CONSOLIDATED FINANCIAL STATEMENTS

For

ACKROO INC.

For the years ended

DECEMBER 31, 2014 and 2013

INDEPENDENT AUDITOR'S REPORT

To the shareholders of

ACKROO INC.

We have audited the accompanying consolidated financial statements of Ackroo Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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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 Ackroo Inc. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements, which indicates that Ackroo Inc. is investing in the commercialization of its loyalty rewards product and service offering and to date has generated losses from operations. The Company depends on its ability to generate sufficient revenue in order to discharge its commitments and liabilities in the normal course of business. These conditions as set forth in Note 2 in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Ackroo Inc.'s ability to continue as a going concern.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
March 31, 2015.

ACKROO INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 336,158	$ 250,363
Accounts receivable (notes 5 and 15(c))	173,099	324,635
Inventory	29,892	9,708
Prepaid expenses and other assets	79,983	62,463
	619,132	647,169
NON-CURRENT ASSETS		
Intangible assets (notes 6 and 7)	-	751,366
Goodwill (note 7)	-	87,316
Property and equipment (note 8)	31,904	248,283
	31,904	1,086,965
	$ 651,036	$ 1,734,134
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
CURRENT LIABILITIES		
Bank indebtedness (note 9)	$ -	$ 75,000
Accounts payable and accrued liabilities (note 15(e))	363,618	291,041
Advances from subscriptions (note 15(f))	590,460	-
Current portion of finance lease obligations (note 11)	4,254	8,849
Current portion of deferred revenue	95,487	66,575
Current portion of lease inducement (note 8)	-	22,343
Current portion of long-term debt (note 10)	76,000	7,143
	1,129,819	470,951
FINANCE LEASE OBLIGATIONS (note 11)	-	4,254
DEFERRED REVENUE	10,500	-
LEASE INDUCEMENT (note 8)	-	111,714
LONG-TERM DEBT (note 10)	29,000	35,714
	1,169,319	622,633
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Capital stock (note 13)	8,346,721	7,716,483
Agent options (note 13)	97,600	97,600
Warrants (note 13)	1,600,600	1,315,900
Contributed surplus (note 13)	1,554,371	1,288,801
Deficit	(12,117,575)	(9,307,283)
	(518,283)	1,111,501
	$ 651,036	$ 1,734,134

Approved by the Board:

STEVE LEVELY
. . . . Director

JOHN CHAPMAN
. . . . Director

(See accompanying notes)

ACKROO INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Common shares		Agent		Contributed	Accumulated	
	Number	Amount	Options	Warrants	Surplus	deficit	Total
Balance at December 31, 2012	5,714,412 [1]	$ 7,716,483	$ 97,600	$ 1,315,900	$ 708,976	$ (5,424,872)	$ 4,414,087
Share-based compensation			-	-	579,825	-	579,825
Comprehensive loss	-	-	-	-	-	(3,882,411)	(3,882,411)
Balance at December 31, 2013	5,714,412	$ 7,716,483	$ 97,600	$ 1,315,900	$ 1,288,801	$ (9,307,283)	$ 1,111,501
Shares subscribed for cash	1,177,367	630,238	-	284,700	-	-	914,938
Share-based compensation	-	-	-	-	265,570	-	265,570
Share consolidation adjustment	(119)	-	-	-	-	-	-
Comprehensive loss	-	-	-	-	-	(2,810,292)	(2,810,292)
Balance at December 31, 2014	6,891,660	$ 8,346,721	$ 97,600	$ 1,600,600	$ 1,554,371	$ (12,117,575)	$ (518,283)

[1] Adjusted to give effect to the 1 for 10 share exchange

(See accompanying notes)

ACKROO INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Revenue (note 15(c))		
Subscription and service	$ 986,511	$ 876,880
Product	341,655	407,136
	1,328,166	1,284,016
Cost of revenue		
Subscription and service	213,503	268,967
Product	147,385	157,484
	360,888	426,451
Gross profit	967,278	857,565
Expenses (note 15(c))		
Administration	1,446,223	1,456,206
Research and development costs	674,145	928,151
Sales and marketing	596,385	1,046,117
Share-based compensation expense (note 13(e))	265,570	579,825
Amortization of intangible assets	281,232	283,682
Amortization of property and equipment	45,187	35,511
Foreign exchange (gain) loss	(5,885)	14,055
Investment tax credits and non-refundable grants (note 14)	(135,428)	(77,480)
	3,167,429	4,266,067
Loss before the following items	(2,200,151)	(3,408,502)
Interest income	872	14,661
Interest expense	(53,563)	(23,979)
Restructuring (note 15(e))	-	(464,591)
Impairment loss (note 7)	(557,450)	-
	(610,141)	(473,909)
Comprehensive loss	$ (2,810,292)	$ (3,882,411)
Basic and diluted loss per share	$ (0.44)	$ (0.68)
Weighted average number of common shares outstanding		
Basic and diluted	6,427,880	5,714,414

