Uniserve Communications Corporation
Management's Discussion and Analysis
May 31, 2015

August 10, 2015

Overview

The following discussion of results contains information relevant to the operations of Uniserve Communications Corporation ("the Company" or "Uniserve") as at the date of issuance of these statements. Unless otherwise stated, information is current up to the report date and all amounts are stated in Canadian dollars and results have been recorded and presented in accordance with International Financial Reporting Standards ("IFRS").

The following should also be read in conjunction with the Consolidated Financial Statements ("Financial Statements") as at May 31, 2015, and the notes thereto

Additional information on the Company's products and services is available at the Company's website at www.uniserve.com and in the Company's public filings at www.sedar.com.

About the Business

Uniserve was incorporated on January 19, 1988 under the Company Act of British Columbia. The Company's principal business activities include the provisioning of internet access and telecommunications services primarily in B.C. and Alberta to over 15,000 retail customers and small businesses.

Since 2012, the Company has focused its efforts on providing complete data and telecommunication solutions to small businesses. In 2013, the Company began to provide security and alarm services to businesses as a means to diversify its product offerings and revenue base.

The Company distinguishes itself from competitors by being a specialist across a wide array of product and services allowing customers to have a single point of contact for all their data and telecommunication technology requirements. Bundling various products and services helps lock-in customers, making it difficult to switch providers, and thus helping reduce customer churn.

Overall Business Outlook

During the 2015 fiscal year, the Company continued its efforts in improving operating results by making numerous operational improvements, including closely scrutinizing existing costs and expenses, such as continuing its marketing efforts and reviewing staffing levels, in order to achieve positive earnings before interest, taxes, depreciation, and amortization ("EBITDA").

The Company is pleased to announce that it closed 2015 with twelve consecutive months of improving EBITDA results. For the year ended May 31, 2015, the Company had an EBITDA of $260,000 (2014 – loss of $622,000).

In addition to increased earnings, the Company continued to improve its financial structure by reducing its working capital deficiency. In 2014, the Company improved this deficiency by $3.2M. The Company continued these efforts into 2015, offering two private placements during the year. The first private placement closed in June 2014 for $300,000, and the second placement closed subsequent to year end for $741,000, in June 2015. Both placements contributed to the elimination of several outstanding debts.

The Company also finalized a shares-for-debt settlement to convert approximately $890,000 of debts in exchange for 3.1M Common Shares of the Company. In addition, $62,000 of accrued interest was waived. Several of these debts were related to the Promissory Notes, and are discussed in detail in Note 10 of the Financial Statements.

The Company has continued its marketing efforts, which includes updating its marketing paraphernalia and optimizing its website with the help of analytics, search engine campaigns, social media, and other means to drive traffic to its website and be able to convert a greater percentage of visitors into customers. The Company also has a greater presence at various business events and tradeshows in order to increase product and brand awareness in the marketplace.

The Company expanded its internal infrastructure to provide state-of-the-art internet, colocation, data storage, and managed services to customers. New revenues have been generated as a result of these enhanced services. The Company has also relocated various equipment from outside facilities leased from other service providers to its own facilities, which further reduces monthly operational costs. The new data centre was launched in June, 2015.

The Company is also working towards being able to provide Internet Protocol Television (IPTV) services to residential customers later in the 2016 fiscal year. This will enable the Company to offer residential customers the opportunity to bundle their phone, internet, and television services. This will provide the Company with a greater competitive advantage in the marketplace and will support growth initiatives through new customer acquisition as well as a higher retention rate of its existing customers looking for expanded product and service offerings.

Going Concern

The Company's Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. For the year ended May 31, 2015 the Company had a net loss of $401,542 (2014 – net income of $134,483). As at May 31, 2015, the Company had a working capital deficiency of $3,852,351 (2014 - $4,565,093).

The Company's ability to continue as a going concern is dependent in part upon the Company's ability to generate sufficient cash flow from operations and to obtain additional equity or debt financing in the near term to continue to meet its obligations as they come due.

