



## **iSIGN Media Solutions Inc.**

**Consolidated Financial Statements  
For the Years Ended April 30, 2014 and 2013  
Expressed in Canadian Dollars**

**iSIGN MEDIA SOLUTIONS INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS APRIL 30, 2014 and 2013**

Contents

Auditors' Report	1 - 2
Consolidated Statements of Financial Position	3
Consolidated Statements of Changes in Shareholders' Equity	4
Consolidated Statements of Loss and Comprehensive Loss	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 35



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## **INDEPENDENT AUDITORS' REPORT**

**To the Shareholders of iSIGN Media Solutions Inc.**

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of iSIGN Media Solutions Inc. and its subsidiaries (collectively the "Company") which comprise the consolidated statements of financial position as at April 30, 2014 and the consolidated statements of changes in shareholders' equity, loss and comprehensive loss and cash flows 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 audit. We conducted our audit 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 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 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 iSIGN Media Solutions Inc. as at April 30, 2014, and the results of its operations and its cash flows for the year 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 describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Company's ability to continue as a going concern.

**Other Matter**

The consolidated financial statements and related notes of iSIGN Media Solutions Inc. for the year ended April 30, 2013 were audited by another firm of independent auditors who expressed an unmodified opinion on those consolidated statements in their report dated September 23, 2013.



Authorized to practise public accounting by  
The Chartered Professional Accountants of Ontario

Markham, Ontario

August 27, 2014

**iSIGN Media Solutions Inc.**  
**Consolidated Statements of Financial Position**  
**As at April 30, 2014 and April 30, 2013**  
**Expressed in Canadian Dollars**

	[Notes]	2014	2013 [Note 26]
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 133,802	\$ 48,604
Restricted cash	[6]	17,000	17,000
Accounts receivable (net of allowance of \$71,895, 2013 - \$197,239)		53,075	211,923
Other receivable		8,252	100,075
Sales taxes recoverable		204,781	104,509
Inventories	[7]	158,756	104,062
Prepaid expenses and deposits	[8, 17.vi]	395,079	43,180
		<u>970,745</u>	<u>629,353</u>
<b>Non-current assets</b>			
Property and equipment	[10]	64,726	152,434
Intangible assets	[11]	1,853,909	1,527,947
		<u>1,918,635</u>	<u>1,680,381</u>
<b>Total assets</b>		<u>\$ 2,889,380</u>	<u>\$ 2,309,734</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 769,992	\$ 1,214,316
Provisions		234,203	256,407
Note payable	[12]	250,000	-
Deferred revenue		67,920	62,939
		<u>1,322,115</u>	<u>1,533,662</u>
<b>Non-current liabilities</b>			
Deferred revenue		36,371	56,247
Deferred taxes	[16]	-	433,005
Asset retirement obligations		163,681	134,232
		<u>1,522,167</u>	<u>2,157,146</u>
<b>Total liabilities</b>		<u>1,522,167</u>	<u>2,157,146</u>
<b>Shareholders' equity</b>			
Share capital	[13.a]	10,475,026	8,424,098
Warrants	[13.d]	2,991,942	3,454,266
Contributed surplus	[14]	4,655,473	2,604,799
Deficit		(16,755,228)	(14,330,575)
		<u>1,367,213</u>	<u>152,588</u>
<b>Total shareholders' equity</b>		<u>1,367,213</u>	<u>152,588</u>
<b>Total liabilities and shareholders' equity</b>		<u>\$ 2,889,380</u>	<u>\$ 2,309,734</u>

Going Concern [Note 2]; Commitments and Contingencies [Note 21]

Approved by the board

"A. Romanov"

Director

"B. Reilly"

Director

**iSIGN Media Solutions Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the Years Ended April 30, 2014 and April 30, 2013**  
**Expressed in Canadian Dollars**

		Share Capital		Warrants		Contributed		Total
	[Notes]	Number	Amount	Number	Amount	Surplus	Deficit	Shareholders'
			\$		\$	\$	\$	Equity
								\$
<b>Balance at April 30, 2012</b>		67,017,520	8,308,043	13,977,653	3,346,547	2,153,474	(8,906,902)	4,901,162
Issuance of common shares with warrants	[13a.d]	848,666	58,205	848,666	190,950	-	-	249,155
Options exercised	[13.a]	170,000	39,100	-	-	-	-	39,100
Warrants exercised	[13.a]	62,500	18,750	-	-	-	-	18,750
Transfer to contributed surplus:								
Ascribed value of exercised warrants	[13.d]	-	-	(62,500)	(12,938)	12,938	-	-
Ascribed value of expired warrants	[13.d]	-	-	(550,375)	(70,293)	70,293	-	-
Stock-based compensation	[13.c]	-	-	-	-	368,094	-	368,094
Comprehensive loss		-	-	-	-	-	(5,423,673)	(5,423,673)
<b>Balance at April 30, 2013 [Note 26]</b>		68,098,686	8,424,098	14,213,444	3,454,266	2,604,799	(14,330,575)	152,588
Issuance of common shares with warrants	[13a.d]	9,499,999	1,529,950	9,499,999	997,500	-	-	2,527,450
Issuance of common shares in exchange for royalty payments	[13.a]	2,924,448	511,778	-	-	-	-	511,778
Options exercised	[13.a]	40,000	9,200	-	-	-	-	9,200
Transfer to contributed surplus:								
Ascribed value of expired warrants	[13.d, 14]	-	-	(4,147,228)	(1,459,824)	1,459,824	-	-
Stock-based compensation	[14]	-	-	-	-	590,850	-	590,850
Comprehensive loss		-	-	-	-	-	(2,424,653)	(2,424,653)
<b>Balance at April 30, 2014</b>		80,563,133	10,475,026	19,566,215	2,991,942	4,655,473	(16,755,228)	1,367,213

**iSIGN Media Solutions Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the Years Ended April 30, 2014 and April 30, 2013**  
**Expressed in Canadian Dollars**

	[Notes]	2014	2013 [Note 26]
<b>Revenues</b>			
Sales		\$ 2,235	\$ 415,750
Service		613,111	689,749
		615,346	1,105,499
<b>Cost of sales</b>		728,218	1,075,467
<b>Gross Profit (Loss)</b>		(112,872)	30,032
<b>Expenses</b>			
Amortization - intangible assets	[11]	470,444	586,816
Bad debt recovery		(9,625)	128,155
Depreciation – property and equipment	[10]	49,575	444,870
General and administration	[25]	1,573,404	1,868,450
Impairment – digital signage	[11]	380,902	897,000
Impairment – goodwill	[15]	-	567,549
Impairment – interactive media devices	[10]	51,203	-
Impairment – other receivable		-	4,605
Interest		31,623	23,883
Loss on disposal of fixed assets		5,089	-
Research		-	111,772
Selling and marketing	[24]	618,763	932,005
		3,171,378	5,565,105
<b>Loss before undernoted item</b>		(3,284,250)	(5,535,073)
Gain on debt settlement	[13.a.vi]	426,592	-
<b>Loss before income tax</b>		(2,857,658)	(5,535,073)
Recovery of income tax	[16]	433,005	111,400
<b>Loss and comprehensive loss</b>		\$ (2,424,653)	\$ (5,423,673)
 Loss and comprehensive loss per share (basic and diluted)	[18]	(0.032)	(0.081)
 Weighted average number common shares outstanding (basic and diluted)	[18]	76,706,065	67,173,867

**iSIGN Media Solutions Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended April 30, 2014 and April 30, 2013**  
**Expressed in Canadian Dollars**