(See accompanying notes)

ACKROO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive loss	$ (2,810,292)	$ (3,882,411)
Adjustments for:		
Amortization of deemed interest	1,942	3,235
Amortization of property and equipment	45,187	35,511
Amortization of intangible assets	281,232	283,682
Share-based compensation	265,570	579,825
Impairment loss	557,450	-
Net amortization of lease inducement	(20,481)	5,257
Lease termination provision	93,353	-
	(1,586,039)	(2,974,901)
Changes in level of:		
Accounts receivable	151,536	(7,164)
Investment tax credit recoverable	-	183,700
Prepaid expenses and deferred charges	17,985	72,028
Inventory	(20,184)	-
Accounts payable and accrued liabilities	85,002	(55,869)
Deferred revenue	39,412	47,559
	(1,312,288)	(2,734,647)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property and equipment	(11,976)	(27,948)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	(75,000)	75,000
Repayment of long-term debt - net	(9,548)	(8,436)
Repayments of capital lease obligations	(10,791)	(10,791)
Issuance of capital stock	914,938	-
Advances from subscriptions	590,460	-
	1,410,059	55,773
DECREASE IN CASH AND CASH EQUIVALENTS	85,795	(2,706,822)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	250,363	2,957,185
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 336,158	$ 250,363

(See accompanying notes)

1. NATURE OF OPERATIONS

Ackroo Inc. (“Ackroo” or the “Company”) is a public company and its shares are listed on the TSX Venture Exchange (TSX-V:AKR). The Company is incorporated under the Canada Business Corporations Act. The Company’s head office is located at 62 Steacie Drive, Suite 201, Ottawa, Ontario, Canada. The Company develops and sells an online loyalty and rewards platform that enables businesses to design and execute customer transaction, engagement and retention strategies.

2. BASIS OF PREPARATION AND FUTURE OPERATIONS

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Ackroo Canada Inc. and Ackroo Corporation. All significant intercompany transactions have been eliminated.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 31, 2015.

The consolidated financial statements are presented using the Canadian dollar, which is the company’s functional currency.

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) including International Accounting Standards prevailing at December 31, 2014.

Future operations

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date the company has incurred an accumulated loss of $12,117,575 and negative cash flow from operations as the Company invests in the commercialization of its loyalty rewards product and service offering. This raises doubt about the ability of the Company to continue as a going concern. The Company has raised equity to fund the commercialization activities and product enhancements. The Company expects that the investment it has made in 2013 and 2014 in its sales and marketing programs will result in a significant increase in revenue. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue sufficient to fund its cash flow needs. There is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the balance sheet classifications used. Such differences in amounts could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Company's revenue is derived from the provision of loyalty rewards subscription services, consulting services and consumable products utilized by its customers in the implementation and management of customer loyalty programs. Revenue is generated in three distinct types. Setup includes all of the components required to start a loyalty program including: software, card readers, loyalty cards, artwork, training and configuration of the software to meet customer specific requirements. Transactions include the ongoing monthly processing of loyalty transactions and are charged on either a per transaction basis or a flat monthly fee over the contract period. The company also generates revenue from consulting services provided for additional customer training and customized development of loyalty programs.

Arrangements maybe comprised of multiple elements in which case the elements are unbundled from the total arrangement fee and recorded based on their relative fair value as determined by reliable objective evidence. The Company determines fair value based on its internal pricing guidelines and historical experience.

The company recognizes revenue when it has transferred significant risks of ownership, legal title has passed, it retains neither continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transactions will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from setup fee is recognized when all product and training have been delivered and the customer confirms the system is working. Revenue from license and subscriptions is recognized evenly over the term or estimated term. Revenue from service and consulting fees is recognized in the period in which the services are provided.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit with financial institutions and undeposited funds on hand.

Inventories

Inventory consists of components such as cards and card readers and is recorded at the lower of cost and estimated selling price. Previously written down inventory is reversed if circumstances that caused the write-down no longer exist.

Financial instruments

All financial instruments are initially recognized at fair value including transaction costs, except those at fair value through profit or loss (“FVTPL”) for which transaction costs are expensed when incurred.

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

Cash and cash equivalents and bank indebtedness are designated as FVTPL which are measured at fair value, with changes in fair value being recorded in net earnings at each period end.

Accounts receivable and investment tax credit recoverable have been classified as loans and receivables and are measured at amortized cost.

Accounts payable and accrued liabilities have been classified as other financial liabilities, which are measured at amortized cost.

Long-term debt and finance lease obligations have been classified as held to maturity which are measured at amortized cost using the effective interest rate method.