The Company has taken steps to meet its financial obligations including reducing capital and discretionary spending, evaluating the Company's workforce, and restructuring several debts. The Company continues to pursue new financing activities that will allow it to focus on new business initiatives.

The Company's ability to meet its financial obligations depends on a number of factors, some of which are beyond its control. These include general global economic credit and capital market conditions, the demand for, and the selling price of its products. There is no assurance that the expected cash flows from operations and the other steps being taken will allow the Company to meet its obligations as they become due.

Current weak global economic conditions make access to the credit and capital markets difficult for the Company, which may compromise its ability to obtain suitable financing. The Company may not generate sufficient funds from operations to meet all of its financial obligations and may need to generate funds from other sources to do so.

The Company's existing financial obligations will constrain its capital spending and that may have an adverse effect on its operations. The Company's debt levels will also limit its ability to expand its operations or make other investments that would enhance its competitiveness.

Accordingly, there are risks that the steps described above will not be successful in allowing the Company to meet its obligations, which may require the Company to sell core assets or raise debt or equity capital, which management believes would enable it to satisfy its obligations as they become due. However, these actions may have a material adverse effect on the Company's business and on the market prices of its equity securities.

If the Company is unable to generate positive cash flows or obtain adequate financing, the Company will need to further curtail operations. This indicates the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which could differ significantly from the going concern basis.

Non-IFRS Financial Measures

The Company's continuous disclosure documents provide discussion and analysis of non-IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others, utilize these measures in assessing the Company's financial performance and as an indicator of its ability to service debt. These non-IFRS financial measures have not been presented as an alternative to net income or any other measure of performance required by IFRS.

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The following describes the Company's use of non-IFRS financial measures and provides a reconciliation of the non-IFRS financial measures to the most comparable IFRS financial measures.

EBITDA

The Company defines EBITDA as earnings before interest, foreign exchange, income taxes, amortization of capital and intangible assets, stock-based compensation, write-down of goodwill and intangible assets, executive variable compensation and other non-cash financing related charges.

EBITDA, among other measures, is used by the Company to assess the operating performance of its ongoing businesses without the effects of amortization expense and other items. Variable compensation is excluded as it is a performance amount based on EBITDA. Share-based compensation is also excluded as it is a non-cash expense and does not impact the Company's ability to service its debt.

The Company believes that certain investors and analysts use EBITDA to measure a company's ability to service debt and to meet other payment obligations, or as a common valuation measurement in the telecommunications industry. EBITDA allows the Company to compare its operating performance on a consistent basis. The most comparable IFRS financial measure is net income (loss).

A summary of the Company's financial results by quarter is presented in the table below. Please note that some figures may have been reclassified or adjusted to conform to the present year's presentation.

	2014	**2014**	**2014**	**2014**	**2015**	**2015**	**2015**	**2015**
In thousands (000's)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
	$	$	$	$	$	$	$	$
Revenues	1,576	1,585	1,607	1,616	1,569	1,574	1,531	1,551
Gross Margin	746	920	757	643	754	744	751	869
Operations and service delivery costs	706	764	656	869	690	628	588	620
Sales & marketing	180	152	157	205	97	83	72	79
Amortization	190	194	195	208	115	117	120	113
Interest expense & Foreign Exchange	210	192	186	3	199	193	(144)	314
Other expenses (income)	-	-	(2)	1,881	(1)	(14)	166	(517)
Net income (loss) before taxes	**(540)**	**(382)**	**(439)**	**1,239**	**(346)**	**(263)**	**(51)**	**260**
Net loss per share	(0.06)	(0.04)	(0.05)	0.14	(0.03)	(0.02)	(0.00)	0.02

The table below reconciles net income (loss), relating to continuing operations to EBITDA on a quarterly basis:

