
Conversion of Redeemable Preferred Shares (notes 20, 21)	37,131,198	442,103	-	-	442,103
Exercise of stock options (note 25)	434,774	755	(219)	-	536
Stock-based compensation (note 25)	-	-	1,693	-	1,693
Repurchase of Common Shares	(966,651)	(792)	-	-	(792)
Acquisition-related compensation in connection with acquired business (note 5)	208,772	394	-	-	394
Shares issued in connection with business combination (note 5)	327,180	1,777	-	-	1,777
Balance as at March 31, 2019	83,752,210	652,336	4,278	(459,948)	196,666

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

(expressed in thousands of US dollars)

1 Organization and nature of operations

Lightspeed POS Inc. (“Lightspeed”) was incorporated on March 21, 2005 under the Canada Business Corporations Act. Its head office is located at Gare Viger, 700 Saint-Antoine St. East, Suite 300, Montréal, Quebec, Canada. Lightspeed provides an easy-to-use, omni-channel commerce enabling platform. The Company’s software platform provides its customers with the critical functionalities they need to engage with consumers, manage their operations, accept payments, and grow their business. Lightspeed operates globally in approximately 100 countries, empowering single- and multi-location small and medium-sized businesses to compete in an omni-channel market environment by engaging with consumers across online, mobile, social, and physical channels.

On March 15, 2019, the Company completed an initial public offering (“IPO”) and its shares began trading on the Toronto Stock Exchange under the symbol “LSPD”.

2 Basis of presentation and consolidation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and were approved for issue by the Board of Directors of the Company on May 30, 2019.

The consolidated financial statements have been prepared on a historical cost basis except for all classes of the Redeemable Preferred Shares (prior to their conversion to Common Shares), which were carried at fair value.

The consolidated financial statements include the accounts of Lightspeed and its wholly-owned subsidiaries, Lightspeed POS USA Inc., Alcmene s.a.r.l., Lightspeed POS Belgium BVBA, Lightspeed POS UK Ltd., Lightspeed Netherlands BV, SEOshop GmbH, Lightspeed Payments USA Inc., ReUp Technologies Inc. (“ReUp”), Lightspeed POS Singapore Pte, SEOshop International BV and Shappz B.V. (collectively, the “Company”). All significant intercompany balances and transactions have been eliminated on consolidation.

The financial statements of all subsidiaries, excluding new subsidiaries of Lightspeed which are prepared for the reporting period starting on their acquisition or incorporation date, are prepared for the same reporting period as Lightspeed using Lightspeed’s accounting policies. All subsidiaries are fully consolidated until the date that Lightspeed’s control ceases.

On March 15, 2019, the Company consolidated its Common Shares on a 4-for-1 basis. All references to the number of Common Shares herein have been revised to reflect the share consolidation. References to the number of outstanding Redeemable Preferred Shares herein were not revised given that they were converted into Common Shares prior to the share consolidation taking effect. Refer to note 20 for additional information.

(expressed in thousands of US dollars)

3 Significant accounting policies

Revenue recognition

The Company's main sources of revenue are from subscriptions for its platform as well as subscriptions and licences from its legacy product. In addition, the Company generates revenue from Apps & Themes, payment residuals, lead-generation fees, professional services and sales of hardware, as described below.

Software and payments revenue

Software and subscription licences

Software and subscription licences include cloud-based solutions for both retail and restaurant and for e-commerce, as well as the Company's legacy on-premises retail solution, which is downloaded by the customer and installed on the customer's server. The Company's on-premises solution is sold as a subscription (term licence) with associated maintenance. In addition to the core subscriptions and licences outlined above, merchants can purchase add-on services such as advanced reporting, accounting and analytics. Subscriptions include maintenance and support, which includes access to unspecified upgrades.

Payment residuals and lead-generation fees

The Company's software interfaces with third parties that enable credit card processing. These companies generate revenue from charging transaction fees that are generally a fixed amount per transaction or a fixed percentage of the transaction. As part of integrating with these payment processors, the Company negotiates a revenue share with most of them, whereby the Company receives a portion of the revenues generated by the payment processor. In addition, the Company has contracted with a number of third party vendors that sell products to the same merchant customers as does the Company (primarily retail and restaurants). The Company refers its merchant customers to these vendors and earns a referral fee.

Lightspeed Payments

The Company offers payment processing services to its merchants that facilitate payment for goods and services sold by the merchant to its customers.

Apps & Themes

The Company's e-commerce solution features an app and theme marketplace (Apps & Themes) where third party developers have built add-ons that can be purchased. The Company earns a portion of the revenue generated by the sales of subscriptions to Apps & Themes.

(expressed in thousands of US dollars)

Hardware and other

Hardware and implementation services

For retail, restaurant and e-commerce customers, the Company's software integrates with various hardware required to operate a store. As part of the sale process to both new and existing customers, the Company acts as a reseller of the hardware. Those sales primarily consist of peripherals. In addition, in some cases where customers would like assistance deploying the Company's software, or integrating the Company's software with other systems or setting up their e-commerce store, the Company provides professional services customized to the merchant. In those cases, the Company usually subcontracts this work to a certified partner.

Revenue recognition from the above-mentioned sources

The Company recognizes revenue to depict the transfer of promised services to merchants in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:

- Identify the contract with a merchant;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price; and
- Recognize revenue when, or as, the Company satisfies a performance obligation.

The Company follows the guidance provided in IFRS 15 – Appendix B, Principal versus Agent Considerations, for determining whether the revenue should be recognized based on the gross amount billed to a merchant or the net amount retained. This determination is a matter of judgment that depends on the facts and circumstances of each arrangement.

Sales taxes collected from merchants and remitted to government authorities are excluded from revenue.

Outside of Lightspeed Payments, the Company's arrangements with merchants can include multiple services or performance obligations, which may consist of some or all of the Company's subscription solutions. When contracts involve various performance obligations, the Company evaluates whether each performance obligation is distinct and should be accounted for as a separate unit of accounting. In the case of software and subscription licenses and hardware and other, the Company has determined that merchants can benefit from each service on its own, and that each service being provided to the merchant is separately identifiable from other promises in the contract. Specifically, the Company considers the distinct performance obligations to be the software and subscription licences, Apps & Themes and the hardware and implementation services. Payment residuals and lead-generation fees, and Lightspeed Payments together with the payment terminals provided were also considered to be distinct performance obligations.

(expressed in thousands of US dollars)

The total transaction price is determined at the inception of the contract and allocated to each performance obligation based on their relative standalone selling prices. The Company determined the standalone selling price by considering internal evidence such as normal or consistently applied standalone selling prices. The determination of standalone selling prices is made through consultation with and approval by management, taking into consideration the Company's go-to-market strategy. As the Company's go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes in relative standalone selling prices. Rebates are allocated to each performance obligation that they relate to based on their relative standalone selling price.

The Company generally receives payment from its merchants on the invoice due date. In all other cases, payment terms and conditions vary by contract type, although terms generally include a requirement for payment within 14 days of the invoice date. In instances where the timing of revenue recognition differs from the timing of invoicing and subsequent payment, we have determined the Company's contracts generally do not include a significant financing component.

Software and subscription licences

The Company recognizes revenues for its software subscriptions ratably over the contract term, primarily commencing with the date the services are made available to customers.

Revenues for sales of software licences begin to be recognized on the date that the Company's services are made available to the merchant. Support fees are typically paid in advance and are recognized on a straight-line basis over the term of the contract.

Payment residuals and lead generation fees

The Company recognizes the revenue it receives from third party vendors on a net basis, whereby only the portion of revenues that the Company receives (or is due) from the counterparty is recognized. These revenues are recognized at a point in time when they are due from third party vendors.

Lightspeed Payments

The Company recognizes revenue from Lightspeed Payments at a point in time, at the time of the transaction, on a gross basis, as it has been determined that the Company is the principal in the arrangement.

Apps & Themes

Revenues from the sale of separately priced Apps & Themes are recognized ratably over time, over the contractual term. The Company recognizes revenue from the sales of Apps & Themes on a net basis, as it has been determined that the Company is the agent in the arrangement with merchants.

Hardware

Hardware equipment revenues are recognized on a gross basis at a point in time, based on the receipt of the goods by the customer in accordance with the shipping terms.

(expressed in thousands of US dollars)

Professional services

Most professional services are sold on a time-and-materials basis. Consulting engagements can last anywhere from one day to several weeks and are based strictly on the customer's requirements. The Company's software, as delivered, typically can be used by the customer. The Company's professional services are generally not essential to the functionality of the software. For services performed on a time-and-materials basis, revenues are recognized as the services are delivered.

Commission assets

The Company records commission assets for selling commissions paid at the inception of a contract that are incremental costs of obtaining the contract, if the Company expects to recover those costs. Commission assets are subsequently amortized on a straight-line basis over the expected life of the customer. Incremental selling commissions to obtain a renewal of a contract are capitalized and amortized on a straight-line basis over the renewal period of the contract.