Due to the short-term nature of these assets and liabilities, the fair values approximate amortized cost.

3. **SIGNIFICANT ACCOUNTING POLICIES** - Cont'd.

Financial instruments - Cont'd.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The inputs fall into three levels that may be used to measure fair value:

- Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 - Applies to assets or liabilities for which there is no observable market data.

The fair value of assets and liabilities measured on a recurring basis include cash and cash equivalents determined based on Level 1 and Level 2 inputs. The Company believes that the recorded values of all of the other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, the Company recognizes an impairment loss for financial assets carried at amortized cost. The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows. The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Foreign currency

In preparing the financial statements, transactions in currencies other than the Company's functional currency are recorded at the exchange rates prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the foreign exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the Canadian dollars at the effective exchange rate on the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in the statement of comprehensive income.

Finance leases

Equipment leased by the Company under agreements which transfer substantially all of the benefits and risks of ownership to the Company are accounted for as finance leases. Accordingly, at the inception of the leases, the equipment and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lesser of the interest rate inherent in the lease contracts and the Company's incremental cost of borrowing.

Amortization is provided at 45% using the declining balance method.

3. **SIGNIFICANT ACCOUNTING POLICIES** - Cont'd.

Property and equipment

Property and equipment are recorded at cost less residual value and accumulated amortization. Amortization is calculated over the estimated useful lives of the assets as follows:

Computer equipment	45% using the declining balance method
Leasehold improvements	straight line over the shorter of useful life or term of the lease
Furniture and fixtures	20% using the declining balance method

An assets residual value, useful life and amortization method are reviewed, and adjusted prospectively if appropriate, on an annual basis.

Goodwill and intangible assets

Goodwill, representing the excess of the purchase price over the fair value of the net assets acquired, is carried at its original value based on the acquisition, less impairment losses determined subsequent to the acquisition.

Intangible assets consist of acquired customer contracts and intellectual property. Intangible assets are accounted for at cost. Customer contracts and intellectual property have finite useful lives and are carried at cost less accumulated amortization and accumulated impairment losses. The customer contracts are amortized on straight-line basis over the estimated useful life of 3 years. Intellectual property is amortized on straight-line basis over the estimated useful life of 5 years.

Impairment of assets

At each statement of financial position date, the Company assesses whether there is any indication that any long-lived assets, goodwill or finite life intangible assets are impaired. An impairment is recognized if the recoverable amount, determined as the higher of an asset's fair value less costs to sell and the discounted future cash flows generated from use and eventual disposal of an asset, is less than its carrying value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Income taxes

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

Investment tax credits

The Company claims investment tax credits as a result of incurring scientific research and development expenditures. Investment tax credits are recognized when the related expenditures are incurred and there is reasonable assurance of their realization. Investment tax credits in connection with research and development activities are recorded as a reduction of the cost of the related assets or expenditures. Management has made a number of estimates and assumptions in determining the expenditures eligible for the investment tax credit claim and the amount could be materially different from the recorded amount upon assessment by the Canada Revenue Agency.

3. **SIGNIFICANT ACCOUNTING POLICIES** - Cont'd.

Research and development

Current research costs other than capital asset acquisitions are expensed as incurred. Development costs are deferred and amortized when the criteria for deferral under IFRS are met, or otherwise, are expensed. To date, no such costs have been deferred.

Share-based payments

The Company measures equity settled stock options granted based on their fair value at the grant date and recognizes compensation expense over the vesting period. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in net earnings. Consideration paid by employees on the exercise of stock options is recorded as share capital and the related share-based payments is transferred from share-based reserve to share capital.

Loss per share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

Due to the losses for the years ended December 31, 2014 and December 31, 2013, and the anti-dilutive impact of options or warrants issued, basic loss per share is equal to dilutive loss per share for the periods presented.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Revenue recognition

Revenue from setup fees is recognized when the product and training have been delivered and the customer confirms the system is working. Judgment is required in determining when delivery has occurred and the significant risk and rewards of ownership have been transferred and if a risk of return exists due to non-compliance with the offering specifications. Judgement is also required when determining the fair value of elements included in a bundled arrangement. Revenue for service elements is recognized as the services are performed. Estimates of performance are required to recognize revenue.

Estimated useful lives of assets

The estimate useful lives of intangibles and property and equipment are based on management's intentions, historical experience, internal plans and other factors as determined by management. The useful lives are reviewed on an annual basis and any revisions to the useful lives are accounted for prospectively.

3. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Significant accounting judgments, estimates and assumptions - Cont'd.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions, are given in note 7.