EBITDA RECONCILIATION

	2014	**2014**	**2014**	**2014**	**2015**	**2015**	**2015**	**2015**
In thousands (000's)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
	$	$	$	$	$	$	$	$
Net income (loss) before taxes	(540)	(382)	(439)	1,239	(346)	(263)	(51)	260
Amortization expense[1]	190	194	195	208	115	117	120	113
Impairment of property and equipment	-	-	-	98	-	-	-	-
Foreign exchange gain (loss)	-	-	2	-	(1)	(14)	(2)	(517)
Other expenses (income)	-	-	-	-	-	-	46	-
Gain on long term debt and preferred shares	-	-	-	(1,828)	-	-	-	-
Proceeds from Settlement of Lawsuit				(150)	-	-	120	-
Interest expense[2]	210	192	186	3	199	193	(142)	313
Portion of equity loss on investment in Kinzin	-	-	-	-	-	-	-	-
EBITDA[3]	**(140)**	**4**	**(56)**	**(430)**	**(33)**	**33**	**91**	**169**

(1) Amounts include amortization of property and equipment and intangible assets
(2) Amounts include dividends and accrued dividends on the convertible preferred shares, imputed interest on the notes payable and interest on capital leases.
(3) Some figures may have been reclassified from prior periods for presentation purposes.

The table below shows EBITDA on an annual basis:

In thousands (000's)	2011	2012	2013	2014	2015
	$	$	$	$	$
EBITDA	(1,057)	(546)	127	(622)	260

EBITDA increased in 2015 by $882,000 compared to 2014, which was primarily due operational cost reductions, company's focus on higher gross margin products, as well as a thorough review of the Company's pricing strategies on its products and services. The Company intends to invest in its internal infrastructure and resources in order to focus on increasing overall revenues in 2016. This investment may result in lower EBITDA for the early part of the 2016 fiscal year.

Annual Financial Highlights

In thousands (000's)	2011	2012	2013	2014	2015
	$	$	$	$	$
Statement of operations					
Revenues from continuing operations	8,161	7,372	6,766	6,384	6,225
Net income (loss) from continuing operations	(7,494)	(2,204)	(1,485)	134	(402)
Results from discontinued operations	1,172	(583)	-	-	-
Net income (loss) from continuing operations	(6,322)	(2,787)	(1,485)	134	(402)
Net income (loss) per share from continuing operations	(1.30)	(0.35)	(0.20)	0.02	(0.04)
Net income (loss) per share	(1.10)	(0.45)	(0.20)	0.02	(0.04)
Balance sheet					
Current assets	784	584	445	553	441
Total assets	4,637	2,539	1,908	1,332	940
Current liabilities	8,498	7,556	8,184	5,118	4,294
Total liabiliities	8,863	7,861	8,405	6,835	5,904
Shareholders' equity (deficit)	(4,226)	(5,322)	(6,497)	(5,503)	(4,964)

In 2015, the Company reported a net loss of $402,000, compared to a net income of $134,000 in 2014. This, however, is primarily due several settlements and adjustments occurring in 2014. The Company's Operating Loss in 2015 was $205,000, compared to a loss of $1,400,000 in 2014, which is a result of the Company's improved financial results and organizational objectives.

The Company's focus on improving its financial structure over the last 2 years has resulted in reducing the working capital deficiency by more than 50% over that time period. As at May 31, 2015, the working capital deficiency is $3,853,000, compared to a deficiency of $7,739,000 in 2013.

In 2016, the Company will continue its efforts in restructuring further short-term debts into long-term liabilities in order to allow the Company to have sufficient working capital to fund its overall revenue and business growth.

Revenues

Revenues for 2015 totaled $6,225,000, representing a decline of $159,000 (2.5%) over the prior year. The decline in revenues was primarily due to the decline in legacy products such as dial-up internet, fax-to-email, and email services, which decreased by $136,000 over the prior year. Other areas of decline included broadband DSL internet services, which were offset by increases in fibre internet services.

The Company expects similar results with its legacy products in the upcoming year, while focusing its efforts on stabilizing its broadband internet revenues, increasing revenues from its data centre facilities, as well as expanding into other revenue items, such as managed services and hardware/software sales.