Deferred revenue

Deferred revenue mainly comprises fees collected or contractually due for services in which the applicable revenue recognition criteria have not been met. This balance will be recognized as revenue as the services are performed, which is generally expected to occur over a period of up to a year.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories, consisting of hardware equipment only, are recorded at the lower of cost and net realizable value with cost determined using the weighted average cost method. The Company provides an allowance for obsolescence based on estimated product life-cycles, usage levels and technology changes. Changes in these estimates are reflected in the determination of cost of revenues.

The amount of any impairment of inventories to net realizable value, and all losses on inventories are recognized as an expense in the year during which the impairment or loss occurs.

Research and development tax credits

Research and development costs are expensed as incurred, net of refundable tax credits. The Company's research and development costs consist primarily of salaries and related personnel expenses.

(expressed in thousands of US dollars)

The Company recognizes the benefit of Canadian research and development investment tax credits as a reduction of research and development and support costs for refundable investment e-business tax credits and as a reduction of income taxes for non-refundable investment tax credits that can only be claimed against income taxes otherwise payable, when there is reasonable assurance that the claim will be recovered.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. Depreciation is recognized using the declining balance method at the following rates, except for leasehold improvements, for which depreciation is calculated on a straight-line basis:

Furniture	20%
Equipment	20%
Automobiles	30%
Computer equipment	45% to 55%
Leasehold improvements	Shorter of useful life and term of lease

Leasehold improvements in progress are not depreciated until the related asset is ready for use.

Intangible assets

Acquired identifiable intangible assets

Purchased software licences are recorded at cost and are amortized on a straight-line basis over the life of the licence, which is the licence term.

Amortization of software technologies that are acquired through business combinations is calculated using the straight-line method over the estimated useful life of four years, and amortization of customer relationships acquired through business combinations is calculated using the straight-line method over the estimated useful life of three years.

Impairment of long-lived assets

The Company evaluates its property and equipment and definite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(expressed in thousands of US dollars)

Goodwill and impairment of goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations. After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Company's cash-generating unit (CGU). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Company reviews the carrying value of goodwill in accordance with International Accounting Standard (IAS) 36, Impairment of Assets, on an annual basis on March 31 or more frequently if events or change in circumstances indicate that it is more likely than not that the fair value of the goodwill is below its carrying amount. Impairment is determined by assessing the recoverable amount of the Company's CGU. The CGU's recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use. A quantitative analysis was performed to determine the fair value less costs of disposal for the Company's CGU. Note 15 discusses in detail the method and assumptions used for impairment testing.

Business combinations

The Company follows the acquisition method to account for business combinations in accordance with IFRS 3, Business Combinations. The acquisition method of accounting requires that assets acquired and liabilities assumed be recorded at their estimated fair values on the date of a business acquisition. The amounts included in the consolidated statement of loss and comprehensive loss under acquisition-related compensation arise from business combinations made by the Company. Acquisition costs that are tied to continuing employment of pre-existing shareholders are required to be recognized as acquisition-related compensation and amortized in accordance with the vesting terms in the acquisition agreement. Consequently, those costs are not included in the total purchase consideration of the business combination. No further cash obligation or dilution of equity will arise linked to the acquisition-related compensation. All other costs related to the acquisition are expensed as incurred.

New information obtained during the measurement period, up to 12 months following the acquisition date, about facts and circumstances existing at the acquisition date affect the acquisition accounting.

Government assistance

Government assistance, which mainly includes investment and other tax credits, is recognized when there is reasonable assurance that it will be received and all related conditions will be complied with. When the government assistance relates to an expense item, it is recognized as a reduction of expense over the period necessary to match the government assistance on a systematic basis to the costs that it is intended to subsidize.

(expressed in thousands of US dollars)

Income taxes

i) Current tax

The current tax payable is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statement of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. 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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 they 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.

iii) Current and deferred tax

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside of profit or loss (whether in other comprehensive loss or directly in deficit), in which case the tax is also recognized outside of profit or loss.

(expressed in thousands of US dollars)

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation (a) as a result of a past event; (b) when it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) when a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is accounted for in the consolidated statement of loss and comprehensive loss, net of any reimbursement.

If the known expected settlement date exceeds 12 months from the date of recognition, provisions are discounted using a current pre-tax interest rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense. Provisions are reviewed periodically and adjusted as appropriate.

Leases

Leases are classified as either capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to the ownership of an asset are accounted for as if an asset had been acquired and an obligation incurred at the inception of the lease. All current leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis over the term of the leases. Lease inducements are amortized as a reduction of expenses on a straight-line basis over the term of the related lease.

Stock option plan

The Company has multiple stock option plans and records all stock-based payments, including grants of employee stock options, at their respective fair values. The fair value of stock options granted to employees is estimated at the date of grant using the Black-Scholes option pricing model. The Company recognizes stock-based compensation expense over the vesting period, over the life of the tranche of shares being considered. The Company also estimates forfeitures at the time of grant and revises its estimate, if necessary, in subsequent periods if actual forfeitures differ from these estimates. Any consideration paid by employees on exercising stock options and the corresponding portion previously credited to additional paid-in capital are credited to share capital.

The Black-Scholes option pricing model used by the Company to calculate option values was developed to estimate the fair value. This model also requires assumptions, including expected option life, volatility, risk-free interest rate and dividend yield, which greatly affect the calculated values.

Expected option life is determined using the time-to-vest-plus-historical-calculation-from-vest-date method that derives the expected life based on a combination of each tranche's time to vest plus the actual or expected life of an award based on the past activity or remaining time to expiry on outstanding awards. Expected forfeiture is derived from historical patterns. Expected volatility is determined using comparable companies for which the information is publicly available, adjusted for factors such as industry, stage of life cycle, size and financial leverage. The risk-free interest rate is determined based on the rate at the time of grant and cancellation for zero-coupon Canadian government securities with a remaining term equal to the expected life of the option. Dividend yield is based on the stock option's exercise price and expected annual dividend rate at the time of grant.

(expressed in thousands of US dollars)

Employee benefits

The Company maintains defined contribution plans for which it pays fixed contributions to administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay the benefits to all employees. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in income as the services are provided.

Segment information

The Company's Chief Operating Decision-Maker (CODM) is a function comprising the three C-Level executives, specifically the Chief Executive Officer, the Chief Financial Officer and the President. The CODM is the highest level of management responsible for assessing Lightspeed's overall performance, and making operational decisions such as resource allocations related to operations, product prioritization, and delegations of authority. Management has determined that the Company operates in a single operating and reportable segment.

Preferred shares

Prior to March 15, 2019, the Company had Redeemable Preferred Shares outstanding. Immediately prior to the IPO, all classes of Redeemable Preferred Shares were converted into Common Shares on a one-for-one basis. Upon reclassification from liability to equity, the difference between the fair value of the equity instruments issued on conversion and the carrying value of the liability was recognized in profit and loss.

Preferred shares are classified as a financial liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Hybrid financial instruments – Redeemable Preferred Shares

Hybrid financial instruments issued by the Company consisted of convertible preferred shares that were convertible to Common Shares at the option of the holders, where the number of shares to be issued was not fixed.

The equity components on such instruments are separated from the debt host contract (preferred shares redeemable at the option of the holders) and accounted for separately if the economic characteristics and risks of the debt host contract and the embedded derivative (equity components) are not closely related.

Derivative and embedded derivative financial instruments

The Company had issued embedded derivatives over all classes of its preferred shares. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, in which case a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

(expressed in thousands of US dollars)

Loss per share

Basic loss per share is calculated by dividing net loss attributable to common equity holders of the Company by the weighted average number of Common Shares outstanding during the year.

Diluted loss per share is calculated by dividing net loss attributable to common equity holders of the Company by the weighted average number of Common Shares outstanding during the year, plus the effect of dilutive potential Common Shares outstanding during the year. This method requires that diluted loss per share be calculated as if all dilutive potential Common Shares had been exercised at the latest of the beginning of the year or on the date of issuance, as the case may be, and that the funds obtained thereby (plus an amount equivalent to the unamortized portion of related stock-based compensation costs) be used to purchase Common Shares of the Company at the average fair value of the Common Shares during the year.

Financial instruments

Financial assets

Initial recognition and measurement

The Company's financial assets comprise cash and cash equivalents, trade receivables, and other non-current assets. All financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset. Purchases and sales of financial assets are recognized on the settlement date being the date that the Company receives or delivers the asset. The Company classifies its financial assets primarily as cash and cash equivalents and receivables. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for those with maturities greater than 12 months after the reporting period.

Subsequent measurement

Cash and cash equivalents are carried at fair value with gains and losses recognized in the consolidated statement of loss and comprehensive loss.

