Consolidated financial statements of

ProntoForms Corporation

December 31, 2014 and December 31, 2013
(in Canadian dollars)

ProntoForms Corporation
December 31, 2014 and 2013

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Independent Auditor's Report

To the Shareholders of ProntoForms Corporation

We have audited the accompanying consolidated financial statements of ProntoForms Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ProntoForms Corporation as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company incurred a net loss of $1,349,961 during the year ended December 31, 2014 and, as of that date the Company's deficit was $21,600,126. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

March 26, 2015

ProntoForms Corporation
Consolidated statements of comprehensive loss
years ended December 31, 2014 and 2013
(in Canadian dollars

	2014	2013
	$	$
Revenue		
Recurring revenue	**4,953,633**	3,418,819
Professional and other services	**1,323,617**	944,208
	6,277,250	4,363,027
Expenses		
Subscription hosting costs	**125,811**	83,862
Research and development (Note 5)	**2,587,778**	1,992,961
Selling and marketing	**3,055,419**	2,111,768
General and administrative	**1,696,362**	1,034,318
	7,465,370	5,222,909
Loss from operations	**(1,188,120)**	(859,882)
Other income (Note 11)	**-**	875,070
Foreign exchange gain	**199,939**	71,297
Interest and accretion	**(207,297)**	(143,948)
Change in fair value of derivative liability (Note 10)	**(154,483)**	(303,825)
Net loss and total comprehensive loss	**(1,349,961)**	(361,288)
Net loss per common share basic and diluted (Note 12)	**(0.02)**	(0.01)
Weighted average number of common shares basic and diluted	**71,474,157**	66,262,069
Share-based compensation included in accounts:		
Research and development	**56,835**	15,134
Selling and marketing	**65,864**	9,081
General and administrative	**290,852**	36,322
	413,551	60,537

See accompanying notes to the consolidated financial statements

ProntoForms Corporation

Consolidated statements of financial position
as at December 31, 2014 and December 31, 2013

(in Canadian dollars)

	2014	2013
	$	$
Assets		
Current assets		
Cash and cash equivalents	**2,305,625**	896,234
Accounts receivable (Note 4)	**1,349,479**	612,736
Investment tax credits receivable	**200,986**	60,000
Other government funding receivable	**-**	10,717
Unbilled receivables	**114,516**	79,180
Prepaid expenses and other receivables (Note 6)	**269,771**	195,596
	4,240,377	1,854,463
Related party loan receivable (Note 15)	**94,385**	-
Property, plant and equipment (Note 7)	**251,128**	48,967
Licensed computer software (Note 8)	**2,713**	6,534
	4,588,603	1,909,964
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**1,109,900**	670,267
Deferred revenue	**235,605**	376,036
	1,345,505	1,046,303
Long-term debt (Note 10)	**667,609**	582,540
Derivative liability (Note 10)	**916,546**	762,063
	2,929,660	2,390,906
Shareholders' equity (deficiency)		
Share capital (Note 9)	**20,757,654**	17,216,762
Share-based payment reserve	**2,501,415**	2,552,461
Deficit	**(21,600,126)**	(20,250,165)
	1,658,943	(480,942)
	4,588,603	1,909,964

Approved by the Board

____________________ Director

____________________ Director

See accompanying notes to the consolidated financial statements

ProntoForms Corporation
Consolidated statements of cash flows
years ended December 31, 2014 and 2013
(in Canadian dollars)

	2014	2013
	$	$
Net inflow (outflow) of cash related to the following activities:		
Cash flow from operating activities		
Net loss	**(1,349,961)**	(361,288)
Items not affecting cash		
Share-based compensation	**413,551**	60,537
Accretion on long-term debt	**85,069**	68,877
Change in fair value of derivative liability	**154,483**	303,239
Non-cash reversal of deferred revenue obligation (Note 11)	**-**	(300,000)
Gain on sale of patents (Note 11)	**-**	(575,070)
Amortization of property, plant and equipment	**21,294**	25,044
Amortization of licensed computer software	**5,270**	5,342
Changes in non-cash operating working capital items (Note 19)	**(677,321)**	18,132
	(1,347,615)	(755,187)
Cash flow from financing activities		
Proceeds from private placement units	**1,000,000**	-
Payment of costs related to issuance of units	**(86,338)**	-
Proceeds from the exercise of warrants	**2,083,334**	-
Proceeds from the exercise of options	**79,300**	-
Proceeds from long-term debt	**-**	500,000
Payment of debt issue costs	**-**	(15,836)
	3,076,296	484,164
Cash flow from investing activities		
Proceeds from sale of patents	**-**	676,553
Commissions paid on sale of patents	**-**	(101,483)
Payment of tax obligation in exchange for related party loan receivable (Note 15)	**(94,385)**	-
Purchase of property, plant and equipment	**(223,456)**	(35,615)
Purchase of licensed computer software	**(1,449)**	(2,294)
	(319,290)	537,161
Net cash inflow	**1,409,391**	266,138
Cash and cash equivalents, beginning of year	**896,234**	630,096
Cash and cash equivalents, end of year	**2,305,625**	896,234
Cash and cash equivalents consists of the following:		
Cash	**2,215,625**	871,234
Money market funds	**50,000**	25,000
Guaranteed investment certificates	**40,000**	-
	2,305,625	896,234
Supplementary information:		
Interest paid	**85,000**	75,071
Interest received	**254**	127