Estimation uncertainty

Significant accounting policies and estimates utilized in the normal course of preparing the Company's financial statements require the determination of future cash flows utilized in assessing net recoverable amounts and net realizable values; amortization; allowance for bad debt; useful lives of property, equipment and intangible assets; recoverability of goodwill and long-lived assets; ability to utilize tax losses and investment tax credits; fair value of share based awards and warrants; and measurement of deferred taxes. In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis where required.

These estimates have been applied in a consistent manner and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in these financial statements. The estimates are impacted by many factors, some of which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company's financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

4. EMERGING ACCOUNTING PRONOUNCEMENTS UNDER IFRS

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the year ended December 31, 2014 and, accordingly, have not been applied in preparing these consolidated financial statements. The more significant standards are noted below. The Company has not yet assessed the potential impact of these standards on its financial reporting.

Financial instruments

IFRS 9, Financial Instruments: Classification and Measurement ("IFRS 9"), was issued by the IASB in November 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in other comprehensive income instead of net income unless this would create an accounting mismatch. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The effective date for implementation of this standard has been deferred pending the finalization of the impairment, classification and measurement requirements.

5. FINANCIAL INSTRUMENTS

Risk Management

The Company's activities expose it to a variety of financial risks including market risk (i.e. currency risk, interest rate risk), credit and liquidity risks.

(a) Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in the market value.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's bank indebtedness bears interest based on bank's prime rate and therefore the Company is exposed to interest rate risk on this financial instrument.

Currency risk

The Company's exposure to currency risk is primarily related to the sales and purchases denominated in foreign currency. As at December 31, 2014, approximately $45,000, $3,000 and $15,000 of the Company's cash, accounts receivable and accounts payable, respectively, are exposed to fluctuations in U.S. dollar. As at December 31, 2013, approximately $40,000 and $16,000 of the Company's accounts receivable and accounts payable, respectively, are exposed to fluctuations in U.S. dollar.

(b) *Credit risk*

The Company is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Company's maximum exposure to credit risk represents the sum of the carrying value of its cash and accounts receivable. The Company's cash is deposited with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote. Management believes that the credit risk on its accounts receivable is limited as the amounts are expected to be collected in the Company's next operating cycle.

The balances at December 31, 2014 are as follows:

	Amounts due	Collected within 30 days of period end	Remaining overdue balance
1 - 30 days due	$ 111,497	$ 98,290	$ 13,207
31 - 60 days due	34,116	34,116	-
61 - 90 days due	537	-	537
Greater than 90 days past due	26,949	7,154	19,795
	$ 173,099	$ 139,560	$ 33,539

The balances at December 31, 2013 are as follows:

	Amounts due	Collected within 30 days of period end	Remaining overdue balance
1 - 30 days due	$ 199,298	$ 138,153	$ 61,145
31 - 60 days due	58,378	47,912	10,466
61 - 90 days due	61,508	58,046	3,462
	319,184	244,111	75,073
Sales taxes receivable	5,451	-	5,451
	$ 324,635	$ 244,111	$ 80,524

5. **FINANCIAL INSTRUMENTS** - Cont'd.

(b) *Credit risk* - Cont'd.

The Company provides credit to its clients in the normal course of operations. It carries out, on a continuing basis, credit checks on its clients, a review of outstanding amounts and maintains provisions for estimated uncollectible accounts. At December 31, 2014, two customers comprised 23% of the Company's trade accounts receivables and 6% of revenue. During the year ended December 31, 2013, sales to one customer represented 8% of the Company's revenue. At December 31, 2013, this same customer comprised 21% of the Company's trade accounts receivables. At December 31, 2014 the allowance for doubtful accounts amounted to $nil (2013 - $nil).

(c) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's management believes its existing working capital will enable the Company to meet its financial obligations. See note 2 "Basis of Presentation and Future Operations".

6. **INTANGIBLE ASSETS**

The Company's amortized intangible assets consist of the following:

	2014		2013	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Intellectual property	$ 1,175,334	$ 1,175,334	$ 1,175,334	$ 470,134
Customer contracts	138,500	138,500	138,500	92,334
	1,313,834	$ 1,313,834	1,313,834	$ 562,468
Accumulated amortization	1,313,834		562,468	
	$ -		$ 751,366	

As of December 31, 2014, there is no remaining amortization period for the intellectual property and customer contracts. A future cash flow based impairment test was performed on all intangible assets and it was determined that the assets are fully impaired, see note 7.

During the year ended December 31, 2014, amortization expense for intellectual property amounted to $235,066 (2013 - $237,516) and amortization expense for customer contracts amounted $46,166 (2013 - $46,168).

7. **IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES**

The goodwill and intangible assets were recorded as a result of the business combination in 2011 and are related to one cash-generating unit, loyalty rewards. The Company performed impairment tests as at December 31, 2014, whereby the carrying amount of goodwill and intangible assets were compared to the discounted future cash flow expected from its use, using a current weighted average discount rate that reflects the realities of the current conditions. Impairment tests involve a significant degree of judgment, as expectations concerning future cash flows and the selection of an appropriate discount rate are subject to considerable risks and uncertainties.