Trade receivables are carried at amortized cost using the effective interest rate method. For information on impairment losses on trade and other receivables, refer to the impairment of financial assets section below.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the asset have expired.

(expressed in thousands of US dollars)

Impairment of financial assets

The Company assesses at each reporting date whether there is any evidence that its trade receivables are impaired. The Company uses the simplified approach for measuring impairment for its trade receivables as these financial assets do not have a significant financing component as defined under IFRS 15, Revenue from Contracts with Customers. Therefore, the Company does not determine if the credit risk for these instruments has increased significantly since initial recognition. Instead, a loss allowance is recognized based on lifetime expected credit losses ("ECL") at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received. The shortfall is then discounted at an approximation to the asset's original effective interest rate. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Company has established a provision matrix that is based on its historical credit loss experiences, adjusted for forward-looking factors specific to the debtors and the economic environment. Impairment losses and subsequent reversals are recognized in profit or loss and are the amounts required to adjust the loss allowance at the reporting date to the amount that is required to be recognized based on the aforementioned policy.

Financial liabilities

Initial recognition and measurement

The Company's financial liabilities comprise trade and other payables, other liabilities, and Redeemable Preferred Shares. All financial liabilities are recognized initially at fair value. The Company assesses whether embedded derivative financial instruments are required to be separated from host contracts when the Company first becomes party to the contract.

Subsequent measurements

After initial recognition, payables are subsequently measured at amortized cost using the effective interest method. The effective interest method amortization is included in finance costs in the consolidated statement of loss and comprehensive loss. Gains and losses are recognized in the consolidated statement of loss and comprehensive loss when the liabilities are derecognized.

Payables are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

After initial recognition, Redeemable Preferred Shares were subsequently re-measured at fair value at the end of each reporting period with changes in fair value recognized in the consolidated statement of loss and comprehensive loss.

Derecognition

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled, or expires.

(expressed in thousands of US dollars)

Foreign currency translation

Functional and presentation currency

The functional as well as the presentation currency of Lightspeed is the US dollar. Items included in the consolidated financial statements of the Company are measured in the functional currency, which is the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the changes at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of loss and comprehensive loss.

Foreign operations

The Company's foreign operations are principally conducted through Lightspeed's wholly owned subsidiaries: Lightspeed POS USA Inc., Alcmene s.a.r.l., Lightspeed POS Belgium BVBA, Lightspeed POS UK Ltd., Lightspeed Netherlands BV, SEOshop GmbH, Lightspeed Payments USA Inc., ReUp, Lightspeed POS Singapore Pte, SEOshop International BV and Shappz B.V. (collectively, the subsidiaries). All the subsidiaries' underlying transactions are carried out as an extension of the Company, and as a result the operations of the subsidiaries also have the US dollar as functional currency.

New accounting pronouncements

New accounting pronouncements are issued by the IASB or other standard-setting bodies, and they are adopted by the Company as at the specified effective date.

New and amended standards and interpretations adopted by the Company

IFRS 9, Financial Instruments

IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IFRS 9 includes revised guidance on the classification and measurement of financial instruments and new guidance for measuring impairment on financial assets.

Effective April 1, 2018, the Company adopted IFRS 9 using the modified retrospective approach. The impact of the new standard led to a decrease in the loss allowance of $557. There was no other material impact on the Company's consolidated financial statements.

(expressed in thousands of US dollars)

IFRS 15, Revenue from Contracts with Customers

IFRS 15 supersedes previous accounting standards for revenue, including IAS 11, Construction Contracts, and IAS 18, Revenue, and all existing IFRS revenue interpretations. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry.

Effective April 1, 2018, the Company adopted IFRS 15 using the modified retrospective method. The impact of the new standard has led to capitalization of commission costs in the amount of $5,717 for all periods prior to March 31, 2018 and in the amount of $6,670 as at March 31, 2019 on the Company's consolidated financial statements. This adoption did not have a material impact on the Company's timing of revenue recognition accounting policies previously disclosed in the 2018 audited annual consolidated financial statements.

New standards and interpretations issued not yet effective

IFRS 16, Leases

In January 2016, the IASB released IFRS 16. The new standard, which represents a major revision of the way in which companies account for leases, sets out the principles that both parties to a contract, i.e. the customer (lessee) and the supplier (lessor), apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, a lessee is required to recognize assets and liabilities arising from a lease, following a single model, where previously leases were classified as either finance leases or operating leases. Most leases will be recognized on the Company's consolidated balance sheet. Certain exemptions will apply for short-term leases and leases of low-value assets.

On April 1, 2019, the Company will adopt IFRS 16 using the modified retrospective approach and recognize the cumulative effect of initially applying the standard as an adjustment to accumulated deficit. The Company intends to elect the available practical expedients on adoption. Although the Company is in the process of evaluating the impact of adoption on its consolidated financial statements, the Company currently believes the most significant change will be related to the recognition of right-of-use assets and lease liabilities on the consolidated statement of financial position for real estate operating leases, along with the net impact on transition recorded to accumulated deficit, and deferred tax assets, potentially unrecognized, resulting from the aforementioned changes. The Company's consolidated statements of loss and comprehensive loss after adoption will reflect additional amortization expense due to the right-of use assets and an increase in finance costs for effective interest expense on its lease liabilities and be partially offset by a reduction in rent expense.

There will be no impact to the overall statement of cash flows. However, operating cash flows will be positively impacted, while financing cash flows will be negatively impacted due primarily to the classification of principal payments on its lease liabilities. The Company will also be required to disclose additional qualitative and quantitative disclosures as required by the standard within its post adoption interim and annual financial statements.

(expressed in thousands of US dollars)

4 Significant accounting estimates and assumptions

Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management reviews its estimates on an ongoing basis based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from those estimates.

Key estimates and assumptions are as follows.

Impairment of non-financial assets

The Company's impairment test for goodwill is based on internal estimates of fair value less costs of disposal calculations and uses valuation models such as the discounted cash flow model. Key assumptions on which management has based its determination of fair value less costs of disposal include estimated growth rates, discount rates and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment.

Whenever property and equipment and intangible assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

Fair value of Redeemable Preferred Shares

The fair value remeasurement of the embedded financial derivative liability and the Redeemable Preferred Shares is based on numerous assumptions and estimates that may have a significant impact on the amount recognized as a financial liability. The impact of material changes in assumptions and the review of estimates is recognized in profit or loss in the period in which the changes occur or the estimates are reviewed, as required. Refer to note 27 for additional information on the assumptions used.

Business combinations

Business combinations are accounted for in accordance with the acquisition method. The consideration transferred and the acquiree's identifiable assets, liabilities and contingent liabilities are measured at their fair value. The Company develops the fair value by using appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate. Contingent consideration is measured at fair value using a discounted cash flow model.

(expressed in thousands of US dollars)

Recoverability of deferred tax assets and current and deferred income taxes and tax credits

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions based on reasonable estimates for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred income tax assets are recognized for unused tax losses and deductible temporary differences to the extent it is probable that taxable income will be available against which the losses and deductible temporary differences can be utilized. Management's judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies.

Stock-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the related instruments at the date at which they are granted. Estimating fair value for stock-based payments requires determining the most appropriate valuation model for a grant, which depends on the terms and conditions of the grant. This also requires making assumptions and determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield. Refer to note 25 for additional information on the assumptions used.

5 Business combinations

ReUp Technologies Inc.

On July 18, 2018, the Company completed the acquisition of all of the outstanding shares of ReUp, a provider of cloud-based digital loyalty solutions to restaurant merchants.

The total consideration of $4,158 consisted of $1,106 cash paid on the closing date and 327,180 Common Shares, at a value of $5.43 per share, of which 155,800 were subject to a right of buyback held by the Company if certain milestones were not achieved by May 31, 2019. The Company did not recognize any accruals for the buyback rights as the milestones were achieved by the aforementioned date. The balance of $1,275 was related to compensation and consisted of 171,380 Common Shares and $190 in cash payable in each of the next two years contingent upon key employees' continued employment with the Company.

The balance sheet and the results of operations of ReUp have been consolidated with those of the Company as at July 18, 2018.

The acquisition has been accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The purchase price allocation was based on management's best estimates of the fair values of ReUp's assets and liabilities as at July 18, 2018.

(expressed in thousands of US dollars)

The following table summarizes the allocations of consideration paid and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

	$
Current assets	
Cash	34
Other assets	9
	43
Goodwill (note 15)	2,046
Software technology	1,581
Total assets	3,670
Current liabilities	
Accounts payable and accrued liabilities	68
Deferred revenue	29
Deferred income tax liability	656
Total liabilities	753
Fair value of net assets acquired	2,917
Less: Cash acquired	34
Fair value of net assets acquired, less cash acquired	2,883
Paid in Common Shares of the Company	1,777
Paid in cash	1,106

The goodwill related to the acquisition of ReUp is composed of synergies in utilizing ReUp technology in the Company's product offerings, including an assembled workforce that does not qualify for separate recognition.