See accompanying notes to the consolidated financial statements

ProntoForms Corporation

Consolidated statements of changes in shareholders' equity (deficiency)
years ended December 31, 2014 and 2013

(in Canadian dollars)

	Share capital		Share-based payment reserve	Deficit	Shareholders' equity (deficiency)
	Number	Amount			
		$	$	$	$
Balance at December 31, 2012	67,053,573	17,216,762	2,491,924	(19,888,877)	(180,191)
Share-based compensation	-	-	60,537	-	60,537
Net loss and comprehensive loss	-	-	-	(361,288)	(361,288)
Balance at December 31, 2013	67,053,573	17,216,762	2,552,461	(20,250,165)	(480,942)
Share-based compensation	-	-	413,551	-	413,551
Net loss and comprehensive loss	-	-	-	(1,349,961)	(1,349,961)
Issuance of private placement of units (Note 9)	3,333,333	742,600	257,400	-	1,000,000
Costs related to issuance of units	-	(86,339)	-	-	(86,339)
Issuance of common shares on exercise of options	500,000	122,571	(43,271)	-	79,300
Issuance of common shares through CEO loan upon exercise of options (Notes 10 and 15)	1,626,984	-	-	-	-
Issuance of common shares on exercise of warrants	6,944,444	2,762,060	(678,726)	-	2,083,334
Balance at December 31, 2014	**79,458,334**	**20,757,654**	**2,501,415**	**(21,600,126)**	**1,658,943**

See accompanying notes to the consolidated financial statements

1. Description of business

ProntoForms Corporation ("ProntoForms" or the “Company") researches, develops, and markets mobile business solutions which help customers quickly and flexibly automate field sales, field service and field data collection business processes. The Company was incorporated and is domiciled in Ontario, Canada. The Company is publicly traded on the Toronto Stock Exchange Venture Exchange ("TSXV") under the symbol "PFM" and has its registered address at 800-535 Legget Drive, Ottawa, Ontario.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board.

These consolidated financial statements were approved and authorised for issue by the Board of Directors on March 26, 2015.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. The consolidated statements of comprehensive loss are presented using the function classification for expenses. Certain derivative liabilities are measured at fair value after initial recognition.

(c) Basis of consolidation

The consolidated financial statements include the accounts of ProntoForms Corporation and its wholly-owned subsidiaries ProntoForms Inc. (Canadian company), TrueContext Limited (U.K. company), and TrueContext Incorporated (U.S. company). Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries align with the policies adopted by the Company. All inter-company transactions, balances, profits and expenses have been eliminated.

(d) Going concern

The preparation of financial statements in accordance with IFRS contemplates the continuation of the Company as a going concern. As at December 31, 2014, the Company had not yet achieved profitable operations, had a net loss for the year of $1,349,961 and has an accumulated deficit of $21,600,126. The Company believes that certain sales-related efforts and financing initiatives will provide sufficient cash flow for it to continue as a going concern in its present form. However, there can be no assurance that the Company will achieve such results. In the absence of raising additional debt or equity financing or attaining sufficient revenues to achieve and sustain profitability there is substantial doubt regarding the Company's ability to continue as a going concern. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Company be unable to continue its operations.

3. Significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturity dates of three months or less.

3. Significant accounting policies (continued)

(b) Foreign currency translation

All figures presented in the consolidated financial statements and tabular disclosures to the consolidated financial statements are reflected in Canadian dollars, which is the functional currency of the Company and each of its subsidiaries.

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated amortization and impairment losses. Amortization is provided using the following terms and method:

Computer equipment	Straight-line	3 years
Furniture	Straight-line	3 years
Office equipment	Straight-line	3 years
Leasehold improvements		Straight-line over term of related lease

An asset’s residual value, useful life and amortization method are reviewed at each financial year and adjusted if appropriate. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized within other income in profit or loss.

(d) Intangible assets

Intangible assets are comprised of licensed computer software which is recorded at cost less accumulated amortization and accumulated impairment losses. Licensed computer software is amortized on a straight-line basis over three years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(e) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded net of depreciation/amortization had no impairment loss been recognized previously.

3. Significant accounting policies (continued)

(f) Leased assets

Leases are classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

(g) Revenue recognition

The Company reports its revenue as recurring revenue and professional and other services revenue. Recurring revenue is derived from subscription fees for cloud-based software and maintenance and support for legacy license sales. Subscription revenue is primarily derived from subscription and maintenance contracts for defined periods. Professional and other services revenue consists mainly of professional services, including consulting and implementation services as well as legacy perpetual license sales.

The software is delivered through the cloud from the Company’s hosting facilities. Therefore, these arrangements are treated as service agreements. The Company recognizes revenue when all of the following conditions are met:

- Persuasive evidence of an arrangement exists;
- Subscription or services have been delivered to the customer;
- Recovery of consideration is probable; and
- Related fees can be measured reliably.