	[Notes]	2014	2013
			[note 26]
<b>Net (outflow) inflow of cash related to the following activities:</b>			
<b>Operating</b>			
Net loss from continuing operations		\$ (2,424,653)	\$ (5,423,673)
Adjustments for non-cash items:			
Depreciation - property and equipment	[10]	49,575	444,870
Amortization - intangible assets	[11]	470,444	586,816
Impairment – goodwill		-	567,549
Impairment – digital signage	[11]	380,902	897,000
Impairment – other receivable		-	6,207
Impairment – interactive media devices	[10]	51,203	-
Stock-based compensation	[13.c]	590,850	368,094
Loss on disposal of property and equipment		5,090	-
Stock-based royalties settlement	[13.a.vi]	511,780	-
Accretion interest - asset retirement obligations		29,449	24,151
Recovery of income tax	[16]	(433,005)	(111,400)
		(768,365)	(2,640,386)
<b>Net change in non-cash working capital</b>	[23]	(427,619)	810,908
<b>Net Cash used in Operating Activities</b>		\$ (1,195,984)	\$ (1,829,478)
<b>Investing</b>			
Proceeds on disposal of property and equipment		\$ 50	\$ -
Additions to property and equipment	[10]	(18,210)	(51,397)
Additions to intangible assets	[11]	(1,177,308)	-
Prepaid development costs		(310,000)	-
<b>Net Cash used in Investing Activities</b>		\$ (1,505,468)	\$ (51,397)
<b>Financing</b>			
Issuance of common shares	[13.a.iv]	\$ 2,527,450	\$ 249,155
Exercise of warrants	[13.a]	-	18,750
Exercise of stock options	[13.a]	9,200	39,100
Note payable	[12]	250,000	-
<b>Net Cash provided by Financing Activities</b>		\$ 2,786,650	\$ 307,005
<b>Cash provided (utilized)</b>		\$ 85,198	\$ (1,573,870)
<b>Cash – beginning of year</b>		48,604	1,622,474
<b>Cash – end of year</b>		\$ 133,802	\$ 48,604

Cash is defined as unrestricted bank balances.

**1. Description of Business**

iSIGN Media Solutions Inc. ("iSIGN" or the "Company") was incorporated under the laws of Ontario on May 15, 2007. On April 8, 2008, the Company was listed on the TSX Venture Exchange (the "Exchange") as a Capital Pool Company as defined in the Exchange's Policy 2.4, "Capital Pool Companies". On September 3, 2009, the Company completed its Qualifying Transaction, as defined in the Exchange's policy 2.4, by acquiring all of the issued and outstanding shares of iSIGN Media Corp. ("iSIGN Media"). The Corporation's head office is located at 45A West Wilmot Street, Unit 3 in Richmond Hill, Ontario, L4B 2P2.

iSIGN licenses patented proximity marketing solutions that deliver rich-media, permission based messages to consumers within a scalable 300 foot radius, making the messages relevant and spontaneous. iSIGN's technology, contained within the Smart Antenna and Smart Player, utilizes Bluetooth® and Wi-Fi location-aware technology to deliver messaging directly to the consumers' mobile devices without the need to download an app and free of charge to the recipient; all without obtaining any private information from the recipient. Device discovery and message statistics are secure and gathered in real-time, stored and analyzed within iSIGN's back office resulting in anonymous, preferential and predictive data. The resulting business intelligence and real-time metrics, gathered by iSIGN's patented solution, delivers insights on consumer preferences that help advertisers measure their efforts and make business decisions, thus enabling advertisers and retailers to increase their ROI and customer loyalty.

iSIGN has moved from the research phase into the development phase of the product life cycle, having proven the iSIGN device technical feasibility as it moves to being available for use and sale. In addition to this, the Company has demonstrated the existence of a market for the data generated from the iSIGN technology. The Company continues to move forward in completing the development phase in order to monetize the data generated through the ongoing use of the iSIGN products.

**2. Going Concern**

While these consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, certain adverse conditions and events cast substantial doubt upon the validity of this assumption. As at the year ended April 30, 2014, the Company has incurred significant losses since its inception in the amount of \$16,755,228 (April 30, 2013 - \$14,330,575). As at the year ended April 30, 2014, the Company reported a working capital deficiency of \$351,370 (April 30, 2013 - \$904,309).

The Company's ability to continue as a going concern will depend on management's ability to successfully execute its business plan and to raise capital through equity or debt financing until such time as the Company can support its activities through its own cash flow.

If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the reported loss and comprehensive loss and the statement of financial position classifications used. The financial statement items most likely to be subject to adjustment would be inventories and intangible assets.

**3. Basis of Presentation**

*Statement of Compliance*

These consolidated financial statements, including comparatives, have been consistently prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements are based on IFRS and IFRIC policies issued and effective as of August 27, 2014.

The consolidated financial statements were authorized for issue by the Board of Directors on August 27, 2014.

**3. Basis of Presentation – continued**

*Basis of Measurement*

These consolidated financial statements have been prepared on the basis of historical costs, except for the financial instruments which are measured at fair value through profit or loss.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

*Functional and Presentation Currency*

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

*Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, iSIGN Media Corp., iSIGN Media Network Corp. and Pinpoint Commerce Inc. The Company has no interest in special purpose entities.

Subsidiaries are entities that are controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated financial statements of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

*Use of Estimates and Judgments*

The preparation of these 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 during the reporting periods. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates and these differences could be material.

Intangible Assets – The Company has capitalized certain costs to internally generated intangible assets related to intellectual property development, to a US Patent that the Company applied for and been awarded and to the cost of obtaining certain contracts through a deferred share-based payment. Judgment is required in identifying whether a particular project can be properly classified as being in the development phase or not. In addition, judgment is required in order to identify and reliably measure the expenditures attributable to these development initiatives.

Inventories – The Company carries inventory on its accounts at the lower of cost and net realizable value. Judgment is required to evaluate when a write-down of inventory might be necessary and is required in the evaluation of available data to determine net realizable value.

Accounts Receivable – The Company carries trade accounts receivable at cost net of an allowance for doubtful accounts which provides for any uncertainty of collection. Judgment is required on the evaluation of future probable events that might impact a customer's ability or intention to make full payment of these accounts.

**3. Basis of Presentation – continued**

*Use of Estimates and Judgments – continued*

Provisions – Provisions necessarily involve extensive judgment about the impact that a past event may have on future outlays and what amount would be required to be recorded in the current period to adequately reflect the obligation at the end of the reporting period.

Depreciation - Depreciation is calculated to amortize the cost, less estimated residual value, of property and equipment on a declining or a straight-line basis over their expected useful lives. Estimates of residual value and useful lives are based on data and information from various sources including vendors, industry practice, and company-specific history. (Note 10)

Amortization - Amortization is calculated to amortize the cost of intangible assets on a straight-line basis over their expected useful lives. Useful lives are based on data and information from industry practice and company-specific history. (Note 11)

Impairment - The determination of whether indicators of impairment exist and the aggregation of assets into cash generating units ("CGUs") based on their ability to generate independent cash flows is subject to management's judgment. The recoverable amounts used for impairment calculations require estimates of future cash flows related to the assets or CGUs and estimates of discount rates applied to these cash flows.

The Company reviews impairment based on the following (Notes 10, 11 and 15):

Goodwill	- Annually or when indicators of impairment arise
Intangible assets	- Whenever there are indicators of impairment
Property and equipment	- Whenever there are indicators of impairment

Revenue recognition - When deciding the most appropriate basis for presenting revenue or direct costs of revenue, both the legal form and substance of the agreement between the Company and its business partners are reviewed to determine each party's respective role in the transaction. Where the Company's role in a transaction is that of principal, revenue is recognized on a gross basis. This requires principal revenue to comprise the gross value of the transaction billed to the customer with any related expenditure charged as direct cost of principal revenue. Where the Company's role in a transaction is that of an agent, revenue is recognized on a net basis with revenue representing the margin earned.