6 Revenue from contracts with customers

Disaggregated revenue

The disaggregation of the Company's revenue from contracts with customers was as follows:

	2019 $	2018 $
Software and payments revenue	68,650	51,144
Hardware and other	8,801	5,935
Total revenue from contracts with customers	77,451	57,079

(expressed in thousands of US dollars)

The Company discloses revenue by geographic area in note 29.

Performance obligations

The Company discloses its policies for how it identifies, satisfies, and recognizes its performance obligations associated with its contracts with customers in note 3.

Commission assets

The amount of amortization of commission assets recognized as sales and marketing expense in the year ended March 31, 2019 is $5,000.

Contract liabilities

As of March 31, 2019 and 2018, the Company had deferred revenue of $40,342 and $37,004, respectively. The increase in deferred revenue in 2019 is a result of an increase in the number of customers.

Revenue recognized that was included in the deferred revenue balance at the beginning of the years ended March 31, 2019 and 2018 is $25,211 and $16,220 respectively.

7 Direct cost of revenues

	2019 $	2018 $
Cost of software and payment revenue		
Support	13,132	9,900
Hosting	2,210	1,669
Royalties	410	625
	15,752	12,194
Cost of hardware and other		
Hardware and implementation services	7,821	5,285
Total direct cost of revenues	23,573	17,479

Support consists of any support services offered by the Company to its customers; hosting consists of housing, servicing and maintaining the Company's servers; royalties are payments made to suppliers of certain software add-ons sold by the Company; hardware relates to costs of hardware sold to customers; and implementation relates to implementation services provided to customers.

(expressed in thousands of US dollars)

8 Government grants

Government assistance recognized as a reduction of expenses are as follows:

	2019 $	2018 $
Cost of revenues	262	243
Research and development	2,194	3,140

Government assistance includes research and development tax credits, grants and other credits.

9 Employee compensation

The total employee compensation comprising salaries and benefits for 2019 was $53,841 (2018 – $42,644).

Stock-based compensation and related costs were included in the following expenses:

	2019 $	2018 $
Direct cost of revenues	260	59
General and administrative	1,030	372
Research and development	245	407
Sales and marketing	1,575	420

10 Loss per share

The Company has three categories of potential dilutive securities: convertible preferred shares, share options and warrants. Diluted loss per share excludes all dilutive potential shares if their effect is anti-dilutive. As a result of net losses incurred, all potentially dilutive securities have been excluded from the calculation of diluted loss per share because including them would be anti-dilutive; therefore, basic and diluted number of shares is the same for the years ended March 31, 2019, and 2018. All outstanding convertible preferred shares, share options and warrants could potentially dilute loss per share in the future.

	2019 $	2018 $
Issued Common Shares	83,752,210	29,366,937
Weighted average number of Common Shares (basic and diluted)	33,203,567	29,146,469
Loss per Common Share – Basic and diluted	$(5.53)	$(3.30)

(expressed in thousands of US dollars)

The weighted average number of potential dilutive securities that are not included in the diluted per share calculations because they would be anti-dilutive are as follows:

	2019 $	**2018** $
Class A Preferred Shares issued and outstanding	-	7,353,125
Class B Preferred Shares issued and outstanding	1,235,824	1,317,268
Class C Preferred Shares issued and outstanding	1,780,416	2,932,886
Class D Preferred Shares issued and outstanding	10,942,791	11,663,949
Class E Preferred Shares issued and outstanding	20,876,422	11,126,116
Stock options	5,575,435	4,401,420
Warrants	98,903	80,153

11 Inventories

Inventories expensed during the year ended March 31, 2019 in direct cost of revenues amount to $7,278 (2018 – $4,860).

12 Accounts receivable

	2019 **$**	**2018** **$**
Trade	6,535	5,951
Allowance for doubtful accounts	(1,703)	(1,822)
Total trade receivables	4,832	4,129
Research and development tax credits receivable (note 22)	3,017	2,973
Sales tax receivable	384	-
Other	191	22
Total accounts receivable	8,424	7,124

Included in general and administrative expenses is an expense of $861 related to loss allowance for the year ended March 31, 2019 (2018 – $481).

(expressed in thousands of US dollars)

13 Property and equipment

2019

	Furniture $	Equipment $	Automobiles $	Computer equipment $	Leasehold improvements $	Leasehold improvements in progress $	Total $
Cost							
As at March 31, 2018	955	1,357	21	2,556	3,722	121	8,732
Additions	195	162	-	990	596	87	2,030
As at March 31, 2019	1,150	1,519	21	3,546	4,318	208	10,762
Accumulated depreciation							
As at March 31, 2018	367	684	15	2,001	934	-	4,001
Additions	142	153	2	592	500	-	1,389
As at March 31, 2019	509	837	17	2,593	1,434	-	5,390
Net book value as at March 31, 2019	641	682	4	953	2,884	208	5,372

2018

	Furniture $	Equipment $	Automobiles $	Computer equipment $	Leasehold improvements $	Leasehold improvements in progress $	Total $
Cost							
As at March 31, 2017	785	1,320	77	2,090	3,529	114	7,915
Additions	170	43	4	466	247	7	937
Retirements and disposals	-	(6)	(60)	-	(54)	-	(120)
As at March 31, 2018	955	1,357	21	2,556	3,722	121	8,732
Accumulated depreciation							
As at March 31, 2017	242	561	56	1,520	524	-	2,903
Additions	125	124	5	481	453	-	1,188
Retirements and disposals	-	(1)	(46)	-	(43)	-	(90)
As at March 31, 2018	367	684	15	2,001	934	-	4,001
Net book value as at March 31, 2018	588	673	6	555	2,788	121	4,731

(expressed in thousands of US dollars)

14 Intangible assets

2019

	Acquired software technologies $	Customer relationships $	Total $
Cost			
As at March 31, 2018	16,292	2,663	18,955
Additions	1,679	-	1,679
As at March 31, 2019	17,971	2,663	20,634
Accumulated amortization			
As at March 31, 2018	12,552	2,316	14,868
Additions	2,801	347	3,148
As at March 31, 2019	15,353	2,663	18,016
Net book value as at March 31, 2019	2,618	-	2,618

2018

	Acquired software technologies $	Customer relationships $	Total $
Cost			
As at March 31, 2017	15,744	2,663	18,407
Additions	548	-	548
As at March 31, 2018	16,292	2,663	18,955
Accumulated amortization			
As at March 31, 2017	9,508	1,429	10,937
Additions	3,044	887	3,931
As at March 31, 2018	12,552	2,316	14,868
Net book value as at March 31, 2018	3,740	347	4,087

(expressed in thousands of US dollars)

15 Goodwill

As at March 31, 2018, the goodwill balance was $20,404 and increased to $22,536 as at March 31, 2019 due to an increase of $2,046 arising from the ReUp acquisition and $86 from the Shappz B.V. acquisition.

Impairment analysis

The following key assumptions were used to determine recoverable amounts for the impairment tests performed as at March 31, 2019 and 2018:

	Pre-tax discount rate	**Perpetual growth rate**
Lightspeed CGU	25%	30%

Fair value is based on a discounted cash flow model involving several key assumptions that were used in the test for goodwill impairment. Adjusted EBITDA was determined as a valuation basis, measuring a five-year projection based on actual year-end amounts and management's best estimates. A terminal value was calculated based on revenues, with a weighted average cost of capital reflecting the current market assessment being used. The cost of sale was assumed to be 2.5% of the fair value amount. The enterprise value (carrying amount) was compared with the net present value to test for impairment. Tests performed on the CGU demonstrated no impairment on goodwill for the years ended March 31, 2019 and 2018.

The factors used in the impairment analysis are inherently subject to uncertainty. Management believes that it has made reasonable estimates and assumptions to determine the fair value of the CGU. If actual results are not consistent with these estimates and assumptions, goodwill may be overstated, which could trigger an impairment charge to the consolidated financial statements.

Sensitivity of recoverable amounts

The change in the discount rate or in the perpetual growth rate used in the most recently performed tests that would have been required to recover the carrying amount of the CGU was considered. Since the carrying amount for the CGU is currently negative as at March 31, 2019 and 2018, an impairment loss cannot be sustained, regardless of the incremental weighted average cost of capital or perpetual growth rate.