Subscription fees are recognized monthly over the term of the arrangement.

Additionally, if an agreement contains non-standard acceptance or requires non-standard performance criteria to be met, revenues are deferred until the satisfaction of these conditions.

Maintenance revenue is recognized on a straight-line basis over the term of the contract.

Revenue from other services is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date based either on completion of services or labour hours to date over total services or labour hours to be performed. Any probable losses are recognized immediately in operating expenses. In certain situations where the outcome of an arrangement cannot be estimated reliably, costs associated with the arrangement are recognized as incurred. In this situation, revenues are recognized only to the extent of the costs incurred that are probable of recovery.

The Company may sell subscription license agreements with multiple-element arrangements that also include professional services. Multiple-element arrangements are recognized as the revenue for each unit of accounting is earned based on the relative fair value of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item. A delivered element is considered a separate unit of accounting if it has value to the customer on a standalone basis, and delivery or performance of the undelivered elements is considered probable and substantially under the Company's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting.

Unbilled receivables arise where professional services are performed or product is delivered prior to the Company’s ability to invoice in accordance with the contract terms.

Deferred revenue arises when customers are invoiced in advance of revenue recognition criteria being met.

3. Significant accounting policies (continued)

(h) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit and loss as incurred. To date, no development costs have been capitalized.

(i) Income taxes

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

(j) Investment tax credits and other government assistance

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. Investment tax credits are recorded as a reduction of the related expense or as a reduction of the cost of the related asset. The benefits are recognized when the Company has complied with the terms and conditions of the approved grant program or applicable tax legislation provided there is reasonable assurance of realization.

Also from time to time, the Company receives funding under various federal or provincial Government research and development or hiring assistance programs. Government assistance is recorded as a reduction of the related expense. The benefits are recognized when the Company has complied with the terms and conditions of the approved government assistance program provided there is reasonable assurance of realization. A liability for government assistance payable is recorded when the amount is determinable and it is considered likely that amounts will be repaid. The benefit of a government loan at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

(k) Share-based compensation

The Company has an employee stock option plan. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. For stock options granted to non-employees the compensation expense is measured at the fair value of the good and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based payment reserve to share capital.

3. Significant accounting policies (continued)

(l) Earnings per share

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting any profit attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise warrants and share options issued. When the Company incurs a loss, basic and diluted earnings per share are the same.

(m) Financial instruments

Financial assets

The Company initially recognizes financial assets at fair value on the date that they are originated. All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies its financial assets as financial assets at fair value through profit and loss or loans and receivables.

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date that they are originated. All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit and loss or other liabilities.

Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

3. Significant accounting policies (continued)

(m) Financial instruments (continued)

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash and cash equivalents are designated as at fair value through profit or loss, with changes in fair value being recorded in net earnings at each period-end.

Accounts receivable, unbilled receivables and other government funding receivable have been classified as loans and receivables and are measured at amortized cost less impairments.

Accounts payable and accrued liabilities and long-term debt have been classified as other financial liabilities.

The derivative liability is classified at fair value through profit and loss.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Transaction costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction cost directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Impairment of financial assets

Financial assets, other than those classified at fair value through profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3. Significant accounting policies (continued)

(o) Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Revenue recognition

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple license and service elements. Judgment is required in determining the deliverables that exist in an arrangement and the nature of these deliverables. Revenue recognition requires the arrangement fee to be allocated to the elements on a relative fair value basis. Judgment and estimates are required when determining the relative fair value of elements utilizing standalone prices for similar deliverables where it exists or third party evidence of standalone price or internally generated estimates of standalone price.

Revenue for product elements is recognized when delivered. Judgment is required in determining when delivery has occurred including assessing if significant obligations to install the product exist that must be completed, the timing of when the significant risks and rewards of ownership have been transferred, and if a risk of return exists due to non-compliance with product specifications.

Revenue for service elements is recognized as the services are performed. Estimates of proportional performance of service arrangements are required to recognize revenue including effort spent to date versus total effort expected to complete.

Impairment of trade receivables

Management determines the estimated recoverability of trade receivables based on the evaluation and ageing of trade receivables, including the current creditworthiness and the past collection history of the customers and reviews these estimates at the end of each reporting period. The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables. The expense relating to doubtful accounts is included within general and administrative expenses in the consolidated statement of comprehensive loss.

Share-based compensation

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option and the risk-free interest rate are used.

Warrants

In calculating the value of the warrants, key estimates such as the risk-free interest rate are used.

Functional currency

The majority of revenue contracts are priced and billed in U.S. dollars whereas the cost structure inputs are primarily in Canadian dollars. Secondary indicators of functional currency including financing and cash holdings are primarily in Canadian dollars. As the indicators of functional currency do not clearly indicate a specific currency, the indicators as a whole have been judged to indicate the Canadian dollar is the functional currency of the parent company and its subsidiaries.

