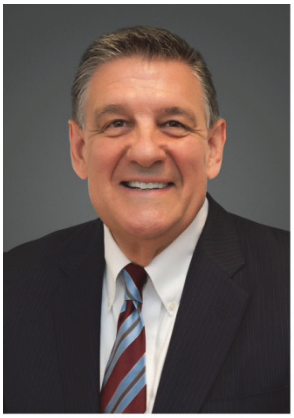
Annual Report 2014

Improving People's Lives Every Day

Immunotec®

Immunotec®



Letter to Shareholders

In 2014, we made substantial progress in building a world-class direct-to-consumer network marketing enterprise, founded on a scientific and medical heritage. Top line revenues grew 47.5% to reach a record $81 million while the number of new people joining our network approached 85,000 during the fiscal year.

The heart of this growth is the strong sponsoring and mentoring efforts of our field leaders with their customers and consultants. Our culture is grounded in our belief in the nutritional value of our products and in the impact of the earning opportunity for those who choose to build their own business.

At the outset of 2014, we established several initiative areas or "Keystones for Growth" and maintained a consistent focus on these key themes throughout the year.

Vision – Mission – Values

The first theme is our Vision – Mission – Values statement which follows this shareholders message. All of our initiatives are guided by the commitments and behavioural implications of our Vision – Mission – Values statement. The overall goal is for Immunocal to become the nutritional choice of households worldwide and to have our products and earning opportunity be accessible to all people.

Our strategy for accomplishing this Vision and Mission is to deliver balanced emphasis on the benefits of our product portfolio, the efficacy of the earning opportunity and the attractive cultural aspects of being affiliated with Immunotec. We will continue to institutionalize the messaging of Immunotec's Vision – Mission – Values as a key component to Immunotec's future growth.

Product Development

In 2014, we revitalized our Product Development process. Through this process, cross-functional corporate teams collaborate with field leaders and our scientific and development partners to conceptualize, design, manufacture and launch new products and enhancements to current offerings. Already, the results of these new processes have produced several new product enhancements, product introductions and a promising pipeline of future developments.

Leadership, Business Building and Immunotec's Business Rhythm

During 2014, we strengthened our focus on the role of field leadership in understanding how our business opportunity and our industry-leading compensation plan contribute to building new direct selling businesses. This is being accomplished through the various training and recognition experiences offered at the regional, national and international levels in Immunotec's various markets.

Immunotec's expertise in establishing and maintaining a year-round Business Rhythm is a key factor in successfully executing our growth strategy. This cycle of best practices reinforces the sponsoring, engagement and development of field consultants and customers as explained in Immunotec's Annual Information Form (AIF).

Leadership, Business Building and Immunotec's Business Rhythm

During 2014, we strengthened our focus on the role of field leadership in understanding how our business opportunity and our industry-leading compensation plan contribute to building new direct selling businesses. This is being accomplished through the various training and recognition experiences offered at the regional, national and international levels in Immunotec's various markets.

Deeply-Rooted Identity

Our corporate identity is being continuously reinforced with over 40 years of scientific research. Our strategy is to have long-lasting collaborations with opinion leaders in the scientific and medical communities and to continue to support ongoing studies involving the use of selected products.

In 2014, two important research studies were concluded where Immunocal was included in the study protocols.

The first was a collaboration between Immunotec and the Institut de recherches cliniques de Montréal (IRCM) which demonstrated that Immunocal contributes to increased muscle strength in elderly adults. The results showed that consuming Immunocal results in a statistically significant performance benefit of approximately 10% in muscle strength.

The second study was sponsored by McGill University Health Centre with support provided by the Montreal General Hospital Foundation and the Perioperative Program. Immunotec participated in a novel study that resulted in confirming that meaningful changes in postoperative functional exercise capacity can be achieved with a prehabilitation program that includes Immunocal.

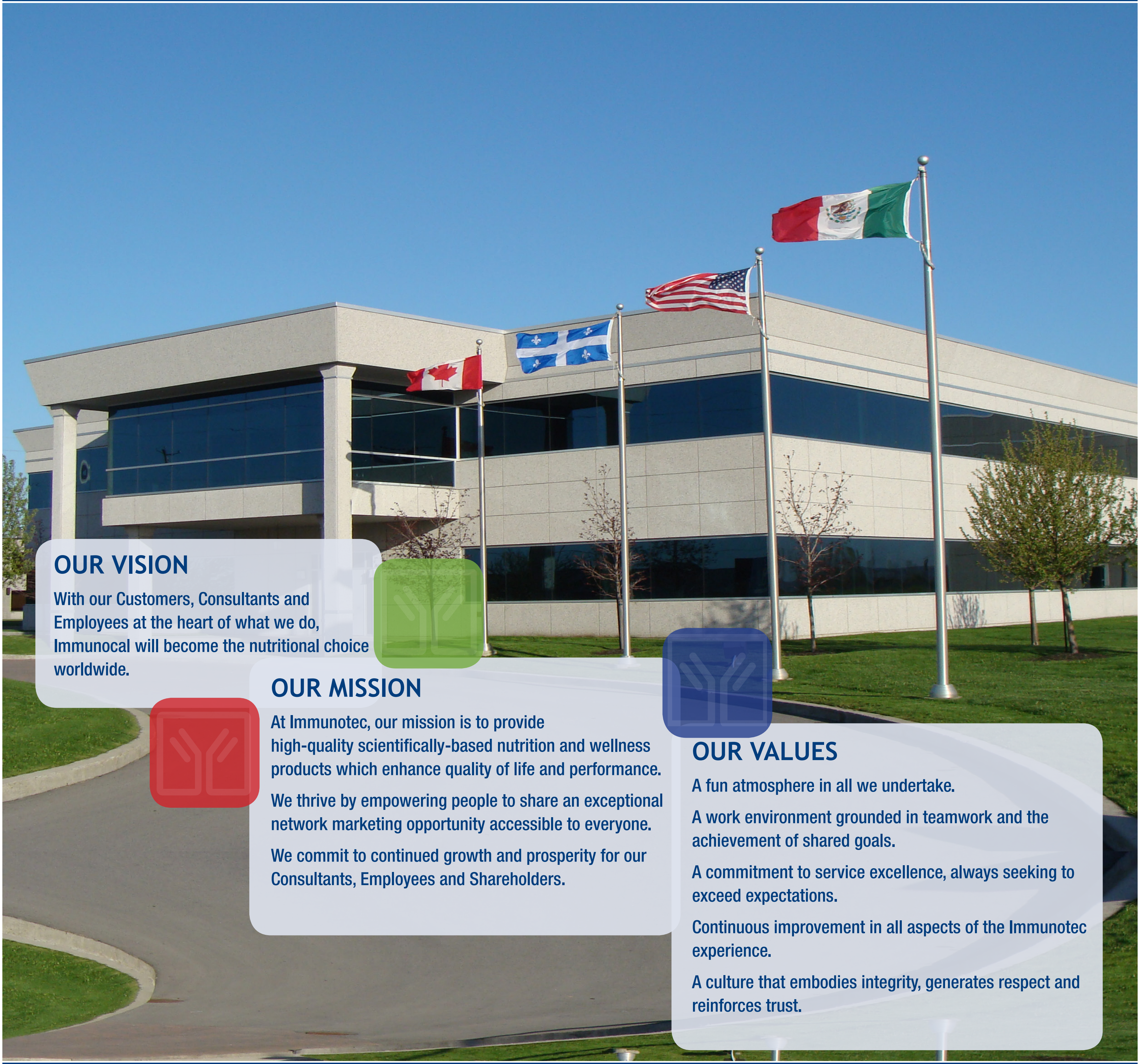
Immunotec's future is very bright. With the involvement of all stakeholders, we are committed to engaging an increasing number of customers and consultants in alignment with the Company's Vision, Mission and Values. Thank you all for your support.

Sincerely,

Charles L. Orr

Charles L. Orr
Chief Executive Officer

ONE VISION – ONE TEAM



OUR VISION

With our Customers, Consultants and Employees at the heart of what we do, Immunocal will become the nutritional choice worldwide.

OUR MISSION

At Immunotec, our mission is to provide high-quality scientifically-based nutrition and wellness products which enhance quality of life and performance.

We thrive by empowering people to share an exceptional network marketing opportunity accessible to everyone.

We commit to continued growth and prosperity for our Consultants, Employees and Shareholders.

OUR VALUES

A fun atmosphere in all we undertake.

A work environment grounded in teamwork and the achievement of shared goals.

A commitment to service excellence, always seeking to exceed expectations.

Continuous improvement in all aspects of the Immunotec experience.

A culture that embodies integrity, generates respect and reinforces trust.

Improving People's Lives Every Day

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides a review of the results of operations, financial condition and cash flows of Immunotec Inc. for the years ended 31 October 2014 and 2013. In this MD&A, the "Company", "Immunotec", "we", "us", "our" and the "Group" refer to Immunotec Inc. and its subsidiaries. This discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements for the years ended 31 October 2014 and 2013.

All amounts in this MD&A are presented in Canadian dollars, except for shares, options, per share data and as otherwise noted. Information contained herein includes all significant developments as at 23 January 2015, the date on which the MD&A was approved by the Company's Board of Directors. All percentages reflected herein are calculated on whole amounts as contained in the Company's financial records and financial statements and not on the rounded amounts as disclosed herein.

Additional information relating to the Company is available in its most recent Annual Information Form on SEDAR at www.sedar.com.

1. FINANCIAL PERFORMANCE

Immunotec is a Canadian-based company that develops, manufactures, markets and sells research-driven nutritional products through direct-to-consumer sales channels in Canada, the United States and Mexico. The Company offers an extensive family of nutritional products targeting health, wellness, weight management, as well as energy and fitness. The Immunocal family of products is supported by over 40 published articles and supporting science in medical and scientific literature. Immunotec is headquartered with manufacturing facilities near Montreal, Canada.

1.1 Financial conditions

The condensed consolidated statements of financial position as at 31 October 2014 and 2013 are presented in the following table:

Financial condition

As at 31 October *(000's of C$)*	2014	2013
Cash and restricted cash	6,787	4,706
Inventories	6,218	3,488
Property, plant and equipment	5,994	5,817
Total assets	25,673	23,495
Long-term liabilities (including current portions)	2,530	2,021
Equity	10,282	13,071

Assets

The audited consolidated statement of financial position as at 31 October 2014 shows cash and restricted cash of $6.8M compared to $4.7M as at 31 October 2013, an increase of $2.2M in total assets during the year ended 31 October 2014, which can be explained by the following incremental variations:

- Increase in cash generated from operations of $2.1M, inclusive of restricted cash of $0.5M presented in non-current assets.
- Increase in inventories of $2.7M, to support our sales growth and to build security stock of primary raw materials to mitigate back-order risks and cross-border transit of finish goods.
- General increase totalling $0.7M from trade and other receivables, prepaid expenses and property, plant and equipment.
- A reduction of $2.4M in recoverable amounts from taxation authorities. During the year ended 31 October 2014, the short-term and long-term estimates associated with the recoverable amounts from taxation authorities, were offset against a commodity tax expense provision (further described in the "Contingencies" section).
- A reduction of $0.3M resulting from an impairment expense in intangible assets.

Long-term liabilities (including current portions)

During the year ended 31 October 2014, the Company added an additional tranche to its existing Committed Reducing Term Facility in the amount of $0.3M. All indebtedness present and future to the Bank is collateralized by a first ranking immovable hypothec of $2.7M, a first ranking moveable hypothec of $6.0M and a second ranking moveable hypothec of $0.3M on asset including, but not limited to, trade and other receivables, inventories, property, plant and equipment, and intangible assets. The collateralization includes cross-guarantees from Group companies.

In 2014, the Company also added a second Committed Reducing Term Facility in the amount of $0.5M. All indebtedness present and future to the Bank is collateralized by a third ranking moveable hypothec of $0.5M on asset including, but not limited to, trade and other receivables, inventories, property, plant and equipment and intangible assets. The collateralization includes cross-guarantees from Group companies.

The Company is subject to certain covenants tested annually on 31 October, including a debt-to-tangible-net-worth ratio and a debt service coverage ratio. On 30 October 2014, the Company received a waiver of these covenants from the bank for the year ending 31 October 2014 and amended the debt-to-tangible-net-worth ratio increasing to 3.75:1 to be tested as at 31 January 2015, with subsequent testing dates to be determined. As part of the renewal, the bank required a cash security deposit as additional security for an amount of $0.5M (USD$0.5M) for a period of one year. This amount is presented as restricted cash in non-current assets. As at 31 October 2013, the Company was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

1.2 Results of operations

The condensed consolidated statements of operations for the quarter and the year ended 31 October 2014 compared to the same periods in 2013 are presented in the following table:

Results of operations

For the period ended 31 October	**Three-month**		**Twelve-month**	
('000s of C$, except for share and per share data)	**2014**	**2013**	**2014**	**2013**
Revenues	23,310	15,601	80,790	54,771
Cost of sales	5,549	3,970	18,694	13,499
Margin before expenses	17,761	11,631	62,096	41,272
Expenses	17,577	12,123	63,288	40,237
Operating (loss) income	184	(492)	(1,192)	1,035
Net finance expenses (income)	(55)	14	539	(64)
Income taxes (recovery)	191	(817)	961	(278)
Net (loss) profit	48	311	(2,692)	1,377
Total comprehensive (loss) income	84	294	(2,756)	1,293
Total basic and diluted net (loss) profit per common share	0.00	0.00	(0.04)	0.02
Weighted average number of common shares oustanding Basic and diluted	69,015,039	69,600,040	69,015,039	69,600,040

Revenues for the three- and twelve-month periods ended 31 October 2014 reached $23.3M and $80.8M respectively: increases of 49.4% and 47.5% compared to the same periods in the previous year. This increase was recorded consistently throughout the year in both Mexico and the rest of North America, totaling 92.9% and 12.9%, respectively.

Expenses for the three- and twelve-month periods ended 31 October 2014 reached $17.6M and $63.3M respectively: increases of 44.9% and 57.3% compared to the same periods in the previous year. The increase in expenses for the year is predominantly due to a commodity tax expense provision of $1.0M recorded for the three-month period ended 31 October 2014 and $5.5M for the twelve-month period ended 31 October 2014. The Company has filed an appeal with the Mexican Supreme Court during the fourth quarter. Also, the Company started charging a 16% of value added tax ("VAT"), effectively 1 October 2014 on additional products sold in Mexico. This action mitigates future taxation risk associated with this interpretation from the Mexican tax authority. More information is available in the "Contingencies" section below.

Net finance expenses (income) for the three- and twelve-month periods ended 31 October 2014 reached ($0.06M) and $0.5M respectively. The increase in finance expenses for the twelve-month periods is predominantly due to costs associated with our decision not to pursue the preliminary short form prospectus announced in July 2014. More information is provided in a section below.

Net profit for the three-month period ended 31 October 2014 was $0.05M compared to $0.3M for the same period in the previous year.