16 Other long-term assets

	2019 **$**	**2018** **$**
Long-term deposits	262	493
Other long-term assets	244	221
Total other-long term assets	506	714

(expressed in thousands of US dollars)

17 Accounts payable and accrued liabilities

	2019 $	2018 $
Trade	7,706	3,418
Accrued compensation and benefits	6,883	5,041
Accrued payroll taxes on stock-based compensation	1,361	303
Other	233	191
Total accounts payable and accrued liabilities	16,183	8,953

18 Credit facility

On October 17, 2017 in conjunction with the Series E financing (note 20), the Company entered into a credit facility with Silicon Valley Bank which provided for a $15,000 working capital line bearing interest at the US prime rate, as published by the Wall Street Journal, plus 0.50%. No cash amounts were drawn under this credit facility throughout the year, and the credit facility was terminated effective March 29, 2019. The Company entered into new credit facilities on April 2, 2019 as described in note 30.

19 Other long-term liabilities

	2019 $	2018 $
Deferred lease incentives (note 23)	1,197	1,423
Accrued payroll taxes on stock-based compensation	353	94
Other	229	191
Total other long-term liabilities	1,779	1,708

20 Share capital

As at March 31, 2019

The Company's authorized share capital consists of (i) an unlimited number of Subordinate Voting Shares, (ii) an unlimited number of Multiple Voting Shares and (iii) an unlimited number of preferred shares, issuable in series.

(expressed in thousands of US dollars)

Common Shares

The Common Shares consist of Subordinate Voting Shares and Multiple Voting Shares.

The Subordinate Voting Shares and Multiple Voting Shares have the same rights, are equal in all respects and are treated by the Company as if they were one class of shares.

The Subordinate Voting Shares and Multiple Voting Shares rank pari passu with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Company.

The holders of outstanding Subordinate Voting Shares and Multiple Voting Shares are entitled to receive dividends at such times and in such amounts and form as the Board may from time to time determine, but subject to the rights of the holders of any preferred shares, without preference or distinction among or between the Subordinate Voting Shares and the Multiple Voting Shares.

The holders of outstanding Subordinate Voting Shares are entitled to one vote per share and the holders of Multiple Voting Shares are entitled to four votes per share.

The Subordinate Voting Shares are not convertible into any other class of shares. Each outstanding Multiple Voting Share may at any time, at the option of the holder, be converted into one Subordinate Voting Share.

In addition, all Multiple Voting Shares held by Permitted Holders will convert automatically into Subordinate Voting Shares at such time as the earlier of the following occur: (i) Permitted Holders that hold Multiple Voting Shares no longer as a group beneficially own, directly or indirectly and in the aggregate, at least 12.5% of the issued and outstanding Subordinate Voting Shares and Multiple Voting Shares (on a non-diluted basis), and (ii) Dax Dasilva is no longer serving as a director or member of senior management of the Company.

Preferred Shares

The preferred shares will be issuable at any time and from time to time in one or more series. The Board will be authorized to fix before issue the number of, the consideration per share of, the designation of, and the provisions attaching to, the preferred shares of each series, which may include voting rights, the whole subject to the issue of a certificate of amendment setting forth the designation and provisions attaching to the preferred shares or shares of the series.

(expressed in thousands of US dollars)

As at March 31, 2018

The share capital of the Company consisted of Common Shares, Class B Preferred Shares, Class C Preferred Shares, Class D Preferred Shares, and Class E Preferred Shares. The Company was authorized to issue:

An unlimited number of Common Shares, no par value
6,059,570 Class B Preferred Shares, no par value
23,005,000 Class C Preferred Shares, no par value
47,682,547 Class D Preferred Shares, no par value
89,008,928 Class E Preferred Shares, no par value

Common Shares

The holders of the Common Shares were entitled to receive dividends if declared by the Board of Directors.

The holders of the Common Shares were entitled to receive the remaining property of the Company on liquidation, dissolution or winding-up of the Company, along with any other class of shares having a right to share in the remaining property.

Preferred shares

No dividends may be paid on shares of any other class unless the same dividend (calculated on an as-converted basis) is paid on the preferred shares. Payment of dividends on the Class B, C, and D Preferred Shares are pari passu with each other.

Upon the liquidation, dissolution, winding-up or a deemed liquidation event (including a sale of the Company):

- Class B Preferred Shares are entitled to receive a liquidation preference equal to the greater of $0.948933 or the amount that would be received if the Class B Preferred Shares were converted into Common Shares immediately prior to the liquidation event, in each case plus any declared but unpaid dividends;

- Class C Preferred Shares are entitled to receive a liquidation preference equal to the greater of $1.08681376 or the amount that would be received if the Class C Preferred Shares were converted into Common Shares immediately prior to the liquidation event, in each case plus any declared but unpaid dividends;

- Class D Preferred Shares are entitled to receive a liquidation preference equal to the greater of $1.258322 or the amount that would be received if the Class D Preferred Shares were converted into Common Shares immediately prior to the liquidation event, in each case plus any declared but unpaid dividends;

(expressed in thousands of US dollars)

- Class E Preferred Shares are entitled to receive a liquidation preference equal to the greater of $1.60462389 or the amount that would be received if the Class E Preferred Shares were converted into Common Shares immediately prior to the liquidation event, in each case plus any declared but unpaid dividends; the holders of Class E Preferred Shares shall be entitled to be paid out before any payments shall be made to any other shareholders of the Company; and

- Where the assets available for distribution are insufficient to pay the full amount, the holders of all classes of preferred shares will share ratably in the assets available for distribution.

All Redeemable Preferred Shares automatically converted into Common Shares prior to the Company's IPO (note 21).

Fiscal 2019

Share Repurchase and Cancellation

Pursuant to separate agreements reached in 2014 and 2016 between the Company, its CEO and his holding company, DHIDasilva Holdings Inc. (DHI), for the benefit of the Company's other shareholders, the Company's CEO agreed to absorb from his own shareholdings, in the case of the first agreement, 60% of the dilutive impact of an increase in the number of shares issuable under the Company's stock option plan, and in the case of the second agreement, the full dilutive impact of option grants to certain executives. In the case of the first agreement, the dilutive impact of the increase was to be absorbed upon exercise of a specified number of options by the Company's stock option plan participants through the repurchase by the Company for nominal consideration of options and shares held beneficially by the Company's CEO. In the case of the second agreement, the dilutive impact of the increase was to be absorbed upon the exercise of the specific options granted to the key executives through the repurchase by the Company of shares held beneficially by the Company's CEO for an amount equal to the aggregate exercise price of the specific options being exercised.

These arrangements were unwound on March 7, 2019 when the agreements were cancelled and the Company acquired 966,651 Common Shares in the capital of the Company and 10,928 options to purchase Common Shares in the capital of the Company from DHI for total cash proceeds of $792. The Company also agreed to indemnify DHI for certain costs, including taxes, in connection with such transaction. The Common Shares acquired from DHI were cancelled on such same date in order to give effect to the intent of the cancelled agreements.

Initial Public Offering

The Company completed the closing of its IPO on March 15, 2019.

Effective March 15, 2019, immediately prior to the completion of the Company's IPO, all classes of Redeemable Preferred Shares (note 21) were converted into Common Shares on a one-for-one basis.

(expressed in thousands of US dollars)

As approved in a special meeting of the shareholders on March 5, 2019, immediately preceding the IPO, the Company (i) filed articles of amendment that, among other things, (a) reclassified the Company's Common Shares as subordinate voting shares, (b) amended the rights, privileges and conditions of the subordinate voting shares, (c) cancelled all the authorized but unissued Class B Preferred Shares, Class C Preferred Shares, Class D Preferred Shares and Class E Preferred Shares, (d) created an unlimited number of multiple voting shares, and an unlimited number of preferred shares issuable in one or more series, and (e) consolidated the issued and outstanding subordinate voting shares on a 4-for-1 basis, and (ii) entered into a share exchange agreement with DHI, pursuant to which 16,052,445 multiple voting shares were issued to DHI in exchange for an equivalent number of subordinate voting shares held by DHI. The Capital Reorganization was completed on March 15, 2019.

As a result of the 4-for-1 share consolidation, the historical share and per share amounts presented in these consolidated financial statements have been retroactively adjusted to reflect this change.

On March 15, 2019, the Company completed an IPO and issued 17,250,000 subordinate voting shares for a total gross consideration of $207,547, including 2,250,000 subordinate voting shares issued upon the exercise of the underwriters' over-allotment option which accounted for total gross consideration of $27,071. Share issuance costs amounted to $13,773.

Fiscal 2018

On October 2, 2017, the Company entered into an agreement with an existing shareholder to exchange 683,785 Common Shares, as well as all of the Series A-1, Series A-2, and Series C Preferred Shares outstanding, in exchange for 76,544,948 Series E Preferred Shares valued at $122,825 (Series E financing). On the same date, the Company also issued 12,463,980 Series E Preferred Shares for net cash proceeds of $20,000.

<u>Warrants</u>

In conjunction with the Series E financing, the Company issued warrants to Silicon Valley Bank that provided the counterparty with the right to purchase 37,500 Common Shares at a price of $4.00 per share. The fair value of these warrants was estimated at the date of grant using the Black-Scholes option pricing model.