3. Significant accounting policies (continued)

(o) Critical accounting estimates and judgments (Continued)

Derivative liability

In calculating the derivative liability related to the long-term debt, key estimates such as projected future revenue and discount rates are used.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

(p) New standards effective for January 1, 2014

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amendments to IAS 32 *Financial Instruments: Presentation* clarify certain aspects because of diversity in application of the requirements on offsetting, focus on four main areas:

- the meaning of "currently has a legally enforceable right of set-off";
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The IAS 32 amendments were applied retrospectively for on January 1, 2014 with no impact.

IFRIC 21 Levies ("IFRIC 21")

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time;
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

IFRIC 21 was applied beginning January 1, 2014 with no impact.

Amendments to IFRS 2 - Share-based Payments ("IFRS 15")

In the second quarter of 2014, the IASB issued Amendments to IFRS 2. The amendments change the definitions of "vesting condition" and market condition" in the standard, and add definitions for "performance condition" and "service condition". They also clarify that any failure to complete a specified service period would result in a failure to satisfy a service condition. This would result in the reversal, in the current period, of compensation expense previously recorded reflecting the fact that the employee failed to complete a specified service condition.

These amendments were effective for transactions with a grant date on or after July 1, 2014. There was no impact to the Company in implementing this amendment.

3. Significant accounting policies (continued)

(p) New standards effective for January 1, 2014 (continued)

IAS 36 Impairment of Assets ("IAS 36")

In May 2013, the IASB amended IAS 36 to clarify the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized or reversed.

The IAS 36 amendments were applied retrospectively on January 1, 2014 with no impact.

(q) New and revised IFRS in issue but not yet effective

The following is a list of standards and amendments that have been issued but are not yet effective and have not yet been adopted by the Company:

IFRS 9 Financial Instruments ("IFRS 9")

The IASB issued the final version of IFRS 9 on July 24, 2014, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*. This final version of IFRS 9 represents the completion of this project and it includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 does not address the specific accounting for open portfolios or macro hedging as these items are part of a separate IASB project that is currently ongoing. This final Standard introduces a single, principles-based approach that amends both the categories and associated criteria for the classification and measurement of financial assets, which is driven by the entity's business model for the portfolio in which the assets are held and the contractual cash flows of these financial assets. Certain amendments have been made to the financial asset classification and measurement principles in prior versions of IFRS 9. This Standard introduces an amended hedging model which aligns hedge accounting more closely with an entity's risk management activities and also includes a new financial asset impairment model which is based on expected losses rather than incurred losses. This new Standard supersedes all prior versions of IFRS 9. The new Standard will come into effect on January 1, 2018 with early application permitted. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued by the IASB on May 28, 2014, and will replace IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual period beginning on or after January 1, 2017. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

(in Canadian dollars)

4. Accounts receivable

Accounts receivable consist of the following:

	2014	2013
	$	$
Trade receivables	**1,401,117**	649,076
Allowance for doubtful accounts	**(51,638)**	(36,340)
	1,349,479	612,736

Movement in the allowance for doubtful accounts is as follows:

	2014	2013
	$	$
Balance at the beginning of the period	**(36,340)**	(16,950)
Increase in provision	**(27,000)**	(22,000)
Receivables balances written-off	**11,702**	2,610
	(51,638)	(36,340)

5. Investment tax credits and other government assistance

During the year ended December 31, 2014, the Company recorded investment tax credits of $140,986 (2013 - $124,109) as a reduction of research and development expenses. The Company claims research and development deductions and related investment tax credits for income tax purposes based on management's interpretation of the applicable legislation in the Income Tax Act of Canada. These claims are subject to audit by the Canada Revenue Agency.

During the year ended December 31, 2014, the Company recorded non-refundable government assistance of $29,240 related to provincial and federal employment assistant programs (2013 - $20,250) against research and development expenses.

6. Prepaid expenses and other receivables

	2014	2013
	$	$
Prepaids and deposits	**180,926**	147,008
Commodities tax receivable	**84,867**	44,611
Employee advances	**3,978**	3,977
	269,771	195,596

(in Canadian dollars)

7. Property, plant and equipment

Cost	Balance at January 1, 2014	Additions	Disposals/ adjustments	Balance at December 31, 2014
	$	**$**	**$**	**$**
Computer equipment	**198,994**	**38,143**	**-**	**237,137**
Office equipment	**2,325**	**29,562**	**-**	**31,887**
Furniture	**19,135**	**125,930**	**(19,135)**	**125,930**
Leasehold improvements	**4,026**	**52,982**	**(4,026)**	**52,982**
Total	**224,480**	**246,617**	**(23,161)**	**447,936**

Accumulated amortization	Balance at January 1, 2014	Amortization	Disposals/ adjustments	Balance at December 31, 2014
	$	**$**	**$**	**$**
Computer equipment	**159,688**	**25,970**	**-**	**185,658**
Office equipment	**929**	**3,329**	**-**	**4,258**
Furniture	**10,870**	**5,258**	**(12,986)**	**3,142**
Leasehold improvements	**4,026**	**3,750**	**(4,026)**	**3,750**
Total	**175,513**	**38,307**	**(17,012)**	**196,808**