Net loss for the twelve-month period ended 31 October 2014 totalled $2.7M compared to a net profit of $1.4M for the same period in the previous year. Total basic and fully diluted (loss) profit per common share for the three- and twelve-month periods ended 31 October 2014 was $0.00 and ($0.04) respectively, compared to $0.00 and $0.02 in the same periods in the previous year.

Revenues and sponsoring[1]

Revenues and sponsoring [1]

For the period ended 31 October ('000s of C$)	Three-month 2014	Three-month 2013	Variation	Twelve-month 2014	Twelve-month 2013	Variation
Network sales	21,590	14,291	51.1%	74,554	49,644	50.2%
Other revenue	1,720	1,310	31.3%	6,236	5,127	21.6%
	23,310	15,601	49.4%	80,790	54,771	47.5%

Network sales in key markets in local currency	2014	2013	Variation	2014	2013	Variation
Mexico *('000s of Mexican pesos)*	162,563	84,099	93.3%	540,385	290,886	85.8%
United States *('000s of US$)*	4,762	3,763	26.5%	16,136	12,725	26.8%
Canada *('000s of C$)*	3,101	3,543	-12.5%	11,784	13,006	-9.4%

Sponsoring[1] of new customers and consultants in key markets *(# of people)*	2014	2013	Variation	2014	2013	Variation
Mexico	18,368	11,156	64.6%	63,982	34,555	85.2%
United States	4,093	3,613	13.3%	13,712	9,114	50.4%
Canada	1,583	2,444	-35.2%	5,839	6,315	-7.5%
	24,044	17,213	39.7%	83,533	49,984	67.1%

Network sales are the Company's most important performance indicator, as they are driven by product sales of our network of independent customers and consultants. Network sales for the three- and twelve-month periods ended 31 October 2014, reached $21.6M and $74.6M respectively: increases of 51.1% and 50.2% compared to the same periods in the previous year. Excluding currency exchange fluctuations and explaining the growth for the twelve-month period, the Company recorded increases in network sales in both Mexico (85.8%) and in the United States (26.8%).

This steady increase in network sales is the result of continued increases in the sponsoring[1] of new consultants and customers, whose purchases impact network sales. For the three- and twelve-month periods the number of new independent consultants and customers in key markets increased by 39.7% and 67.1%, respectively compared to the previous year. We have increased our field leadership penetration within a number of existing and new districts (where we previously had not been) within Mexico, sponsoring[1] nearly 64,000 new customers and consultants, an increase of 85.2% over the previous year. During the month of October 2014, sponsoring[1] activities were affected in Mexico by the Company decision to start charging a 16% VAT on its products sold in Mexico, following the court decision received in September 2014. Management expects a period of adaptation in the

[1] Refer to the "NON-GAAP MEASURES" section

Mexican market during 2015, which may materially affect its future growth in this particular market, as described under the "Risks and uncertainties" section below.

During the year ended 31 October 2014, in the United States, sponsoring[1] of new customers and consultants increased by 50.4% over the previous year. The increase primarily reflects the Company's continued success in attracting customers and independent consultants among the Hispanic population throughout the United States. To support this growth, the Company opened a satellite office in California in October 2014. In Canada, the number of new customers and independent consultants declined, by 7.5% from the previous year.

Other revenue, which includes revenues of products sold to licensees in countries where we do not have a network of independent consultants (export sales), shipping revenue and educational material purchased by our network of independent consultants, was $6.2M for the year ended 31 October 2014. This compares to $5.1M for the previous year, an increase of 21.6% which is primarily attributable to an increase in sales of educational material and in shipping revenues commensurate with an increase in network sales.

Geographic distribution of revenues

Geographic distribution of revenues

For the period ended 31 October	**Three-month**			**Twelve-month**		
('000s of C$)	**2014**	**2013**	*Variation*	**2014**	**2013**	*Variation*
Mexico	13,740	6,998	*96.3%*	46,417	24,064	*92.9%*
Rest of North America	8,798	7,896	*11.4%*	31,571	27,954	*12.9%*
Other countries	772	707	*9.2%*	2,802	2,753	*1.8%*
	23,310	15,601	*49.4%*	80,790	54,771	*47.5%*

Mexico is the largest geography, representing 57.5% of total revenues in the year ended 31 October 2014, compared to 43.9% in the previous year. Mexican revenues reached $46.4M compared to $24.1M in the previous year, an increase of 92.9%. This increase is the result of the continued sponsoring[1] of new independent consultants and continued market penetration within the territory.

Revenues in the rest of North America, which combines the Canadian and U.S. markets for the year ended 31 October 2014, accounted for $31.6M or 39.1% of total revenues. This compares to $28.0M or 51.0% of total revenues in the previous year. The increase in total revenues from the rest of North America is a result of improving sponsorship in the U.S., especially in the southwestern U.S. Revenues from other countries, accounted for $2.8M or 3.5% of total revenues, which equal the previous year. Revenues from other countries including two European countries

[1] Refer to the "NON-GAAP MEASURES" section

combined with 15 additional countries in Asia and Latin America, where the Company does not have a network of independent consultants.

Key performance metrics[1]

Key performance metrics

For the period ended 31 October *('000s of C$)*	**Three-month 2014**	**Three-month 2013**	**Twelve-month 2014**	**Twelve-month 2013**
Revenues	23,310	15,601	80,790	54,771
Margin before expenses	17,761	11,631	62,096	41,272
as a % of Revenues	**76.2%**	**74.6%**	**76.9%**	**75.4%**
Selling, general and administrative	3,800	2,915	15,004	12,615
as a % of Revenues	**16.3%**	**18.7%**	**18.6%**	**23.0%**
Product revenues[1]	22,534	15,347	77,900	52,575
Cost of sales	5,549	3,970	18,694	13,499
as a % of Product revenues[1]	**24.6%**	**25.9%**	**24.0%**	**25.7%**
Network sales	21,590	14,291	74,554	49,644
Field incentives	12,790	8,042	42,074	25,786
as a % of Network sales	**59.2%**	**56.3%**	**56.4%**	**51.9%**

During the year ended 31 October 2014, the Company successfully improved several of its key performance indicators, notably:

+1.5%	Improvement in **margin before expenses** as a percentage of revenues increasing to 76.9% compared to 75.4% in the previous year, mostly due to change in product mix offered in promotional activities.
+1.7%	Improvement in **cost of sales** as a percentage of product revenues[1] amounted to 24.0% compared to 25.7% in the previous year. This improvement is consequent with the above-mention product mix being sold.
+4.4%	Improvement in **selling, general and administrative** as a percentage of revenues, reached 18.6% of revenues compared to 23.0% in the previous year. This improvement reflects a continuous disciplined management of corporate expenses.

[1] Refer to the "NON-GAAP MEASURES" section

During the year, the Company recorded an increase in **field incentives**, which reached 56.4% of network sales compared to 51.9% in the previous year. Field incentives are the Company's most significant expense and consist of commissions from product sales, performance bonuses and other promotional incentives provided to qualifying independent consultants. The increase, when compared to the previous year, is a reflection of increases in various sponsoring[1] activities, which have resulted in higher revenues and leadership rank advancements.

Adjusted EBITDA[1] analysis

Calculation of adjusted EBITDA[1]

For the period ended 31 October	Three-month		Twelve-month	
('000s of C$)	**2014**	**2013**	**2014**	**2013**
Net (loss) profit	48	311	(2,692)	1,377
Add (deduct):				
Depreciation, amortization and impairment	262	182	940	814
Net finance expenses (income)	(55)	14	539	(64)
Other expenses	725	984	5,270	1,022
Income taxes (recovery)	191	(817)	961	(278)
Adjusted EBITDA	1,171	674	5,018	2,871
as a % of Revenues	*5.0%*	*4.3%*	*6.2%*	*5.2%*

Adjusted EBITDA[1] for the three- and twelve-month periods ended 31 October 2014 respectively, amounted to $1.2M and $5.0M or 5.0% and 6.2% of revenues compared to $0.7M and $2.9M or 4.3% and 5.2% in the same periods in the previous year.

The most significant changes in the reconciliation items in the year ended 31 October 2014 is associated with:

i. The commodity tax expense provision recorded under other expenses explained above and further described in the "Contingencies" section.

ii. The financing fees associated with the decision not to pursue the preliminary short form prospectus explained in the following section.

iii. An impairment expense on certain intangibles assets in the amount of $0.3M that was not present in the corresponding period in the previous year.

[1] Refer to the "NON-GAAP MEASURES" section

Net finance expenses (income)

Net finance expenses (income)

For the period ended 31 October ('000s of C$)	**Three-month 2014**	**Three-month 2013**	**Twelve-month 2014**	**Twelve-month 2013**
Financing fees	(29)	-	671	-
Interest expense	30	25	133	82
Gain on disposal of an investment	-	-	(85)	-
Net foreign exchange gain	(56)	(11)	(180)	(146)
Net finance expenses (income)	(55)	14	539	(64)

Net finance expenses (income) comprise financing fees, interest on long-term debt and a finance lease obligation, gain on disposal of an investment as well as net foreign exchange gains. As explained above, the main variation during the year relates to the Company's decision not to pursue the preliminary short form prospectus. As a result, financing fees in the amount of $0.7M have been recorded as an expense in the year ended 31 October 2014.

Previous eight quarters ended 31 October 2014

Summary of the last eight quarters (in 000's of C$, except per share data)

	Revenues	Adjusted EBITDA[1] (in $ and % of revenues)		Net (loss) profit	Basic & diluted net (loss) profit per share
31-Oct-14	23,310	1,171	5.0%	48	0.00
31-Jul-14	22,263	1,665	7.5%	(4,270)	(0.06)
30-Apr-14	19,062	1,419	7.4%	770	0.01
31-Jan-14	16,155	763	4.7%	759	0.01
31-Oct-13	15,601	674	4.3%	311	0.01
31-Jul-13	14,361	577	4.0%	(121)	(0.01)
30-Apr-13	12,630	791	6.3%	659	0.01
31-Jan-13	12,179	829	6.8%	528	0.01

[1] Refer to the "NON-GAAP MEASURES" section

Over the last eight quarters, revenues, driven by network sales have increased consistently. As mentioned previously, this growth is attributable to our performance in Mexico and more recently, in the U.S., for which growth commenced in the third quarter of the year-ended 31 October 2013. Nevertheless, increases in revenues in Mexico and the U.S. were slightly mitigated by decreases in Canada.

Increases in revenues also create proportionate increases in field incentives, which are impacted by the types of promotional activities and level of sponsorship activities.

The Company improved key performance indicators, noticeably in the areas of gross margins and selling, general and administrative expenses which as describe above, contributed to growth in its adjusted EBITDA[1] in the last eight quarters.

The Company improved its net profit consistently over the past eight quarters with the exception of the third quarter of the fiscal 2014, which was mostly impacted by a commodity tax expense provision, recorded under other expenses, as explained above and further described in the "Contingencies" section below.

Net (loss) profit, comprehensive (loss) income and total basic and diluted net (loss) profit per share

Net loss for the year ended 31 October 2014 totalled $2.7M as compared to a net profit of $1.4M for the previous year. Total basic and fully diluted net loss per common share for year ended 31 October 2014 was $0.04 compared to a total basic and fully diluted net profit of $0.02 in the previous year.

2. LIQUIDITY

As at 31 October 2014, the Company had a cash position of $6.8M, of which $0.5M was restricted and secured against its long-term debt renewal engagement (further explanation under note 14 to the annual consolidated financial statements) compared to $4.7M as at 31 October 2013. The Company also benefits from an additional line of credit facility of approximately $1.2M, of which nothing was drawn as at the end of 31 October 2014 and 2013.

Contingent on risk and uncertainties associated with its business model, the Company currently maintains a capital structure that allows options to finance its development. The Company periodically monitors its capital structure which it defines as long-term debt and equity. The Company expects it will be able to meet its contractual obligations over the next year and continue to fund its planned activities for the next fiscal year.

It should be noted that the Company is currently involved in legal proceedings with the Mexican taxation authorities as further discussed in the "Contingencies" section below. While the Company believes it has made sufficient provision against any actions and has meritorious defenses, the ultimate resolution of these proceedings is uncertain. If the Company is incorrect in its assessment of the outcome of the court proceedings, it may need to record additional liabilities, which could have a material impact on the cash flows and liquidities of the Company in general and of the Mexican subsidiary in particular.

The condensed consolidated statements of cash flows for the year ended 31 October 2014 and the comparative period in 2013 are presented below:

Consolidated statements of cash flows

For the year ended 31 October *('000s of C$)*	**2014**	**2013**
Operating activities		
Net (loss) profit	(2,692)	1,377
Adjustments for items not affecting cash	6,469	(111)
Cash from operating activities prior to working capital variation	3,777	1,266
Net change in non-cash working capital	(1,817)	52
Net cash provided by operating activities	1,960	1,318
Investing activities	(598)	(265)
Financing activities	423	(344)
Net increase in cash during the year	1,785	709
Cash — Beginning of the year	4,706	3,779
Effect of foreign exchange rate fluctuations on cash	296	218
Cash — End of the year	6,787	4,706

Cash flows from operating activities

Cash provided by operating activities amounted to $2.0M during year ended 31 October 2014 compared to $1.3M in the previous year. Revenues grew in both periods, and this increased activity is reflected in higher year-over-year working capital needs supporting strong growth, notably in the balances of inventory.

Cash flows from investing activities

The increase of $0.4M in investing activities relates primarily to leasehold improvements and other items in Mexico and our new California office and a new telephonic infrastructure.

Cash flows from financing activities

During the year ended 31 October 2014, the Company received $0.8M in new debt financing. Repayments on long-term liabilities were $0.3M as compared to $0.1M in the previous year. Share repurchases during the periods are discussed in the subsection "Normal course issuer bid" below.

Contractual obligations

The Company has total commitments in the amount of $1.6M under various operating leases for offices and warehouse space and equipment until 2020. The payments for the coming years and thereafter are as follows:

Contractual obligations

For the period ended 31 October *('000s of C$)*	**2014** **$**	**2013** **$**
No later than 1 year	440	151
Later than 1 year and no later than 5 years	1,125	36
Later than 5 years	1	-
	1,566	187

Off-Balance sheet arrangements

To date, the Company has not had any relationships with unconsolidated entities or financial partnerships, such as those referred to as "structured finance" or "special purpose" entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Other than the Company's operating leases and the commitments disclosed in the annual consolidated financial statements, the Company has no other off-balance sheet transactions to report.

Related party transactions

For the years ended 31 October 2014 and 2013, there were no significant transactions with related parties. There were no outstanding balances with related parties as at 31 October 2014 and 31 October 2013. No guarantees have been given to or received from related parties.

Grant of options

During the year ended 31 October 2014, the Company granted 25,000 stock options to purchase common shares to a director. The grant has a contractual life of five years and an exercise price of $0.32 per common share.