Stock-based payments - Management is required to make certain estimates when determining the fair value of stock option awards, the number of awards that are expected to vest, and warrants related to deferred stock-based payments. These estimates affect the amount recognized as stock-based payments in the statements of loss and comprehensive loss, and the amounts ascribed to warrants in the statements of financial position (Note 13).

Asset retirement obligations "ARO" - The determination of the present value of the Company's ARO, related to the digital network property and equipment, requires management to make estimates of the cost of future events, appropriate discount rates and residual property and equipment values.

Taxes - The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements (Note 16).

#### **4. Significant Accounting Policies**

##### *Business combinations*

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred or assumed by the Company, and equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs, other than those related to the issue of debt or equity securities, are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except as applicable that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of loss and comprehensive loss.

##### *Revenue Recognition*

Revenue in the ordinary course of business is measured at the fair value of the consideration received or receivable.

The Company recognizes revenue when the product has been shipped or the services have been provided to the customer, the sales price is fixed and determinable and collectability is reasonably assured. Deferred revenue represents revenues invoiced but not earned as of the end of the period. In addition to this general policy, the following paragraphs describe the specific revenue recognition policies for each major category of revenue:

**4. Significant Accounting Policies – continued**

*Revenue Recognition - continued*

Equipment - Revenues from the sale of equipment are recognized when title is transferred to the customer, installation has been completed and all significant contractual obligations that affect the customer's final acceptance have been fulfilled.

Broadcast-Software licensing and digital signage advertising - Revenue is recognized on a monthly basis over the life of the contract.

Data revenue - Revenue is recognized upon delivery of the contracted data.

Multiple-element arrangements - The Company enters into transactions that represent multiple-element arrangements which may include any combination of equipment, installation and software licensing. These multiple-element arrangements are assessed to determine whether they can be separated into more than one unit of accounting or element for the purposes of revenue recognition. When the appropriate criteria for separating revenue into more than one unit of accounting is met and there is vendor specific objective evidence of fair value for all units of accounting or elements in an arrangement, the arrangement consideration is allocated to the separate units of accounting or elements based on each unit's relative fair value. This vendor specific objective evidence of fair value is established through the price charged for each revenue element when that element is sold separately. The revenue recognition policies described above are then applied to each unit of accounting.

*Intangible Assets*

The Company's intangible assets including their estimated useful lives and amortization rates are as follows:

Data development costs – not yet available for use	- to be determined
Technology development costs – indefinite life	- not applicable
Patents	- 20 years
Trademarks	- 15 years
Deferred share-based payment	- life of the contract
Digital signage contract acquired through business combination	- life of the contract

The estimated useful lives and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

**4. Significant Accounting Policies – continued**

*Intangible Assets – continued*

Internally-generated intangible assets - research and development expenditures – continued

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Further, the intangible asset is evaluated to determine if it has a finite or indefinite life. If the asset has a finite life, the estimated useful life is determined when the asset is available for use. Intangible assets that have an indefinite life are not subject to amortization. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

*Inventories*

Inventories are measured at the lower of cost and net realizable value. Inventories include all costs to purchase, assemble and to bring the inventories to their present location and condition on an average cost basis.

Under certain contracts with customers the Company transfers its products to the customers' locations but retains ownership of the equipment. In these circumstances the cost of the inventory is transferred to property and equipment. Such equipment consists of Interactive Media Solution Units and Servers, iSIGN Smart Antennas and Digital Signage and Related Hardware.

When a contract expires, Company equipment at customers' locations is retrieved and returned to the Company's warehouse at carried cost that is the cost less accumulated depreciation of the property.

Incidental costs that are additional to the carried cost of the property, including transfer costs to and from the customer and maintenance costs are expensed in the period the costs are incurred.

#### **4. Significant Accounting Policies – continued**

##### *Property and equipment*

Property and equipment are carried at cost less accumulated depreciation. Depreciation is charged so as to amortize the cost of these assets less residual value over their estimated useful economic lives, for the following classes of assets:

Interactive Media Devices	- 30% declining balance
Furniture and Fixtures	- 10% declining balance
Computer Equipment	- 30% declining balance
Vehicle	- 30% declining balance
Digital Signage Equipment	- Straight line 18 months
Leasehold Improvements	- Over the term of the lease

Products transferred from the Company's inventory to customers' locations, which remain the property of the Company, are transferred to the Company's equipment at cost. Cost includes the inventory carried cost plus installation costs. Equipment is depreciated commencing from the power-on date of the equipment.

##### *Impairment*

Financial assets - A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the asset is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive loss.

Non-financial assets - At the end of each reporting period, the Company reviews the carrying amounts of its long lived assets (intangibles and property and equipment) to determine whether there is any indication that those assets have suffered an impairment loss. Indefinite life intangibles are assessed annually for impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the Cash Generating Unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

**4. Significant Accounting Policies – continued**

*Income taxes*

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of loss and comprehensive loss except to the extent it relates to items recognized in other comprehensive loss or directly in shareholders' equity.

Current Income Tax - Current tax expense is the expected tax payable or receivable based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax - Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the consolidated statements of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred Tax Liabilities - (i) are generally recognized for all taxable temporary differences; (ii) are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the differences will not reverse in the foreseeable future; and (iii) are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred Tax Assets - (i) are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and (ii) are reviewed at the end of the 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.

*Earnings (loss) per share*

Basic earnings (loss) per share ("EPS") is calculated by dividing profit or loss attributable to owners of the Company (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of units) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings (loss) and number of shares for the effects of dilutive options, and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options and convertible debentures are considered anti-dilutive when the Company is in a loss position.

**4. Significant Accounting Policies – continued**

*Share-based payments*

The Company operates an equity-settled compensation plan under which it receives services from employees, directors, officers, and contractors as consideration for equity instruments of the Company.

The Company uses the Black-Scholes pricing model to estimate the fair value of equity-settled awards at the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period.

When recognizing the fair value of each tranche over its respective vesting period, the Company incorporates an estimate of the number of options expected to vest and revises that estimate when subsequent information indicates that the number of options expected to vest differs from previous estimates.

No expense is recognized for awards that do not ultimately vest, except for equity-settled awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

*Foreign currency translation*

Transactions in currencies other than the Company's functional currency (foreign currency) are recognized at the exchange rates in effect on the transaction date. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses on monetary items are recognized in the statement of loss and comprehensive loss.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and the results of their operations are translated at the rate of exchange in effect on the date of the transactions. The resulting translation adjustments are included in accumulated other comprehensive loss in shareholders' deficiency.

*Financial Instruments*

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies financial instruments as either held-to-maturity, available-for-sale, fair value through profit or loss ("FVTPL"), loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and other financial liabilities, are measured at amortized cost. Available-for-sale instruments are measured at fair value unless they are unlisted with no active market. In that case, they are measured at cost. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of comprehensive income (loss).

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

**4. Significant Accounting Policies – continued**

*Financial Instruments - continued*

- 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.

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below; their classification depends on the purpose, for which the financial instruments were required or issued, their characteristics and the Company's designation of such instruments.

The Company had made the following classifications: (i) Cash is classified as a financial asset at fair value through profit or loss; (ii) Accounts receivable and other receivables are classified as loans and receivables and are recorded at amortized cost; and, (iii) Accounts payable and accrued liabilities, are classified as other liabilities and measured at amortized cost using the effective interest method.