The Alberta security division's revenues were $559,000 for the year, representing an increase of $53,000 (10%) from the prior year. The Company expects revenues from this division to decline in the early part of 2016 as several construction site contracts expire. The Company has identified an opportunity to market its other products in Alberta, using its existing offices and resources already present in the region.

Gross margin

Gross margin for the year was $3,118,000 (2014 - $3,066,000), an increase of $51,000 (2%) over the prior year, which is attributed to the Company's focus on higher gross margin products, as well as a thorough review of costs and pricing strategies on its products and services.

Operations and service delivery costs

Operations and service delivery costs totaled $2,526,000 in 2015, compared to $2,995,000 in the prior year. The decreases are a result of the Company's cost saving measures and evaluation of its work force, as well as the settlements of prior outstanding debts and payables.

Costs are expected to increase modestly in early 2016 as the Company pushes ahead with its business growth strategy, which requires investments in current infrastructure and resources.

Sales and marketing

Sales and marketing expenses were $331,000 for the year, as compared to $694,000 for the same period last year, representing a decrease of $363,000 (52%) over the same period last year as the Company right-sized its sales force and eliminated unnecessary expenditures.

The Company expects these costs to increase in early 2016 as the Company updates its website, invests in its sales team, and updates its marketing material.

Amortization

Amortization expense was $465,000 for the year (2014 - $779,000), a decline of $313,438 (40%).

The method of amortization changed at the start of the 2014 fiscal year, switching from a declining balance method to a straight line method. The change in amortization methods resulted in fully amortizing most assets that were over four years old, leading to high amortization costs for the 2014 and 2015 fiscal year. The Company expects amortization to decrease by over 50% in 2016.

Interest expense

Interest expense was $562,000 in 2015 (2014 - $591,000). The decrease was due to the settlement of promissory notes, accrued interest, as well as $141,000 of accrued dividends on preferred shares being reversed, as these amounts were related to prior preferred share agreements which were restructured into common shares.

The Company will continue its efforts in settling more debts in the coming months to further reduce the interest expense.

Fourth Quarter Ending May 31, 2015

Revenues

Fourth quarter revenues totaled $1,551,000, a decrease of $65,000 (4%) from the same period last year, but an increase of $20,000 (1%) from the third quarter of 2015. The year-over-year decrease is primarily due to churn on broadband internet service and legacy dial-up internet services.

The revenue increase from the third quarter to the fourth quarter was primarily attributable to one-time installations in Alberta for the Company's security division.

Gross margin

Gross margin increased $207,000 from the same period in 2014, with gross margin as a percentage of sales improving from 40% in the last quarter of 2014 to 56% in the same quarter of 2015. The improvements in gross margin are primarily due to the Company reviewing its pricing strategies across, one-time supplier credits, as well as cost cutting measures which included the Company utilizing its upgraded data centre facilities to provide services to customers, rather than utilizing third party services.

Operations and service delivery costs

Overhead costs were $620,000 for the quarter (2014 - $869,000, 2015 Q3 - $588,000). The year over year difference is attributed to the Company's cost cutting measures, including fewer investments in its existing resources and infrastructure. The quarterly difference is due to various settlements and write-downs in the third quarter of 2015.

In the coming months, the Company intends to increase spending to enhance its internal infrastructure in order to facilitate growth in the overall business and revenues.

Sales and marketing

Sales and marketing expenses totaled $79,000 for the fourth quarter of 2015 (2014 - $205,000). Costs are consistent with the prior quarter of 2015, as the Company had curtailed significant spending on its sales and marketing efforts. Unfortunately, a decrease in marketing expenditures meant the Company would have difficulties in growing its customer base and marketing its products.

The Company expects these costs to increase in early 2016 as the Company updates its website, invests in its sales team, and updates its marketing material.

Amortization

Amortization expense for the last quarter was $113,000, consistent with the third quarter of this year, but $95,000 lower than 2014 due to the Company's change in amortization policies at the beginning of the 2014 fiscal year, which accelerated the amortization on legacy capital assets. No significant investments in capital assets were made in 2015.

