Versatile Systems Inc.
Management Discussion and Analysis
Three months ended March 31, 2015

The following management discussion and analysis of the consolidated results of operations and financial condition of Versatile Systems Inc. (the "Company" or "Versatile") is made as of May 28, 2015 on the unaudited interim condensed consolidated financial statements and notes as of and for the period ended March 31, 2015.

The unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are stated in United States dollars unless otherwise specified. The unaudited interim condensed consolidated financial statements and management discussion and analysis have been reviewed and approved by the Company's Audit Committee on May 28, 2015.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions, which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Forward-Looking Statements

This document may contain forward-looking statements relating to Versatile's operations or to the environment in which it operates, which are based on Versatile's operations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict or are beyond Versatile's control. A number of important factors including those set forth in other public filings could cause actual outcomes and results to differ materially from those expressed in these forward looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward looking statements relate to the date on which they are made. Versatile disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Overview

The Company's core business is developing solutions that solve customers' problems in the storage, security, transmission and collection of mission critical data. The Company's proprietary software applications, the *Mobiquity*™ Solution Suite, are a key component of this solution. This enables companies to improve the sales, marketing and distribution of their products. The Company delivers wireless/wired solutions to the consumer packaged goods, retail, financial, pharmaceutical, healthcare, and logistics verticals through an integrated combination of licensed software, professional services, and the re-sale of mobile and storage related hardware. The Company also offers maintenance and support via a 24 hour call center.

Highlights of the Third Quarter

Highlights of the Company's operations for the quarter included:

- Revenue for the three months ended March 31, 2015 was $4,375,100 compared to $7,777,734 for the same quarter last year;
- The gross profit for the three months ended March 31, 2015 was $868,476 or 19.9% of sales compared to $1,556,683 or 20.0% of sales for the same quarter last year;
- Net loss for the quarter amounted to $522,088 ($0.00 per share) compared to net loss of $560,852 ($0.00 per share) for the same quarter last year;
- The research and development expense for the quarter amounted to $191,859 compared to $214,976 for the same quarter last year;
- Deferred revenue at March 31, 2015 was $4,986,216 (of which $2,337,386 is expected to be recognized in the next four quarters) compared to $5,613,780 at March 31, 2014;

Review of the Third Quarter

The Company has incurred significant losses, the continuation of which is not sustainable. The Company continues to focus on implementing targeted cost reductions and directing efforts to the higher margin portions of the business in order to achieve profitable sales growth and return to overall profitability. The results of these efforts can be seen in the financial performance quarter over quarter.

Revenue for the three months ended March 31, 2015 was $4,375,100 compared to $7,777,734 for the same quarter last year, a decrease of $3,402,634.

The net loss for the quarter amount was $522,088 ($0.00 per share) compared to the net loss of $560,852 ($0.00 per share) for the same period last year. The total comprehensive loss for the quarter amounted to $502,416 compared to a comprehensive loss of $571,509 for the same quarter last year.

Cost of sales

Cost of sales for the quarter amounted to $3,506,624 resulting in a gross profit of $868,476 or 19.9% of sales as compared to $6,221,051 resulting in a gross profit of $1,556,683 or 20.0% of sales for the same quarter last year.

General and administrative

General and administrative expenses for the quarter amounted to $681,171 compared to $1,267,490 for the same quarter last year, a decrease of $586,319. As a percentage of sales, the general and administrative expenses were 15.6% in the quarter compared to 16.3% in the same quarter last year.

Review of the Third Quarter (continued)

General and administrative (continued)

The significant decrease in the current quarter relates to management's implementation of a strategic restructuring to reduce operating expenses, which includes cuts to salaries expense and other related expenditures.

Technology Investment

Over the past fifteen years the Company has made a significant investment in the form of expenses to advance the abilities of its technology and resulting service offering. This investment does not contribute directly to revenues during the period that the research and development expenses are incurred.

Research and development expense for the quarter amounted to $191,859 compared to $214,976 for the same quarter last year, a decrease of $23,117. The significant expense item in this category is salary and benefit costs. As a percentage of sales, the research and development expenses are 4.4% in the quarter compared to 2.8% in the same quarter last year.

During the current period, the Company incurred $191,859 for research and development activities related to *Mobiquity Route*™ and related mobile software products, compared to $109,087 in the same period last year.