*Non-derivative Financial Instruments*

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired:

**Loans Receivable** - Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include trade and other receivables.

**Available-for-Sale Financial Assets** - Available-for-sale financial assets are financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

**Other Financial Liabilities** - Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost. Liabilities in this category include accounts payable and accrued liabilities.

**Equity Instruments** - An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

**4. Significant Accounting Policies – continued**

*Share Capital*

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The Company currently has no other forms of equity authorized or issued other than common share ownership.

*Goodwill*

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the tangible and intangible assets acquired, less liabilities assumed, based on their fair values at the date of acquisition. Goodwill is not amortized, but is instead tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any residual impairment loss is recognized in the statement of loss and comprehensive loss, and is not reversed in a subsequent period.

*Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Company's asset retirement obligations policy requires recognition of a legal liability for obligations relating to the retirement of property and equipment from the digital signage network acquisition and normal operation of those assets. Such asset retirement obligations must be recognized at net present value in the period in which it is incurred, and added to the carrying value of the assets. The net present value of the obligation is accreted to its future value in full over the life of the contract. The accretion interest is charged to the profit and loss.

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18 Revenue.

## **5. Recent Accounting Pronouncements**

In November 2009, the International Accounting Standards Board ("IASB") issued IFRS 9 'Financial Instruments' as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied to annual periods beginning on or after January 1, 2015 with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company is assessing the impact of the new standard on its consolidated statements.

Amendments to IFRS 7, 'Financial instruments: Disclosures' and IAS 32, 'Financial Instruments: Presentations' were issued in December 2011 to clarify the current offsetting model and develop common disclosure requirement to enhance the understanding of the potential effects of offsetting arrangements. These amendments to IFRS 7 and IAS 32 are effective for annual reporting period beginning on or after January 1, 2013. The adoption of these amendments did not have a material impact on its consolidated statements.

In May 2011, the IASB issued the following standards which have been adopted by the Company: IFRS 10, 'Consolidated Financial Statements'; IFRS 11, 'Joint Arrangements'; IFRS 12, 'Disclosure of Interest in Other Entities'; and, IFRS 13, 'Fair Value Measurement'. Each of these new standards is effective for annual periods beginning on or after January 1, 2013. The adoption of these amendments did not have a material impact on its consolidated statements.

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretations Committee SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 and Separate Financial Statements.

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operations. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operations. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interest in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-monetary Contributions by Ventures.

IFRS 12 establishes disclosure requirements for interest in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities.

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

In December 2013, the IASB issued IFRS 2, 'Share-based Payment', that amended the definitions of 'vesting condition' and 'market condition' and added a definition for 'performance condition' and 'service condition' which were previously part of the definition of 'vesting condition'. This amendment is effective for annual periods

**5. Recent Accounting Pronouncements – continued**

beginning on or after July 1, 2014. The Company is assessing the impact of the new standard on its consolidated statements.

In December 2013, the IASB issued IFRS 3, 'Business Combinations', clarifying that a contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date and clarifying that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. This amendment is effective for annual periods beginning on or after July 1, 2014. The Company is assessing the impact of the new standard on its consolidated statements.

IFRS 8, "Operating Segments" requires entities to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board of Directors in order to assess each segment's performance. This is effective for annual periods beginning on or after July 1, 2014.

IAS 1, 'Presentation of Financial Statements', was amended in June 2011 by the IASB. This amendment requires entities to separately present items in other comprehensive income based on whether or not they may be reclassified to profit or loss in future periods. This amendment is effective for annual periods beginning on or after July 1, 2012. The adoption of IAS 1 amendments did not have a material impact on the Company's consolidated statements.

IAS 16, "Property, Plant and Equipment" and IAS 38, 'Intangible Assets' were issued in December 2013 and clarifies how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed. The amendments are effective for annual periods beginning on or after July 1, 2014.

IAS 24, 'Related Party Disclosure', was amended in December 2013 to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. This amendment is effective for annual periods beginning on or after July 1, 2014. The Company does not expect implementation of this amendment to have significant impact on its consolidated statements.

IAS 27, 'Separate Financial Statements', was reissued in May 2011 as a result of IFRS 10, IFRS 11 and IFRS 12. IAS 27 now only prescribes the accounting and disclosure requirements of investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The adoption of IAS 27 amendments did not have any impact on the Company's consolidated financial statements.

IAS 28, 'Investments in Associates and Joint Ventures', was issued in May 2011 and prescribes the accounting for investments in associates, which are investments in entities over which the investor has significant influence but the investment is neither a subsidiary nor joint venture and contains the requirements for application of the equity method to investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The adoption of IAS 28 amendments did not have a material impact on the Company's consolidated financial statements.

IAS 36, 'Impairment of Assets', was amended in May 2013 to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss have been recognized or reversed. The amendments also address disclosure requirements applicable when an asset's or CGU's recoverable amount is based on fair value less costs of disposal. This amendment is effective for annual periods beginning on or after February 1, 2014. The Company is assessing the impact of the new standard on its consolidated financial statements.

**5. Recent Accounting Pronouncements – continued**

IFRIC 21, 'Levies' was issued in May 2013 by the IASB. This is an interpretation of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', on the accounting for levies imposed by government. IAS 37 set out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This amendment is effective for annual periods beginning on or after January 1, 2014. The Company is assessing the impact of the new standard on its consolidated financial statements.

**6. Restricted Cash**

Restricted cash consists of cash on deposit with the Company's bank as security for the Company's line of credit and credit card. The amount on deposit earned interest calculated at 0.8 % to 1.0% annually from May 1, 2013 to April 30, 2014, and is refundable to the Company upon cancellation of the line of credit and/or credit card, or when the Company provides alternative acceptable security in support of the line and credit card.

**7. Inventories**

	2014	April 30 2013
<b>Balance beginning of year</b>	\$ 104,062	\$ -
Purchases	59,744	307,346
Transferred to property and equipment	(1,580)	(16,830)
Transferred to sales and marketing	(2,206)	(29,324)
Transferred to cost of sales	(1,264)	(157,130)
<b>Balance end of year</b>	<u>\$ 158,756</u>	<u>\$ 104,062</u>

The Company's inventories consist of purchased Smart Antennas and digital players and screens.

**8. Prepaid Expense**

Included in prepaid expense as at April 30, 2014, is an amount of \$310,000 (2013 – nil) related to a contract the Company entered into and paid for in May 2013. The contract is a two year Consulting Agreement with a private corporation controlled by an individual who also controls a corporation which participated in the Company's private placement (Note 13 a.iv). The controlling individual is considered to be an Insider of the Company, by reason of ownership of common shares in excess of 10% of the Company's outstanding common shares (Note 17 vi).

The contracted consulting services relate to the Company's continued development of smart antenna and smart player technology, which are being developed for the Company's next generation of data metrics gathering capabilities.

**9. Segmented Information**

The Company's operations fall into one business segment, namely the providing of location-based interactive proximity advertising. The Company considers that its revenue and accounts receivable fall into one geographic area - North America.