Interest expense

Interest expense for the three months ending May 31, 2015 totaled $314,000 (2014 - $3,000). This amount includes various settlement adjustments for transactions with debt holders during the year. The last quarter of 2014 included various settlements with debt holders as well. In the third quarter of 2015, the Company had additional settlements and interest waived by debt holders.

Liquidity and capital resources

Working capital and liquidity

As at May 31, 2015, the Company had a working capital deficiency of $3,853,000 (2014 - $4,565,000). The Company has directed its efforts over the past two years towards reducing the deficiency, and is continuing to do so going forward. These efforts include settling debts with Common Shares of the Company and improving operating results. The Company's focus on improving its financial structure over the last two years has resulted in reducing the working capital deficiency by more than 50% over that time period.

Preferred shares

The preferred shares are redeemable at the option of the holder on or after the fifth anniversary of the date of issuance (which ranged from May to December 2007). As the Company may be required to repurchase the preferred shares for cash in the upcoming fiscal year, they have been classified as short-term debt with the value of the conversion right included in other equity instruments (see "Outstanding Shares Data" in the Financial Statements).

As at May 31, 2015, the current debt portion of the convertible preferred shares is $273,000 (2014 - $273,000) and accrued dividends in arrears owing to preferred shareholders are $107,000 (2014 - $226,000).

On July 1, 2013, the Company converted $3,612,000 of its Preferred Shares into Promissory Notes. The Company is currently in the process of trying to convert the remaining Preferred Shares.

Further details are contained in Note 10 of the Financial Statements.

Promissory Notes

The Promissory Notes ("Notes") were issued as of July 1, 2013 and carry a four-year term with a 5% annual interest rate. The Notes can be converted to shares at the option of the holder for $0.50 per share, or the Company can force conversion into common shares should the Company's share price trade at $1.00 or higher for a ninety day period.

The Company and several Note holders agreed to convert interest accrued and owing on the Notes up to December 31, 2014, and one-third of the principal outstanding, into common shares of the Company. Details on the conversion are provided in Note 10 of the Financial Statements.

As at May 31, 2015, a long-term liability of $1,448,000 (2014 - $1,581,000) remains for the Promissory Notes. The Company has recorded a liability of $67,000 (2014 - $50,000) in current liabilities in relation to the interest owing on the Promissory Notes.

Further details are contained in Note 10 of the Financial Statements.

Summary

The Company's focus during this fiscal year has been to continue increasing its revenues with its improved sales force and additional product lines, including providing internet, colocation, data storage, and managed services to commercial customers from its upgraded facilities.

The Company has fully launched its data centre services to the public as of June 2015 and intends to fill all available space during the upcoming fiscal year.

The Company is also in the latter stages of the application process to obtain a license to distribute television content through IPTV technologies, enabling the Company to offer residential customers an opportunity to bundle their phone, internet, and television services. This will allow the Company to be more competitive within the industry.

The Company will continue its efforts from the past year in improving its financial structure by lessening its working capital deficit and other liabilities through retiring or converting debt into equity instruments.

The Company believes that it will be able to generate sufficient cash flow from operations, combined with its ability to obtain financing from related parties, existing shareholders and other sources; it will have sufficient resources to carry on operations in the short term and in the long term to pursue its business plan.

Contractual obligations and commitments

Most of the Company's services fall under tariffs set and regulated by the CRTC, which reduced the need for long term contracts for pricing and provision of these services.

The Company leases office space and equipment under non-cancelable operating leases expiring in various years through 2018 and also leases office furniture and computer hardware and software under non-cancelable capital leases. Minimum commitments under non-cancelable leases for each fiscal year are as follows:

	2016	**2017**	**2018**	**Total**
	$	$	$	$
Finance Leases	96,343	80,508	38,162	215,013
Operating Leases	153,000	12,500	-	165,500
	249,343	**93,008**	**38,162**	**380,513**

Off-balance Sheet Arrangements

The Company has not engaged in any off-balance sheet arrangements.