During the current period, the Company incurred $-0- for research and development activities primarily related to *Smart Sign ™*, compared to $64,725 in the same period last year.

Selling and marketing expenses

Selling and marketing expense for the quarter amounted to $447,530 compared to $679,356 for the same quarter last year, a decrease of $231,826. Selling and marketing expenses include salaries, commissions, advertising, trade shows and promotion costs to support the various sales initiatives. As a percentage of sales, the selling and marketing expenses are 10.2% in the quarter compared to 8.7% in the same quarter last year.

The significant decrease in the current quarter relates to management's implementation of a strategic restructuring to reduce operating expenses, which includes cuts to salaries expense and other related expenditures.

Amortization

The amortization of capital assets for the quarter amounted to $29,785 (2014: $20,118).

Review of the Third Quarter (continued)

Foreign Exchange Loss (Gain)

The foreign exchange gain for the quarter amounted to $-0- compared to a foreign exchange gain of $14,679 for the same quarter last year. The gain was primarily due to the fluctuation in the U.S. dollar against the Canadian dollar and the pound Sterling in the quarter.

Review of the operations for the nine months ended March 31, 2015

During the first three quarters the Company has incurred significant losses, the continuation of which is not sustainable. The Company continues to focus on implementing targeted cost reductions and directing efforts to the higher margin portions of the business in order to achieve profitable sales growth and return to overall profitability.

During the second quarter, the Company's subsidiary, Versatile Acquisition Corporation, entered into a stock purchase agreement with BigVAR, LLC under which Versatile Acquisition Corporation sold all of the shares of its wholly-owned subsidiary, Versatile Systems, Inc., to BigVAR, LLC. The purchase price will be paid to the Company over time based on an earn-out formula. The earn out payments from the formula are required by the debt counterparty to be applied against the principal balance of the Versatile Acquisition Corporations $1,400,000 term loan. In connection with the sale, the Company incorporated two new subsidiaries, Versatile Technology Services, Inc. and Versatile Credit, Inc., and certain of Versatile Systems, Inc.'s non-VAR assets were transferred to these subsidiaries immediately prior to the sale of the stock to BigVAR, LLC.

In the third quarter, the Company continued to focus on reducing expenses and demonstrated a favorable trend in expense reduction in the third quarter compared to the second quarter. This will continue to be a focus into the fourth quarter.

Revenue for the nine months ended March 31, 2015 was $18,646,225 generating a gross profit of $3,234,522 or 17.3% of sales compared to $22,432,361 generating a gross profit of $4,274,593 or 19.1% of sales for the same period last year. The Net Loss from continuing operations for the period amounted to $1,714,461 ($0.01 per share) compared to $2,910,669 ($0.02 per share) for the same period last year. The Net Loss from discontinued operations for the period amounted to $30,758 compared to a Net Gain of $148,502 for the same period last year.

Cost of sales

Cost of sales for the nine months ended March 31, 2015 amounted to $15,411,702 resulting in a gross profit of $3,234,522 or 17.3% of sales compared to $18,157,768 resulting in a gross profit of $4,274,593 or 19.1% of sales as for the same period last year.

General and administrative

General and administrative expenses for the nine months ended March 31, 2015 amounted to $2,070,975 compared to $3,632,073 for the same period last year, a decrease of $1,561,098. As a percentage of sales, the general and administrative expenses are 11.1% compared to 16.2% in the same period last year.

Technology Investment

Research and development expense for the nine months ended March 31, 2015 amounted to $633,999 compared to $839,732 for the same period last year. The significant expense item in this category is salary and benefit costs. As a percentage of sales, the research and development expenses are 3.4% compared to 3.7% in the same period last year.

Selling and marketing expenses

Selling and marketing expense for the nine months ended March 31, 2015 amounted to $1,403,390 compared to $2,047,409 for the same period last year. As a percentage of sales, the selling and marketing expenses are 7.5% compared to 9.1% in the same period last year.

Amortization

The amortization of capital assets and intangible assets for the nine months ended March 31, 2015 amounted to $57,023 compared to $61,065 for the same period last year.

Foreign exchange gain

The foreign exchange gain for the nine months ended March 31, 2015 was $2,022 compared to $17,348 for the same period last year. The gain was primarily due to foreign translation adjustments.