Cost	Balance at January 1, 2013	Additions	Disposals/ adjustments	Balance at December 31, 2013
	$	$	$	$
Computer equipment	169,673	29,321	-	198,994
Office equipment	-	2,325	-	2,325
Furniture	15,166	3,969	-	19,135
Leasehold improvements	4,026	-	-	4,026
Total	188,865	35,615	-	224,480

Accumulated amortization	Balance at January 1, 2013	Amortization	Disposals/ adjustments	Balance at December 31, 2013
	$	$	$	$
Computer equipment	139,768	19,920	-	159,688
Office equipment	-	929	-	929
Furniture	6,675	4,195	-	10,870
Leasehold improvements	4,026	-	-	4,026
Total	150,469	25,044	-	175,513

(in Canadian dollars)

7. Property, plant and equipment (continued)

	2014	2013
	$	$
Carrying amount		
Computer equipment	**51,479**	41,476
Office equipment	**27,629**	-
Furniture	**122,788**	7,491
Leasehold improvements	**49,232**	-
	251,128	48,967

All assets are pledged as security against the long-term debt.

8. Licensed computer software

Cost	Balance at January 1, 2014	Additions	Disposals/ adjustments	Balance at December 31, 2014
	$	**$**	**$**	**$**
Licensed computer software	**92,022**	**1,449**	**-**	**93,471**

Accumulated amortization	Balance at January 1, 2014	Amortization	Disposals/ adjustments	Balance at December 31, 2014
	$	**$**	**$**	**$**
Licensed computer software	**85,488**	**5,270**	**-**	**90,758**

Cost	Balance at January 1, 2013	Additions	Disposals/ adjustments	Balance at December 31, 2013
	$	$	$	$
Licensed computer software	89,728	2,294	-	92,022

Accumulated amortization	Balance at January 1, 2013	Amortization	Disposals/ adjustments	Balance at December 31, 2013
	$	$	$	$
Licensed computer software	80,146	5,342	-	85,488

(in Canadian dollars)

8. Licensed computer software (continued)

	2014	2013
	$	$
Carrying amount		
Licensed computer software	**2,713**	6,534

9. Share capital

Authorized

An unlimited number of common shares

In March 2014, the Company completed a non-brokered private placement resulting in gross proceeds of $1,000,000. The private placement involved the sale of 3,333,333 units at $0.30 per unit. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder thereof to acquire one common share of the Company at an additional purchase price of $0.45 per share at any time up to eighteen months from the closing date.

The value of the 1,666,667 warrants was estimated using the following variables: stock price of $0.31, expected life of eighteen months, NIL dividends, 90% volatility and risk free interest rate of 1.52%. The $212,700 value of the warrants was recorded as a reduction against share capital and an increase to share-based payment reserve.

The proceeds were subject to a finder's fee of 7% of the gross proceeds plus warrants equal to 7% of the total number of units sold (233,333 warrants). Each finder’s warrant is exercisable at $0.45 to acquire one unit (which includes one common share and one half of a common share purchase warrant) for a period of eighteen months from the closing date. The value of these compensation warrants was estimated using the following variables: stock price of $0.31; expected life of eighteen months; NIL dividends; 90% volatility; and risk free interest rate of 1.52%. The $44,700 value of the warrants was recorded as a reduction against share capital and an increase to share-based payment reserve.

In June 2014, the Company issued 6,944,444 shares upon the exercise of warrants at an exercise price of $0.30, including 1,388,889 purchased by certain Management and members of the Board of Directors. An amount of $678,726 was reclassified from share-based reserve to share capital on exercise.

In addition, 2,126,984 common shares were issued during the year ended December 31, 2014 to certain Management and Members of the Board of Directors upon the exercise of options. 500,000 of these common shares were issued upon exercise at an average exercise price of $0.16. The remaining 1,626,984 were issued in exchange for a loan of $244,048 described in Note 15.

(in Canadian dollars)

9. Share capital (continued)

Warrants continuity schedule

As of December 31, 2014 and 2013, the Company has the following warrants with average exercise prices and expiry dates outstanding:

	Number of whole share warrants	Average exercise price	Expiry date
		$	
Balance, December 31, 2012	12,886,647	0.30	
Expired	(5,942,203)		April 26, 2013
Balance, December 31, 2013	6,944,444	0.30	
Issued pursuant to private placement	1,666,667	0.45	September 12, 2016
Agents' warrants issued pursuant to private placement	350,000	0.45	September 12, 2016
Exercised	(6,944,444)		
Balance, December 31, 2014	**2,016,667**	**0.45**	

Option Plan

The Company has a share option plan (the "Plan") that is administered by the Board of Directors of the Company who establish exercise prices, at not less than market price at the date of grant, and vesting periods, which to date have been set between one and three years. Options under the Plan remain exercisable for five years from the date of grant. The maximum number of common shares reserved for issuance for options that may be granted under the Plan as at December 31, 2014 was 7,945,833.