Related Party Transactions

Key management compensation:

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's Board of Directors and the Company's executive team. Key management personnel compensation for the year ended May 31, 2015 totaled $169,206 (2014 - $350,901).

Transactions with related parties:

(a) Operating Lease – Vancouver Office Rent

The Company has a lease agreement with a company controlled by a director and significant shareholder for its office space since June 10, 2011 for a six year term. The annual gross rent is $150,000.

For the year ended May 31, 2015, the Company recognized rent expense of $150,000 (2014 - $150,000) relating to this agreement. The Company also recognized an additional $13,147 (2014 - $11,775) to rent expense for parking fees.

As part of the lease agreement, the Company received a lease inducement of $291,896, including a rent free period of four months. During the year ended May 31, 2015, the Company recognized $48,649 (2014 - $15,372) of lease inducement as a reduction to rent expense. As of May 31, 2015, $101,352 (2014 - $150,002) of the lease inducement remains.

(b) Operating Lease – Edmonton Office Rent

On May 1, 2014, the Company entered into a lease agreement with a company controlled by a former director for the purpose of renting office space for its Security Integrations division in Edmonton, Alberta.

The lease is on a month to month basis with gross monthly rent of $1,500. The Company has the option to terminate the agreement with two months' notice.

For the year ended May 31, 2015, the Company recognized rent expense of $18,000 relating to this rental agreement.

(c) Operating Lease – Vancouver Data Centre

The Company has a lease agreement with a company controlled by a director and significant shareholder for its data centre space since November 1, 2014 with a gross monthly rent of $7,000. The lease is on a month to month basis pending a finalized agreement. This amount does not include any hydro surcharges which may be charged.

As this space is used to provide services to customers, this expense is recognized as a cost of sale.

For the year ended May 31, 2015, the Company recognized cost of sales of $49,000 relating to this rental agreement.

(d) Operating Lease – Vancouver Office Space

The Company has a temporary month-to-month lease agreement with a company controlled by an associate of an executive for additional office space since February 1, 2015 with a gross monthly rent of $1,145. Up to May 31, 2015, the space had been utilized for marketing purposes. As a result, the Company has recognized $4,580 of rent to marketing expense for relating to this rental agreement.

Subsequent to year end, the Company amended its agreement to lease additional space, which resulted in a gross monthly rent of $2,005.

(e) Loans Payable

The Company has various loans payable to related parties. Amounts outstanding in connection with these loans are as follows:

	May 31, 2015	May 31, 2014
	$	$
Loan amounts owed to a company controlled by a director and significant shareholder	**810,594**	766,506
Loan amounts owed to other directors	**45,400**	50,000
	855,994	816,506

Further details on these loans are disclosed in Note 8.

Included within interest expense are the following amounts paid (or accrued) to related parties in connection with the various related party loans:

	May 31, 2015	May 31, 2014
	$	$
Interest paid or accrued to a company controlled by a director and significant shareholder	**140,197**	98,213
Interest paid or accrued to other directors	**9,000**	6,000
	149,197	104,213

In addition to the above, the following transactions have occurred:

a. During the year ended May 31, 2015, the Company borrowed and repaid funds from a company controlled by a director and significant shareholder on a short-term basis:
    a. September 4, 2014: $145,000 (includes $5,000 administration fee)
    b. October 21, 2014: $22,000 (includes $1,000 administration fee)
    c. October 29, 2014: $93,500 (includes $3,500 administration fee)
    d. December 11, 2014: $126,000 (includes $6,000 administration fee)
    e. February 23, 2015: $84,000 (includes $4,000 administration fee)

b. The Company borrowed funds from a company controlled by a director and significant shareholder which is outlined in note 8.

(f) Revenues

Included in revenue for the year ended May 31, 2015 are sales totaling $157,217 (2014 - $133,417) in hardware and other services sold to companies controlled by various directors of the Company.