21 Redeemable Preferred Shares (at the option of the holders)

Prior to the Company's IPO, preferred shares were redeemable by written notice from a majority of the holders of outstanding preferred shares on or after the date that is five years and a day from the first issuance of the respective class of preferred shares subject to amendment. The preferred shares of each class were to be redeemed by the Company in cash at a price per share equal to the greater of the applicable Original Issue Price per share, plus all declared but unpaid dividends thereon and the fair market value of a single preferred share of such class as at the date of the Company's receipt of the Redemption Request.

(expressed in thousands of US dollars)

The Company recorded Redeemable Preferred Shares at the present value of the redemption amount corresponding to the higher of:

- the present value of the sum of the Original Issue Price and currently declared and unpaid dividends; and
- the fair value of the underlying Common Shares on an as-converted basis.

The embedded derivatives within the Redeemable Preferred Shares corresponding to the conversion and redemption features were not separately measured given that the redemption option is an element that leads to the existence of the liability component and the conversion feature is the feature that leads to the incorporation of the fair value of the underlying Common Shares in the measurement base of the liability component. The liability component was measured at fair value, at which time it served no practical purpose to separately measure and recognize the embedded derivatives which would have been measured as the residual of the gross proceeds less the liability component.

Effective March 15, 2019, immediately prior to the Company's IPO, and as well as at March 31, 2018, there were 5,269,070 Class B, 7,591,000 Class C, 46,655,795 Class D, and 89,008,928 Class E preferred shares outstanding.

On March 15, 2019, the Company completed a reorganization of its share capital, whereby all of the Company's issued and outstanding classes of Redeemable Preferred Shares were converted into Common Shares on a one-for-one basis, and the Company's articles were then amended to cancel all the authorized but unissued shares for all classes of Redeemable Preferred Shares subsequent to the 4-for-1 share consolidation discussed in note 20. The conversion of the outstanding Classes of Redeemable Preferred Shares converted into Common Shares on a one-for-one basis and the consolidation of the Common Shares on a 4-for-1 basis resulted in 37,131,198 Common Shares.

At the date of conversion of all classes of Redeemable Preferred Shares, the liability recorded for these shares and the related financial derivative liability was increased to the fair market value of the Common Shares issued. The changes in fiscal year 2019 in the carrying value of the Redeemable Preferred Shares of $7,833 for Class B, $11,260 for Class C, $68,582 for Class D and $103,544 for Class E were recorded as a fair value loss on Redeemable Preferred Shares in the consolidated statements of loss and comprehensive loss.

(expressed in thousands of US dollars)

	March 15, 2019 (Conversion Date) $	March 31, 2018 $
Shares issued and paid		
Nil Class B Preferred Shares issued and outstanding, nil shares authorized (2018 – 5,269,070)	15,684	7,851
Nil Class C Preferred Shares issued and outstanding, nil shares authorized (2018 – 7,591,000)	22,596	11,336
Nil Class D Preferred Shares issued and outstanding, nil shares authorized (2018 – 46,655,795)	138,876	70,294
Nil Class E Preferred Shares issued and outstanding, nil shares authorized (2018 – 89,008,928)	264,947	161,403
	442,103	250,884

22 Income taxes

Income tax expense (recovery) includes the following components:

	2019 $	2018 $
Current		
United States	14	35
Other	45	78
	59	113
Deferred		
Canada	(30,122)	14,996
United States	43	158
Belgium	(105)	(305)
The Netherlands	(596)	(716)
Other	(8)	-
	(30,788)	14,133
Total income tax expense (recovery)	(30,729)	14,246

(expressed in thousands of US dollars)

The income tax expense (recovery) reported, which includes foreign taxes, differs from the amount of the income tax expense (recovery) computed by applying Canadian Statutory rates as follows:

	2019 **$**	**2018** **$**
Income tax recovery at the statutory tax rate	(57,050)	(21,941)
Impact of rate differential of foreign jurisdiction	(169)	(665)
Deduction under paragraph 110(1)(k)	-	(13,909)
Non-deductible stock-based compensation	447	643
Deferred tax related to Part VI.1 tax	(29,944)	14,996
Other non-deductible expenses (credits) and non-taxable amounts	(173)	649
Changes in unrecognized benefits of deferred tax assets	5,361	16,558
Preferred share adjustment	50,917	16,036
Impact on changes in deferred tax rates and other	(118)	1,879
Total income tax expense (recovery)	(30,729)	14,246

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	2019 **$**	**2018** **$**
Deferred tax assets		
Property and equipment	-	92
Non-capital losses carried forward	85	97
Others	114	152
Total deferred tax assets	199	341
Deferred tax liabilities		
Property and equipment	(26)	-
Intangible assets	(547)	(1,014)
Part VI.1 tax	-	(29,944)
Other	(146)	-
Total deferred tax liabilities	(719)	(30,958)
Net deferred tax liabilities	(520)	(30,617)
As presented on the consolidated balance sheets:		
Deferred tax assets	186	276
Deferred tax liabilities	(706)	(30,893)
Net deferred tax liabilities	(520)	(30,617)

In prior periods, the Company issued taxable preferred shares. According to Canadian income tax legislation, any dividends paid in respect of these preferred shares are subject to a special tax (Part VI.I) at a rate of 25%. These taxes are eligible for an income tax deduction equal to 3.5 times the amount of the Part VI.I taxes paid (deduction under paragraph 110(1)(k)). The impact of the deduction is reflected in the effective tax rate reconciliation where applicable.

(expressed in thousands of US dollars)

2019

	Balance March 31, 2018 $	Charged (credited) to consolidated statement of loss $	Business acquisitions and other $	Balance March 31, 2019 $
Deferred tax assets (liabilities) continuity				
Property and equipment	92	(118)	-	(26)
Intangible assets	(1,014)	1,138	(671)	(547)
Part VI.1 tax	(29,944)	29,944	-	-
Non-capital losses carried forward	97	(12)	-	85
Other	152	(164)	(20)	(32)
Net deferred tax liabilities	**(30,617)**	**30,788**	**(691)**	**(520)**

2018

	Balance March 31, 2017 $	Charged (credited) to consolidate statement of loss $	Foreign exchange $	Balance March 31, 2018 $
Deferred tax assets (liabilities) continuity				
Property and equipment	(59)	151	-	92
Intangible assets	(1,717)	703	-	(1,014)
Part VI.1 tax	(14,948)	(14,996)	-	(29,944)
Non-capital	-	97	-	97
Other	244	(88)	(4)	152
Net deferred tax liabilities	**(16,480)**	**(14,133)**	**(4)**	**(30,617)**

The Company has accumulated research and development expenditures of $11,826 (2018 – $8,187) for Canadian federal income tax purposes. These expenditures are available to reduce future taxable income and have an unlimited carryforward period.

As at March 31, 2019, the Company has accumulated Canadian federal non-capital loss carryforwards of $50,596 (2018 – $48,114) that are available to reduce future taxable income. These loss carryforwards begin to expire in 2034. Furthermore, as at March 31, 2019, the Company has federal and provincial capital losses of $43 (2018 – $43) which have no expiry date. The Company has non-capital loss carryforwards of $23,708 (2018 – $20,160) in Belgium which are available to reduce future taxable income indefinitely. The Company also has non-capital loss carryforwards of $12,145 (2018 – $6,594) in The Netherlands which begin to expire in 2024. The tax benefits of non-capital losses in Canada, Belgium and The Netherlands have not been recognized. The Company also has non-capital loss carryforwards of $350 (2018 – $462) in the United States which begin to expire in 2035 for which the benefit has been recognized.

The Company has accumulated deductible temporary differences of $2,029 (2018 – $2,233) for Canadian tax purposes. The tax benefit of such temporary differences has not been recognized.

(expressed in thousands of US dollars)

The change in statutory tax rate is mostly due to the annual 0.1% decrease in the Quebec tax rate over the course of five years, from 11.9% to 11.5%.

Government assistance

The Company incurred research and development expenditures and e-business development expenses which are eligible for tax credits. The tax credits recorded are based on management's estimate of amounts expected to be recovered and are subject to audit by the taxation authorities and, accordingly, these amounts may vary. For the year ended March 31, 2019, the Company recorded a Canadian provision for refundable tax credits of $2,343 (2018 – $3,254). This amount has been recorded as a reduction of research and development and e-business development expenditures for the year.

As at March 31, 2019, the Company has available Canadian federal non-refundable investment tax credits of $2,016 (2018 – $875) related to research and development expenditures which may be used to reduce Canadian federal and provincial income taxes payable in future years. These non-refundable investment tax credits begin to expire in 2033. The Company also has a non-refundable e-business tax credit of $1,266 (2018 – $490) expiring on various dates starting in 2035.