**iSIGN Media Solutions Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended April 30, 2014 and April 30, 2013**

**10. Property and Equipment**

	Interactive Media Devices	Furniture and Fixtures	Computer Equipment	Vehicle	Digital Signage Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
Balance April 30, 2012	122,937	14,902	38,497	12,951	632,425	-	821,712
Transfer from inventory	16,830	-	-	-	-	-	16,830
Additions	-	16,178	9,656	-	-	8,733	34,567
Disposals	-	-	(2,588)	-	-	-	(2,588)
Balance April 30, 2013	139,767	31,080	45,565	12,951	632,425	8,733	870,521
Additions	-	-	793	-	15,835	-	16,628
Transfer from inventory	1,580	-	-	-	-	-	1,580
Impairment	(51,203)	-	-	-	-	-	(51,203)
Disposals	-	-	-	(12,951)	-	-	(12,951)
Balance April 30, 2014	90,144	31,080	46,358	-	648,260	8,733	824,575
<b>Accumulated amortization</b>							
Balance April 30, 2012	18,441	1,636	14,356	5,015	235,330	-	274,778
Depreciation	33,873	2,136	8,657	2,381	397,095	728	444,870
Disposals	-	-	(1,561)	-	-	-	(1,561)
Balance April 30, 2013	52,314	3,772	21,452	7,396	632,425	728	718,087
Depreciation	26,315	5,421	12,670	417	3,006	1,746	49,575
Disposals	-	-	-	(7,813)	-	-	(7,813)
Balance April 30, 2014	78,629	9,193	34,122	-	635,431	2,474	759,849
<b>Net book value</b>							
Balance April 30, 2013	87,453	27,308	24,113	5,555	-	8,005	152,434
Balance April 30, 2014	11,515	21,887	12,236	-	12,829	6,259	64,726

**iSIGN Media Solutions Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended April 30, 2014 and April 30, 2013**

**11. Intangible Assets**

	Technology Development Costs	Data Development Costs	Patents	Trademarks	Digital Signage Contracts POS Data	Deferred Share- based Payment (i)	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
Balance April 30, 2012	237,851	-	10,010	1,925	2,277,000	750,000	3,276,786
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	(575)	-	-	(575)
Impairment	-	-	-	-	(897,000)	-	(897,000)
Balance April 30, 2013	237,851	-	10,010	1,350	1,380,000	750,000	2,379,211
Additions	419,550	716,907	40,850	-	-	-	1,177,307
Impairment	-	-	-	-	(380,902)	-	(380,902)
Balance April 30, 2014	657,401	716,907	50,860	1,350	999,098	750,000	3,175,616
<b>Accumulated amortization</b>							
Balance April 30, 2012	21,169	-	1,509	420	222,600	18,750	264,448
Amortization	15,857	-	500	90	420,369	150,000	586,816
Balance April 30, 2013	37,026	-	2,009	510	642,969	168,750	851,264
Amortization (reversal)	(37,026)	-	500	840	356,129	150,000	470,444
Balance April 30, 2014	-	-	2,509	1,350	999,098	318,750	1,853,909
<b>Net book value</b>							
Balance April 30, 2013	200,825	-	8,001	840	737,031	581,250	1,527,947
Balance April 30, 2014	657,401	716,907	48,351	-	-	431,250	1,853,909

i) The deferred stock-based payment reflects the fair value of 3,000,000 warrants issued on March 21, 2012 in the connection with the VPAN Agreement with Mac's Convenience Stores Inc. and Couche-Tard Inc. (Note 13 d).

**12. Note Payable**

On February 24, 2014, the Company entered into a secured \$250,000 note with a shareholder at an interest rate of 8% due and payable May 30, 2014 (Note 20 ii).

**iSIGN Media Solutions Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended April 30, 2014 and April 30, 2013**

**13. Share Capital**

*a. Common Shares*

Common shares issued

	[Notes]	Number	Amount
<b>Balance April 30, 2012</b>		67,017,520	\$ 8,308,043
Issuance in a private placement	13.a.(i)	848,666	63,650
Exercise of options	13.a.(ii)	170,000	39,100
Exercise of warrants	13.a.(iii)	62,500	18,750
Cost of share issuances			(5,445)
<b>Balance April 30, 2013</b>		68,098,686	\$ 8,424,098
Issuance in a private placement	13.a.(iv)	9,499,999	\$ 1,852,500
Exercise of options	13.a.(v)	40,000	9,200
Issued in exchange for royalty payments	13.a.(vi)	2,924,448	511,778
Cost of share issuances			(322,550)
<b>Balance April 30, 2014</b>		80,563,133	\$ 10,475,026

- i. During March 2013, the Company completed a private placement of 848,666 shares and 848,666 whole warrants, at a price of \$0.30 for proceeds of \$254,600 (share value of \$63,650 and warrant value of \$190,950).
- ii. During the year ended April 30, 2013, 170,000 stock options were exercised for proceeds of \$39,100.
- iii. During the year ended April 30, 2013, 62,500 warrants were exercised for proceeds of \$18,750.
- iv. During November 2013, the Company completed a private placement of 9,499,999 shares and 9,499,999 whole warrants, at a price of \$0.30 for proceeds of \$2,850,000 (common share fair value of \$1,852,500 and warrant fair value of \$997,500) less the cost of issuance for a net cash flow of \$2,527,450.
- v. During the year ended April 30, 2014, 40,000 stock options were exercised, for proceeds of \$9,200.
- vi. In January 2012, the Company signed a five year Virtual Private Advertising Network Agreement ("VPAN Agreement") with Mac's Convenience Stores Inc. and Couche-Tard Inc. ("Couche-Tard") with an effective date of December 16, 2011. The VPAN Agreement granted Couche-Tard the right to exchange either 100% or 50% of its royalty rights into either 2,924,448 or 1,462,224 common shares respectively. In March 2014, Couche-Tard exercised its right to receive 2,924,448 shares in exchange for its full royalty rights for the entire five year agreement. The Company has calculated this exchange based on the share price at the date of Couche-Tard's exercise notice (common share value of \$511,778, no warrants); the transaction resulted in a gain on settlement of debt of \$426,592.

*b. Compensation Based Options*

On December 16, 2013, the shareholders of the Company ratified a Stock Option Plan (the "Plan") which is administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding common shares. The Plan is a rolling plan such that the number of shares reserved for issuance will increase as the Company's issued and outstanding common shares increases. Options granted under the Plan are exercisable for a period up to five years, as determined by the Board, from the date of the grant. The exercise price of the options shall be determined by the

**iSIGN Media Solutions Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended April 30, 2014 and April 30, 2013**

**13. Share Capital**

*b. Compensation Based Options - continued*

Board at the time of the grant, but shall not be less than the Discounted Market Price as set by the TSX Venture Exchange Policy 1.1 as amended from time to time. The options are subject to several vesting periods as outlined in the Plan.

The granting of options is subject to the following conditions: (a) not more than 10% of the outstanding issue of the shares may be reserved for the granting of options to insiders; (b) not more than 10% of the outstanding issue of the shares may be reserved for the granting of options to insiders or issued to insiders within any one year period; (c) not more than 5% of the issued and outstanding common shares may be granted to any one individual in a one year period; (d) not more than 2% of the issued and outstanding common shares may be granted to any one consultant in any one year period; and (e) not more than an aggregate 2% of the issued and outstanding issued and outstanding common shares may be granted to an employee conducting investor relations activities in any one year period.