	Outstanding	Exercise price
		$
Balance outstanding as at December 31, 2012	5,809,484	0.16
Granted	688,000	0.09
Expired or forfeited	(192,000)	0.18
Balance outstanding as at December 31, 2013	6,305,484	0.15
Granted	2,436,500	0.40
Exercised	(2,126,984)	0.15
Expired	(78,000)	0.15
Forfeited	(24,000)	0.14
Balance outstanding as at December 31, 2014	**6,513,000**	**0.25**
Balance exercisable as at December 31, 2014	**3,500,501**	**0.16**

(in Canadian dollars)

9. Share capital (continued)

The following tables summarize information concerning stock options outstanding at December 31, 2014.

	Options outstanding		Options exercisable	
Exercise price	Number	Weighted Average remaining contractual life (years)	Number	Weighted Average remaining contractual life (years)
$				
0.09	669,000	3.87	269,668	3.87
0.10 - 0.15	1,742,000	1.27	1,742,000	1.27
0.16 - 0.20	1,500,500	2.33	1,276,333	2.31
0.21 - 0.30	165,000	0.24	165,000	0.24
0.31 - 0.40	2,436,500	4.69	47,500	4.69
	6,513,000	**3.03**	**3,500,501**	**1.85**

Share-based compensation

The Company recorded $413,551 (2013 - $60,537) as share-based payment reserve and share-based compensation expense, which is measured at fair value at the date of grant and is expensed over the option's vesting period. The weighted average grant date fair value of options granted during the year is $0.33 (2013 - $0.08). In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following assumptions:

	2014	2013
Risk-free interest rate	**1.40%**	1.53%
Expected life in years	**4.13**	3.90
Expected dividend yield	**0%**	0%
Volatility	**132%**	142%

Volatility was estimated by using the historical volatility of the Company. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

(in Canadian dollars)

10. Long-term debt and derivative liability

	2014	2013
	$	$
Business Development Bank of Canada loan, interest at 8.5% per annum, compounded annually	**1,000,000**	1,000,000
Transaction costs	**(30,528)**	(30,528)
Accrued interest	**3,542**	3,542
Derivative liability	**(458,824)**	(458,824)
Accretion of discount	**153,419**	68,350
	667,609	582,540

On November 27, 2012, the Company entered into an agreement with the Business Development Bank of Canada ("BDC") for long-term debt financing ("the Loan") of up to $1,000,000 of which $500,000 was received as at December 31, 2012 and the remaining amounts were received in early 2013. The Loan bears interest at 8.5% per annum, compounded annually. In addition, there are the following additional required payments: bonus interest payable for a) between .25% and 5.25% of revenue generated for 2015 and 2016 plus b) between .5% and 1.0% of the valuation of the Company, up to a maximum of $500,000, in the event of the sale of the Company. The Loan is subject to compliance with certain covenants, is secured against the assets of the Company, and matures on November 15, 2017. As at December 31, 2014, the Company is in compliance with the covenants.

The additional bonus interest payments represent embedded derivatives that need to be separately measured. The debt was bifurcated between the debt and the derivatives. The debt component will be accreted up to its fair value over the term of the loan and the derivative is revalued each reporting period. The fair value of the bonus interest payments on the loan, were valued at fair value at inception, and subsequently at the end of each reporting period. The bonus interest on revenues was based on the present value of management's best estimate of future revenues, using an appropriate discount rate. The bonus interest on sale was based on management's estimate of the future value of the Company based on a probability weighted revenue multiplier. The fair value recorded at the time the proceeds were obtained totaled $458,824. Any changes in fair value are recorded through the statement of comprehensive loss.

The following table sets out the derivative liability as at December 31, 2014.

	2014	2013
	$	$
Derivative portion of new loan proceeds at inception	**458,824**	458,824
Fair value adjustment	**457,722**	303,239
Balance, December 31, 2014	**916,546**	762,063

The change in fair value of the derivative for the year ended December 31, 2014 was $154,483 (2013 - $303,239).

11. Other income

During the year ended December 31, 2013, the Company realized a net gain on the sale of certain patents of $575,070 (US$675,000 less commissions of US$101,250). Also included in other income in the year ended December 31, 2013, is a gain of $300,000 relating to a customer contract recorded due to the reversal of the obligation underlying the contract and the related deferred revenue. There were no such transactions in fiscal 2014.

(in Canadian dollars)

12. Loss per share

Net loss per common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the period. The common shares pledged as security for loans receivable are excluded from the calculation of weighted average number of common shares outstanding.

Diluted loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

For all the periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of options and warrants. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but that were not included in the computation of diluted net loss per share because to do so would have reduced the loss per share (anti-dilutive) for the periods presented are as follows:

	2014	2013
Options (Note 9)	**6,513,000**	6,305,484
Warrants (Note 9)	**1,666,667**	6,944,445
Agents warrants (Note 9)	**350,000**	-
	8,529,667	13,249,929

13. Income taxes

The Company has non-capital losses available to reduce future years' taxable income which expire as follows:

	Canada	United States
	$	$
2015	1,395,000	-
2025	-	101,000
2026	4,183,000	1,175,000
2027	4,179,000	950,000
2028	1,871,000	336,000
2029	977,000	259,000
2030	1,132,000	354,000
2031	1,819,000	-
2032	1,925,000	-
2033	352,000	-
2034	86,000	
	17,919,000	3,175,000

The U.S. losses may be subject to limitation under Internal Revenue Code Section 382.