Outstanding shares data

Common shares

On March 23, 2015, the Company completed a share consolidation of five pre-consolidation common shares for one post-consolidation share (5:1 factor). As a result, 65,437,809 common shares were consolidated into 13,087,385 post-consolidation shares issued and outstanding, fractional shares totaling 177 common shares were cancelled. This also affects options and warrants outstanding by the same factor. For additional details, refer to note 11 of the Financial Statements. Set out below is the outstanding share data for the Company as of the report date:

	Number Outstanding
Common Shares	25,440,385
Option to Purchase Common Shares	-
Share Purchase Warrants	13,593,000

Subsequent to May 31, 2015, the Company issued 12,353,000 common shares units, each unit comprising of the one common share of the Company at $0.06 per share and one transferrable full share purchase warrant, with each warrant exercisable into one additional common share of the Company at $0.10 per share for a two year period. This issuance is reflected in the figures above.

Convertible Preferred shares and Promissory Notes

The convertible preferred shares were issued at $10 per share, carrying a cumulative dividend rate of 8% per annum payable monthly are convertible into common shares at the option of the holder at a price of $0.25 per share, or redeemable for cash equivalent to the issue price plus all accrued and unpaid dividends at the option of the holder. As at February 28, 2015, 27,300 preferred shares are outstanding.

During the year ended May 31, 2014, 93% of Preferred Shares were restructured into Promissory Notes ("Notes") effective July 1, 2013. The Notes carry an interest rate of 5% per annum, with interest payments commencing January 1, 2014.

As of May, 2015, the Company has the following liabilities related to the Preferred Shares and Notes:

- Preferred Shares: $273,000 (May 31, 2014: $273,000)
- Dividends on Preferred Shares in arrears: $107,380 (May 31, 2014: $226,219)
- Notes: $1,442,823 (May 31, 2014: $1,581,339)
- Interest payable on Notes: $67,252 (May 31, 2014: $50,167)

For further details and transactions, see note 10 of the Financial Statements.

Critical Accounting Estimates

The preparation of Financial Statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates, assumptions and judgments are based on available information, experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity are described below:

Providing for doubtful debts

The Company provides services to customers mainly on credit terms and as a result certain debts due to the Company will not be paid through the default of a small number of its customers. Estimates, based on historical experience, are used in determining the level of debts that are believed to be uncollectable. These estimates include such factors as the current state of the general economy and industry issues.

Identifiable intangible assets

The values associated with identifiable intangible assets involves significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These significant estimates and judgments could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on identifiable intangible assets recognized in future periods.

The Company assesses impairment by comparing the recoverable amount of an identifiable intangible asset with its carrying value. The determination of the recoverable amount involves significant management judgment.

Impairment

The values associated with property and equipment and identifiable intangible assets involves significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These significant estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on property and equipment and identifiable intangible assets recognized in future periods.

The Company assesses impairment by comparing the recoverable amounts of property and equipment and identifiable intangible assets with their carrying value. The determination of the recoverable amount involves significant degree of estimation.

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire. The Company's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined.

Significant judgments

The preparation of Financial Statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's Financial Statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- whether expenditures incurred meet the definition of research or development, and whether expenditures on development meet the criteria to be capitalized as intangible assets;
- whether there exist indicators that the Company's property and equipment are impaired;
- the recognition / disclosure of provisions / contingent liabilities;
- the classification of financial instruments; and
- the classification of leases as either operating or capital type leases.

Changes in Accounting Policies

A number of new standards, and amendments to standards and interpretations, are not effective for the year ended May 31, 2015, and therefore have not been applied in preparing the Financial Statements. Standards issued but not yet effective, and which the Company believes are relevant to its operations, up to the date of issuance of the Company's Financial Statements are listed below:

(a) IFRS 9 - Financial instruments

In November 2009, the IASB issued IFRS 9, Financial instruments ("IFRS 9") as a first step in its project to replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 introduces new requirements for how an entity should classify and measure financial assets that are in the scope of IAS 39. The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets, and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost if two criteria are met: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent payments of principal and interest. If a financial asset meets the criteria to be measured at amortized cost, it can be designated at fair value through profit or loss under the fair value option, if doing so would significantly reduce or eliminate an accounting mismatch. If a financial asset does not meet the business model and contractual terms criteria to be measured at amortized cost, then it is subsequently measured at fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in Other Comprehensive Income, rather than within Profit or Loss. The standard must be applied retrospectively. IFRS 9 is effective for years beginning on or after January 1, 2018. The Company is still working to understand the impact on the classification and measurement of financial assets.