Normal course issuer bid

On 2 May 2013, the Company had renewed its existing program that commenced on 20 April 2012 for a period of one year and announced that it had received approval from the TSX Venture Exchange to carry out a normal course issuer bid (the "Bid") to purchase for cancellation, from time to time, as it considers advisable, up to 1,000,000 of its issued and outstanding common shares during a period commencing 8 May 2013 and ending 30 April 2014. To facilitate purchases, the Company entered into an agreement with a broker, which it could terminate at its discretion. Common shares purchased by the Company pursuant to the Bid were cancelled. This program was not renewed during the year.

During the year ended 31 October 2014, the Company purchased and cancelled 265,000 common shares (2013 — 732,000) at a weighted average price of $0.31 (2013 — $0.30) for cash consideration of $0.09M (2013 — $0.20M resulting in an excess purchase price over the stated capital amount of $0.07M (2013 — $0.2M), which was recorded as a reduction of contributed surplus.

3. CONTINGENCIES

The Company and its subsidiaries are frequently the subject of tax audits by governmental authorities in their respective countries. In certain of these audits, taxation authorities could propose different tax or commodity tax treatments, which could result in additional amounts due, as well as related interest or penalties. The Company and its various advisors believe that the current tax treatments are correct and that there are defenses to any allegations those additional amounts are owed. The Company is vigorously contesting all notices of assessment, administrative or judicial decisions in this respect. At the moment, the Company is subject to the following taxation processes:

i. In December 2012 and January 2013, the Mexican Tax Administration Service ("MTAS") issued resolutions which denied the Company's Mexican subsidiary's refund requests for a number of favourable VAT balances in aggregate totalling approximately $0.5M. The denials were based on the MTAS's evaluation that the Immunocal and Immunocal Platinum products were not destined for nutritional purposes and that a VAT tax rate of 16% should have been applied on the sale of such products. The Company filed an annulment lawsuit (first stage lawsuit) in lower tax court against these resolutions. The annulment was denied, and the Company proceeded to the next level of appeal in the Collegiate Tribunals. In September 2014, the Fifteenth Collegiate Tribunal in Administrative Matters of the First Circuit denied the Company's request for this refund. Immunotec has challenged this decision and filed an appeal with the Mexican Supreme Court. The Company believes that the current tax treatment is appropriate and that the legal arguments that underlie the appeal of the decision related to the Mexican VAT are correct. Due to the uncertainties surrounding this case, the Company has recorded a commodity tax expenses provision of $5.5M, which was, for the most part, offset by favourable balances originally recoverable from prior months and part of the above, mentioned appeal to the Supreme Court. While the Company believes it has meritorious defenses, the ultimate resolution is uncertain. If the Company is incorrect in its assessment of the outcome of the court proceedings, it may need to record additional liabilities, which could have a material impact on the cash flows and liquidities of the Company in general and of the Mexican subsidiary in particular.

ii. During the years ended 31 October 2013 and 2012, the Company received notices and administrative assessments from the Mexican Customs Authority ("MCA") which allege a misclassification for importation and VAT purposes of certain of the Company's products imported in the normal course of operations during 2012 and 2013 fiscal years. The Company initiated two formal administrative appeal processes, which are in the first stage in lower tax court and also in the Superior Chamber of the Tax Court. A third assessment was challenged in the Metropolitan Regional Chamber of the Federal Court of Tax and Administrative Justice. As required under the appeal processes, the Company was first required to pay the assessed amounts and related penalties prior to filing its appeals. These amounts, which have been recorded as an expense, amounted to approximately $0.3M during the year ended 31 October 2013 and $0.2M during the year ended 31 October 2012. Subsequent to these periods, in August 2014 the MCA requested information related to a number of the Company's Mexican subsidiary's imports into Mexico between June 2011 and July 2013. This information has been provided. The outcome of the MCA information request cannot be determined; as such, no provision has been recorded in audited consolidated financial statements relating to this matter.

iii. In December 2013, the Regional Chamber of the Federal Court of Tax and Administrative Justice revoked in favour of the Company a misclassification for importation charges that took place in January 2012. The Company received in September 2014 the reimbursement of the assessment paid to undertake the appeal in the amount of $0.3M; this amount was recorded under other expenses.

4. RISKS AND UNCERTAINTIES

The Company is subject to certain risks and uncertainties inherent in the operation of its business. The Company attempts to mitigate these risks through a combination of risk management practices, insurance, quality control programs and systems of internal control. Key operational risks and uncertainties include, but are not limited to, those listed below. Potential investors should carefully consider the risks described below, together with all of the information in Immunotec's publicly filed documents, before making an investment decision. If any of the following risks actually occurs, Immunotec's business, financial condition or results of operations could be adversely affected.

Investors in the Company common shares should carefully consider the following risks, as well as the other information contained in the MD&A, the management proxy circular and the consolidated financial statements for the year ended 31 October 2014. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties, including those of which the Company is currently unaware, or currently deems immaterial, may also adversely affect the Company's business.

Regulatory and taxation matters, including VAT, transfer pricing, customs duties, and similar regulations and changes thereto

As a multinational corporation, the Company is subject to tax and regulatory compliance in the jurisdictions in which it operates. These include those related to collection and payment of VAT at appropriate rates and the appropriate application of VAT to each of our products, those designed to ensure that appropriate levels of customs duties are assessed on the importation of its products, and transfer pricing and other tax regulations designed to ensure that its intercompany transactions are consummated at prices that have not been manipulated to produce a desired tax result, that appropriate levels of income are reported as earned, and that it is taxed appropriately on such transactions. The Company may be subject to audits that are at various levels of review, assessment or appeal in a number of jurisdictions involving various aspects of VAT, customs duties, transfer pricing, income taxes, withholding taxes, sales and use and other taxes and related interest and penalties in material amounts. In some circumstances, additional taxes, interest and penalties are assessed and required to be paid in order to challenge the assessments. The Company reserves in the consolidated financial statements an amount that it believes represents a likely outcome estimate at this time of a possible resolution from a potential disputes, but if it is incorrect in its interpretation, it may have to pay a different amount which could potentially be material. Ultimate resolution of these matters can take several years, and the outcome is uncertain. If the taxation authorities in any of the jurisdictions in which the Corporation operates were to successfully challenge its transfer pricing practices or its positions regarding the payment of income taxes, customs duties, value-added taxes, withholding taxes, sales and use, and other taxes, it could become subject to higher taxes and its revenue and earnings could be adversely affected.

Furthermore, the imposition of new taxes, even pass-through taxes such as VAT, could have an impact on the Company' product pricing and could therefore have a potential negative impact on its business.

A change in applicable tax laws, treaties or regulations or their interpretation could result in a higher effective tax rate on the Company's worldwide earnings, and such change could materially affect its financial results.

Adverse publicity and product liability insurance

The size of the Company's distribution force and the results of its operations may be significantly affected by the public's perception of the Company and similar companies. This perception is dependent upon opinions concerning:

- the safety and quality of its products and ingredients;
- its independent consultants;
- its selling program; and
- the Direct Selling business model generally.

Adverse publicity concerning any actual or purported failure of the Company or of its independent consultants to comply with applicable laws and regulations regarding product claims and advertising, good manufacturing practices, the regulation of its Direct to consumer marketing material, the licensing of its products for sale in its target markets or other aspects of its business, whether or not resulting in enforcement actions or the imposition of penalties, could have an adverse effect on the goodwill of the Company and could negatively affect its ability to attract, motivate and retain independent consultants, which would negatively impact its ability to generate revenue. The Company cannot ensure that all of its independent consultants will comply with applicable legal requirements relating to the advertising, labelling, licensing or distribution of its products.

Adverse publicity relating to the Company, its products or its operations, including its Direct Selling business model or the attractiveness or viability of the financial opportunities provided thereby could have a negative effect on its ability to attract, motivate and retain independent consultants, and its financial condition and operating results could be materially affected.

Immunotec currently has general liability insurance, including product liability and clinical trial liability insurance. There is no guarantee that this insurance will cover all potential claims or be of a sufficient amount of coverage to protect against losses due to liability. Moreover, liability claims arising from a serious adverse event could increase its costs through higher insurance premiums and deductibles, and could make it more difficult to secure adequate insurance coverage in the future. A product liability claim or product recall could have a material adverse effect on the Company's business and financial condition.

Relationship with and ability to influence independent consultants

The Company depends upon independent consultants for a significant portion of its sales. To increase its revenue, the Company must increase the number of, or the productivity of, its independent consultants. Therefore, its success depends in significant part upon its ability to attract, retain and motivate a large base of independent Consultants. The loss of a significant number of them for any reason could negatively impact sales of its products and could impair its ability to attract new ones. In its efforts to attract and retain independent consultants, the Company competes with other Direct to consumer organizations. The Company's operating results could be harmed if it's existing and new business opportunities and products do not generate sufficient interest to retain existing and attract new independent consultants.

The turnover rate of its independent consultants, and its operating results, can be adversely impacted if the Company, and its senior distributor leadership, do not provide the necessary mentoring, training and business support tools to become successful.

The Company's independent consultants, including its sales leaders, may voluntarily terminate their business relationship with it at any time. The loss of a group of leading sales leaders, together with their down-line sales organizations, or the loss of a significant number of consultants for any reason, could negatively impact sales of its products, impair its ability to attract new consultants, and harm its financial condition and operating results.

As the Company's sales of products are made through a Direct to consumer business model comprised of many thousands of independent consultants, the Company does not have full control over some of the business practices potentially done of such independent consultants. Accordingly, the Company is not in a position to directly provide the same direction, motivation and oversight as it would if consultants were its own employees. As a result, there can be no assurance that its consultants will participate in its marketing strategies or plans, accept its introduction of new products, or comply with its distributor policies and procedures.

While the Company has prepared and provided information and guidelines designed to govern the conduct of its independent consultants and to protect the goodwill associated with its business, it can be difficult to enforce these policies and procedures because of the large number of consultants and their independent status. Violations by its independent consultants of applicable law or of its policies and procedures in dealing with customers could reflect negatively on its products and operations and harm its business reputation.

International operational risks, including compliance and foreign exchange risk

Approximately 84% of the Company's revenues for the year ended 31 October, 2014 were generated outside of Canada, exposing its business to risks associated with foreign operations. For example, a foreign government could impose trade or foreign exchange restrictions or increased tariffs, or otherwise limit or restrict its ability to import products into a country, any of which could negatively impact its operations. The Company is also exposed to risks associated with foreign currency fluctuations. From time to time, management may engage in transactions to protect a portion of its liquidities against risks associated with foreign currency fluctuations. The Company cannot be certain that any hedging activity which may be undertaken or any expected natural hedges will effectively reduce its exchange rate exposure. Additionally, Company may be negatively impacted by conflicts with or disruptions caused or faced by its third party importers, as well as conflicts between such importers and local governments or regulating agencies. The Company's operations in some markets also may be adversely affected by political, economic and social instability in foreign countries. As the Company continues to focus on expanding its existing international operations, these and other risks associated with international operations may increase, which could harm its financial condition and operating results. Finally, the Company's foreign subsidiaries are subject to foreign currency fluctuations on their net earnings and working capital items.

The Company is subject to direct regulation by domestic and foreign governmental agencies in countries where the Company has network sales. The Company's marketing objectives are contingent, in part, upon compliance with regulatory requirements and obtaining regulatory approvals where necessary for the sale of certain of its products.

The Company is also subject to direct regulation by domestic and foreign governmental agencies in connection with the operation of its Direct Selling program.

In addition, the Company may be subject to regulations and taxes under local, provincial, state and federal laws, including requirements regarding customs, duties, cross-border issues, occupational safety, laboratory practices, environmental protection and hazardous substance control, and may be subject to other present and future local and foreign regulations.

Changes in government regulations could also have an adverse effect on the business and financial condition of the Company.

Dependence on increased penetration of existing markets

The success of the Company's business is to a large extent contingent on its ability to further penetrate existing markets and to a much less extent enter into new markets. The Company's ability to further penetrate existing markets or to expand its business into additional countries, to the extent it believes that it has identified attractive geographic expansion opportunities in the future, is subject to numerous factors, many of which are beyond its control.

In addition, government regulations in both its domestic and international markets can delay or prevent the introduction, or require the reformulation or withdrawal, of some of its products, which could negatively impact its business, financial condition and results of operations.

The Company's growth will depend upon improved training and other activities that enhance the retention of independent consultants in its markets. While the Company has recently experienced significant growth in certain of its markets, it cannot guarantee that such growth levels will continue in the immediate or long-term future. If the Company is unable to continue to expand into new markets or further penetrate existing markets, its operating results could suffer.

Compensation plan payout increases with increased product sales

Total compensation payout to consultants, as a percentage of the Company's revenues, is subject to volatility due to a number of factors, but mostly due to bonuses associated with sponsorship ("Business Builder" bonuses) and moving up bonuses ("Rank Advancement") as provided for in the sales incentive program. Although difficult to forecast, these bonuses are key to maintaining the momentum of the business. Consequently, margins may be adversely affected as sales increase.

Competition

The Company's market for its products is intensely competitive and subject to rapid technological changes. Larger competitors with longer operating histories and greater financial, marketing and other resources could develop and market new products which could render its existing products less competitive.

Due to the high level of competition in the Company's industry, it might fail to retain its customers and independent consultants, which would harm its financial condition and operating results. In addition, because the industry in which it operates is not particularly capital intensive or otherwise subject to high barriers to entry, it is relatively easy for new competitors to emerge who could compete with it for its independent consultants and customers. In addition, the fact that its independent consultants may easily enter and exit its Direct Selling program contributes to the level of competition that it faces. The Company's ability to remain competitive therefore depends, in significant part, on its success in attracting and retaining independent consultants through an attractive compensation plan, the maintenance of an attractive product portfolio, and other incentives and a stable working relationship with the corporation and its employees. The Company cannot ensure that its programs will be successful, and if they are not, its financial condition and operating results could be materially affected.

Changing consumer preferences and demands

The Company's business is subject to changing consumer trends and preferences. The Company's continued success depends in part on its ability to anticipate and respond to these changes, and it may not respond in a timely or commercially appropriate manner to such changes. Furthermore, its industry is characterized by rapid and frequent changes in demand for products and new product introductions and enhancements. The Company's failure to accurately predict these trends could negatively impact consumer opinion of its products, which in turn could harm its customer and distributor relationships and cause the loss of sales. The success of its new product offerings and enhancements depends upon a number of factors, including its ability to:

- accurately anticipate customer needs;

- innovate and develop new products or product enhancements that meet these needs;
- successfully commercialize new products or product enhancements in a timely manner;
- price its products competitively;
- manufacture and deliver its products in sufficient volumes and in a timely manner; and
- differentiate its product offerings from those of its competitors.

If the Company does not introduce new products or make enhancements to meet the changing needs of its customers in a timely manner, some of its products could be rendered obsolete, which could negatively impact its revenues, financial condition and operating results.