The Company concluded that impairments had occurred and determined that the carrying value of goodwill of $87,316 and intangible assets of $470,134 was impaired. This resulted in a non-cash impairment charge of $557,450 that was recorded in the year ended December 31, 2014.

8. PROPERTY AND EQUIPMENT

Cost	Computer equipment under capital lease	Computer equipment	Leasehold improvements	Furniture and fixtures	Total
As at December 31, 2012	$ 26,548	$ 9,334	$ 51,590	$ -	$ 87,472
Additions	-	5,570	184,290	16,888	206,748
Disposals	-	-	-	-	-
As at December 31, 2013	26,548	14,904	235,880	16,888	294,220
Additions	-	11,976	-	-	11,976
Write-off	-	-	(235,880)	-	(235,880)
As at December 31, 2014	$ 26,548	$ 26,880	$ -	$ 16,888	$ 70,316

Accumulated amortization	Computer equipment under capital lease	Computer equipment	Leasehold improvements	Furniture and fixtures	Total
As at December 31, 2012	$ 8,181	$ 955	$ 1,290	$ -	$ 10,426
Amortization	8,265	5,024	20,533	1,689	35,511
Disposals	-	-	-	-	-
As at December 31, 2013	16,446	5,979	21,823	1,689	45,937
Amortization	4,546	6,712	30,889	3,040	45,187
Write-off	-	-	(52,712)	-	(52,712)
As at December 31, 2014	$ 20,992	$ 12,691	$ -	$ 4,729	38,412

Net book value	Computer equipment under capital lease	Computer equipment	Leasehold improvements	Furniture and fixtures	Total
As at December 31, 2013	$ 10,102	$ 8,925	$ 214,057	$ 15,199	$ 248,283
As at December 31, 2014	$ 5,556	$ 14,189	$ -	$ 12,159	$ 31,904

Leasehold inducement arises from rent credit and leasehold improvement inducements and are amortized over the term of the lease. In November 2014 the Company terminated its office lease and entered into a new lease. On termination of the lease the Company wrote-off the previously recorded leasehold improvements and lease inducements.

9. CREDIT FACILITIES

The Company has a revolving demand facility with a maximum borrowing of $200,000 of which $nil was utilized at December 31, 2014 (2013 - $75,000). It is repayable on demand, bears interest at prime plus 2% and is secured by a general security agreement over all personal property of the Company. The borrowings under this facility must not exceed the aggregate of 75% of good Canadian and U.S. accounts receivable and 65% of good foreign currency receivable.

10. LONG-TERM DEBT

During 2014, the Company renegotiated the terms of their office lease with the prior debt amount exchanged for a new loan. The new loan is unsecured, bears interest at approximately 8% per annum, payable monthly in blended principal and interest of $3,000.

Principal repayments over the next five years are estimated to be as follows:

2015	$ 76,000
2016	29,000

11. FINANCE LEASE OBLIGATIONS

Future lease payments under finance lease are as follows:

	2014	2013
2014	$ -	$ 10,791
2015	4,824	4,824
	4,824	15,615
Less amount representing deemed interest at 25%	570	2,512
Balance of obligation	4,254	13,103
Current portion	4,254	8,849
Long-term portion	$ -	$ 4,254

12. INCOME TAXES

The major components of income tax expense for the years ended December 31, 2014 and December 31, 2013 are:

	2014	2013
Current income tax	$ -	$ -
Deferred tax:		
Reversal of intangible asset temporary difference	-	-
Total income tax expense	$ -	$ -

The impact of differences between the Company's reported income tax expense and the expense that would otherwise result from the application of statutory tax rates is as follows:

	2014	2013
Tax expense (recovery) at combined federal and provincial statutory rate for Canadian corporations of 26.50%	$ (744,727)	$ (1,028,839)
Non-deductible expense and other	227,727	213,839
Unrecognized tax benefits on non-capital losses	517,000	815,000
Change in tax rates	-	-
Income tax expense	$ -	$ -

12. **INCOME TAXES** - Cont'd.