*c. Stock Options*

A summary of the stock options outstanding and exercisable under the plan as of April 30, 2014 and 2013 and changes during the periods are as follows:

	[Notes]	Options	Weighted Price
<b>Options outstanding at April 30, 2012</b>		5,158,333	\$ 0.29
Granted		625,000	0.29
Exercised	13.a.(ii)	(170,000)	0.23
Cancelled		(985,000)	0.28
<b>Options outstanding at April 30, 2013</b>		4,628,333	\$ 0.29
Granted		5,975,000	0.20
Exercised	13.a.(v)	(40,000)	0.23
Cancelled		(2,675,000)	0.30
<b>Options outstanding at April 30, 2014</b>		7,888,333	\$ 0.22
		Options	Weighted Price
<b>Options exercisable at April 30, 2012</b>		3,564,999	\$ 0.29
Vested during the period		1,222,496	0.30
Cancelled during the period		(851,666)	0.28
Exercised during the year	13.a.(ii)	(170,000)	0.23
<b>Options exercisable at April 30, 2013</b>		3,765,829	\$ 0.30
Vested during the period		2,979,172	0.22
Cancelled		(2,162,499)	0.30
Exercised during the period	13.a.(v)	(40,000)	0.23
<b>Options exercisable at April 30, 2014</b>		4,542,502	\$ 0.25

**iSIGN Media Solutions Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended April 30, 2014 and April 30, 2013**

**13. Share Capital - continued**

*c. Stock Options - continued*

The following table summarizes additional disclosures on the stock options outstanding at April 30, 2014:

Exercise Price	Options Outstanding		Options Exercisable		Fair Value at Time of Issue Not yet Expired	Expensed to 30-Apr-14	Not Expensed at 30-Apr-14
	Number Outstanding	Remaining Average Life (Mths)	Number Outstanding	Remaining Average Life (Mths)			
\$ 0.250	250,000	5.0	250,000	5.0	\$ 20,500	\$ 20,500	\$ -
0.250	293,333	9.5	293,333	9.5	78,540	78,540	-
0.250	50,000	19.5	50,000	19.5	36,600	36,600	-
0.285	80,000	21.0	80,000	21.0	22,720	22,720	-
0.250	350,000	23.0	350,000	23.0	89,600	89,600	-
0.400	250,000	24.0	250,000	24.0	97,250	97,250	-
0.450	200,000	24.5	200,000	24.5	87,800	87,800	-
0.350	50,000	30.0	50,000	30.0	16,450	16,450	-
0.310	100,000	31.0	100,000	31.0	28,400	28,400	-
0.230	290,000	32.5	290,000	32.5	144,500	144,500	-
0.205	500,000	50.5	166,667	50.5	102,000	34,000	68,000
0.150	1,500,000	55.0	500,001	55.0	240,000	80,000	160,000
0.200	2,575,000	55.5	1,287,500	55.5	473,800	236,900	236,900
0.195	50,000	58.0	16,667	58.0	9,750	3,250	6,500
0.235	100,000	59.0	33,334	59.0	23,400	7,800	15,600
0.260	1,250,000	59.0	625,000	59.0	317,500	158,750	158,750
	7,888,333		4,542,502		\$ 1,788,810	\$ 1,143,060	\$ 645,750

During the year ended April 30, 2014 the Company recognized \$590,850 in stock-based compensation expense to directors, employees and consultants (2013 - \$368,094) under general and administrative expenses. The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate 1.65% to 1.83% (2013 – 1.29% to 1.54%); expected dividend yield of \$Nil (2013 - \$Nil); estimated volatility of 364.3% to 380.8% (2013 – 375.0% to 469.5%) and an expected option life of two and a half years (2013 – two and a half years).

**iSIGN Media Solutions Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended April 30, 2014 and April 30, 2013**

**13. Share Capital - continued**

*d. Warrants*

	[Notes]	Warrants	
		Number	Amount
<b>Balance April 30, 2012</b>		13,977,653	\$ 3,346,547
Issuance in a private placement	13.a.(i)	848,666	190,950
Expiry of warrants	13.d.(i)	(550,375)	(70,293)
Exercise of warrants	13.a.(iii)	(62,500)	-
Transfer to contributed surplus	13.d.(ii)	-	(12,938)
<b>Balance April 30, 2013</b>		14,213,444	\$ 3,454,266
Issuance in a private placement	13.a.(iv)	9,499,999	997,500
Expiry of warrants	13.d.(iii)	(4,147,228)	(1,459,824)
<b>Balance April 30, 2014</b>		19,566,215	\$ 2,991,942

- i. During the year ended April 30, 2013, 550,375 warrants valued at \$70,293 expired without being exercised and were transferred to contributed surplus.
- ii. During the year ended April 30, 2013, the value of warrants that were exercised and transferred to contributed surplus was \$12,938.
- iii. During the year ended April 30, 2014, 4,147,228 warrants valued at \$1,459,824 expired without being exercised and were transferred to contributed surplus.

The following tables summarize information about stock warrants outstanding at April 30, 2014:

Issued	Number	Weighted Average Exercise Price	Expiry Date
15-Jan-10	5,000,000	\$ 0.45	14-Jan-15
26-Nov-10	50,000	0.30	26-May-14
30-Nov-10	502,600	0.30	26-May-14
30-Dec-10	664,950	0.30	26-May-14
23-Mar-12 (Note 11.i)	3,000,000	0.50	23-Mar-17
27-Mar-13	848,666	0.45	27-Mar-15
07-Nov-13	9,499,999	0.45	07-Nov-15
<b>Balance April 30, 2014</b>	<b>19,566,215</b>	<b>\$ 0.45</b>	

Summary:

Number of Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (months)
1,217,550	\$ 0.30	1.0
5,000,000	0.45	8.5
3,000,000	0.50	47.0
848,666	0.45	11.0
9,499,999	0.45	22.5
<b>19,566,215</b>	<b>\$ 0.45</b>	

**iSIGN Media Solutions Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended April 30, 2014 and April 30, 2013**

**14. Contributed Surplus**

Contributed surplus resulted from the following:

	[Notes]	Amount
<b>Balance at April 30, 2012</b>		\$ 2,153,474
Amounts resulting from stock-based compensation		368,094
Ascribed value of expired warrants	13.d.(i)	70,293
Ascribed value of exercised warrants	13.d.(ii)	12,938
<b>Balance at April 30, 2013</b>		\$ 2,604,799
Amounts resulting from stock-based compensation	13.c	590,850
Ascribed value of expired warrants	13.d.(iii)	1,459,824
<b>Balance at April 30, 2014</b>		\$ 4,655,473

**15. Goodwill Impairment**

Goodwill is tested for impairment annually, and whenever there is indication that the CGU, to which the goodwill has been allocated, may be impaired. The impairment loss is determined by comparing the carrying amount of the CGU, including the goodwill, with the recoverable amount of the CGU. The Company utilizes the value-in-use method that requires the Company to prepare a discounted cash-flow analysis for the CGU.

The factors management considered in determining that there was indication of impairment, included evaluating the Company's five year discounted cash flows for the CGU, and in particular the revenue growth projections, and the resources the Company could expect to utilize to achieve its revenue growth targets. Based on the Company's review of its revenue growth prospects, the Company has modified its revenue projection expectations downwards; consequently, the carrying amount of the net assets of the CGU was higher than its recoverable amount. In preparing the discounted cash flows, the Company utilized discount rates ranging from 25% to 30% to reflect the element of risk inherent in projecting revenue in the CGU's business operations. The cash flow projections and assumptions are based on forward looking data and management estimates concerning future events and financial results. Actual financial results could be materially different.

Consequently, in the year ended April 30, 2013, the Company has recognized an impairment loss on its goodwill asset of \$567,549 and has a net book value of nil at April 30, 2013.