Product concentration

The Company's Immunocal products constitute a significant portion of its revenues. If consumer demand for this product decreases significantly, or if it ceases offering this product without a suitable replacement, then its financial condition and operating results will be materially affected.

Key personnel

The future success of the Company will depend, in large part, upon its ability to retain its key management personnel, to attract and retain additional qualified marketing, sales and technical personnel, as well as independent consultants to form part of its Direct Selling program. The Company may not be able to enlist, train, retain, motivate and manage the required personnel. Competition for these types of personnel is intense. Failure to attract and retain personnel, particularly marketing, sales and technical personnel as well as independent consultants, could make it difficult for the Company to manage its business and meet its objectives.

Reliance on key suppliers

The Company's business is heavily dependent upon its key suppliers, for the provision of raw materials, for contract manufacturing services, as well as for other services such as information technology support. If the Company were, for any reason, to be unable to maintain a business relationship with one or more of its key suppliers, its business and financial condition could be materially adversely affected. To date, the Company has not experienced any difficulty in obtaining adequate supplies or services from its key suppliers; however, it cannot assure that its outside contract manufacturers and suppliers will continue to reliably supply products and services at the levels of quality and quantity which it requires.

Information technology infrastructure

The Company's ability to provide products and services to its customers and independent consultants depends on the performance and availability of its core transactional systems. While the Company continues to invest in its information technology infrastructure, there can be no assurance that there will not be any significant interruptions to such systems or that the systems will be adequate to meet all of its future business needs.

The most important aspect of the Company's information technology infrastructure is the system through which it records and tracks the sales of its independent consultants and the various incentives earned. The Company may encounter errors in its software or inadequacies in the software and services supplied by its vendors, although to date none of these errors or inadequacies has had a meaningful adverse impact on its business. Any such errors or inadequacies which the Company may encounter in the future could result in substantial interruptions to its services and could damage its relationships with, or cause it to lose, its independent consultants if the errors or inadequacies impair its ability to track sales and pay incentives, which could materially harm its financial condition and operating results. Such errors may be expensive or difficult to correct in a timely manner, and the Company could have little or no control over whether any inadequacies in software or services supplied to it by third parties are corrected, if at all.

Anyone that is able to circumvent the Company's security measures could misappropriate confidential or proprietary information, including that of third parties such as its independent consultants, cause interruption in its operations, damage its computers or otherwise damage its reputation and business. The Company could need to expend significant resources to protect against security breaches or to address problems caused by such breaches. Any actual security breaches could damage the Company's reputation and expose it to a risk of loss or litigation and possible liability under various laws and regulations. In addition, employee error or malfeasance or other errors in the storage, use or transmission of any such information could result in a disclosure to third parties. If this should occur, the Company could incur significant expenses addressing such problems. These risks are heightened by the fact that the Company collects and stores distributor and vendor information.

Compliance with laws and governmental regulations

In the Company's domestic and foreign markets, the formulation, manufacturing, packaging, labelling, distribution, importation, exportation, licensing, sale and storage of its products may be affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. There can be no assurance that the Company or its independent consultants are in compliance with all of these regulations. The failure to comply with these regulations or new regulations could disrupt the sale of the Company's products, or lead to the imposition of significant penalties or claims and could negatively impact its business. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of the Company's products, resulting in significant loss of sales revenues.

Governmental regulations in countries where the Company plans to commence or expand operations may prevent or delay entry into those markets. In addition, the Company's ability to sustain satisfactory levels of sales in its markets may depend in significant part on its ability to introduce additional products into such markets. However, governmental regulations in the Company's markets, both domestic and international, can delay or prevent the introduction, or require the reformulation or withdrawal, of certain of its products. Any such regulatory action, whether or not it results in a final determination adverse to it, could create negative publicity, with detrimental effects on sales.

Intellectual property

The Company relies on the protection of its patents and intellectual property rights for its success. Policing unauthorized use of its patents and intellectual property is extremely difficult and expensive. There can be no assurance that the Company's patents or trademarks would be held valid or enforceable by a court, or that a competitor's product could be found to infringe such patents or trademarks.

The worldwide financial and economic environment

Various aspects of the current worldwide financial and economic environment could potentially impact on the Company, its liquidity, its access to capital, its operations and its overall financial condition. The notes that economic and financial markets are fluid and that it cannot ensure that there will not be in the near future a material deterioration in its sales or liquidity. While the Company's current credit facility can also be used to support its current liquidity requirements, increases in interest rates could negatively affect the cost of financing its operations if its future borrowings were to be undertaken.

Technical obsolescence and product development

The Company's industry is characterized by rapidly changing technology, shifting industry standards and the frequent introduction of new products. The introduction of new products embodying new technologies and the emergence of new industry standards may render the Company's products obsolete or less marketable. The process of developing the Company's products is extremely complex and requires significant continuing development efforts. The Company's failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect its business and financial condition.

Research and development in the industry in which the Company operates is highly speculative and involves a high degree of risk. The marketability of any product which may be developed by the Company could be affected by numerous factors beyond the Company's control, including:

- proprietary rights of third parties or competing products or technologies may preclude commercialization;
- requisite regulatory approvals may not be obtained; and
- other factors may become apparent during the course of research, up scaling or manufacturing which may result in the discontinuation of research or other critical projects.

Legal Challenges to the Direct Selling Program

The Corporation's Direct Selling program is subject to a number of regulations administered in Canada and in each of the foreign markets in which it operates. The Corporation is subject to the risk that, in one or more markets, its Direct Selling program could be found not to be in compliance with applicable laws or regulations. Regulations applicable to Direct Selling organizations generally are directed at preventing fraudulent or deceptive schemes, often referred to as "pyramid" or "chain sales" schemes, and focusing on the sale of products to end consumers. The ambiguity surrounding these laws can also affect the public perception of the Corporation. The failure of its Direct Selling program to comply with the applicable laws and regulations could negatively impact its business in a particular market or in general and could adversely affect its share price. The failure of other Direct Selling companies could negatively impact the perception of its business or industry in general and could adversely impact its share price.

Taxation relating to independent consultants

The Company's independent consultants are typically subject to taxation in their respective jurisdictions, and in some instances, legislation or governmental agencies could impose an obligation on it to collect taxes, such as VAT and social contributions, and to maintain appropriate records. In addition, the company is subject to the risk, in some jurisdictions, of being responsible for social security, withholding or other taxes with respect to payments to its consultants.

In addition, in the event that local laws and regulations or the interpretation of local laws and regulations change to require the Company to treat its independent consultants as employees, or that they are deemed by local regulatory authorities in one or more of the jurisdictions in which the Company operates to be its employees rather than independent consultants under existing laws and regulations, it may be held responsible for social contributions, withholding and related taxes in those jurisdictions plus any related assessments and penalties, which could harm its financial condition and operating results.

Manufacturing facilities

The Company in part relies on having properly validated, fully functioning manufacturing facilities of sufficient size in which to produce its products for market. Should systems fail, or a disaster strike, the ability to produce products would be negatively affected which, in turn, would affect revenue generation. The Company does not currently have backup manufacturing capacity for some of its key products. As a result, it would be forced to turn to external manufacturers should an unexpected event occur.

Volatility of share prices

Share prices are subject to change because of numerous different factors related to Company activity, including reports of new information, changes in the Company's financial situation, the sale of shares in the market and an announcement by the Company or any of its competitors concerning technological innovation. There is no guarantee that the market price of Company's shares will be protected from material share price fluctuations in the future.

5. NON-GAAP MEASURES

This MD&A contains non-GAAP measures which do not have a standardized meaning under International Financial Reporting Standards ("IFRS"). We use earnings before interest, taxes, depreciation and amortization ("EBITDA"), as this measure allows management to evaluate the operational performance of the Company. EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA should not be considered an alternative to profit (loss) in measuring the Company's performance, nor should it be used as an exclusive measure of cash flow. This measure does not represent the funds available for the repayment of debt, the payment of dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as substitutes for other measures of performance calculated according to IFRS.

The Company uses these non-GAAP measures because they provide additional information on the performance of its commercial operations. Such tools are frequently used in the business world to analyze and compare the performance of businesses; however, the Company's definition of these metrics may differ from those of other businesses.

Adjusted EBITDA, Product revenues and Sponsoring

Adjusted EBITDA corresponds to EBITDA as defined above less elements that management considers to be outside the scope of its normal activities and therefore not reflective of how management views performance measurement. Management believes that this metric is necessary in order to isolate commercial operations from items which it believes merit separate examination when assessing performance. Consistent improvement in adjusted EBITDA is one of management's primary objectives.

Product revenues are total revenues less shipping revenues of $2.9M for the year ended 31 October 2014 ($2.2M in the previous year). Improving the ratio of product revenues to cost of sales is also one of management's primary objectives.

Sponsoring means the activity in which independent Consultants sponsor new Consultants and Customers; the sponsored Consultants themselves may sponsor new Consultants or Customers and so forth. This is referred to as a Consultant's "organization" or "downline". The Consultants are compensated for sales generated by their organization, based on their qualification and rank. Successful Independent Consultants assume the responsibility to train, support and communicate with their downline.

6. FINANCIAL INSTRUMENTS

Interest rate risk

The Company is exposed to interest rate risk on its cash, restricted cash and long-term debt and does not currently hold any financial instruments to mitigate this risk.

Currency risk

The Company is exposed to currency risk as transactions with customers outside Canada are predominantly denominated in U.S. dollars and Mexican pesos. These risks are partially offset by purchases and operating expenses incurred in U.S. dollars and in Mexican pesos. The Company's foreign subsidiaries are subject to foreign currency fluctuations on their net earnings and working capital items.

Management has recently commenced a program for the settlement of inter-company balances which aims to reduce the variability these balances can cause in foreign exchange gains and losses.

Liquidity risk

Liquidity risk is defined as the potential to be unable to meet a demand for cash or meet financial obligations as they become due. This risk is managed by establishing detailed cash forecasts, as well as operating and strategic plans. The Company's consolidated liquidity requires constant monitoring of expected cash inflows and outflows, which is achieved through detailed forecasts which assess the adequacy of cash resources to meet financial obligations as they come due. Liquidity adequacy is assessed in view of growth requirements and capital expenditures. Liquidity risk is managed to maintain sufficient liquid financial resources to fund the company's operations and meet its commitments and obligations. In managing liquidity risk, the Company has access to an operating credit facility.

7. DESCRIPTION OF SECURITIES

Capital stock

There have been no changes in the authorized capital of the Company.

Issued and outstanding

As at 23 January 2015, there are 68,935,555 common shares and 1,470,000 options to purchase common shares issued and outstanding.

8. NEW STANDARDS AND INTERPRETATIONS ADOPTED

IRFS 10, Consolidated financial statements

IFRS 10 replaces the portion of IAS 27, Consolidated and Separate Financial Statements, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, "Consolidation - Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities including special purpose entities. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation remain largely consistent with IAS 27, although significant judgment can be required in applying the new model. This standard became effective for annual periods beginning on or after 1 January 2013. The adoption of this standard did not impact the Company's consolidated financial statements.

IFRS 11, Joint Arrangements

IFRS 11 enhances accounting for joint arrangements, particularly by focusing on the rights and obligations of the arrangement, rather than the arrangement's legal form. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities and prohibits proportionate consolidation. IFRS 11 applies to financial statements for annual periods beginning on or after 1 January 2013, with early adoption permitted. The adoption of this standard did not impact the Company's consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. IFRS 12 applies to financial statements for annual periods beginning on or after 1 January 2013, with early adoption permitted. The adoption of this standard did not impact the Company's consolidated financial statements.

IFRS 13, Fair Value Measurement

IFRS 13, which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). IFRS 13 applies to financial statements for annual periods beginning on or after 1 January 2013, with early adoption permitted. The adoption of this standard did not impact the Company's consolidated financial statements.

9. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9, Financial Instrument

IFRS 9 was issued in November 2009 and contains requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments, Recognition and Measurement, 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 recognized either at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss insofar as they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income 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 the statement of other comprehensive income. IFRS 9 was amended in November 2013, to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI, without having to adopt the remainder of IFRS 9, and to (iii) remove the previous mandatory effective date for adoption of January 1, 2018. Early adoption is permitted. The Company is currently evaluating this standard and its impact on the consolidated financial statements.

IFRS 7, Financial Instruments: Disclosures

IFRS 7 requires disclosure of both gross and net information about financial instruments eligible for offset in the balance sheet and financial instruments subject to master netting arrangements. Concurrent with the amendments to IFRS 7, the IASB also amended IAS 32, Financial Instruments: Presentation to clarify the existing requirements for offsetting financial instruments in the balance sheet. The amendments are effective from annual periods beginning on or after 1 January 2014 and should be applied retrospectively. Early adoption is permitted. The Company is currently evaluating this standard and its impact on the consolidated financial statements.

IAS 36, Impairment Assets

In May 2013, the IASB amended IAS 36, regarding disclosures for non-financial assets. This amendment removed certain disclosures related to the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendments are effective from annual periods beginning on or after 1 January 2014 and should be applied retrospectively. Early adoption is permitted although the amendments may not be applied before an entity applies IFRS 13. The Company is currently evaluating this standard and its impact on the consolidated financial statements.

IAS 1, Presentation of financial statements

In December 2014, the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The company is currently evaluating this standard and its impact on the consolidated financial statements.

IFRS 15, Revenue recognition

In May 2014, the IASB issued IFRS 15 – Revenue from contracts with customers. IFRS 15 replaces all previous revenue recognition standards, including IAS18 – Revenue, and related interpretations such as IFRIC 13 – Customer Loyalty Programs. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after 1 January 2017. Early adoption is permitted. The Company is currently evaluating this standard and its impact on the consolidated financial statements.

ONGOING INFORMATION AND CONTROLS RELATED TO THE COMMUNICATION OF INFORMATION

Disclosure controls and procedures

Disclosure controls and procedures have been established by the Company to ensure that financial information disclosed by the Company in this MD&A, the related annual consolidated financial statements and its interim filings are properly recorded, processed, summarized and reported to its audit committee, its Board of Directors and its shareholders.

Internal controls over financial reporting

As an issuer on the TSX Venture Exchange, the CEO and the CFO are not required to certify that they have designed and evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting. Instead, the Company files a Certification of Annual Filings – Venture Issuer Basic Certificate that certifies the performance of a review of the information, no knowledge of misrepresentations and the fair presentation of the information in the annual filings.

About forward-looking statements

This document contains forward-looking statements, which reflect our current expectations regarding future events. Forward-looking statements may include words such as "anticipate", "believe", "could", "expect", "foresee", "goal", "guidance", "intend", "may", "objective", "outlook", "plan", "seek", "should", "strive", "target", and "will". The cautionary statements made in this report should be read as applying to all related forward-looking statements wherever they appear in this report. The Company's future results could differ materially from those discussed here. Factors that could cause or contribute to these differences include those discussed under the "Risks and Uncertainties" section above. Given these uncertainties and risk factors, readers are cautioned not to place undue reliance on any forward-looking statement. We disclaim any obligation to update any such factors or to publicly announce any revisions to any of the forward-looking statements contained herein to reflect future results, events or development, unless required to do so by a governmental authority or by applicable law.