The benefits of these non-refundable investment tax credits have not been recognized in the consolidated financial statements.

23 Commitments

The Company leases space for its offices, and its principal lease is for its head office located at 700 Saint-Antoine St. East in Montréal, Canada. This lease covers a period of 10 years that began on April 1, 2015. The Company received leasehold incentives in the form of fit-up allowances and rent-free periods. The lease agreement also includes scheduled rent increases that are not dependent on future events, and therefore the lease payments are being accounted for on a straight-line basis over the entire term of the lease.

The Company also maintains offices in the United States, The Netherlands, Belgium, Australia and the United Kingdom.

The Company also leases equipment.

(expressed in thousands of US dollars)

The annual minimum payments under these operating leases are as follows:

	$
2020	2,995
2021	2,328
2022	2,172
2023	2,199
2024	2,174
2025 and thereafter	2,930
Total minimum payments	14,798

For the year ended March 31, 2019, rental expense under operating leases amounted to $2,996 (2018 – $3,125) including nil (2018 – $368) to a former shareholder.

24 Contingencies

The Company is in receipt of a claim of alleged infringement of intellectual property. The Company believes that the claim is without merit and no accrual has been made.

The Company is involved in other litigations and claims in the normal course of business. Management is of the opinion that any resulting provisions and ultimate settlements would not materially affect the financial position and operating results of the Company.

25 Stock options (numbers of shares and options are presented in per share and per option amounts)

In 2012, the Company established the 2012 option plan (which was amended in 2015 and 2019) (the “2012 Legacy Option Plan”). In 2016, in connection with the grant of options to two senior executives of the Company, the Company established the 2016 option plan (which was amended in 2019) (the “2016 Legacy Option Plan” and, together with the 2012 Legacy Option Plan, the “Legacy Option Plans”).

In connection with the IPO, the Legacy Option Plans were amended such that outstanding options granted thereunder are exercisable for Subordinate Voting Shares and no further awards can be made under the Legacy Option Plans. In connection with the IPO, an omnibus incentive plan (the “Omnibus Incentive Plan”) was adopted which allowed our Board to grant long-term equity-based awards to eligible participants.

The number of Subordinate Voting Shares reserved for issuance under the Omnibus Incentive Plan and the Legacy Option Plans, collectively, is 10,170,614.

(expressed in thousands of US dollars)

The stock option activity and the weighted average exercise price are summarized as follows:

	2019		**2018**	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Outstanding – Beginning of year	4,871,275	2.910	4,173,460	1.624
Granted	2,876,153	5.990	2,073,899	4.376
Exercised	(434,774)	1.201	(1,004,858)	0.476
Forfeited	(1,196,046)	3.764	(371,226)	3.264
Expired	(130,374)	0.192	-	-
Outstanding – End of year	5,986,234	4.402	4,871,275	2.91
Exercisable – End of year	2,069,994	2.345	1,901,967	1.612

The fair value of stock options granted to employees was estimated at the dates of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2019	**2018**
Expected volatility	42.79%	44.82%
Risk-free interest rate	2.18%	1.81%
Expected option life	4.90 years	4.65 years
Expected dividend yield	0%	0%
Forfeiture rate	17.38%	14.20%

The fair value of stock options granted in 2019 amounted to $6,687 (2018 – $3,605). The initial aggregate fair value of options forfeited in 2019 amounted to $1,870 (2018 – $518). For the year ended March 31, 2019, stock-based compensation expense of $1,693 (2018 – $1,160) was recorded in the consolidated statement of loss and comprehensive loss with a corresponding credit to additional paid-in capital.

As at March 31, 2019, the total remaining unrecognized stock-based compensation expense amounted to $3,735 (2018 – $2,193), which will be amortized over the weighted average remaining requisite service period of 2.04 years (2018 – 1.90 years).

(expressed in thousands of US dollars)

The following table summarizes information with respect to stock options outstanding and stock options exercisable as at March 31, 2019:

	Options outstanding			Options exercisable		
Exercise price $	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**
0.00 to 2.86	1,398,812	4.844	1.628	1,308,657	4.897	1.581
2.87 to 4.36	838,931	4.328	3.200	498,952	4.192	3.098
4.37 to 4.86	2,068,309	5.981	4.720	258,157	5.860	4.720
4.87 to 5.50	556,842	6.353	5.000	4,228	6.344	5.000
5.51 to 11.99	1,123,340	6.718	7.869	-	-	-
Total	5,986,234	5.657	4.402	2,069,994	4.850	2.345

The following table summarizes information with respect to stock options outstanding stock options exercisable as at March 31, 2018:

	Options outstanding			Options exercisable		
Exercise price $	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**
0.00 to 0.12	265,158	1.115	0.136	265,158	1.115	0.136
0.124 to 0.60	426,396	2.391	0.384	398,929	2.334	0.380
0.64 to 2.00	531,628	3.749	1.012	389,670	3.747	1.012
2.04 to 3.00	1,566,570	4.769	2.900	793,805	4.739	2.896
3.04 to 4.72	2,081,523	6.544	4.274	54,405	5.786	3.420
Total	4,871,275	5.009	2.910	1,901,967	3.556	1.612

26 Related party transactions

Key management personnel includes the Chief Executive Officer, Chief Financial Officer, President and other Vice-Presidents. Other related parties include close family members of the key management personnel and entities controlled by the key management personnel.

(expressed in thousands of US dollars)

The executive compensation expense to the top five key management personnel is as follows:

	2019 $	2018 $
Short-term employee benefits and other benefits	1,892	1,783
Stock-based payments	1,288	735
Total compensation paid to key management personnel	3,180	2,518

Refer to note 23 for information on the related party transaction for lease payments.

Refer to note 20 for information on the related party transaction for share capital.

27 Financial instruments

Fair value

The Company measures the fair value of its financial assets and financial liabilities using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value. The different levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

The Company estimated the fair value of its financial instruments as described below.

The fair value of cash and cash equivalents, trade accounts receivable, trade accounts payable, accrued compensation and benefits, and other accruals is considered to be equal to their respective carrying values due to their short-term maturities.

The fair value of other long-term liabilities approximates their carrying value as at March 31, 2019 and 2018.

The fair value of Redeemable Preferred Shares recognized in the consolidated balance sheet as at March 31, 2018 were determined using a discounted cash flow approach (and a discount rate of 23.0% to 25.0%) in order to determine the fair market value of the enterprise value of the Company as at March 31, 2018. This approach is considered to be appropriate when valuing a business where significant fluctuations in the future earnings or discretionary cash flow are expected or where the historical/current operating results of the Company are not considered to be representative of the future earnings capacity of the Company. The market value of the Redeemable Preferred Shares was used to determine their fair value at the time of the IPO.

(expressed in thousands of US dollars)

As at March 31, 2019, and 2018, financial instruments measured at fair value in the consolidated balance sheets were as follows:

	2019			2018		
	Fair value hierarchy	**Carrying amount $**	**Fair value $**	**Fair value hierarchy**	**Carrying amount $**	**Fair value $**
Cash and cash equivalents	Level 1	207,703	207,703	Level 1	24,651	24,651
Redeemable Preferred Shares	-	-	-	Level 3	250,884	250,884

For 2018, a 1% change in the discount rate used in the discounted cash flow approach to determining fair value of the Redeemable Preferred Shares would have had the following impact on fair value:

	2018	
	+1% $	**-1% $**
Class B Preferred Shares	(211)	211
Class C Preferred Shares	(304)	303
Class D Preferred Shares	(1,711)	1,400
Class E Preferred Shares	(2,374)	1,780

Credit and concentration risk

Generally, the carrying amount on the consolidated balance sheet of the Company's financial assets exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

The Company's credit risk is primarily attributable to its cash and cash equivalents and trade receivables. The Company does not require a guarantee from its customers. Credit risk with respect to cash and cash equivalents is managed by maintaining balances only with high credit quality financial institutions.

Due to the Company's diverse customer base, there is no particular concentration of credit risk related to the Company's trade receivables. Moreover, trade receivables balances are managed and analyzed on an ongoing basis to ensure allowances for doubtful accounts are established and maintained at an appropriate amount.

The Company maintains a loss allowance for a portion of trade receivables when collection becomes doubtful on the basis described in note 3.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security.