**iSIGN Media Solutions Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended April 30, 2014 and April 30, 2013**

**16. Income Taxes**

A reconciliation of the differences between the statutory Canadian income tax expense (benefit) and the Company's effective tax expense (benefit) at April 30, 2014 and 2013 is as follows:

	<b>For the year ended April 30</b>	
	<b>2014</b>	<b>2013</b>
Loss before income taxes	(2,857,658)	(5,535,073)
Canadian statutory tax rates	26.5%	26.5%
Statutory income tax rates applied to accounting losses	(757,279)	(1,466,794)
Increase in income taxes result from:		
Permanent differences	135,449	68,375
Temporary differences	33,918	55,834
	(587,912)	(1,342,585)
Allowance for non-recognition of tax losses	587,912	1,342,585
Change in deferred tax	433,205	111,400
Recovery of deferred tax	433,205	111,400

Deferred taxes are classified as non-current. The tax effects of temporary differences at April 30, 2014, and April 30, 2013, are as follows:

	<b>2014</b>	<b>2013</b>
Property and equipment	\$ 785,475	\$ 757,827
Intangibles assets	(491,285)	(642,610)
Non-capital loss carry-forwards	2,893,131	2,561,754
Cumulative eligible capital	1,951	2,069
Finance costs	105,811	62,133
Deferred tax asset not recognized	(3,295,083)	(3,174,178)
Deferred tax liability	\$ -	\$ (433,005)
Deferred tax liability, beginning of year	\$ (433,205)	\$ (544,405)
Deferred tax liability, end of year	-	(433,005)
Provision for Recovery of Income Tax	\$ (433,205)	\$ (111,400)

As at April 30, 2014, the Company had non-capital losses available to reduce future taxable income that expire as follows:

2028	\$ 561,517
2029	1,613,617
2030	1,435,468
2031	2,054,312
2032	2,242,708
2033	1,698,576
2034	1,311,277
	<b>\$ 10,917,475</b>

**16. Income Taxes – continued**

The Company's subsidiaries iSIGN Media Network Corp. and Pinpoint Commerce Inc. have significant cumulative non-capital tax losses reported in their pre-acquisition corporate tax returns. The subsidiaries are deficient in filing certain pre-acquisition and current tax returns subsequent to the acquisition, which the Company will rectify forthwith. These periods have accounting losses and as a result will also have losses for tax purposes. Until the Company can obtain a determination of losses confirmed by Canada Revenue Agency, the losses are not disclosed in its financial statements. As of the year ended April 30, 2014, the deferred tax asset that would result from these cumulative tax losses would be 100% reserved because there is no certainty the tax loss would be realized against future income taxes otherwise owing.

**17. Related Party Transactions and Balances**

All related party transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by both parties. In the normal course of operations, the Company:

- i. Pays the monthly fees of the Chief Executive Officer to a company owned by him. During the year ended April 30, 2014, the Company paid fees totaling \$196,200 (April 30, 2013 – \$196,200). In fiscal 2014, \$58,850 (2013- nil) of these fees were capitalized to Data Development Costs and \$39,240 (2013 – nil) were capitalized to Patents. The amount outstanding in trade accounts payable at April 30, 2014 was \$Nil (April 30, 2013 - \$Nil). In the event of termination of this agreement for any reason other than just cause, a penalty of \$180,000 would be owing. In addition, the Company accrued a monthly salary directly to the CEO for his services in connection with its US operations based out of the Company's office in Florida USA of \$6,000 per month amounting to \$76,549 for the 2014 year (2013 - \$24,928). At April 30, 2014, \$61,167 is unpaid and included in accounts payable and accrued liabilities (April 30, 2013 - \$24,928).
- ii. Pays the monthly fees of the Project and Business Development Manager to a company owned by a person related to the Chief Executive Officer. During the year ended April 30, 2014 the Company expensed fees totaling \$27,136 (April 30, 2013 - \$36,000). The amount outstanding in trade accounts payable at April 30, 2014 was \$2,730 (April 30, 2013 - \$Nil).
- iii. Paid the monthly fees of the former Chief Financial Officer to a company controlled by him. During the year ended April 30, 2014, the Company expensed fees totaling \$18,000 (April 30, 2013 - \$24,000). The amount outstanding in trade accounts payable at April 30, 2014 was \$Nil (April 30, 2013 - \$11,300).
- iv. Engaged a law firm to provide legal services to the Company of which one of the partners in the law firm is a former director and current secretary of the Company. During the year ended April 30, 2014, the Company expensed legal fees and disbursements totaling \$41,308 (April 30, 2013 - \$30,991). The amount outstanding in trade accounts payable at April 30, 2014 was \$15,812 (April 30, 2013 - \$19,912).
- v. Paid the monthly fees of the current Chief Financial Officer to a company controlled by him. During the year ended April 30, 2014, the Company expensed fees totaling \$13,500 (April 30, 2013 - \$Nil). The amount outstanding in trade accounts payable at April 30, 2014 was \$11,865 (April 30, 2013 - \$Nil).
- vi. Entered into and paid a \$460,000 contract for technical services with a private corporation controlled by an individual who also controls a corporation that participated in the Company's private placement (notes 8 and 13 a.iv). The controlling individual is considered to be an insider of the Company due to ownership in excess of 10% of the common shares of the Company.

**17. Related Party Transactions and Balances - continued**

- vii. Issued a secured promissory note payable in the amount of \$250,000 to a shareholder of the Company. See notes 12 and 20 ii.
- viii. Pays directors fees and included in accounts payable and accrued liabilities are unpaid directors fees of \$80,380 (2013 – nil).
- ix. Contracted with QDAC Inc., a company under the significant influence of an insider of the Company, to undertake \$170,000 of technology development (capitalized to Data Development Costs) and \$59,744 for the purchase of Smart Antenna inventory. The amount of \$259,610 (which includes HST) is included in accounts payable and accrued liabilities at year end.

**18. Loss per Share**

Basic loss per share is calculated on the basis of the weighted average number of common shares outstanding for the period, which, for the twelve month period ended April 30, 2014, amounted to 76,706,065 (April 30, 2013 – 67,173,867). For the periods presented, all stock options and warrants are anti-dilutive, therefore diluted loss per share is equal to the basic loss per share.

The following instruments have been excluded from the diluted earnings per share as these instruments are anti-dilutive:

	<b>For the year ended April 30</b>	
	<b>2014</b>	<b>2013</b>
Stock options	7,888,333	4,628,333
Warrants	19,566,215	14,213,444
	<b>27,454,548</b>	<b>18,841,777</b>

**19. Financial Instruments and Risk Management**

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. When the independent prices are not available, fair values are determined using valuation techniques that refer to observable market data. These techniques include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

*Fair value*

The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments:

- i. The carrying amounts of cash, restricted cash, accounts receivable, other receivables, accounts payable and accrued liabilities and note payable approximate fair value due to the short-term maturity of these financial instruments.
- ii. Cash and restricted cash have been valued using a level 1 fair value hierarchy. The Company's other financial instruments are level 2 in the fair value hierarchy.

**19. Financial Instruments and Risk Management - continued**

*Credit risk*

Credit risk is the risk of financial loss associated with the counterparty's inability to fulfill its payment obligations in accordance with the terms and conditions of its contract with the Company. Credit risk arises from cash and deposits with banks as well as credit exposure to outstanding receivables.

The Company's credit risk arises primarily from the Company's trade receivable. The carrying amount of financial assets represents the maximum credit exposure to the Company. The Company's exposure to trade credit risk as at April 30, 2014 was \$53,075 (April 30, 2013 - \$211,923) net of allowances.

The Company may also have credit risk relating to cash and restricted cash, of \$133,802 and \$17,000, respectively, which it manages by dealing with highly rated financial institutions.