About material information

This MD&A includes information that we believe to be material to investors after considering all circumstances, including potential market sensitivity. We consider information and disclosures to be material if they result in, or would reasonably be expected to result in, a significant change in the market price or value of our securities, or where it is likely that a reasonable investor would consider the information and disclosures to be important in making an investment decision. The Company is a reporting issuer under the securities legislation of all of the provinces of Canada. The Company is therefore required to file or provide continuous 1disclosure information such as interim and annual financial statements, MD&A's, proxy circulars, annual reports, material change reports and press releases with the appropriate securities regulatory authorities. Copies of these documents may be obtained free of charge upon request from the office of the CFO of the Company, or on the Company's website at www.immunotec.com, or on the SEDAR database at www.sedar.com.

Other information on the Company

The Company files its consolidated financial statements, its reports, its press releases and such other required documents on the SEDAR database and on the Company's website at www.immunotec.com. The common shares of the Company are listed on the TSX Venture Exchange under the ticker symbol IMM.

Patrick Montpetit CPA, CA, CF

Vice-President and Chief Financial Officer

23 January 2015

Immunotec Inc.

Consolidated Financial Statements

As at 31 October 2014 and 2013 and for the years then ended.

23 January 2015

Independent Auditor's Report

To the Shareholders of Immunotec Inc.

We have audited the accompanying consolidated financial statements of Immunotec Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at 31 October 2014 and 2013 and the consolidated statements of (loss) income, comprehensive (loss) income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A123498

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Immunotec Inc.

Consolidated Statements of Financial Position

(Canadian dollars)	Note	31 October 2014 $	31 October 2013 note 30 $
ASSETS			
Current assets			
Cash		6,280,012	4,706,135
Trade and other receivables	4	722,211	604,581
Recoverable amounts from taxation authorities	9	-	839,092
Inventories	5	6,217,814	3,488,347
Prepaid expenses		741,584	385,723
		13,961,621	10,023,878
Non-current assets			
Restricted cash	14	507,195	-
Property, plant and equipment	6	5,994,419	5,817,228
Intangible assets	7	843,061	1,262,977
Goodwill	8	833,559	833,559
Recoverable amounts from taxation authorities	9	620,277	2,211,973
Deferred income tax assets	23	2,913,189	3,345,141
		11,711,700	13,470,878
		25,673,321	23,494,756
LIABILITIES			
Current liabilities			
Payables		4,234,829	2,390,574
Accrued liabilities	11	6,008,764	4,443,690
Provisions	12	1,131,089	781,368
Deferred revenue and customer deposits		789,682	475,956
Income taxes payable		697,417	311,010
Current portion of finance lease obligation	13	42,855	13,796
Current portion of long-term debt	14	339,819	121,411
		13,244,455	8,537,805
Non-current liabilities			
Finance lease obligation	13	-	42,855
Long-term debt	14	2,147,063	1,842,819
		15,391,518	10,423,479
EQUITY			
Share capital	15	3,416,511	3,429,619
Contributed surplus	15	13,077,291	13,097,936
Accumulated other comprehensive income		32,343	95,505
Deficit		(6,244,342)	(3,551,783)
		10,281,803	13,071,277
		25,673,321	23,494,756
Contingencies and guarantee	29		

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

Approved by the Board of Directors

Director
Charles L. Orr

Director
Rod Budd, CPA, CA

Immunotec Inc.

Consolidated Statements of Changes in Equity

For the years ended 31 October

		Share capital		Contributed surplus	Accumulated other comprehensive (loss) income	Deficit	Total
(Canadian dollars except for the number of shares)	**Note**	**Number**	**$**	**$**	**$**	**$**	**$**
Balance at 1 November 2012		69,932,555	3,462,503	13,259,401	179,531	(4,929,057)	11,972,378
Net profit		-	-	-	-	1,377,274	1,377,274
Foreign currency translation adjustments		-	-	-	(84,026)	-	(84,026)
Total comprehensive income		-	-	-	(84,026)	1,377,274	1,293,248
Repurchase of shares	15	(732,000)	(32,884)	(184,343)	-	-	(217,227)
Share-based compensation	15	-	-	22,878	-	-	22,878
Balance at 31 October 2013		69,200,555	3,429,619	13,097,936	95,505	(3,551,783)	13,071,277
Net loss		-	-	-	-	(2,692,559)	(2,692,559)
Foreign currency translation adjustments		-	-	-	(63,162)	-	(63,162)
Total comprehensive loss		-	-	-	(63,162)	(2,692,559)	(2,755,721)
Repurchase of shares	15	(265,000)	(13,108)	(72,907)	-	-	(86,015)
Share-based compensation	15	-	-	52,262	-	-	52,262
Balance at 31 October 2014		68,935,555	3,416,511	13,077,291	32,343	(6,244,342)	10,281,803

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

Immunotec Inc.

Consolidated Statements of (Loss) Income

For the years ended 31 October

(Canadian dollars except for the number of shares)	Note	2014 $	2013 note 30 $
Revenues			
Network sales		74,554,154	49,644,221
Other revenue		6,236,316	5,126,853
		80,790,470	54,771,074
Cost of sales	16,18	18,694,307	13,499,239
Margin before expenses		62,096,163	41,271,835
Expenses	18		
Field incentives		42,074,019	25,785,581
Selling, general and administrative	17	15,003,825	12,614,723
Depreciation, amortization and impairment	6,7	940,443	814,174
Other expenses	19	5,270,055	1,021,894
Operating (loss) income		(1,192,179)	1,035,463
Net finance expenses (income)	20	539,172	(64,169)
(Loss) profit before income taxes		(1,731,351)	1,099,632
Income taxes (recovery)	23		
Current		456,367	291,855
Deferred		504,841	(569,497)
Net (loss) profit		(2,692,559)	1,377,274
Total basic and diluted net (loss) profit per common share	15	(0.04)	0.02
Weighted average number of common shares outstanding			
Basic and diluted	15	69,015,039	69,600,040

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

Immunotec Inc.

Consolidated Statements of Comprehensive (Loss) Income

For the years ended 31 October

(Canadian dollars)	2014 $	2013 $
Net (loss) profit	(2,692,559)	1,377,274
Other comprehensive loss, net of income taxes		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	(63,162)	(84,026)
Total comprehensive (loss) income	(2,755,721)	1,293,248

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

Immunotec Inc.

Consolidated Statements of Cash Flows

For the years ended 31 October

(Canadian dollars)	Note	2014 $	2013 $
Operating activities			
Net (loss) profit		(2,692,559)	1,377,274
Adjustments for:			
Inventory write-downs	5	50,000	-
Depreciation		434,111	402,264
Amortization		251,961	411,910
Impairment of intangible assets		254,371	-
Gain on disposal of an investment		(85,275)	-
Provision for commodity tax expenses	12,29	5,497,512	-
Unrealized foreign exchange differences		(490,820)	(378,335)
Interest expense		132,846	81,650
Deferred income taxes		504,841	(569,497)
Share-based compensation	15	52,262	22,878
Interest paid		(132,846)	(81,650)
Cash from operating activities prior to working capital variation		3,776,404	1,266,494
Net change in non-cash working capital	24	(1,816,725)	51,549
Net cash provided by operating activities		1,959,679	1,318,043
Investing activities			
Additions to property, plant and equipment		(597,586)	(213,541)
Additions to intangible assets		(85,461)	(51,557)
Proceed on disposal of an investment	20	85,275	-
Net cash used in investing activities		(597,772)	(265,098)
Financing activities			
Bank indebtedness		-	(5,000)
Proceeds from long-term debt	14	765,735	-
Reimbursement of finance lease obligation		(13,796)	(4,349)
Reimbursement of long-term debt	14	(243,083)	(117,226)
Repurchase of shares	15	(86,015)	(217,227)
Net cash provided by (used in) financing activities		422,841	(343,802)
Net increase in cash during the year		1,784,748	709,143
Cash — Beginning of the year		4,706,135	3,779,089
Effect of foreign exchange rate fluctuations on cash		296,324	217,903
Cash — End of the year		6,787,207	4,706,135
Cash		6,280,012	4,706,135
Restricted cash	14	507,195	-
		6,787,207	4,706,135

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

1. Nature of activities and reporting entity

Immunotec Inc. (the "Company" or "Immunotec") is incorporated under the Canada Business Corporations Act. The address of the Company's registered office is 300 Joseph-Carrier, Vaudreuil-Dorion, Quebec, J7V 5V5.

Headquartered near Montreal, Canada, Immunotec develops, manufactures, markets and sells research-driven nutritional products through direct-to-consumer sales channels mainly in Canada, the United States and Mexico. The Company also subcontracts certain distribution logistics and manufacturing capacity activities in the United States, Europe and Mexico to support its activities. Its common shares are listed on the TSX Venture Exchange (under the symbol "IMM").

These consolidated financial statements as at and for the years ended 31 October 2014 and 2013 comprise the financial statements of Immunotec Inc. and those of its wholly-owned subsidiaries, Immunotec Research Inc., Immunotec International Healthcare Products Limited, Immunotec Medical Corp., 2458781 Canada Inc., Imm - Research Mexico, S.A. de C.V. and Imm - Research Servicios, S.A de C.V. (collectively referred to as the "Group").

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They have been prepared on a going concern basis under the historical cost convention. The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of 23 January 2015, the date the Board of Directors approved the statements.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and the exercise of judgment in applying the Company's accounting policies. Areas involving a high degree of judgment or complexity and areas where assumptions and estimates are significant to the Company's consolidated financial statements are discussed below.

b) Functional and presentation currency

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

c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses.

Significant areas requiring the use of estimates include establishing the amounts recorded for the allowance for product returns and loyalty programs, determining estimates and assumptions related to impairment tests for property, plant and equipment, intangible assets and goodwill, estimating the net realizable value of inventory, estimating useful lives of amortizable assets, determining estimates and assumptions for the provision related to the commodity tax expense provision, composition and recoverability of income tax assets and income tax liabilities, including the amount of unrecognized tax benefits, and establishing the fair value of debts and other contingent liabilities.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are made and in any future periods affected. The reported amounts and note disclosures are determined to reflect the most probable set of economic conditions and the planned course of action. Consequently, actual results could differ from those estimates.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements impact the following areas:

Impairment of non-financial assets

Goodwill is reviewed annually for impairment. Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment review requires estimates in a variety of areas including the determination of fair value, selling costs, timing and size of cash flows, long-term growth rates, discount rates, and other valuation variables; the application of these variables in valuation models requires judgment.

Loyalty programs

The Company maintained a loyalty program for its network of independent consultants and customers in the form of free products. An obligation arises from this program as the independent consultant earns credits that can be redeemed for products. The resulting estimated obligation results in a provision. Judgement is required in establishing the fair value of the awards for which these credits could be redeemed based on the estimated probability of their redemption.

Provision for commodity tax expenses

During the year ended 31 October 2014, the Company's Mexican subsidiaries recorded a provision for commodity tax expenses due to the uncertainties related to the commodity taxes in Mexico. Judgment was required in assessing the outcome of ongoing litigation with the tax authorities in Mexico and any future potential assessments relating to period prior to 1 October 2014, when the Company started charging value added tax " VAT" on products sold in Mexico.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of Group entities' ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in relevant jurisdictions, which in turn is dependent upon achieving profitable operations. To the extent that the assessment of any Group entity's ability to utilize future tax deductions changes, more or fewer deferred tax assets would be recognized, and future income tax provisions or recoveries could be affected.

3. Summary of significant accounting policies

Consolidation

These consolidated financial statements include all entities in which the Company, directly or indirectly, has the power to govern the financial and operating policies to obtain benefits from their activities. Entities are included in the consolidation from the date at which control is obtained by the Company, while entities are deconsolidated from the date at which control ceases. The purchase method of accounting is used to account for acquisitions. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Foreign currency translation

a) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in income.

b) Foreign operations

Items included in the financial statements of the Company's foreign entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"). The financial statements of each foreign operation that have a functional currency different than that of the Company are translated into Canadian dollars as follows:

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars at exchange rates prevailing at the reporting date. Revenue and expenses of foreign operations are translated into Canadian dollars at the average exchange rates for the year.

Resulting foreign currency differences are recognized and presented in other comprehensive income. When the Company disposes of or loses control over a foreign operation, the relevant amount in accumulated other comprehensive income is transferred to profit or loss as part of the profit or loss on disposal.

Financial instruments

Financial assets and financial liabilities

Cash, trade and other receivables and restricted cash are classified as loans and receivables. Payables, accrued liabilities, provisions, finance lease obligation and long-term debt are classified as other financial liabilities. Both loans and receivables and other financial liabilities categories are recognized initially at fair value and the transaction costs related to the acquisition or issuance of these financial assets or financial liabilities are recorded as part of the original fair value. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. Financial assets and financial liabilities are classified as current if they expect to be realized or settled within 12 months.

Impairment of financial assets

Financial assets measured at amortized costs are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Where there is objective evidence that impairment exists for a financial asset measured at amortized cost, an impairment charge equivalent to the difference between the asset's carrying amount and the present value of estimated future cash flows is recorded in the consolidated statement of comprehensive (loss) income. The expected cash flows exclude future credit losses that have not been incurred and are discounted at the financial asset's original effective interest rate.

Losses are recognized in profit or loss and reflected in an allowance account against the respective asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Finance income and expenses

Finance income comprises interest income on funds invested. Interest income, if any, is recognized as it accrues in profit or loss, using the effective interest method.

Finance expense comprises financing fees, interest expense, gain on disposal of an investment and foreign exchange gains and losses which are reported on a net basis.

Property, plant and equipment

a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The different components of property, plant and equipment are recognized separately when their useful lives are materially different and each such component is depreciated separately in income.

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

b) Depreciation

Depreciation is calculated based on the estimated useful life of assets using the following methods, rates and periods. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Depreciation is calculated on straight-line basis, and the estimated useful lives for the current and comparative periods are as follows:

Assets	Period in years
Buildings	20 to 45
Computer equipment	4
Equipment[1]	5 to 20
Leasehold improvements	Term of the lease
Vehicles	4

[1] Includes office, manufacturing and telephone system equipment

Intangible assets

a) Recognition and measurement

Intangible assets with finite useful lives consist of customer relationships, patents and trademarks, licenses, software and websites. Intangible assets are recorded at cost less related accumulated amortization and accumulated impairment losses.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

b) Amortization

Amortization is calculated over the cost of the asset less its residual value.