(b) *IFRS 15 – Revenue from Contracts with Customers*

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has not early adopted these standards and is currently assessing the impact that these standards will have on its Financial Statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's Financial Statements.

Financial Instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its trade receivables. The Company performs ongoing credit evaluations of its customers' financial condition to determine the need for an allowance for doubtful accounts. The Company has not experienced significant credit losses to date. The maximum amount of credit risk exposure is limited to the carrying amounts of these balances in the Financial Statements.

As at May 31, 2015 the balance from three customers made up 31.3% of trade receivables (three customers made up 22.2% of the balance at May 31, 2014).

The following table sets forth details of the aged receivables as well as the related allowance for the doubtful accounts:

	May 31, 2015	May 31, 2014
	$	$
Current	78,861	260,724
31-60 days past billing date	94,180	97,209
61-90 days past billing date	8,479	12,305
Greater than 90 days past billing date	7,207	4,455
Total Receivables	188,727	374,693
Less - Allowance for Doubtful Accounts	(6,538)	(2,977)
	182,190	**371,716**

The Company's secondary exposure to credit risk is on its cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions.

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows will change. At May 31, 2015 the Company was exposed to interest rate risk as significant interest bearing debt matures within 12 months or less. These debts include:

	$
Convertible Debenture	675,000
Convertible Preferred Shares	273,000
Loans Payable	959,934
	1,907,934

A 1% change in interest rates would impact the Company's net income by $19,079 over the next twelve months. The Company has mitigated this risk by entering into fixed rate agreements.

(c) *Currency risk*

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as certain suppliers' invoices are denominated in United States dollars. The Company currently does not use financial instruments to hedge this risk.

At May 31, 2015, the Canadian dollar equivalent value of the Company's United States dollar denominated financial instruments is as follows:

	$
Cash	1,437
Trade payables	(67,808)
	(66,371)

A 10% movement in US currency versus the Canadian dollar would affect the Company's net income by approximately $6,637.

(d) *Liquidity risk exposure*

Liquidity risk arises from the Company's general and capital funding needs. Further discussion on liquidity risk is included in note 1.

(e) Fair values

The fair value of the Company's financial assets and liabilities approximate their fair values due to the short-term nature of these instruments.

Caution Concerning Forward-looking Statements[1,2]

Certain statements contained in this MD&A constitute forward-looking statements. In addition, other oral or written statements which constitute forward-looking statements may be made from time to time by or on behalf of Uniserve Communications Corporation. These forward-looking statements relate to the future financial condition, results of operations, or business of Uniserve. These statements may be based on current expectations and estimates about the markets in which Uniserve operates and management's beliefs and assumptions regarding these markets. These statements are subject to risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate. The results or events predicted in the forward-looking statements contained in this MD&A may differ materially from actual results or events. Forward-looking statements contained in this MD&A represent Uniserve's expectations and intentions as of the date hereof. Uniserve disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

In particular, forward-looking statements do not reflect the potential impact of any mergers, acquisitions, divestitures, or other business combinations, or other transactions that may be announced. For further information – refer to the Risks and Uncertainties section at the end of this report. Investors are cautioned against attributing undue certainty to forward-looking statements.

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[1] In some cases, forward-looking statements may be identified by words such as "anticipate", "could', "seek", "may", "intend", "will", and similar expressions.

[2] Securities laws encourage companies to disclose forward-looking information so that investors can get a better understanding of the company's future prospects and make informed investment decisions.