Summary of Quarterly Results

The table below provides a summary of certain selected unaudited financial information from the Consolidated Statements of Operations for the most recent eight fiscal quarters comprising the Company's preceding two years:

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Revenue	5,429,833	5,922,674	8,731,953	7,777,734	7,595,434	8,427,327	5,843,798	4,375,100
Cost of sales	4,691,234	4,725,844	7,210,873	6,221,051	6,683,830	7,033,013	4,872,065	3,506,624
Gross profit	738,599	1,196,830	1,521,080	1,556,683	911,604	1,394,314	971,733	868,476
Expenses:								
General and administrative	973,375	1,219,012	1,550,321	1,280,097	1,239,221	815,398	998,421	699,958
(including foreign exchange)								
Research and development	339,273	384,775	239,981	214,976	266,049	250,881	191,259	191,859
Selling and marketing	869,650	739,382	628,671	679,356	712,095	482,862	472,997	447,530
Share-based compensation	2,188	-	-	-	-	-	-	-
	2,184,486	2,343,169	2,418,973	2,174,429	2,217,365	1,549,141	1,662,677	1,339,347
Earnings (loss) before interest,								
taxes and amortization	(1,445,887)	(1,146,339)	(897,893)	(617,746)	(1,305,761)	(154,827)	(690,944)	(470,871)
Amoritization	(18,300)	(21,002)	(19,945)	(20,118)	(16,172)	(13,504)	(13,744)	(29,785)
Interest	(30,204)	(33,244)	(42,376)	(108,218)	(84,260)	(258,885)	(54,374)	(38,027)
Equity income (loss)	(204,490)	-	-	-	-	-	-	-
Goodwill impairment	-	-	-	-	(2,718,970)	-	-	-
Gain (loss) on sale	-	(461)	-	-	811,919	156	-	-
Unrealized gain (loss)	-	-	-	-	-	(2,700)	(1,100)	(1,500)
Earn out income	-	-	-	-	-	-	-	21,635
Income taxes	(545,127)	(995)	(1,132)	(1,200)	(337,475)	(1,200)	(1,251)	(3,540)
Net Loss Attributable to								
Net loss from continuing operations	(2,244,008)	(1,202,041)	(961,346)	(747,282)	(3,650,719)	(430,960)	(761,413)	(522,088)
Net gain (loss) from discontinued operations	68,977	(47,380)	9,452	186,430	(25,234)	(12,310)	(18,448)	-
Net earnings (loss)	(2,175,031)	(1,249,421)	(951,894)	(560,852)	(3,675,953)	(443,270)	(779,861)	(522,088)
Per share, basic and diluted	(0.01)	(0.01)	(0.00)	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)

The Company's revenues and earnings fluctuate from quarter to quarter. A number of factors can cause such fluctuations, including the timing of substantial orders, the timing of releases of new products, timing of the deployment of solutions and delays by customers. Because the Company's operating expenses are determined based on anticipated sales, are generally fixed and are incurred throughout each fiscal quarter, any of the factors listed above can cause significant variations in the Company's revenues and earnings in any given quarter. Thus, the Company's quarterly results are not necessarily indicative of the Company's overall business, results of operations and financial condition.

Financial position

Cash and cash equivalents at March 31, 2015 was $139,190 compared to $110,904 at March 31, 2014.

The cash used by operating activities amounted to $159,568 for the three months ended March 31, 2015 compared to cash flow used in operating activities of $519,953 for the same period in 2014.

Financial position (continued)

On October 28, 2014, the Company completed a refinancing of its $4,500,000 line of credit with a U.S. based financial institution in coordination with certain wholly owned subsidiary companies. The refinancing consisted of a new term loan to Versatile Acquisition Corporation in the amount of $1,400,000 ($466,667 current, $933,333 long-term with 4.5% interest fixed until maturity) that fully matures on October 28, 2017, a new revolving loan to Versatile Credit, Inc. in the amount of $750,000 (prime plus 1% interest with floor of 4.5%) that matures on October 28, 2015, a new revolving loan to Versatile Technology Services, Inc. in the amount of $500,000 (prime plus 1% interest with floor of 4.5%) that matures on October 28, 2015, and a new revolving loan to Versatile Mobile Systems, Inc. in the amount of $1,600,000 (prime plus .5% interest) that matures on October 28, 2015. Each borrower has granted to the lender a lien on all of the assets owned by that borrower. In addition, the revolving loans made to Versatile Credit, Inc., Versatile Technology Services, Inc., and Versatile Mobile Systems, Inc. are cross-defaulted and cross-collateralized. The loan made to Versatile Acquisition Corporation is not cross-defaulted with any other debt, and the assets of Versatile Acquisition Corporation do not serve as collateral for any other debt. This refinancing was done immediately prior to the stock sale of the subsidiary as discussed in Note 13.