Amortization is recognized in profit or loss over the estimated useful lives of intangible assets with finite useful lives, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization is calculated on a straight-line basis using rates and estimated useful lives of the intangible assets for the current and comparative periods as follows:

Assets	Period in years
Patents and trademarks	15
Software and websites	4
Licenses	15 to 25
Customer relationships	10

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Lease incentives for free-rent periods form an integral part of the total lease expense, are deferred and included in other liabilities and recognized in net profit or loss over the term of the lease on a straight-line basis.

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are capitalized at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance expenses in the consolidated statement of (loss) income.

Goodwill

Goodwill arises upon the acquisition of subsidiaries and represents the excess of the purchase price of acquired businesses over the estimated fair value of net identifiable assets acquired. Subsequently, goodwill is measured at cost less accumulated impairment losses.

Impairment of non-financial assets

The carrying amounts of property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For cash-generating units ("CGU") containing goodwill, the recoverable amount is estimated annually. The Company has selected 31 October as the date of the Group's annual impairment test.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to dispose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGUs to which the corporate assets belong.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Research and development

Research costs are charged against (loss) profit in the year of expenditure. Development costs are charged against (loss) profit in the year of expenditure unless development projects meet the criteria to be recognized as intangible assets, which are capitalized and amortized against (loss) profit over the estimated period of benefit. As at 31 October 2014 and 2013, no development costs have been capitalized.

Tax credits

The Canadian entities of the Group may be entitled to scientific research and experimental development tax credits ("research tax credits") granted by the Canadian federal government and the government of the province of Quebec. Federal research tax credits, which are non-refundable, are earned on qualified research and development expenditures and can only be used to offset federal income taxes otherwise payable. Provincial research tax credits, which are refundable, are earned on qualified research and development expenditures incurred in the province of Quebec. Research tax credits must be reviewed and approved by the tax authorities, and it is possible that the amounts granted will differ from the amounts recorded.

Research and development tax credits relating to eligible expenditures are deducted from the cost of the related assets or included in (loss) profit against the related expenses in the period in which the expenditures are incurred, provided that there is reasonable assurance that the credits will be received.

Long-term debt

Long-term debt is recognized initially at fair value, net of transaction costs incurred. Any difference between the proceeds and the redemption value is recognized in income over the period of borrowing using the effective interest method.

Revenue recognition

Revenues are derived from product sales, sales aids and shipping revenue. Shipping revenue represents the fees associated with the distribution of its product and are classified under other revenue. Shipping costs are included in other variable costs within cost of sales.

Revenue is measured at the fair value of the consideration received or receivable. An estimate of product returns, future use of loyalty program and discounts based on promotional programs are recorded as a reduction of revenue. The estimate is based on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from the sale of goods is recognized when all the following criteria are met:

a) the significant risks and rewards of ownership of the goods are transferred to the buyer;
b) neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained by the seller;
c) the amount of revenue can be reliably measured;
d) it is probable that the economic benefits associated with the transaction will flow to the seller; and,
e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Cost of finished goods includes raw materials, labour manufacturing overhead and other costs incurred in bringing the inventories to their present location and condition.

The net realizable value for inventories is the selling price less selling costs in the ordinary course of business. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or declining selling prices.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Quarterly income tax expense is recognized based on an estimate of the weighted average annual effective income tax rate expected for the full financial year.

Positions taken in tax returns are periodically evaluated with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the taxation authorities.

Deferred tax is recognized using the balance sheet liability method, providing for temporary differences between the tax bases of assets or liabilities and their carrying amount for financial reporting purposes.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized for all deductible temporary differences and carry forwards of unused tax losses. The recognition of deferred tax assets is limited to the amount that is likely to be realized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that a recognized deferred income tax asset will be realized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that an unrecognized deferred income tax asset will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities in the same jurisdiction in which the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred income tax assets and liabilities are presented as non-current.

Employee benefits

a) Short-term employee benefits

Short-term employee benefits include wages, salaries, compensated absences, and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

b) Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan or through a contractual agreement, to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting period, then they are discounted to their present value.

c) Share-based compensation

The Company has a share-based compensation plan for its directors, officers and employees. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The share-based compensation expense is measured at the fair value at the date of grant using the Black-Scholes option pricing model and is recognized over the vesting period of the options.

The Black-Scholes option pricing model was developed to estimate the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, valuation models usually require the input of subjective assumptions, including expected stock price volatility. All considerations paid for stock options and the amount previously included for these stock options are credited to share capital when they are exercised.

Provisions

A provision is recognized if, as a result of a past event, a present legal or constructive obligation exists, can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance expense.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Segment reporting

The Group operates in a single operating segment which is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance.

Earnings per share

Basic earnings per common share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held, if any.

The diluted weighted average number of common shares outstanding is calculated by taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date unless it is anti-dilutive. The treasury stock method is used to determine the dilutive effect of the stock options. The treasury stock method is a method of recognizing the use of proceeds that could be obtained upon the exercise of options in computing diluted net (loss) profit per share. It assumes that any proceeds would be used to purchase common shares at the average market price during the period. The company has one category of dilutive potential common shares which is share options.

New standards and interpretations adopted

IRFS 10, Consolidated financial statements

IFRS 10 replaces the portion of IAS 27, Consolidated and Separate Financial Statements, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, “Consolidation - Special Purpose Entities”. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation remain largely consistent with IAS 27, although significant judgment can be required in applying the new model.

This standard became effective for annual periods beginning on or after 1 January 2013. The adoption of this standard did not impact the Company's consolidated financial statements.

IFRS 11, Joint Arrangements

IFRS 11 enhances accounting for joint arrangements, particularly by focusing on the rights and obligations of the arrangement, rather than the arrangement's legal form. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities and prohibits proportionate consolidation. IFRS 11 applies to financial statements for annual periods beginning on or after 1 January 2013, with early adoption permitted. The adoption of this standard did not impact the Company's consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. IFRS 12 applies to financial statements for annual periods beginning on or after 1 January 2013, with early adoption permitted. The adoption of this standard did not impact the Company's consolidated financial statements.

IFRS 13, Fair Value Measurement

IFRS 13, which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). IFRS 13 applies to financial statements for annual periods beginning on or after 1 January 2013, with early adoption permitted. The adoption of this standard did not impact the Company's consolidated financial statements.

Standards issued but not yet effective

IFRS 9, Financial instrument

IFRS 9 was issued in November 2009 and contains requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments, Recognition and Measurement, 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 recognized either at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss insofar as they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income 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 the statement of other comprehensive income. IFRS 9 was amended in November 2013, to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI, without having to adopt the remainder of IFRS 9, and to (iii) remove the previous mandatory effective date for adoption of 1 January 2018. Early adoption is permitted. The Company is currently evaluating this standard and its impact on the consolidated financial statements.

IFRS 7, Financial instrument disclosures

IFRS 7 requires disclosure of both gross and net information about financial instruments eligible for offset in the balance sheet and financial instruments subject to master netting arrangements. Concurrent with the amendments to IFRS 7, the IASB also amended IAS 32, Financial Instruments: Presentation to clarify the existing requirements for offsetting financial instruments in the balance sheet. The amendments are effective from annual periods beginning on or after 1 January 2014 and should be applied retrospectively. Early adoption is permitted. The Company is currently evaluating this standard and its impact on the consolidated financial statements.

IAS 36, Impairment of non-financial assets

In May 2013, the IASB amended IAS 36, regarding disclosures for non-financial assets. This amendment removed certain disclosures related to the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendments are effective from annual periods beginning on or after 1 January 2014 and should be applied retrospectively. Early adoption is permitted although the amendments may not be applied before an entity applies IFRS 13. The Company is currently evaluating this standard and its impact on the consolidated financial statements.

IAS 1, Presentation of financial statements

In December 2014, the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The company is currently evaluating this standard and its impact on the consolidated financial statements.

IFRS 15, Revenue recognition

In May 2014, the IASB issued IFRS 15 – Revenue from contracts with customers. IFRS 15 replaces all previous revenue recognition standards, including IAS18 – Revenue, and related interpretations such as IFRIC 13 – Customer Loyalty Programs. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes in classification and disclosure in addition to changes in the timing of recognition for certain types of revenues. The new standard is effective for annual periods beginning on or after 1 January 2017. Early adoption is permitted. The Company is currently evaluating this standard and its impact on the consolidated financial statements.

(Stated in Canadian dollars, except for share data)

4. Trade and other receivables

	31 October 2014 $	31 October 2013 $
Trade, less provision for doubtful accounts of nil (2013 — $3,038)	296,788	292,877
Research and development tax credits receivable	354,278	276,368
Other receivables	71,145	35,336
	722,211	604,581

5. Inventories

	31 October 2014 $	31 October 2013 $
Raw materials	2,347,477	1,034,107
Finished goods	4,020,337	2,554,240
	6,367,814	3,588,347
Less: inventory write-downs	150,000	100,000
	6,217,814	3,488,347

During the year ended 31 October 2014, inventories in the amount of $13,954,650 (2013 — $9,706,914) were recognized as cost of goods sold. In the year ended 31 October 2014, a provision of $50,000 for write-downs to net realizable value was recognized (2013 — nil).

6. Property, plant and equipment

Components of the Group's property, plant and equipment are summarized below:

	Land $	Buildings $	Computer equipment $	Equipment $	Leasehold improvement $	Leased vehicles $	Total $
Cost							
Balance as at 31 October 2012	762,333	4,602,503	2,073,213	2,533,311	115,837	-	10,087,197
Additions	-	16,133	107,562	86,402	3,444	61,000	274,541
Effect of movements in exchange rates	-	-	4,918	5,907	5,770	-	16,595
Balance as at 31 October 2013	762,333	4,618,636	2,185,693	2,625,620	125,051	61,000	10,378,333
Additions	-	61,074	119,574	341,674	75,264	-	597,586
Effect of movements in exchange rates	-	-	5,835	7,758	6,893	-	20,486
Balance as at 31 October 2014	762,333	4,679,710	2,311,102	2,975,052	207,208	61,000	10,996,405

(Stated in Canadian dollars, except for share data)

	Land $	Buildings $	Computer equipment $	Equipment $	Leasehold improvement $	Leased vehicles $	Total $
Accumulated depreciation							
Balance as at 31 October 2012	-	336,101	1,836,434	1,962,792	20,400	-	4,155,727
Depreciation	-	106,507	101,873	158,473	30,328	5,083	402,264
Effect of movements in exchange rates	-	-	1,329	698	1,087	-	3,114
Balance as at 31 October 2013	-	442,608	1,939,636	2,121,963	51,815	5,083	4,561,105
Depreciation	-	106,970	117,259	160,113	34,519	15,250	434,111
Effect of movements in exchange rates	-	-	2,502	1,822	2,446	-	6,770
Balance as at 31 October 2014	-	549,578	2,059,397	2,283,898	88,780	20,333	5,001,986

	Land $	Buildings $	Computer equipment $	Equipment $	Leasehold improvement $	Leased vehicles $	Total $
Carrying amounts							
Balance as at 31 October 2013	762,333	4,176,028	246,057	503,657	73,236	55,917	5,817,228
Balance as at 31 October 2014	762,333	4,130,132	251,705	691,154	118,428	40,667	5,994,419

7. Intangible assets

Components of the Group’s identifiable intangible assets with finite useful lives are summarized below:

	Patents and trademarks $	Software and websites $	Licenses $	Customer relationships $	Total $
Cost					
Balance as at 31 October 2012	3,045,991	3,292,427	481,500	255,982	7,075,900
Additions	17,503	34,054	-	-	51,557
Effect of movements in exchange rates	273	8,448	-	-	8,721
Balance as at 31 October 2013	3,063,767	3,334,929	481,500	255,982	7,136,178
Additions	30,777	54,684	-	-	85,461
Disposals and write-down	(861,844)	-	-	-	(861,844)
Effect of movements in exchange rates	527	2,066	-	-	2,593
Balance as at 31 October 2014	2,233,227	3,391,679	481,500	255,982	6,362,388

(Stated in Canadian dollars, except for share data)

	Patents and trademarks $	Software and websites $	Licenses $	Customer relationships $	Total $
Accumulated amortization					
Balance as at 31 October 2012	2,387,470	2,870,422	132,182	63,996	5,454,070
Amortization	141,441	225,038	19,833	25,598	411,910
Effect of movements in exchange rates	101	7,120	-	-	7,221
Balance as at 31 October 2013	2,529,012	3,102,580	152,015	89,594	5,873,201
Amortization	79,666	126,864	19,833	25,598	251,961
Impairment (i)	254,371	-	-	-	254,371
Disposals and write-down	(861,844)	-	-	-	(861,844)
Effect of movements in exchange rates	349	1,289	-	-	1,638
Balance as at 31 October 2014	2,001,554	3,230,733	171,848	115,192	5,519,327

	Patents and trademarks $	Software and websites $	Licenses $	Customer relationships $	Total $
Carrying amounts					
Balance as at 31 October 2013	534,755	232,349	329,485	166,388	1,262,977
Balance as at 31 October 2014	231,673	160,946	309,652	140,790	843,061

i. During the year ended 31 October 2014, the Company reviewed its intellectual property portfolio. Accordingly, intellectual properties not aligned properly with the Company's current business strategy and plans or with no economic benefits were considered impaired and a charge was recorded under depreciation, amortization and impairment expense.

8. Goodwill

Goodwill has been allocated to the only CGU of the Group. There were no changes in the carrying value of goodwill for the years presented. The recoverable amount of the CGU has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering the next year. For the purposes of the test, cash flows are extrapolated for the next five-year period using a growth rate of between 7 and 10%. Cash flows beyond the five-year period are extrapolated using a perpetual long-term growth rate of 5% while the Company used a pre-tax discounting rates of 10.3%. Based on the work performed, the recoverable amount of the CGU significantly exceeds its carrying amount.

In establishing its projections, the Company considered past experience, economic trends such as gross domestic product growth and inflation, as well as industry and market trends. The Company assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represents a weighted average cost of capital ("WACC") for comparable companies operating in similar industries of the applicable CGU, group of CGUs or reportable segment, based on publicly available information.

(Stated in Canadian dollars, except for share data)

9. Recoverable amounts from taxation authorities

	31 October 2014 $	31 October 2013 $
Recoverable commodity taxes	-	2,376,549
Non-refundable research and development tax credits	620,277	674,516
	620,277	3,051,065
Less: current portion of recoverable commodity taxes	-	(839,092)
Recoverable amounts from taxation authorities	620,277	2,211,973

During the year, the Company recorded a provision for commodity taxes which was partly offset by the recoverable amounts from taxation authorities (see note 12 and 29).

10. Bank indebtedness

The Company has access to an operating loan of $1,250,000 which bears interest at the lender's prime rate plus 1.0% per annum. During the year, the lender's prime rate was at 3.0% (2013 — 3.0%). This operating loan is available for periodic cash drawings for general working capital needs of the Company and is subject to borrowing limits based on levels of inventories and trade and other receivables. As at 31 October 2014 and 2013, no amounts had been drawn.