*Liquidity risk*

Liquidity risk is the risk that the Company will experience difficulty in meeting its obligations that are associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet financial obligations when they fall due, from its funding sources, such as equity and debt issuances. The Company continues to actively pursue new equity financing to ensure that it will have funds available to meet liabilities when they fall due. The following table represents the Company's financial liabilities identified by type and future contractual dates of payment:

	Total	Under 1 Year	1 – 3 Years	After 3 Years
Trade accounts payable and accrued liabilities	\$ 769,989	\$ 769,989	\$ -	\$ -
Note payable	250,000	250,000	-	-
	<u>\$ 1,019,989</u>	<u>\$ 1,019,989</u>	<u>\$ -</u>	<u>\$ -</u>

**20. Subsequent Events**

- i. In May 2014, the 1,217,550 warrants issued November 10 and 26 and December 30, 2010 and due to expire on May 26, 2014, were extended to August 25, 2014 and subsequent to year end have been extended to August 25, 2015 conditional on the exercise of \$US 50,000 worth of warrants.
- ii. The company is indebted under the terms of a \$250,000 promissory note to Korona Group Ltd. (a shareholder of the Company) carrying interest at 8% per annum. Subsequent to year end, the lender advanced an additional \$20,000 and \$80,000 on June 16, 2014 and July 16, 2014, respectively, under the same terms and conditions. As of July 25, 2014 accrued and unpaid interest on the outstanding balance of \$350,000 was \$8,636. Further, the Company had certain invoices outstanding to QDAC Inc., a supplier to the company, totaling \$236,170 plus interest of \$5,194 as of July 25, 2014. The Company and Korona Group Inc. agreed to sign a new demand promissory note payable to Korona Group Ltd. in the amount of \$600,000 that would constitute full payment of the initial advances and interest and full payment of the amounts and interest owing to QDAC Inc. The note carries interest at 8% per annum and is convertible for three months from the date of issue into units consisting of one common share of the company at a price payable of \$0.25 per share and one common share purchase warrant, which is exercisable into one common share of the Company for a period of two years at an exercise price of \$0.50 per warrant.

**20. Subsequent Events – continued**

- iii. On July 25, 2014, the Company raised a further \$900,000 of funds from the issuance of demand promissory notes that carry interest at 8% per annum and are convertible for three months from the date of issue into units consisting of one common share of the company at a price payable of \$0.25 per share and one common share purchase warrant, which is exercisable into one common share of the Company for a period of two years at an exercise price of \$0.50 per warrant.
- iv. On May 16, 2014, the Company was granted a US Patent for its method and system for out-of-home proximity marketing and for delivering market awareness information.
- v. On May 28, 2014, the Company entered into a Memorandum of Understanding with POS Canada Holdings Inc. ("POS") to acquire all of the shares of POS. As of the date of the Board's approval of these consolidated financial statements, a definitive Purchase Agreement has not been reached.

**21. Commitments and Contingencies**

*Rental and operating leases*

The Company currently has lease arrangements for the rental of its offices in Richmond Hill, Ontario, Canada and Clearwater, Florida, United States. The minimum annual lease payments under annual rental and operating leases exclusive of operating costs, are as follows:

	<b>Amount</b>
Fiscal 2015	\$ 32,606
Fiscal 2016	29,057
Fiscal 2017	30,167
Fiscal 2018	12,762
Fiscal 2019	-
	<hr/>
	\$ 104,592

*Inventory purchase commitment*

During the fiscal year ended April 30, 2014, the Company issued a purchase order for 1,500 Smart Antennas; of this commitment, 150 units were received before the year-end and 1,350 units with a value of \$543,000, were delivered subsequent to the year-end.

*Contingencies and provisions*

From time to time, the Company enters into software licensing agreements and distribution agreements with a client/business partners whereby the Company has agreed to indemnify the counterparties for liabilities that may arise during the terms of the agreements. The maximum amount of any potential future payment cannot be reasonably estimated.

On December 8, 2010, iSIGN Network entered into a Local Advertising Representation Agreement with a company controlled by former shareholders. The agreement engaged MxN Media Technology Group Inc. to act as its agent for the sale of local ads to be displayed on the Mac's Milk digital signage network. The Company has the option to terminate the agreement at any time on 30 days written notice and conditional on payment of a break fee calculated as a percentage of revenues. The minimum break fee is \$250,000.

**21. Commitments and Contingencies – continued**

*Contingencies and provisions - continued*

In the ordinary course of business the Company and its subsidiaries are involved in legal claims and counter claims, as defendants or plaintiffs. The Company has evaluated its legal actions and has estimated potential settlements and legal costs based on the current information and have accrued a provision based on management's estimate of potential outcomes. It is management's opinion that any additional liability to the Company that may arise from these matters will not have a material effect upon the operating results, financial position or cash flows of the Company.

In the ordinary course of business the Company estimates provisions for: (i) future obligations to install equipment that has no scheduled installation date; and, (ii) open-tickets for contractual maintenance obligations on the Mac's digital signage network.

**22. Capital Management**

The Company has adopted a financial concept of capital whereby capital is considered to be synonymous with the net assets or equity of the Company. When managing its capital the Company seeks to ensure it has sufficient liquidity to pursue its strategy for organic growth in combination with strategic acquisitions, in order to provide competitive returns for its shareholders.

The total of its shareholders' equity was as follows:

<b>For the year ended April 30</b>			
<b>2014</b>		<b>2014</b>	
\$	1,367,213	\$	152,588

The Company manages its capital structure and makes adjustments to it in light of general economic conditions and the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust the capital structure, the Company, upon approval from its Board of Directors, may issue long-term debt, convertible debentures, issue shares, repurchase shares through a normal course issuer bid and pay dividends. The Board of Directors reviews and approves any material transactions not in the ordinary course of business which may include various acquisition proposals, as well as capital and operating budgets. The Company is not subject to any externally imposed capital requirements.

**23. Net Change in Non-Cash Working Capital**

	<b>For the year ended April 30</b>			
	<b>2014</b>		<b>2013</b>	
Net change in non-cash working capital balances:				
Accounts receivable	\$	158,848	\$	(80,725)
Other receivable		91,823		20,897
Sales taxes recoverable		(100,272)		(23,453)
Inventories		(54,694)		(104,062)
Prepaid expenses and deposits		(41,899)		(2,772)
Accounts payable and accrued liabilities		(444,324)		760,762
Provisions		(22,207)		142,762
Deferred revenue		(14,894)		97,499
	\$	(427,619)	\$	810,908

**iSIGN Media Solutions Inc.**  
**Notes to the Consolidated Financial Statements**  
**Years Ended April 30, 2014 and April 30, 2013**

**24. Selling and Marketing**

	For the year ended April 30			
	2014		2013	
Travel, tradeshow and promotional	\$ 21,820	3.4%	\$ 136,524	14.6%
Royalties	424,998	68.7%	502,909	54.0%
Third party commissions	140,295	22.7%	189,046	20.3%
Salaries	-	0.0%	44,794	4.8%
Benefits	-	0.0%	5,245	0.6%
Contractual services	30,744	5.0%	39,369	4.2%
Other	906	0.2%	14,118	1.5%
Total - Selling and marketing	\$ 618,763	100.0%	\$ 932,005	100.0%

**25. General and Administration**

	For the year ended April 30			
	2014		2013	
Salaries	\$ 75,705	4.7%	\$ 116,391	6.1%
Benefits	7,514	0.5%	11,893	0.6%
Contractual services	264,699	16.8%	548,376	29.4%
Stock-based compensation	590,850	37.6%	368,094	19.7%
Travel and auto	24,340	1.6%	63,001	3.4%
Office costs	70,246	4.5%	89,398	4.8%
Occupancy and operating costs	44,180	2.8%	125,166	6.7%
Professional	241,994	15.4%	377,521	20.2%
Consulting	192,033	12.2%	164,543	8.8%
Directors' fees	90,380	5.7%	17,000	0.9%
Other income	(28,537)	( 1.8)%	(12,933)	( 0.7)%
Total - General and administration	\$ 1,573,404	100.0%	\$ 1,868,450	100.0%

**26. Prior Year Comparative Figures**

The prior year comparative figures have been re-classified to conform to the current year's presentation and were audited by another firm of Chartered Professional Accountants.