The repayment of the Versatile Acquisition Corporation's $1,400,000 term loan is to occur through application of the earn-out formula payments from the stock sale (as discussed in Note 13) to the principal balance as required by the counterparty of the debt. An amount was estimated by management representing the anticipated earn-out payments to be received by Versatile Acquisition Corporation in 2015 to reduce the principal balance of the term loan and that portion of the term loan ($466,667) was classified as current.

Actual earn out payments that will be received in 2015 may differ from those estimates. Certain compliance conditions are required by the financial covenants; however, the counterparty has waived the reporting requirement of the covenant through October 28, 2015.

The Versatile Mobile Systems, Inc. revolving credit line facility is limited to the higher of $1,600,000 or 80% of eligible accounts receivable and 50% of eligible inventory of Versatile Mobile Systems, Inc. At March 31, 2015 this amounted to $1,343,741. The balance at March 31, 2015 was $1,374,743.

The Versatile Credit, Inc. revolving credit line facility is limited to the higher of $750,000 or 15 times qualified monthly revenue of Versatile Credit, Inc. At March 31, 2015 this amounted to $1,207,528. The balance at March 31, 2015 was $707,805.

The Versatile Technology Services, Inc. revolving credit line facility is limited to the higher of $500,000 or 80% of eligible accounts receivable and 50% of eligible inventory of Versatile Technology Services, Inc. At March 31, 2015 this amounted to $528,564. The balance at March 31, 2015 was $154,310.

Deferred revenue and Prepaid Expenses

The significant component of the prepaid expenses at March 31, 2015 of $1,693,012 consists of the current deferred contract costs in the amount of $1,616,287. The long term prepaid expenses of $2,192,079 consist entirely of long-term deferred contract costs. The total deferred revenue and deferred contract costs are:

	Deferred Revenue	Deferred Contract Costs
Current	$2,337,386	$1,616,287
Long-term	$2,648,830	$2,192,079
Total	$4,986,216	$3,808,366

Capital Expenditures

During the three months ended March 31, 2015, the additions to capital assets amounted to $-0- (2014: $10,117).

Share Capital

As of March 31, 2015, the Company had 196,607,053 common shares issued and outstanding.

Stock Options

The Company can grant up to 19,660,705 of the issued shares pursuant to its stock option plan.

	Number of shares	Weighted average exercise price CDN$
Outstanding – June 30, 2014	5,922,100	0.11
Expired	-	-
Outstanding – March 31, 2015	5,922,100	0.11

Off Balance Sheet Arrangements

The Company has not entered into any off balance sheet arrangements other than standard office lease arrangements.

Related Party Transactions

During the three months ended March 31, 2015, the Company paid consulting fees and salaries, which are included in the general and administration expense, of $48,115 to the Directors and Officers of the Company.

Risk Factors

The securities of the Company should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in this Management Discussion & Analysis prior to making an investment in the Company. In addition to the other information presented in this Management Discussion & Analysis, the following risk factors should be given special consideration when evaluating an investment in the Company's securities.

Going Concern

The consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. At March 31, 2015, the Company had accumulated losses of $64,496,375 (2014: $59,075,203). The Company incurred losses of $522,088 during the three months ended March 31, 2015 (2014: loss of $560,852) and had a working capital deficiency of $3,751,328 at March 31, 2015 (2014: $2,211,733). These conditions raise material uncertainty that may cast significant doubt as to the ability of the Company to continue operating as a going concern.

The Company’s ability to continue as a going concern is dependent upon its ability to generate profits from its operations, to obtain financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

The Company’s continuing operations and its ability to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the continued sales of the Company’s products, the ability of the Company to continue to obtain equity and debt financing and, ultimately, attaining profitable operations. Management plans to continue to develop its operations to ensure the Company can generate sustainable, long-term profitability, and obtain additional financing.

Management believes the Company will be successful at securing additional funding, and, with successfully reaching profitable operations to continue as a going concern for the foreseeable future. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

If the Company is unable to obtain adequate funding, the Company would require the restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis presented.

