

# **Acceleware Ltd.**

**Condensed Interim Financial Statements (Unaudited)  
For the Three Months Ended March 31, 2014 and 2013**

**(in Canadian dollars)**

# Acceleware Ltd.

## Condensed Interim Financial Statements For the Three Months Ended March 31, 2014 and 2013 (in Canadian dollars)

### Contents

Condensed Statements of Financial Position	3
Condensed Statements of Comprehensive Income (Loss)	4
Condensed Statements of Changes in Shareholders' Equity	5
Condensed Statements of Cash Flows	6
Notes to Condensed Interim Financial Statements	7

# Acceleware Ltd.

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Acceleware Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Acceleware Ltd.

## Condensed Statements of Financial Position (Unaudited) (in Canadian dollars)

As at:

	March 31, 2014	December 31, 2013
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 248,960	\$ 400,810
Trade and other receivables	517,245	312,357
Alberta SR&ED tax credits receivable	198,972	166,418
Deposits and prepaid expenses	68,098	54,424
	<b>1,033,275</b>	<b>934,009</b>
Non-current		
Property and equipment	169,713	190,550
<b>Total assets</b>	<b>\$ 1,202,988</b>	<b>\$ 1,124,559</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 572,252	\$ 567,053
Deferred revenue	204,776	128,255
Finance lease (note 5)	26,213	25,977
	<b>803,241</b>	<b>721,285</b>
Non-current		
Finance lease (note 5)	13,791	20,434
	<b>817,032</b>	<b>741,719</b>
Going concern (note 3)		
Commitments (note 8)		
<b>Shareholders' Equity</b>		
Share capital (note 6a)	16,544,812	16,544,812
Contributed surplus (note 6c)	6,071,873	6,033,864
Deficit	(22,230,729)	(22,195,836)
	<b>385,956</b>	<b>382,840</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,202,988</b>	<b>\$ 1,124,559</b>

Approved on behalf of the Board:

(signed) "Bohdan Romaniuk"

Director

(signed) "Dennis Nerland"

Director

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

# Acceleware Ltd.

## Condensed Statements of Comprehensive (Loss) Income (Unaudited)

(in Canadian dollars)

For the:

	Three months ended March 31, 2014	Three months ended March 31, 2013
<b>Revenue</b> (note 7)	<b>\$ 672,984</b>	<b>\$ 953,027</b>
<b>Expenses</b>		
Cost of revenue	84,401	228,889
General and administrative	318,726	376,156
Research and development	305,230	331,473
	<b>708,357</b>	<b>936,518</b>
<b>Loss (income) from operations</b>	<b>(35,373)</b>	<b>16,509</b>
Other income (note 10)	480	54,983
<b>Total comprehensive (loss) income for the period attributable to shareholders</b>	<b>\$ (34,893)</b>	<b>\$ 71,492</b>
<b>(Loss) earnings per share</b>		
Basic and diluted	<b>\$ (0.001)</b>	<b>\$ 0.001</b>
Weighted average shares outstanding – basic and diluted	<b>55,950,266</b>	<b>55,950,266</b>

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

# Acceleware Ltd.

## Condensed Statements of Changes in Shareholders' Equity (Unaudited)

(in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance at December 31, 2012	\$ 16,544,812	\$ 5,986,104	\$ (21,764,842)	\$ 766,074
Net comprehensive income	—	—	71,492	71,492
Share-based payments	—	12,267	—	12,267
<b>Balance at March 31, 2013</b>	<b>\$ 16,544,812</b>	<b>\$ 5,998,371</b>	<b>\$ (21,693,350)</b>	<b>\$ 849,833</b>
Balance at December 31, 2013	\$ 16,544,812	\$ 6,033,864	\$ (22,195,836)	\$ 382,840
Net comprehensive loss	—	—	(34,893)	(34,893)
Share-based payments	—	38,009	—	38,009
<b>Balance at March 31, 2014</b>	<b>\$ 16,544,812</b>	<b>\$ 6,071,873</b>	<b>\$ (22,230,729)</b>	<b>\$ 385,956</b>

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

# Acceleware Ltd.

## Condensed Statements of Cash Flows (Unaudited)

(in Canadian dollars)