Deferred income taxes

The components of deferred tax are as follows:

	2014	2013
Deferred tax assets		
Scientific research and experimental development costs	$ 225,874	$ 74,214
Non-refundable investment tax credits	296,912	69,416
Property and equipment	(525)	269
Intangible assets and share issue costs	150,061	100,200
Capital losses	2,937,862	2,937,862
Non-capital losses and other	3,577,362	3,291,182
	7,187,546	6,473,143
Valuation allowance	7,187,546	6,473,143
	$ -	$ -

Ackroo Inc. and Ackroo Canada Inc. have unused non-capital losses of approximately $5,809,000 and $7,586,000, respectively, which may be carried forward and applied to reduce taxable income of future years. Ackroo Inc.'s losses were principally derived from its previous resource based operating activities, and are restricted in their application to continuing taxable income from similar operating activities. The losses are available for a limited time only and expire as follows:

	Ackroo Canada Inc.	Ackroo Inc.
2034	$ 1,844,000	$ 92,000
2033	2,541,000	192,000
2032	3,201,000	962,000
2031	-	1,016,000
2030	-	416,000
2029	-	520,000
2028	-	901,000
2027	-	949,000
2026	-	761,000

Ackroo Inc. has capital losses for income tax purposes of approximately $22,173,000 which are available for carry forward to reduce future year's income from capital gains. These capital losses carry forward indefinitely but are restricted to resource based business.

Ackroo Canada Inc. has investment tax credits for income tax purposes of approximately $297,000 which can be used to offset future income taxes otherwise payable and expire in 2032 and 2033.

Ackroo Canada Inc. has undeducted scientific research and experimental development expenses for tax purposes of approximately $852,000 which are available for carry forward to reduce future years' income for tax purposes. These expenses carry forward indefinitely.

The Company has not recognized the future tax benefit of these losses and tax credits.

13. CAPITAL STOCK

a) Authorized share capital

The Company is authorized to issue an unlimited number of the following shares:

Preferred shares - issuable in series with the terms and conditions to be set on issuance
Common shares - voting, without par value

b) Shares issued and outstanding

	2014	2013
Common - 6,891,660 shares (2013 - 5,714,412 shares)	$ 9,024,067	$ 8,316,017
Share issue costs	677,346	599,534
	$ 8,346,721	$ 7,716,483

During the year ended December 31, 2014, the Company completed consolidation of its issued and outstanding shares on the basis of ten pre-consolidation shares to one post-consolidation share. The comparative number of shares have been presented as if they have been consolidated.

During the year ended December 31, 2014, the Company issued 1,177,367 common shares pursuant to private placements for cash consideration of $963,550 before the impact of share issue costs and the amount allocated to warrants.

c) Escrow shares

On October 1, 2012 the Company completed the acquisition of MoneyBar Transactions Canada Inc. ("MoneyBar") and issued 4,585,679 common shares of which 3,048,538 were placed in escrow. These were in addition to 57,101 common shares which were held in escrow prior to the acquisition of MoneyBar.

As at December 31, 2014, 1,549,733 common shares remained in escrow (2013 - 2,351,534 shares).

d) Outstanding warrants

During the year ended December 31, 2014, in connection with private placements, the Company issued 588,683 subscription warrants to acquire one common share at exercise price between $1.00 and $2.20 per share expiring between January 31, 2015 and July 15, 2015. Ackroo issued 67,073 warrants to agents and finders who provided assistance in connection with the private placement completed by the Company. Each agent warrant entitles the holder to acquire one common share at exercise price between $1.00 and $2.20 per share expiring between January 31, 2015 and July 15, 2015. The Company determined the fair value of the warrants and allocated the residual value to the common shares.

In connection with a private placement immediately before the completion of the reverse takeover in 2012, the Company issued 784,148 share units which entitled the holder to receive one common share and one subscription warrant for each share unit. Each subscription warrant entitles the holder to acquire one common share at an exercise price of $7.00 per share until October 1, 2015. The Company determined the fair value of the subscription warrant and allocated the residual value to the common shares.

13. **CAPITAL STOCK** - Cont'd.

d) Outstanding warrants - Cont'd.

Ackroo issued 61,123 options to agents and finders who provided assistance in connection with the private placement completed by MoneyBar. Each agent option entitles the holder to acquire one Ackroo common share and one common share purchase warrant at a price of $4.50 until October 1, 2014.

A summary of the Company's warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2012	845,270	$ 6.82
Warrants expired	-	
Warrants exercised	-	
Subscription warrants issued	-	
Agent warrants issued	-	
Balance at December 31, 2013	845,270	$ 6.82
Warrants expired	(61,123)	(4.50)
Warrants exercised	-	
Warrants issued	655,757	1.38
Balance at December 31, 2014	1,439,904	$ 4.44

In the private placement during the year ended December 31, 2014, the fair value of the agent warrants and subscription warrants totalled $29,200 and $255,500 respectively. The fair value was calculated using the Black-Scholes model using risk-free interest rate between 0.97% and 1.10%, volatility between 180% and 194%, 1 year expected life and 0% dividend yield.

e) Stock options

Under the terms of Ackroo, approved Stock Option Plan (ESOP) the Board of Directors of Ackroo may, from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of Ackroo options to purchase common shares, provided that the number of common shares reserved for issuance, together with those to be issued pursuant to options previously granted, does not exceed 10% of the issued and outstanding common shares at the time of the grant. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis, or 2% if the optionee is engaged in investor relations activities or is a consultant.