(expressed in thousands of US dollars)

The loss allowance as at March 31, 2019 was determined as follows:

	Not past due	0–30	30–60	60–90	90–180	180+
Expected loss rate	2%	8%	24%	35%	42%	47%
Gross carrying amount	1,893	887	477	329	388	2,561
Loss allowance	33	75	113	114	161	1,207

Changes in the loss allowance were as follows:

	2019 $	2018 $
Balance, beginning of year	1,265	731
Increase	438	1,091
Balance, end of year	1,703	1,822

The loss allowances for trade receivables as at March 31, 2018 reconcile to the opening loss allowances on April 1, 2018 as follows:

	Trade receivables $
As at March 31, 2018 – calculated under IAS 39	1,822
Amounts restated through opening retained earnings	(557)
Opening loss allowance as at April 1, 2018 – calculated under IFRS 9	1,265

The details of the Company's trade receivables are as follows:

	2019 $	2018 $
Not past due	1,893	2,230
Past due less than 90 days	1,693	1,085
Past due more than 90 days	2,949	2,636
Total	6,535	5,951
Loss allowance	(1,703)	(1,822)
Balance – End of year	4,832	4,129

(expressed in thousands of US dollars)

Liquidity risk

The Company is exposed to the risk of being unable to honour its financial commitments by the deadlines set, under the terms of such commitments and at a reasonable price. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

As at March 31, 2019, the maturity analysis of financial liabilities represented the following:

	< 1 Year $	1 to 3 Years $	4 to 5 Years $	>5 Years $	Total $
Accounts payable and accrued liabilities	16,183	-	-	-	16,183
Other long-term liabilities	-	582	-	-	582

As at March 31, 2018, the maturity analysis of financial liabilities represented the following:

	< 1 Year $	1 to 3 Years $	4 to 5 Years $	>5 Years $	Total $
Accounts payable and accrued liabilities	8,953	-	-	-	8,953
Other long-term liabilities	-	285	-	-	285
Redeemable Preferred Shares	-	-	250,884	-	250,884

The Company has $207,703 of cash and cash equivalents as at March 31, 2019, demonstrating its liquidity and its ability to cover upcoming financial liabilities.

Currency risk

The Company is exposed to currency risk due to financial instruments denominated in foreign currencies. The following table provides a summary of the Company's exposure to the Canadian dollar, the euro, the British pound sterling and the Australian dollar, expressed in US dollars:

2019	CAD $	EUR $	GBP $	AUD $	Total $
Cash and cash equivalents	194,978	1,865	547	2	197,392
Accounts receivable	102	1,705	98	11	1,916
Accounts payable and accrued liabilities	(8,250)	(3,584)	(431)	-	(12,265)
Other long-term liabilities	(98)	(94)	-	-	(192)
Net financial position exposure	186,732	(108)	214	13	186,851

(expressed in thousands of US dollars)

2018	**CAD** **$**	**EUR** **$**	**GBP** **$**	**AUD** **$**	**Total** **$**
Cash and cash equivalents	606	883	240	1	1,730
Accounts receivable	960	1,637	179	17	2,793
Accounts payable and accrued liabilities	(4,353)	(3,161)	(413)	(22)	(7,949)
Other long-term liabilities	(38)	(10)	-	-	(48)
Net financial position exposure	(2,825)	(651)	6	(4)	(3,474)

The table below shows the immediate increase/(decrease) on net income before tax of a 1% strengthening in the closing exchange rate of significant currencies to which the Company has transaction exposure at March 31, 2019 and 2018. The sensitivity associated with a 1% weakening of a particular currency would be equal and opposite. This assumes that each currency moves in isolation.

	CAD **$**	**EUR** **$**	**GBP** **$**	**AUD** **$**
2019	(357)	(12)	(11)	6
2018	(258)	(28)	(17)	-

The Company does not enter into arrangements to hedge its currency risk exposure.

Share price risk

Share price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the fair value of the Company's ordinary share price. The Company's exposure to this risk relates primarily to the outstanding options and accrued payroll taxes on stock-based compensation (social costs) accrual.

Other share price risk

Social costs are payroll taxes associated with stock-based compensation that we are subject to in various countries in which we operate. Social costs are accrued at each reporting period based on the number of vested stock options and awards outstanding, the exercise price, and the Company's share price. Changes in the accrual are recognized in operating expenses. An increase in share price will increase the accrued expense for social costs, and when the share price decreases, the accrued expense will become a reduction in social costs expense, all other things being equal, including the number of vested stock options and exercise price remaining constant. The impact on the accrual for social costs on outstanding stock-based payment awards of an increase or decrease in the Company's ordinary share price of 10% would result in a change of $202 at March 31, 2019.

(expressed in thousands of US dollars)

28 Capital risk management

The general objectives of the Company to manage its capital reside in the preservation of the Company's ability to continue operating, in providing benefits to its stakeholders and in providing an adequate return on investment to its shareholders by selling its services at a price commensurate with the level of operating risk assumed by the Company.

The Company thus determines the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and in the risks of the underlying assets.

The Company is not subject to any externally imposed capital requirements.

29 Geographic information

The geographic segmentation of the Company's assets is as follows:

	2019			2018		
	Property and equipment $	**Intangible assets $**	**Goodwill $**	**Property and equipment $**	**Intangible assets $**	**Goodwill $**
United States	129	402	-	148	548	-
Netherlands	1,642	897	16,833	1,097	3,185	16,747
Canada	3,360	1,319	2,046	3,252	-	-
Belgium	213	-	3,657	209	354	3,657
Other	28	-	-	25	-	-

Geographic sales based on customer location are detailed as follows:

	2019 $	**2018 $**
United States	42,885	30,801
Netherlands	10,972	9,116
Canada	8,840	6,501
Belgium	6,416	4,380
Other	8,338	6,281

(expressed in thousands of US dollars)

30 Subsequent events

a) On April 2, 2019, the Company entered into new credit facilities with the Canadian Imperial Bank of Commerce ("CIBC"), which include a $25,000 demand revolving operating credit facility (the "Revolver") and a $30,000 stand-by acquisition term loan (the "Acquisition Facility", and together with the Revolver, the "New Credit Facilities"). The New Credit Facilities replace the previous $15,000 working capital line of credit granted to the Company by Silicon Valley Bank. The Acquisition Facility will be available for draw up to 24 months and will mature 60 months after the initial drawdown thereunder. The Revolver will be available for draw at any time during the term of the New Credit Facilities.

b) On May 9, 2019, the Company acquired all of the outstanding shares of Chronogolf Inc., a long-standing partner of the Company that leverages Lightspeed's retail and restaurant platform within its comprehensive golf course management platform that also includes booking and membership capabilities with $9,323 being paid in cash and 50,199 Common Shares, at a value of $18.23 per share, which were issued on the closing of the sale. An additional $1,483 is payable if certain milestones are achieved by December 31, 2019, along with the issuance of 50,198 of additional Common Shares and cash of $1,018 to be paid over two years, both of which are contingent upon key employees' continued employment with the Company. Additional cash may be paid to (or returned to) the Company due to a post-closing working capital adjustment. The accounting for this acquisition has not yet been finalized and certain IFRS 3 disclosures have not been included due to the timing of the acquisition.

INVESTOR INFORMATION

Lightspeed Shares
Lightspeed's subordinated voting shares are traded on the Toronto Stock Exchange (TSX) under the symbol "LSPD".

Investor Relations
Quarterly and annual reports and other corporate documents are available at: www.investors.lightspeedhq.com or from our investor relations service provider:
The Blueshirt Group
666 Third Avenue, 7th Floor
New York, NY 10017
Phone: 212 871.3927
Email: info@blueshirtgroup.com
https://blueshirtgroup.com/

Version française
Pour obtenir la version française du rapport financier, s'adresser à gouvernance@lightspeedhq.com.

Transfer Agent and Registrar
AST Trust Company (Canada)
1600-2001 Robert-Bourassa
Montréal, QC, H3A 2A6
https://www.astfinancial.com

2019 Annual Meeting
The Annual Shareholders Meeting will be held at 11 a.m. (Eastern Time), Thursday, August 8, 2019 at the offices of Stikeman Elliott LLP, 1155 Boulevard René-Lévesque O #4100, Montréal, QC H3B 3V2

Legal Counsel
Stikeman Elliott LLP Montréal, QC

Corporate Governance
The following documents pertaining to Lightspeed's corporate governance practices may be accessed either from Lightspeed's website www.investors.lightspeedhq.com or by request from the Corporate Secretary:

- Board and Board Committee Charters
- Position descriptions for the Board Chair, the Committee Chairs and the Chief Executive Officer
- Code of Business Conduct and Ethics
- Whistleblowing Policy

Auditors
PricewaterhouseCoopers LLP, Chartered Professional Accountants
Montreal, Québec

BOARD & COMMITTEE COMPOSITION

	Board	Audit Committee	Compensation, Nominating, & Governance Committee
Patrick Pichette *Chairman of the Board* *General Partner at iNovia Capital*	○	●	○
Dax Dasilva *Chief Executive Officer*	●		
Jean Paul Chauvet *President*	●		
Marie-Josée Lamothe *Director* *Founder and President of Tandem International*	●		●
Paul McFeeters *Director*	●	○	●
Rob Williams *Director*	●	●	

● Board/Committee Member

○ Board/Committee Chair

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