The operating loan is collateralized by: (i) a first charge on inventories; (ii) a Collateral Mortgage security of $250,000; and (iii) additional elements described in note 14.

11. Accrued liabilities

	31 October 2014 $	31 October 2013 $
Accruals for field incentives	3,727,738	2,457,551
Accrued employee compensation	1,127,175	945,352
Accrued trade payables	329,441	416,344
Accrued professional fees	414,350	232,578
Accrued commodity taxes	361,613	85,455
Other accruals	48,447	306,410
	6,008,764	4,443,690

(Stated in Canadian dollars, except for share data)

12. Provisions

	Loyalty Programs $	Product returns $	Restruc-turing $	Commodity taxes $	Total $
Balance as at 31 October 2012	137,400	37,580	316,796	-	491,776
Additional provision recognized	2,262,365	61,887	716,951	-	3,041,203
Utilization of provision	(2,233,282)	(46,339)	(498,890)	-	(2,778,511)
Revaluation of the provision	-	7,984	-	-	7,984
Effect of movements in exchange rates	5,595	1,104	12,217	-	18,916
Balance as at 31 October 2013	172,078	62,216	547,074	-	781,368
Additional provision recognized	2,749,249	51,499	-	5,497,512	8,298,260
Utilization of provision	(2,909,835)	(42,391)	(571,921)	-	(3,524,147)
Revaluation of the provision	-	(21,578)	-	-	(21,578)
Offset against the recoverable commodity taxes	-	-	-	(4,443,161)	(4,443,161)
Effect of movements in exchange rates	5,269	2,609	24,847	7,622	40,347
Balance as at 31 October 2014	16,761	52,355	-	1,061,973	1,131,089

Loyalty programs and product returns

The Company provides loyalty program incentives such has free product to its consultants and customers based on a defined program. The provision is an estimate based on historically achieved results and calculated on the retail price net of applicable discount. This program was terminated on 31 October 2014, for the consultants only. Products returns are based on historically achieved results.

Restructuring

During the year ended 31 October 2013, the Company proceeded with a reorganization of its operations and, accordingly certain costs associated with this reorganization consisting mainly of severance and benefits were fully provisioned during this year under other expenses as restructuring charges.

Commodity tax expense provision

During the year ended 31 October 2014, the Company's Mexican subsidiaries recorded a provision for commodity tax expense as detailed in note 29. This amount has been partially offset by recoverable amounts from taxation authorities.

13. Finance lease obligation

Future minimum lease payments under finance lease obligation, together with the present value of the net minimum lease payments as at 31 October 2014, are as follows:

	Maturity	Rate %	Minimum payments $	Present value of minimum payments $
Total minimum lease payments within one year	*2015*	*8.95*	45,000	42,855
Less: amounts representing finance charges			(2,145)	-
Present value of minimum lease payments			42,855	-

(Stated in Canadian dollars, except for share data)

14. Long-term debt

	31 October 2014 $	31 October 2013 $
a) Committed Reducing Term Facility, bearing interest at prime rate plus 1.50%, payable in monthly instalments of $14,635 plus interest, amortized on a 15-year basis, ending in September 2026 (i)	2,092,740	1,964,230
b) Committed Reducing Term Facility, bearing interest at 4.34%, payable in monthly installments of $14,826 including capital and interest maturing on February 2017 (ii)	394,142	-
	2,486,882	1,964,230
Less: current portion	339,819	121,411
	2,147,063	1,842,819

i. During the year ended 31 October 2014, the Company added an additional tranche to its existing Committed Reducing Term Facility in the amount of $265,735. For most of the year, the monthly instalment was $15,840, capital and interest. On 30 October 2014, the terms and conditions were modified such that the future monthly installment will be $14,635 plus interest. All indebtedness present and future to the Bank is collateralized by a first ranking immovable hypothec of $2,700,000, a first ranking moveable hypothec of $6,000,000 and a second ranking moveable hypothec of $250,000 on asset including, but not limited to, trade and other receivables, inventories, property, plant and equipment, and intangible assets. The collateralization includes cross-guarantees from Group companies.

ii. In 2014, the Company also added a second Committed Reducing Term Facility in the amount of $500,000. All indebtedness present and future to the Bank is collateralized by a third ranking moveable hypothec of $500,000 on asset including, but not limited to, trade and other receivables, inventories, property, plant and equipment and intangible assets. The collateralization includes cross-guarantees from Group companies.

The Company is subject to certain covenants tested annually on 31 October, including a debt-to-tangible-net-worth ratio and a debt service coverage ratio. On 30 October 2014, the Company received a waiver of these covenants from the bank for the year ending 31 October 2014 and amended the debt-to-tangible-net-worth ratio increasing to 3.75:1 to be tested as at 31 January 2015, with subsequent testing dates to be determined. As part of the renewal, the bank required a cash security deposit as additional security for an amount of $507,195 (USD$450,000) for a period of one year. This amount is presented as restricted cash in non-current assets. As at 31 October 2013, the Company was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements (note 28).

15. Capital and other components of equity

a) Share capital

Authorized capital of the Company is as follows:

Unlimited number of common shares voting, participating, with no par value and with dividend rights at the discretion of the Board of Directors; and

Unlimited number of preferred shares issuable in series with no par value. The Board of Directors is authorized to fix the number of shares in each series and determine the designation, rights, privileges, restrictions and conditions attached thereto.

All shares issued are fully paid.

The holders of common shares are entitled to receive dividends as declared at the Company's discretion and are entitled to one vote per share at the annual general and special meetings of the shareholders of the Company.

No preferred shares are outstanding.

b) Share repurchase program

On 2 May 2013, the Company had renewed its existing program that commenced on 20 April 2012 for a period of one year and announced that it had received approval from the TSX Venture Exchange to carry out a normal course issuer bid (the "Bid") to purchase for cancellation, from time to time, as it considers advisable, up to 1,000,000 of its issued and outstanding common shares during a period commencing 8 May 2013 and ending 30 April 2014. To facilitate purchases, the Company entered into an agreement with a broker, which it could terminate at its discretion. Common shares purchased by the Company pursuant to the Bid were cancelled. This program was not renewed during the year.

During the year ended 31 October 2014, the Company purchased and cancelled 265,000 common shares (2013 — 732,000) at a weighted average price of $0.31 (2013 — $0.30) for cash consideration of $86,015 (2013 — $217,227), including $3,386 in transaction costs (2013 — $10,449) resulting in an excess purchase price over the stated capital amount of $72,907 (2013 — $184,343), which was recorded as a reduction of contributed surplus.

c) Stock options

Pursuant to the Company's stock option plan (the "Plan"), the Company may grant stock options to its directors, officers, key employees and consultants. Options under the Plan will be granted for a maximum term of five years at an exercise price and/or on other terms determined by the directors, in accordance with regulatory policies. The maximum number of common shares reserved for options granted under the Plan is 3,518,528 shares.

The activity in the outstanding balance of stock options and related weighted-average exercise prices for the years ended 31 October 2014 and 2013 is as follows:

(Stated in Canadian dollars, except for share data)

	2014		2013	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		**$**
Issued and outstanding - Beginning of period	1,645,000	0.32	1,150,000	0.32
Granted	25,000	0.32	1,420,000	0.30
Expired	(200,000)	0.43	(358,332)	0.30
Forfeited	-	-	(566,668)	0.27
Issued and outstanding - End of period	1,470,000	0.31	1,645,000	0.32
Exercisable - End of period	664,989	0.31	333,332	0.40

Each option entitles the holder to acquire one common share of the Company at the exercise price specified when granted. Options granted vest over a three-year period, at a rate of one third per year commencing one year following the grant date. The options expire five years after the grant date.

For the year ended 31 October 2014, the Company has recorded a share-based compensation expense of $52,262 (2013 — $22,878) with corresponding credit recorded to contributed surplus.

The weighted average remaining contractual life for the stock options outstanding as at 31 October 2014 was 3.2 years (2013 — 3.6 years).

The range of exercise prices for stock options outstanding as at 31 October 2014 was $0.24 to $0.38 (2013 — $0.24 to $0.45).

The following table sets out the weighted average inputs used in the Black-Scholes option pricing model and resulting weighted-average grant date fair values of options granted during the years ended 31 October 2014 and 2013:

	2014	**2013**
Risk-free rate	1.3%	1.4%
Expected volatility rate	71.3%	66.5%
Expected dividend yield	Nil	Nil
Expected life	4.6 years	4.6 years
Weighted average exercise price	$0.32	$0.30
Weighted average grant date share price	$0.32	$0.30
Weighted average grant date fair value	$0.18	$0.08

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

(Stated in Canadian dollars, except for share data)

d) Net (loss) profit per share

Basic and diluted

The calculation of basic and diluted earnings per share for the year ended 31 October 2014 was based on the net (loss) profit attributable to common shareholders of the Company of ($2,692,559) (2013 — $1,377,274) and a weighted average number of common shares outstanding of 69,015,039 (2013 — 69,600,040). No further adjustment was made because the effects of all options were antidilutive.

For the year ended 31 October 2014, 1,470,000 options to purchase common shares (2013 — 1,645,000) that may potentially dilute net (loss) profit per share in the future were not considered in the computation, since the exercise price of these options was higher than the average market price.

16. Cost of sales

	Note	2014 $	2013 $
Cost of goods sold	5	13,954,650	9,706,914
Other variable costs		4,739,657	3,792,325
		18,694,307	13,499,239

17. Selling, general and administrative

	2014 $	2013 $
Administrative	8,100,772	6,784,446
Marketing and selling	5,853,611	5,226,919
Quality and development costs	1,049,442	603,358
	15,003,825	12,614,723

(Stated in Canadian dollars, except for share data)

18. Supplemental information on the statements of (loss) income

Distribution of selected expenses by function

For the year ended 31 October 2014

	Cost of sales	Field incentives	Marketing and selling	Administrative	Quality and development costs	Total
	$	$	$	$	$	$
Expenses on the statement of (loss) income	18,694,307	42,074,019	5,853,611	8,100,772	1,049,442	75,772,151
Depreciation, amortization and impairment	83,205	-	23,505	816,104	17,629	940,443
Other expenses (income):						
Administrative refund	-	-	-	(279,719)	-	(279,719)
Share-based compensation	-	-	-	52,262	-	52,262
Provision for commodity tax expenses	-	-	-	5,497,512	-	5,497,512
	18,777,512	42,074,019	5,877,116	14,186,931	1,067,071	81,982,649

For the year ended 31 October 2013

	Cost of sales	Field incentives	Marketing and selling	Administrative	Quality and development costs	Total
	$	$	$	$	$	$
Expenses on the statement of (loss) income	13,499,239	25,785,581	5,226,919	6,784,446	603,358	51,899,543
Depreciation and amortization	80,432	-	29,146	682,736	21,860	814,174
Other expenses:						
Restructuring charges	-	-	10,716	706,235	-	716,951
Administrative assessments	-	-	-	282,065	-	282,065
Share-based compensation	-	-	-	22,878	-	22,878
	13,579,671	25,785,581	5,266,781	8,478,360	625,218	53,735,611

For the year ended 31 October 2014, quality and development costs include research and development costs in the amount of $901,841 (2013 — $459,603), which are net of $57,693 (2013 — $428,121) of refundable tax credits.

Employee compensation expense

The total employee compensation expense recognized in the determination of net (loss) profit for the years ended 31 October is as follows:

	Note	2014	2013
		$	$
Wages, salaries, bonuses and benefits		8,019,839	7,261,670
Restructuring charges	12	-	542,316
Share-based compensation		52,262	22,878
		8,072,101	7,826,864

(Stated in Canadian dollars, except for share data)

19. Other expenses

	Note	2014 $	2013 $
Commodity tax provision	29	5,497,512	-
Administrative (refund) assessments	29	(279,719)	282,065
Share-based compensation		52,262	22,878
Restructuring charges		-	716,951
		5,270,055	1,021,894

20. Net finance expenses (income)

	2014 $	2013 $
Financing fees	671,404	-
Interest expense	132,846	81,650
Gain on disposal of an investment	(85,275)	-
Net foreign exchange gain	(179,803)	(145,819)
Net finance expenses (income)	539,172	(64,169)

The Company decided not to pursue the 2 July 2014 preliminary short form prospectus. As a result, financing fees in the amount of $671,404 have been recorded as an expense. During the year ended 31 October 2014, the Company disposed of an investment which had previously been written down to nil.

21. Geographical information

The Group's operations involve only one reportable business segment: it manufactures and sells natural health products and dietary supplements and sells them under a network marketing business model. The net sales by geographical destination are detailed as follows:

	2014 $	2013 $
Mexico	46,417,512	24,064,213
United States	18,971,583	14,056,626
Canada	12,599,524	13,896,831
Other countries	2,801,851	2,753,404
	80,790,470	54,771,074

The property, plant and equipment, intangible assets and goodwill are substantially all located in Canada.

(Stated in Canadian dollars, except for share data)

22. Operating leases

The Group has various operating leases for offices and warehouse space and equipment until 2020. Office and warehouse lease agreements are renewable at the end of the lease period at the market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 $	2013 $
No later than 1 year	440,252	150,647
Later than 1 year and no later than 5 years	1,124,812	35,905
Later than 5 years	1,236	-
	1,566,300	186,552

23. Income taxes

The effective income tax rate on income from continuing operations differs from the combined federal and provincial Canadian statutory tax rate and can be reconciled as follows:

	2014 $	2013 $
(Loss) profit before income taxes	(1,731,351)	1,099,632
Company statutory tax rate (%)	26.90	26.90
Expected income taxes (recovery)	(465,734)	295,802
Effect of foreign tax rate differences	(50,921)	(63,228)
Prior year's tax adjustments and assessments	(143,954)	(189,104)
Non-taxable research and development tax credits	(15,519)	(104,824)
Other non-deductible items	1,624,479	250,149
Utilization of previously unrecognized benefits	-	(490,701)
Non-deductible stock-based compensation	14,058	6,154
Impact between future and current tax rates	-	(1,590)
Current year changes in valuation allowance	-	34,165
Other	(1,201)	(14,465)
	961,208	(277,642)

(Stated in Canadian dollars, except for share data)

The components of the income tax expense (recovery) are as follows:

	2014 $	2013 $
Current		
Current tax on (loss) profit for the year	620,632	310,167
Ajustments in respect of prior years	(164,265)	(18,312)
	456,367	291,855
Deferred		
Current tax on (loss) profit for the year	537,763	(443,863)
Ajustments in respect of prior years	(32,922)	(125,634)
	504,841	(569,497)

Deferred income tax assets and liabilities as at 31 October consist of:

	2014 $	2013 $
Deferred tax assets		
Tax benefits on losses carried forward	693,812	1,670,653
Unused research and development expenses	1,553,508	1,313,641
Capital assets, intangible assets and other long-term assets	164,321	34,948
Reserves	1,551,284	1,457,263
	3,962,925	4,476,505
Less: Unrecognized tax assets	(563,809)	(600,776)
	3,399,116	3,875,729
Deferred tax liabilities		
Investment tax credits	224,923	223,555
Capital assets, intangible assets and other long-term assets	261,004	307,033
	485,927	530,588
Deferred income tax assets, net	2,913,189	3,345,141

In the next twelve months, the Company expects to recover approximately $395,000 of its future income tax assets and to settle approximately $96,000 of future income tax liabilities.