For the:

	Three months ended March 31, 2014	Three months ended March 31, 2013
<b>Cash flows from (used for) operating activities</b>		
Comprehensive (loss) income before tax	\$ (34,893)	\$ 71,492
Items not involving cash:		
Amortization	20,837	18,539
Share-based payments ( <i>note 6c</i> )	38,009	12,267
Non-monetary transaction	—	(12,869)
	<b>23,953</b>	<b>89,429</b>
Changes in non-cash working capital items		
Trade and other receivables	(204,888)	(110,296)
Alberta SR&ED tax credit receivable	(32,554)	(30,729)
Deposits and prepaid expenses	(13,674)	18,543
Accounts payable and accrued liabilities	5,199	43,373
Deferred revenue	76,521	21,462
	<b>(145,443)</b>	<b>31,782</b>
<b>Cash flows from financing activities</b>		
Repayment of finance lease ( <i>note 5</i> )	(6,407)	(3,477)
	<b>(6,407)</b>	<b>(3,477)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	—	(32,618)
	<b>—</b>	<b>(32,618)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(151,850)</b>	<b>(4,313)</b>
Cash and cash equivalents, beginning of period	400,810	341,897
<b>Cash and cash equivalents, end of period</b>	<b>\$ 248,960</b>	<b>\$ 337,584</b>
<b>Consisting of:</b>		
Cash on deposit	\$ 208,522	\$ 297,483
Cash equivalents	40,438	40,101
	<b>\$ 248,960</b>	<b>\$ 337,584</b>
Interest received	\$ 480	\$ 503
Interest paid	\$ 447	\$ 460
Income taxes paid	\$ —	\$ —

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

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

March 31, 2014 and 2013

(in Canadian dollars)

### 1. General information

Acceleware Ltd. (the “Company” or “Acceleware”) is a technology company based in Calgary, Alberta, that specializes in the development and marketing of special purpose software accelerators used to reduce engineering design simulation and data processing run times. The Company also provides specialized software development consulting services and training programs in the field of high performance computing. The Company is incorporated under the Alberta Business Corporations Act, has its registered offices at 2800 715 fifth avenue SW, Calgary, Alberta, Canada, and trades on the TSX Venture Exchange under the symbol AXE.

### 2. Basis of presentation

#### (a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of condensed interim financial statements, including International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) and have been prepared following the same accounting policies and method of computation as the annual financial statements for the year ended December 31, 2013. The disclosures provided below are incremental to those included with the annual financial statements. Certain information and disclosures normally included in the notes to the annual financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on May 28, 2014.

#### (b) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

#### (c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss which are measured at fair value with changes in fair value recorded in earnings, and share based payment transactions.

#### (d) Significant accounting assumptions, estimates and judgements

The preparation of financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements. Judgement is used in situations where there is a choice or assessment required by management. Estimates and underlying assumptions are required on an ongoing basis and revisions are recognized in the year in which such estimates are revised.



# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

March 31, 2014 and 2013

(in Canadian dollars)

### 2. Basis of Presentation (cont'd)

#### (d) Significant accounting assumptions, estimates and judgements (cont'd)

The determination of the amount of the Scientific Research and Development claim, and hence the relevant receivable amount, requires management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the programs. The reimbursement claims submitted by the Company are subject to review by the relevant government agencies. Although the Company has used its best judgment and understanding of the related program agreements in determining the receivable amount, it is possible that the amounts could increase or decrease by a material amount in the near term dependent on the review and audit by the government agency.

Estimates are used when accounting for revenue recognition both in terms of contracts with multiple deliverables, and in consulting contracts recognized using percentage of completion. The Company evaluates each element of a contract with multiple elements in order to estimate the fair value of each separable component of the transaction. The Company's Management ("Management") applies judgement when assessing whether certain deliverables in a customer arrangement should be included or excluded from a unit of account to which contract accounting is applied. The judgement is typically related to the sale and inclusion of software, maintenance, and consulting services in a customer arrangement and involves an assessment that principally addresses whether the deliverable has stand-alone value to the customer that is not dependent upon other components of the arrangement.