Risk Factors (continued)

Operating History

The Company's predecessor company commenced operations in March 1987 to distribute and sell Maximizer products in European countries, as well as provide consulting services and Customer Relationship Management ("CRM") solutions to companies. In January 1997, the Company changed its focus to research and development of CRM software. The Company purchased Versatile Mobile Systems on September 19, 2000, Perfect Order, Inc. and Versatile Systems, Inc. on April 26, 2005 and Sagent Solutions on December 28, 2007. In conjunction with a company-wide refinancing and sale of Versatile Systems, Inc. – PA, the Company formed the following entities in October 2014: Versatile Technology Services, Inc. and Versatile Credit, Inc. The Company may face many of the risks and uncertainties encountered by early-stage companies in rapidly evolving markets.

History of Losses

The Company had a history of losses up to September 30, 2005 and since that time has had varying results, but has accumulated losses of $64,496,375 as of March 31, 2015. Although the Company has decreased some of its operating expenses the Company cannot be assured that it can achieve and maintain profitable operations.

No Certainty of Future Profitability

The Company's product revenues are not predictable with any significant degree of certainty and future product revenues may differ from historical patterns. If customers cancel or delay orders, it can have a material adverse impact on the Company's revenues and results of operations from quarter to quarter. Because the Company's results of operations may fluctuate from quarter to quarter, investors should not assume that results of operations in future periods can be predicted based on results of operations in past periods.

Even though the Company's revenues are difficult to predict, the Company's expense levels are based in part on future revenue projections. Many of the Company's expenses are fixed and, accordingly, the Company cannot quickly reduce spending if revenues are lower than expected.

Competitive Market

The market for the Company's software is intensely competitive, fragmented and rapidly changing. Some of the Company's actual and potential competitors are larger, established companies that have greater technical, financial and marketing resources. In addition, as the Company develops new products, particularly applications focused on electronic commerce or specific industries, it may begin competing with companies with whom it has not previously competed. It is also possible that new competitors will enter the market or that the Company's competitors will form alliances that may enable them to rapidly increase market share.

Risk Factors (continued)

Competitive Market (continued)

Increased competition may result in price reductions, lower gross margins or loss of the Company's market share, any of which could materially adversely affect its business, financial condition and operating results.

Technological Change

The market for the Company's solutions is characterized by rapidly changing technology and evolving industry standards. The market is affected by changes in end user requirements and frequent new product introductions and enhancements. The Company's products embody complex technology and may not always be compatible with current and evolving technical standards and products, developed by others. Failure or delays by the Company to meet or comply with the requisite and evolving industry or user standards could have a material adverse effect on the Company's business, results of operations and financial condition. The Company's ability to anticipate changes in technology, technical standards and product offerings will be a significant factor in the Company's ability to compete. There can be no assurance that the Company will be successful in identifying, developing, manufacturing and marketing products that will respond to technological change, evolving standards or individual wireless communications service provider standards or requirements. The Company's business will be adversely affected if the Company incurs delays in developing new products or enhancements or if such products or enhancements do not gain market acceptance. In addition, there can be no assurance that products or technologies developed by others will not render the Company's products or technologies non-competitive or obsolete.

Limited Sales and Support Infrastructure

The Company's future revenue growth will depend in large part on its ability to successfully expand its direct sales force and its customer support capability. The Company may not be able to successfully manage the expansion of these functions or to recruit and train additional direct sales, consulting and customer support personnel.

If the Company is unable to hire and retain additional highly skilled direct sales personnel, it may not be able to increase its license revenue to the extent necessary to achieve profitability. If the Company is unable to hire highly trained consulting and customer support personnel, it may be unable to meet customer demands. The Company is unlikely to be able to increase its revenues as planned if it fails to expand its direct sales force or its consulting and customer support staff. Even if the Company is successful in expanding its direct sales force and customer support capability, the expansion may not result in revenue growth.

Risk Factors (continued)

Dependence on Business Alliances

A key element of the Company's business strategy is the formation of corporate alliances with leading companies. The Company is currently investing and plans to continue to invest significant resources to develop these relationships. The Company believes that its success in penetrating new markets for its products will depend in part on its ability to maintain these relationships and to cultivate additional or alternative relationships. There can be no assurance that the Company will be able to develop additional corporate alliances with such companies, that existing relationships will continue or be successful in achieving their purposes or that such companies will not form competing arrangements.