The movement in the net deferred income taxes for the years ended 31 October is as follows:

	2014 $	2013 $
Balance as at 1 November	3,345,141	2,736,460
Income taxes	(504,841)	569,497
Effect of movements in exchange rate	72,889	39,184
Balance as at 31 October	2,913,189	3,345,141

(Stated in Canadian dollars, except for share data)

As at 31 October 2014, the Company had a pool balance of approximately $4,046,000 of scientific research and experimental development expenditures available to reduce future taxable income. These amounts have no expiry period.

As at 31 October 2014, the Company had approximately $3,179,000 of losses carried forward available to reduce future taxable income: $1,047,000 in Canada, $1,244,000 (US$ 1,103,000) in the US and $888,000 (€628,000) in Ireland. These losses expire as follows:

Years ending 31 October	**$**
2030	19,000
2031	109,000
2032	1,047,000
2033	1,116,000
Without expiry	888,000
	3,179,000

As at 31 October 2014, the Company had approximately $831,000 in unused federal investment tax credits to reduce future tax payable in Canada. These investment tax credits expire as follows:

Years ending 31 October	**$**
2023	43,000
2024	146,000
2025	31,000
2027	58,000
2028	92,000
2029	134,000
2030	144,000
2031	96,000
2032	87,000
	831,000

(Stated in Canadian dollars, except for share data)

24. Consolidated statements of cash flows

Net change in non-cash working capital

	2014 $	2013 $
Trade and other receivables	(93,415)	317,252
Inventories	(2,615,899)	(813,551)
Prepaid expenses	(346,004)	(2,547)
Payables	1,819,031	827,506
Accrued liabilities	1,405,763	1,193,610
Provisions	(744,978)	270,678
Deferred revenue and customer deposits	313,721	(154,284)
Income taxes payable	374,458	255,333
Foreign recoverable commodity taxes	(1,983,641)	(1,533,623)
Non-refundable research and development tax credits	54,239	(308,825)
	(1,816,725)	51,549

Supplemental cash flow information

Income tax paid during the year	47,888	37,630

25. Related party transactions

The compensation earned by the Corporation's Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the three other most highly compensated executive officers of the Corporation along with other members of the Board of Directors, for the years ended 31 October are as follow:

	Note	2014 $	2013 $
Wages, salaries and other short-term benefits, including amounts paid through holding companies		1,763,033	1,773,798
Restructuring charges	12	-	532,179
Share-based compensation		39,923	12,725
		1,802,956	2,318,702

26. Economic dependency

During the year ended 31 October 2014, inventory purchased from one supplier amounted to $7,202,665 (US$6,606,132) (2013 — $3,852,645 (US$3,778,956)) or 45% (2013 — 38%) of total inventory purchases.

(Stated in Canadian dollars, except for share data)

27. Financial instruments and financial risk management

Classification of financial instruments

As at 31 October 2014 and 2013, the classification of financial instruments, as well as their carrying values and fair values, are shown in the table below:

2014	Loans & receivables $	Fair value $	Other financial liabilities $	Total carrying value $	Fair value $
Financial assets					
Cash and restricted cash	6,787,207	-	-	6,787,207	6,787,207
Trade and other receivables	722,211	-	-	722,211	722,211
	7,509,418	-	-	7,509,418	7,509,418
Financial liabilities					
Payables	-	-	4,234,829	4,234,829	4,234,829
Accrued liabilities (1)	-	-	5,647,151	5,647,151	5,647,151
Finance lease obligation			42,855	42,855	42,855
Long-term debt	-	-	2,486,882	2,486,882	2,486,882
	-	-	12,411,717	12,411,717	12,411,717

2013					
Financial assets					
Cash	4,706,135	-	-	4,706,135	4,706,135
Trade and other receivables	604,581	-	-	604,581	604,581
	5,310,716	-	-	5,310,716	5,310,716
Financial liabilities					
Payables	-	-	2,390,574	2,390,574	2,390,574
Accrued liabilities (1)	-	-	4,358,235	4,358,235	4,358,235
Provisions (2)	-	-	547,074	547,074	547,074
Finance lease obligation	-	-	56,651	56,651	56,651
Long-term debt	-	-	1,964,230	1,964,230	1,964,230
	-	-	9,316,764	9,316,764	9,316,764

(1) Excludes commodity taxes

(2) Excludes loyalty programs, product returns and commodity taxes

Fair value

The fair value of the Group's financial instruments was determined based on estimates and assumptions.

The fair value of current financial assets and financial liabilities, which include cash, trade and other receivables, restricted cash, payables, accrued liabilities and provisions for restructuring are comparable to their carrying values due to their relatively short terms to maturity.

The fair value of finance lease obligation and long-term debt approximates the carrying value due to the current market rates in respect of instruments with fixed rates. The inputs in this fair value estimation are not based on quoted prices in an active market, but are based on observable market prices for similar instruments.

Financial risk factors

The following provides disclosure relating to the nature and extent of the Group's exposure to risks arising from financial instruments, including credit risk, interest rate risk, currency risk and liquidity risk, and how this risk is managed:

a) Credit risk

Financial instruments potentially subject to credit risk include cash, trade and other receivables and restricted cash, with respect to which there was no significant concentration of credit risk as at 31 October 2014 and 2013. The Group's policy is to require payment by credit card or over-the-counter payment from its distributors, licensees and customers prior to shipment of products and the cash and restricted cash are held with major financial institutions.

b) Interest rate risk

The Group is exposed to interest rate risk on its cash, restricted cash and long-term debt and does not currently hold any financial instruments to mitigate this risk. Based on the outstanding long-term debt as at 31 October 2014, a variation of 1% in rate would have an impact of approximately $24,830 on the interest expense (impact on net (loss) profit is approximately $18,151).

c) Currency risk

The Group is exposed to currency risk as transactions with customers outside Canada are predominantly denominated in US dollars or Mexican pesos. These risks are partially offset by purchases and operating expenses incurred in US dollars and in Mexican pesos.

The Company's foreign subsidiaries are subject to foreign currency fluctuations on their net (loss) profit and working capital items.

As at 31 October 2014, the net exposure of financial instruments denominated in these currencies is as follows:

	US dollars	**Mexican pesos**
Net exposure	734,242	(4,464,432)
Equivalent CA$	827,564	(373,226)

As at 31 October 2014, a variation of 10% in the exchange rates compared to the actual period-end exchange rates, for each category of financial instrument held in a different currency, would have a total impact on financial position and net (loss) profit of $39,817 (2013 - $4,042).

(Stated in Canadian dollars, except for share data)

d) Liquidity risk

Liquidity risk is defined as the potential to be unable to meet a demand for cash or meet financial obligations as they become due. This risk is managed by establishing detailed cash forecasts, as well as operating and strategic plans. The Group's consolidated liquidity requires constant monitoring of expected cash inflows and outflows, which is achieved through detailed forecasts which assess the adequacy of cash resources to meet financial obligations as they come due. Liquidity adequacy is assessed in view of growth requirements and capital expenditures. Liquidity risk is managed to maintain sufficient liquid financial resources to fund operations and meet commitments and obligations. In managing liquidity risk, the Company has access to an operating credit facility which is available under certain conditions described in notes 10 and 14. The following are the contractual maturities of financial liabilities as at 31 October 2014.

2014	**Less than 1 year $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**	**Over 5 years $**
Payables	4,234,829	-	-	-
Accrued liabilities [1]	5,647,151	-	-	-
Finance lease obligation	42,855	-	-	-
Long-term debt	339,819	347,002	585,394	1,214,667
	10,264,654	347,002	585,394	1,214,667

2013	**Less than 1 year $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**	**Over 5 years $**
Payables	2,390,574	-	-	-
Accrued liabilities [1]	4,358,235	-	-	-
Provision [2]	547,074	-	-	-
Finance lease obligation	13,796	42,855	-	-
Long-term debt	121,411	125,860	405,930	1,311,029
	7,431,090	168,715	405,930	1,311,029

(1) Excludes commodity taxes

(2) Excludes loyalty program, product returns and commodity taxes

28. Capital management

In the context of managing its capital, the objective of the Company is to maintain a capital structure that allows multiple options to finance its development and growth along with providing the shareholders with an acceptable return. The Company defines its capital structure as long-term debt and shareholders' equity. The Company's strategy consists of maintaining a flexible capital structure in order to respond to the economic conditions and adjusting accordingly. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, share repurchases, grant of stock options, payment of dividends, issuance and repayment of debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company periodically monitors its capital structure.

Under the current operating credit facility and long-term debt, the Company is subject to covenants which relate to its capital management such as a debt-to-tangible-net-worth ratio and a debt service coverage ratio (note 14). On 30 October 2014, the Company received from the bank a waiver to meet these covenants for the year ending 31 October 2014 and amended the debt-to-tangible-net-worth ratio increasing to 3.75:1 to be tested as at 31 January 2015, with subsequent testing dates to be determined. As at 31 October 2013, the Company was in compliance with all of its debt covenants and was not subject to any other externally imposed capital requirements.

29. Contingencies and guarantee

The Company and its subsidiaries are frequently the subject of tax audits by governmental authorities in their respective countries. In certain of these audits, taxation authorities could propose different tax or commodity tax treatments which could result in additional amounts due, as well as related interest or penalties. The Company and its various advisors believe that the current tax treatments are correct and that there are defences to any allegations that additional amounts are owed, and the Company is vigorously contesting all notices of assessment and administrative or judicial decisions in this respect. At the moment, the Company is subject to the following taxation processes:

i. In December 2012 and January 2013, the Mexican Tax Administration Service ("MTAS") issued resolutions which denied the Company's Mexican subsidiary's refund requests for a number of favourable VAT balances in aggregate, totaling approximately $505,000. The denials were based on the MTAS's evaluation that the Immunocal and Immunocal Platinum products were not destined for nutritional purposes and that a VAT tax rate of 16% should have been applied on the sale of such products. The Company filed an annulment lawsuit (first stage lawsuit) in lower tax court against these resolutions. The annulment was denied and the Company proceeded to the next level of appeal in the Collegiate Tribunals. In September 2014, the Fifteenth Collegiate Tribunal in Administrative Matters of the First Circuit denied the Company's request for this refund. Immunotec has challenged this decision and filed an appeal with the Mexican Supreme Court. The Company believes that the current tax treatment is appropriate and that the legal arguments that underlie the appeal of the decision related to the Mexican VAT are correct. Due to the uncertainties surrounding this case, the Company has recorded a provision for commodity tax provision of approximately $5,497,512 which was offset by the related recoverable amounts from taxation authorities (note 12), covering prior months which are the above-mentioned appeal to the Supreme Court. While the Company believes there is merit to its legal position, the ultimate resolution is uncertain. If the Company is incorrect in its assessment of the outcome of the court proceedings, it may need to record additional liabilities which could have a material impact on the cash flow and liquidity of the Company, in particular of the Mexican subsidiary.

ii. During the years ended 31 October 2013 and 2012, the Company received notices and administrative assessments from the Mexican Customs Authority ("MCA") which allege a misclassification for importation and VAT purposes of certain of the Company's products imported in the normal course of operations during fiscal 2012 and 2013. The Company initiated two formal administrative appeal processes, which are in the first stage in lower tax court and also in the Superior Chamber of the Tax Court. A third assessment was challenged in the Metropolitan Regional Chamber of the Federal Court of Tax and Administrative Justice. As required under the appeal processes, the Company was first required to pay the assessed amounts and related penalties prior to filing its appeals. These amounts, which have been recorded as an expense, amounted to approximately $282,000 during the year ended 31 October 2013 (2012—$233,000). Subsequent to these periods, in August 2014 the MCA requested information related to a number of the Company's Mexican subsidiary's imports into Mexico between June 2011 and July 2013. This information has been provided. The outcome of the MCA information request cannot be determined; as such, no provision has been recorded in these consolidated financial statements relating to this matter.

iii. In December 2013, the Metropolitan Regional Chamber of the Federal Court of Tax and Administrative Justice revoked in favour of the Company a misclassification for importation charges that took place in January 2012. In September 2014, the Company received the reimbursement of the assessment paid to undertake the appeal in the amount of $279,719; this amount was recorded under other expenses.

During the year, the Company was released from the guarantee in connection with the former Chief Executive Officer's past involvement with the Company related to the purchase of 500,000 common shares of the Company without a performance requirement.

30. Comparative figures

Certain comparative figures in the consolidated statements of (loss) income have been reclassified to conform to the presentation adopted for the current year, the most significant of which is the reclassification of "Field incentives" previously presented in the "Cost of sales" section, which are now presented in the "Expenses" section as $25,785,581. The "Cost of goods sold" and "Other variable costs" were presented separately in the "Cost of sales" section; they are now grouped together under "Cost of sales", (note 16). The "Administrative", "Marketing and selling" and "Quality and development costs" are now grouped together under "Selling, general and administrative" in the "Expenses" section, (note 17). Also, handling charges were reclassified from "Other variable costs" to "Selling, general and administrative" in the "Expenses" section for $712,263 and administrative assessments were reclassified from "Cost of goods sold" to "Other expenses" for $282,065. In addition, in the consolidated statement of financial position, recoverable commodity taxes are now presented separately from trade and other receivables in a separate item called "Recoverable amounts from taxation authorities" for $839,092. The adjustments to the 2014 and 2013 presentation to the consolidated financial statements are consistent with reporting practices in the direct-to-consumer distribution model industry. The Company believes these adjustments will enhance the reader's experience with a better understanding of the key performance indicators for the sector of activities in which Immunotec is involved.

Executive Management Team

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Chief Executive Officer

Patrick Montpetit, CPA:CA,CF
Vice President and Chief Financial Officer

Robert Felton
Vice President and Chief Operating Officer

John Molson
Vice President, Research and Development

Gabriela Moreno
Director General, Mexico

Jean-Pierre Trottier
Vice President, Sales & Marketing

Jimmy Gutman, MD, FACEP
Senior Medical Advisor

Board Members

Dieter Beer

Rod Budd
Chairman of the Board of Directors

Charles Orr

Pierre Pharand

Robert Raich

Charles H. Roberts

Auditors

PricewaterhouseCoopers LLP

Registrar and Transfer Agent

Computershare Trust Company of Canada

Investor Relations

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Stock Exchange Listing

TSX Venture Exchange
Symbol: IMM

Annual General Meeting

On March 17, 2015 at 4 p.m.
Montréal Exchange
Bourse de Montréal Inc.
Tour de la Bourse
800 Victoria Square
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Please note that a French version of the 2014 Annual Report will be available within the Investor Relations section of the Immunotec website.

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