(in Canadian dollars)

13. Income taxes (continued)

The Company also has unclaimed research and development expenditures (SR&ED) of approximately $7,117,000 which may be carried forward indefinitely to reduce future years' taxable income. The Company also has investment tax credits of approximately $1,297,000 and $254,000 available to reduce future years' federal and provincial income tax payable, respectively. The federal credits begin to expire in 2021 whereas the provincial credits commence to expire in 2030. The potential benefits relating to the available non-capital losses, unclaimed SR&ED expenditures and investment tax credit carryforward balances have not been recorded in the consolidated financial statements. Based on management's judgements, the Company does not consider it probable that the deferred tax assets will be realized.

14. Segmented information

IFRS 8 *Operating Segments* defines an operating segment as (a) a component of an entity that engages in business activities from which it may earn revenues an incur expense (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and (c) for which discrete financial information is available.

The Company operates in one operating segment being mobile computer software solutions. This segment engages in business activities from which it earns license, support and professional services revenues, and incurs expenses.

Revenues from external customers are attributed to geographic areas based on the location of the contracting customers. The following table sets forth external revenue by geographic areas:

	2014	2013
	$	$
United States	**4,943,941**	3,640,026
Canada	**556,615**	272,722
United Kingdom	**198,542**	165,424
Other	**578,152**	284,855
	6,277,250	4,363,027

For the year ended December 31, 2014, the Company had one customer that individually accounted for 50% of revenue. For the year ended December 31, 2013, the Company had one customer that individually accounted for 57% of revenue.

All property, plant and equipment and intangible assets are located in Canada.

(in Canadian dollars)

15. Related parties

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors, who control approximately 35% of the outstanding shares of the Company. Compensation provided to key management is as follows:

	2014	2013
	$	$
Short-term employee benefits	**732,659**	711,999
Contractor payments	**204,000**	204,000
Variable compensation	**238,375**	-
Share-based compensation	**323,329**	55,185
	1,498,363	971,184

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

If terminated for other than just cause, each executive officer is entitled to up to 12 months prior written notice or payment thereof in lieu at the rate in effect at the time of termination.

Related party transactions

On July 23, 2009, the Company provided a loan to the Chief Executive Officer in connection with his purchase of 791,504 common shares ("2009 CEO Share Purchase Loan"). The original maturity date of July 23, 2014 was extended to July 23, 2016. The principal of $148,408 is repayable at any time on or before the maturity date of July 23, 2016 and is non-interest bearing since the amendment.

On September 5, 2014, the Company provided loans totalling $338,433 to the CEO including $244,048 to purchase 1,626,984 common shares upon the exercise of stock options ("2014 CEO Share Purchase Loan") and $94,385 for related income tax remittances ("Related Party Loan Receivable"). These loans are non-interest bearing and principal is repayable at any time on or before the maturity date of September 5, 2016.

The 2,418,488 common shares acquired under the 2009 and 2014 CEO Share Purchase Loans are pledged as security against the share purchase loans and are held as security by the Company until such time as the individual loans are repaid. The share purchase loans are immediately due and payable to the Company upon the sale of the common shares or upon the termination of employment, subject to certain conditions being met. The market value of the underlying common shares for the 2009 and 2014 CEO Share Purchase Loans as at December 31, 2014 was $967,395.

Despite their legal form, the 2009 and 2014 Share Purchase Loans are accounted for similar to the grant of an option under IFRS. For the year ended December 31, 2014, the Company recorded $67,876 in share-based compensation expense for the extension of the 2009 CEO Share Purchase Loan and recorded $68,990 in share-based compensation expense related to the issuance 2014 CEO Share Purchase Loan. As such, for accounting purposes, the common shares issued and the share purchase loans granted under the loan and share pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. The $95,484 Related Party Loan Receivable for related tax remittances is treated as a non-current receivable.

15. Related parties (continued)

Related party transactions (continued)

The Company leases office premises from a company controlled by the Chairman of the Board with the following minimum annual lease payments:

	$
2015	214,000
2016	222,000
2017	237,000
2018	247,000
2019 (through August)	164,000

For the year ended December 31, 2014, the expense incurred under this lease was $194,108 (2013 - $160,713). The Company had $NIL (December 31, 2013 - $NIL) owing related to rent associated with these leased premises at December 31, 2014.

These transactions are measured at the exchange amounts being the amounts agreed to by the parties.

16. Commitments

The Company leases equipment and office space under operating leases which will expire in 2016 and 2019, respectively. Future minimum payments due in each of the next five years under the operating leases are as follows:

	$
2015	216,744
2016	224,479
2017	224,479
2018	224,479
2019	224,479

17. Financial instruments

Currency risk

The Company reported a foreign exchange gain of $199,939 for the year ended December 31, 2014 and a gain of $71,297 for the year ended December 31, 2013. The foreign exchange exposure relates primarily to fluctuations against the Canadian dollar as a portion of revenues and operating expenses are denominated in U.S. dollars. The Company has not used derivative financial instruments to manage this risk.