Dependence on Key Personnel

The Company's success depends largely upon the continued service of its executive officers and other key management, sales and marketing and technical personnel. The loss of the services of one or more of the Company's executive officers or other key employees could have a material adverse effect on its business, results of operations or financial condition.

The Company's future success also depends on its ability to attract and retain highly qualified personnel. The competition for qualified personnel in the computer software and Internet markets is intense, and the Company may be unable to attract or retain highly qualified personnel in the future. In addition, due to intense competition for qualified employees, it may be necessary for the Company to increase the level of compensation paid to existing and new employees to the degree that operating expenses could be materially increased.

Management of Growth

The Company's future will depend in part on the ability of its officers and other key employees to implement and improve its financial and management controls, reporting systems and procedures on a timely basis and to expand, train and manage its employee workforce. There can be no assurance that the Company will be able to effectively manage such growth. The Company's failure to do so could have a material adverse effect upon the Company's business, prospects, results of operation and financial condition.

Risk Factors (continued)

Integration of Newly Acquired Businesses or Technology

The Company may expand its operations through acquisitions of additional businesses or technology. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses or technology or successfully integrate acquired businesses or technology into the Company without substantial expense, delay or other operational or financial problems. Further, acquisitions may involve a number of additional risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances, legal liabilities and amortization of acquired intangible assets, some or all of which could have a material adverse effect on the Company's business, financial condition and results of operation. In addition, there can be no assurance that acquired businesses, if any, will achieve anticipated revenues and earnings. The failure of the Company to manage its acquisition strategy successfully could have a material adverse effect on the Company's business, financial condition and results of operation.

Potential Fluctuations in Quarterly Financial Results

The Company's quarterly financial results may be affected by the timing of new releases of its products and/or substantial customer orders. The Company's operating expenses are based on anticipated revenue levels in the short term, are relatively fixed, and are incurred throughout the quarter. As a result, if expected revenues are not realized on a timely basis as anticipated, the Company's financial results could be materially and adversely affected. These or other factors, including possible delays in the shipment of new products, may influence quarterly financial results in the future. Accordingly, there may be significant variation in the Company's quarterly financial results.

International Sales

Sales outside of the United States currently represent less than 10% of the Company's total gross revenues. The Company believes that its continued growth and profitability will require additional expansion of its sales in international markets. To the extent that the Company is unable to expand international sales in a timely and cost effective manner, the Company's business, results of operations and financial condition could be materially and adversely affected. In addition, even with the successful recruitment of additional personnel and international resellers, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products.

Currency Exchange Rate Risk

The Company's results have been stated in U.S. dollars as a substantial portion of the Company's revenues and a material portion of its expenses are denominated in US dollars.

Risk Factors (continued)

Dependence on Proprietary Technology and Limited Patent and Trademark Protection

The Company relies on a combination of copyright and trademark laws, trade secret, confidentiality procedures and contractual provisions to protect its proprietary rights. Unauthorized parties may attempt to copy aspects of the Company's products or obtain and use information that the Company regards as proprietary. Policing unauthorized use of the Company's product is difficult, time-consuming and costly as is the pursuing of patents in each jurisdiction in which the Company carries on business. Although the Company is unable to determine the extent to which piracy of its software product exists, software piracy is a possibility. In addition, the laws of certain countries in which the Company's products may be licensed do not protect its product and intellectual property rights to the same extent as the laws do in Canada or the United States. There is no assurance that the Company's means of protecting its proprietary rights will be adequate or the Company's competitors will not independently develop similar technology, the effect of either of which may be materially adverse to the Company's business, results of operations and financial condition.

Risk of Third Party Claims for Infringement

The Company is not aware that its product infringes the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim such infringement by the Company or its licensees with respect to current or future products. The Company expects that software product developers will increasingly be subject to such claims as the number of products and competitors in the Company's industry segment grows and the functionality of products in different industry segments overlaps. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require the Company to enter into royalty or licensing agreements which, if required, may not be available on terms acceptable to the Company. Any of the foregoing could have a materially adverse effect on the Company's business, results of operations and financial condition.