Under Exchange policy, all such rolling stock option plans which set the number of common shares issuable under the plan at a maximum of 10% of the issued and outstanding common shares must be approved and ratified by shareholders on an annual basis. There are currently 6,891,660 common shares outstanding, which means that up to 689,166 Ackroo Shares could be reserved for issuance upon the exercise of stock options.

Options are exercisable over periods of up to ten years as determined by the Board of Directors and are required to have an exercise price no less than the closing market price of the common shares prevailing on the day that the option is granted less a discount of up to 25%, with the amount of the discount varying with market price in accordance with the policies of the Exchange. Options held by an officer, director or service provider (not conducting investor relations) expire 90 days after the option holder has left office or the service provider ceases providing services, and for options held by service providers conducting investor relations, 30 days after Ackroo terminates that relationship. In the case of the death of an employee, officer, director or other service provider, the option may be exercised by a personal representative or heir until the earlier of the option's expiry or one year after the option holder died.

13. **CAPITAL STOCK** - Cont'd.

e) Stock options - Cont'd.

Pursuant to the Stock Option Plan, the Board of Directors may from time to time authorize the grant of options to directors, officers, employees and consultants of Ackroo or employees of companies providing management or consulting services to Ackroo. Other than options granted to consultants performing investor relations activities which must vest in stages over 12 months with no more than one-quarter of the options vesting in any three month period, the Stock Option Plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance at December 31, 2012	567,441	$ 4.20
ESOP expired/cancelled	(481,648)	$ 4.20
ESOP options granted	479,110	$ 2.00
Balance at December 31, 2013	564,903	$ 2.50
ESOP expired/cancelled	(562,457)	$ 2.78
ESOP options granted	353,416	$ 0.87
Balance at December 31, 2014	355,862	$ 1.18

At December 31, 2014, a summary of stock options outstanding and exercisable are as follows:

Grant Date	Number of Options outstanding	Number of Options Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
September 8, 2010	4,000	4,000	$6.30	September 8, 2015	0.69
October 1, 2012	21,571	21,571	$1.00	October 1, 2017	2.75
October 4, 2012	25,000	20,455	$4.50	October 4, 2022	7.76
June 9, 2014	90,389	15,065	$0.50	June 8, 2024	9.44
July 15, 2014	214,902	29,848	$1.00	July 15, 2024	9.55
December 31, 2014	355,862	90,939	$1.18		

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2014	2013
Risk free interest rate	1.35%	2.05%
Dividend yield	NIL	NIL
Expected volatility	190.00%	187.00%
Expected life	5 years	6 years

Compensation expense recorded for options granted totaled $265,570 (2013 - $579,825).

The Company uses the Black-Scholes model to calculate option fair values which requires highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. The expected volatility is based on the Company's historical volatility since it became publicly listed plus the historical volatility of the TSX Venture index for the period before its public listing. The expected life is the average expected period to exercise, which given the Company’s limited option history, was based on industry benchmarks. The risk free interest rate is the yield on zero-coupon Canadian government bonds of a term consistent with the assumed option expected life.

13. **CAPITAL STOCK** - Cont'd.

e) Stock options - Cont'd.

During the year ended December 31, 2014 the Company cancelled 168,653 options due to termination of employment and 393,804 due to issuance of new options. The 393,804 cancelled options were replaced by issuance of 243,027 new options and treated as modification of existing options resulting in the adjustment of the fair value at the date of modification. The increase in fair value of the modified awards totaled $27,161 calculated using the Black-Scholes model using the inputs disclosed in the table above. The Company issued additional 110,389 stock options in 2014 to employees and contractors.

During the year ended December 31, 2013 the Company cancelled 173,901 options due to termination of employment and 307,747 due to issuance of new options. The 307,747 cancelled options were replaced by issuance of 471,610 new options and treated as modification of existing options resulting in the adjustment of the fair value at the date of modification. The increase in fair value of the modified awards totaled $259,200 calculated using the Black-Scholes model using the December 6, 2013 inputs disclosed in the table above. The Company issued additional 75,000 stock options in 2013 to employees and contractors.

f) Capital management

The Company's capital is composed of its shareholders' equity and loans payable. The Company manages its capital to ensure financial stability as well as to finance growth. The Company plans to issue equity to meet its capital needs. It may also access debt financing to support working capital. The Company is not currently exposed to externally imposed capital requirements. Management reviews its capital management approach on an on-going basis and believes that this approach, given the size of the Company, is appropriate.