As at December 31, 2014, a 10% strengthening (weakening) of the Canadian dollar against the U.S. dollar would have increased (decreased) comprehensive loss by approximately $100,000 based on the Company's net U.S. monetary assets as at December 31, 2014. While the Company attempts to maintain a U.S. dollar cash balance to match its short-term U.S. denominated obligations, it receives a significant portion of its revenues in U.S. denominated payments exposing it to additional U.S. exchange risk.

Interest risk

The Company's exposure to interest rate risk is minimal as the long-term debt has a fixed rate of interest. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments, but the Company did not have any in the periods presented. The Company does not use derivative instruments to reduce its exposure to interest rate fluctuations.

(in Canadian dollars)

17. Financial instruments (continued)

Credit risk

The Company provides credit to its customers in the normal course of operations. The Company has established credit evaluation, approval and monitoring processes to mitigate credit risk.

The carrying amount of cash and cash equivalents, accounts receivable, unbilled receivables and related party loan receivable represents the maximum exposure to credit risk and at December 31, 2014, this amounted to $3,864,005 (2013 - $1,588,150). The cash is held by the Company's banks which are large Canadian and International banks. Since the inception of the Company, no losses have been suffered in relation to cash held in bank. No allowance for credit losses other than doubtful accounts described above has been made.

Concentration risk

Management determines concentration risk through regular review of areas such as customer, vendor and geographic characteristics within all financial instruments.

As at December 31, 2014, the Company has concentrated credit risk with one customer totalling 45% of its accounts receivable (2013 - one customer totalling 65% of its accounts receivable). As at December 31, 2014, the Company's aging of receivables was approximately 68% under sixty days and 32% over sixty days (2013 - 73% under sixty days and 27% over sixty days).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. To date, the Company has incurred significant operating losses. During the year ended December 31, 2014, the Company completed private placements for gross proceeds of $1,000,000, and received additional proceeds of $2,162,634 from the exercising of warrants and options. The Company's ability to continue as a going concern is dependent on its ability to generate sufficient revenues to achieve sustainable profitability.

In addition to the commitments disclosed in Note 16 the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Years 1 - 3	Years 4 - 5	After 5 years
	$	$	$	$	$	$
Accounts payable and accrued liabilities	1,109,900	1,109,900	1,109,900	-	-	-
Derivative liability	1,369,250	1,369,250	-	1,369,250	-	
Long-term debt	667,609	1,000,000	-	1,000,000	-	-
Total	**3,146,759**	**3,479,150**	**1,109,900**	**2,369,250**	**-**	**-**

17. Financial instruments (continued)

Fair values

The carrying values of cash and cash equivalents, accounts receivable, unbilled receivables, other government funding receivable and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. Long-term debt has a fair value of $827,330 (carrying value of $667,609) which is based on the present value of future interest and principal payments, using a discount rate of 18%.

Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and the fair value of underlying common shares described in Note 15 are classified as a Level 1 financial instrument and the derivative liability is classified as a Level 3 financial instrument (see Note 10 for further details related to the derivative liability). The fair value of the long-term debt is also classified as a Level 3 disclosure. During the year, there were no transfers of amounts between Level 1, Level 2 and Level 3.

18. Capital management

The Company’s objective is to maintain sufficient capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company’s shareholders’ equity and debt. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company has not historically paid any dividends to its shareholders.

There were no changes in the Company’s approach to capital management during the period. The Company has externally imposed restrictions related to covenant calculations on its long-term debt (Note 10).

(in Canadian dollars)

19. Changes in non-cash working capital items

	2014	2013
	$	$
Accounts receivable	**(736,743)**	(73,677)
Investment tax credits receivable	**(140,986)**	(14,015)
Other government funding receivable	**10,717**	40,628
Unbilled receivables	**(35,336)**	(18,580)
Prepaid expenses and other receivables	**(74,175)**	(105,280)
Accounts payable and accrued liabilities	**439,633**	51,531
Deferred revenue	**(140,431)**	137,525
	(677,321)	18,132

20. Nature of expenses

The following table shows the breakdown of expenses by nature for each function on the consolidated statements of comprehensive loss:

	2014	2013
	$	$
Salaries and benefits	**3,560,253**	2,627,066
Subscription hosting costs	**125,811**	83,862
Contractors and consultants	**1,266,540**	898,313
Travel and entertainment	**396,895**	320,446
Professional fees	**350,276**	182,587
Advertising, promotion and marketing	**292,410**	199,445
Occupancy costs	**194,108**	160,713
Administration	**497,748**	464,380
Amortization	**49,725**	50,051
Commissions	**321,458**	174,583
Communications	**136,999**	105,809
Other	**414,133**	79,763
Investment tax credits	**(140,986)**	(124,109)
	7,465,370	5,222,909