Risk Factors (continued)

Lengthy Sales and Implementation Cycle

The adoption of the Company's product generally involves a significant commitment of resources by potential customers. As a result, the Company's sales process is often subject to delays associated with lengthy approval processes by potential customers. For these and other reasons, the sales cycle associated with the license of the Company's product varies substantially from customer to customer and typically lasts between 6 to 12 months during which time the Company may devote significant time and resources to a prospective customer, including costs associated with multiple site visits, product demonstrations and feasibility studies, and experience a number of significant delays over which the Company has no control. Any significant or ongoing failure by the Company to ultimately achieve such sales could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, following license sales, the implementation period is expected to involve a time period for customer training and integration with the customer's existing systems. A successful implementation program requires a close working relationship between the Company, the customer and, generally, third party consultants and system integrators who assist in the process. There can be no assurance that delays or difficulties in the implementation process for any given customer will not have a material adverse effect on the Company's business, results of operations and financial condition.

Risk of System Defects

System development involves the integration of the Company's proprietary software and software of others into the customer's operating systems. There can be no assurance that defects and errors will not be found in the Company's product when integrated with other products or systems. Any such defects and errors could result in adverse customer reactions, negative publicity regarding the Company and its product or damages. Consequently, there could be a material adverse effect on the Company's business, results of operations and financial condition.

Requirements for New Capital

As a growing business, the Company typically needs more capital than it has available to it or can expect to generate through the sale of its products. In the past, the Company has had to raise, by way of debt and equity financing, considerable funds to meet its capital needs. There is no guarantee that the Company will be able to continue to raise funds needed for its business. Failure to raise the necessary funds in a timely fashion will limit the Company's growth.

Critical Accounting Estimates

General

Unless otherwise specified in the discussion of the specific critical accounting estimates, the Company is not aware of trends, commitments, events, or uncertainties that it reasonably expects to materially affect the methodology or assumptions associated with the critical accounting estimates, subject to the circumstances identified above.

Critical Accounting Estimates (continued)

General (continued)

Changes are made to assumptions underlying all critical accounting estimates to reflect current economic conditions and updating of historical information used to develop the assumptions, where applicable. Unless otherwise specified in the discussion of the specific critical accounting estimates, it is expected that no material changes in overall financial performance and financial statement line items would arise either from reasonably likely changes in material assumptions underlying the estimate or within a valid range of estimates, from which the recorded estimate was selected.

All critical accounting estimates are uncertain at the time of making the estimate.

Accounts Receivable

Allowance for doubtful accounts

The Company considers the business area that gives rise to the accounts receivable, maintains procedures for granting credit terms on sales transactions and performs specific account identification when determining its allowance for doubtful accounts. This accounting estimate is in respect of the accounts receivable line item on the Company's consolidated Statement of Financial Position comprising approximately 28.4% of total assets as of March 31, 2015. In the event the future results were to adversely differ from management's best estimate of the allowance for doubtful accounts, the Company could experience a bad debt charge in the future. Such a bad debt charge would not result in a cash outflow.

The estimate of the Company's allowance for doubtful accounts could materially change from period to period due to the allowance being a function of the balance and composition of accounts receivable, which can vary on a month-to-month basis. The variance in the balance of accounts receivable can arise from a variance in the amount and composition of operating revenues and from variances in accounts receivable collection performance.

Inventories

Provision for inventory obsolescence

The Company determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging and current condition, and current and future expectations with respect to product offerings.

Assumptions underlying the provision for inventory obsolescence include the activity levels over previous fiscal years, and the expected inventory requirements and inventory composition necessary to support these future sales and offerings. The estimate of the Company's provision for inventory obsolescence could materially change from period to period due to changes in product offerings and consumer acceptance of those products.

Critical Accounting Estimates (continued)

Inventories (continued)

This accounting estimate is in respect of the inventory line item on the Company's consolidated Statement of Financial Position comprising approximately 14.1% of total assets as of March 31, 2015. If the provision for inventory obsolescence was inadequate, the Company could experience a charge to direct cost of sales in the future. Such an inventory obsolescence charge would not result in a cash outflow.

Long-Lived Assets

The accounting estimates for long-lived assets that include capital assets, prepaid expenses consisting of deferred service contracts, purchased technology, intellectual property, customer contracts and licenses, in aggregate, represent approximately 33.5% of the Company's total assets as at March 31, 2015, presented in its consolidated Statement of Financial Position. If the Company's estimated useful lives of assets were different as a result of changes in facts and circumstances, the Company could experience increased or decreased charges for amortization and the Company could potentially experience future material impairment charges in respect of its recovery of long-lived assets.