14. **GOVERNMENT GRANTS**

In 2014, the Company entered into a contribution agreement with the Industrial Research Assistance Program (IRAP) of National Research Council of Canada (NRC) for a period of six months expiring in July 2014. NRC agreed to contribute up to a maximum amount of $30,000 for salary costs incurred to July 2014 for the project covered by the agreement. For the year ended December 31, 2014, the Company recognized non-refundable grants amounting to $27,272 for which $nil was not collected and included in accounts receivable.

In 2013, the Company entered into a contribution agreement with the Industrial Research Assistance Program (IRAP) of National Research Council of Canada (NRC) for a period of six years expiring in March 2019. NRC agreed to contribute up to a maximum amount of $40,000 for 80% of salary costs incurred to March 2014 for the project covered by the agreement. For the year ended December 31, 2014, the Company recognized non-refundable grants amounting to $1,049 (2013 - $38,951) for which $nil (2013 -$nil) was not collected and included in accounts receivable.

15. OTHER INFORMATION

(a) Commitments

The Company rents premises under operating leases which expire between 2014 and 2019. In addition, the Company leases equipment under operating leases which expire between 2015 and 2016. Annual minimum lease payments to maturity will be approximately as follows:

2015	$	42,563
2016		41,300
2017		41,300
2018		6,883

Lease payments recognized as an expense during the years ended December 31, 2014 and December 31, 2013 were $196,010 and $197,995 respectively.

(b) Compensation of key management personnel

The remuneration of key management personnel of the Company during the years ended December 31, 2014 and December 31, 2013 was as follows:

		2014		2013
Salaries, incentives and other short-term benefits	$	284,762	$	521,759
Termination benefits	$	-	$	246,713
Share-based compensation	$	157,397	$	290,970

(c) Related party transactions

The company entered into consulting agreements with directors and officers resulting in expense in the year of $169,400 (2013 - $226,333). As at December 31, 2014 $nil was unpaid and included in accounts payable and accrued liabilities (2013 - $nil).

On December 30, 2011, the company entered into a service agreement and a license agreement with MoneyBar Transactions Canada Inc. (“MTC”) whereby the company will provide services and deliverables as reasonably requested by MTC to assist MTC in performing its obligations under the joint venture agreement between MTC and Kennerly Edwards Consulting Inc. In return for the provision of the services and deliverables, MTC shall pay to the company all net revenues received by MTC and/or its affiliates from its and/or their participation in the joint venture. For the year ended December 31, 2014, the company recognized $66,417 of revenue for the services and deliverables, of which $nil is unpaid and included in accounts receivable as of December 31, 2014. For the year ended December 31, 2013, the company recognized $110,804 of revenue for the services and deliverables, of which $15,154 is unpaid and included in accounts receivable as of December 31, 2013. A shareholder of the company is the principal shareholder and sole director of MTC.

(d) Segmented information

The Company has not established discrete operating or geographic segments as of the date of filing. Financial information is only available at the total company level and is not segmented. Management makes decision at a total company level. Minimal amount of reported revenue is derived outside of Canada and at the time of filing geographic areas outside of Canada are not managed separately.

15. **OTHER INFORMATION** - Cont'd.

(e) Restructuring

Restructuring expense for the year ended December 31, 2014 was $nil compared to $464,599 for the year ended December 31, 2013. The expenses mainly encompassed the previously disclosed replacement of employment contracts with consulting contracts to better reflect the ongoing needs of the Company and to provide organizational flexibility coupled with termination of lease agreements in Toronto and Vancouver. $431,800 of the $464,599 restructuring expenses were paid in 2013 with the remaining $32,799 being accrued in 2013 and paid in 2014.

(f) Subsequent events

On January 20, 2015, the Company closed a private placement for gross proceeds of $1,254,644. The offering was oversubscribed. The Company issued 8,364,165 units to subscribers at a price of $0.15 per unit, each unit consisting of one common share and one share purchase warrant, each whole warrant entitling the holder to acquire one additional common share of the Company at a price of $0.25 per share for a period of 12 months. No finder's fees or commissions were paid in connection with the closing of the private placement. At December 31, 2014, the Company received in advance a total of $590,460 and is included in advances from subscriptions in the statement of financial position.

Effective January 20, 2015, the Company acquired certain assets of Gift2Gift Corp., a company incorporated under the federal laws of Canada, for a purchase price of $150,000. The purchase price was net settled by the Company issuing 1,000,000 common shares in accordance with the private placement mentioned above.

Effective January 19, 2015, the Company cancelled 256,903 existing stock options. The 256,903 cancelled options were replaced by issuance of 935,000 new options with exercise price of $0.21 per share, expire in three years and vest immediately.

(g) Employee benefit expense

The following table presents the employee benefits earned during the years ended December 31.

	2014	2013
Salaries	$ 1,323,457	$ 1,775,440
Benefits	201,743	619,634
Commissions	73,168	148,327