The estimated useful lives of capital assets are determined by a continuing program of asset life studies. The recoverability of capital assets is significantly impacted by the estimated useful lives. Assumptions underlying the estimated useful lives of capital assets include timing of technological obsolescence, competitive pressures and future infrastructure utilization plans. In the event management's best estimate of the useful lives of capital assets was adversely affected, the Company could potentially experience a charge to amortization expense in the future. Such a charge to amortization would not result in a cash outflow.

The purchased technology, intellectual property, customer contracts and licenses were fully amortized on or before the 2010 fiscal year.

Adoption of future accounting standards

The IASB has issued the following amendments and new standards, which have not yet been adopted by the Company. Each of the amendments and new standards is effective for annual periods beginning on or after January 1, 2013, unless otherwise indicated, with early adoption permitted. The Company has not yet begun the process of assessing the impact that the amended and new standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

Adoption of future accounting standards (continued)

The following is a description of the new or amended standards:

IAS 1 – “Presentation of Financial Statements” (“IAS 1”)

Amendments to IAS 1 require that elements of other comprehensive income that may subsequently be reclassified through profit and loss be differentiated from those items that will not be reclassified. The adoption of these amendments did not have a significant impact on the Company’s disclosures in its consolidated financial statements.

IAS 12 – “Income Taxes” (“IAS 12”)

Amendments to IAS 12 clarify how an entity should measure the deferred tax consequences related to accounting recoveries of previously-impaired assets and liabilities underlying deferred tax assets and liabilities. These amendments were effective for annual periods beginning after January 1, 2012 and did not have a significant impact on the Company’s disclosures in its consolidated financial statements.

IAS 28 – “Investments in Associates and Joint Ventures” (“IAS 28”)

IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The adoption of this standard did not have a material impact on the Company’s financial performance or financial position.

IAS 32 – “Financial Instruments: Presentation” (“IAS 32”)

Amendments to IAS 32 provide specific guidance for when an entity can offset financial assets and liabilities by clarifying when a legally enforceable right to do so exists, and when an entity meets the criterion for the intent to settle on a net basis. These amendments are effective for annual periods beginning after January 1, 2014. The Company does not believe the amendments to IAS 32 will materially affect its financial performance or its financial position.

IFRS 7 – “Financial Instruments: Disclosures” (“IFRS 7”)

Amendments to IFRS 7 introduce enhanced disclosure around any financial instruments which are offset in accordance with IAS 32. These amendments are not expected to have a significant impact on the Company’s disclosures in its consolidated financial statements.

Adoption of future accounting standards (continued)

IFRS 9 – “Financial Instruments” (“IFRS 9”)

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 Financial Instruments – Recognition and measurement for debt instruments, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income (loss) indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss). These amendments are effective for annual periods beginning after January 1, 2015. The Company has not yet assessed the impact of the adoption of IFRS 9 on its financial performance or its financial position.

IFRS 10 – “Consolidation” (“IFRS 10”)

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 SIC-12 “Consolidation—Special Purpose Entities” and parts of IAS 27, “Consolidated and Separate Financial Statements”. The adoption of IFRS 10 did not materially affect its financial performance or its financial position.

IFRS 11 – “Joint Arrangements” (“IFRS 11”)

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. 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 operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, “Interests in Joint Ventures”, and SIC-13, “Jointly Controlled Entities—Non-monetary Contributions by Ventures”. The adoption of IFRS 11 did not materially affect its financial performance or its financial position.

Adoption of future accounting standards (continued)

IFRS 12 – "Disclosure of Interests in Other Entities" ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests 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 interests in other entities. The adoption of IFRS 12 did not have a significant impact on the Company's disclosures in its consolidated financial statements.

IFRS 13 – "Fair Value Measurement" ("IFRS 13")

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. 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. The adoption of IFRS 13 did not have a material impact on the Company's financial performance or its financial position.

Pursuant to the requirements of National Instrument Policy 51-102F1 the Company is providing selected annual information as set forth in Section 1.3 of that Policy.

Additional information relating to the Company can be found on the Canadian Securities Administrators System for Electronic Document Analysis and Retrieval (SEDAR), located at www.sedar.com