The Company makes use of estimates when making allowances for uncollectible trade and other receivables. The Company evaluates each receivable at period end using factors such as age of receivable, payment history, and credit risk to estimate if an allowance is required, and the amount of the allowance.

The Company must estimate the useful life of assets when calculating amortization. Where possible, the Company uses its own history with assets of similar classes to determine useful lives. The Company must make use of estimates when determining if an asset is impaired.

The Company must make use of estimates in calculating the fair value of share-based payments. Amounts recorded for share-based payments are subject to the inputs used in the Black-Scholes option pricing model, including assumptions such as volatility, dividend yield, risk-free interest rates, forfeiture rate estimates, and expected option life.

Other estimates employed are related to taxes and related provisions and other provisions and contingencies. Actual results could differ from these and other estimates. The recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognize deferred tax assets depends on many factors, including the Company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or non-occurrence of such events in the future may lead to significant changes in the measurement of deferred tax assets.

In recognizing provisions, the Company evaluates the extent to which it is probable that it has incurred a legal or constructive obligation in respect of past events and the probability that there will be an outflow of benefits as a result. The estimates used to recognize provisions are based on currently known factors which may vary over time, resulting in changes in the measurement of recorded amounts.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

March 31, 2014 and 2013

(in Canadian dollars)

### 3. Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has accumulated losses amounting to \$22,230,729 (December 31, 2013 - \$22,195,836), including the loss of \$34,893 in the period ended March 31, 2014, largely due to investments in new product development and in the penetration of new markets.

The Company actively manages its cash flow and investment in new products to match its cash requirements to cash generated from operations. In order to maximize cash generated from operations, the Company plans to continue to focus on high gross margin revenue streams such as a software products, consulting services and training; focus on selected core vertical markets; minimize operating expenses where possible; and limit capital expenditure. Management believes that successful execution of its business plan will result in sufficient cash flow to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available. Further, if the Company's operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months.

Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, and further reducing sales, marketing and general and administrative expenses, and seeking outside financing.

The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company's financial position, results of financial performance and cash flows.

These factors indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon successful execution of its plans noted above. The outcome of these initiatives cannot be predicted at this time. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern for a reasonable period of time.

### 4. Recent Accounting Pronouncements Issued and not yet Effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2015 or later periods. The standards affected are as follows:

#### (a) IFRS 2 Share-based payment

The amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

March 31, 2014 and 2013

(in Canadian dollars)

### 4. Recent Accounting Pronouncements Issued and not yet Effective (cont'd)

#### (b) IFRS 8 Operating segments

The amendments to IFRS 8, issued in December 2013, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

#### (c) IFRS 9 Financial instruments

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 *Financial instruments: Recognition and measurement*. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" are now recognized in other comprehensive income instead of in profit or loss. This new standard will also affect disclosures provided under *IFRS 7 Financial instruments: disclosures*.

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The mandatory effective date of January 1, 2015 has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

#### (d) IFRS 13 Fair value measurement

The Company applies the "portfolio exception". Accordingly, it measures the fair value of financial assets and liabilities, with offsetting positions in market or counterparty credit risk, consistently with how market participants would price the net risk exposure. The amendments to IFRS 13, issued in December 2013, clarify that the portfolio exception applies to all contracts within the scope of *IFRS 9 Financial instruments* or *IAS 39 Financial instruments: Recognition and measurement*, regardless of whether they meet the definitions of financial assets or financial liabilities in *IAS 32 Financial instruments: Presentation*. The amendments are effective for annual periods beginning on or after July 1, 2014.

#### (e) IAS 16 Property, plant and equipment and IAS 38 Intangible assets

The amendments to IAS 16 and IAS 38, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed. The amendments are effective for annual periods beginning on or after July 1, 2014.

#### (f) IAS 24 Related party disclosures

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

The Company is currently assessing the impact of these standards on its reporting and disclosures. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

March 31, 2014 and 2013

(in Canadian dollars)

### 5. Finance Lease

The Company has certain computer equipment under financial lease expiring 2015 and 2016. The leases carry a weighted average annual interest rate of 2.31%. Estimated lease payments are as follows:

	March 31, 2014	December 31, 2013
2014	\$ 20,093	\$ 26,747
2015	19,840	19,840
2016	816	816
Minimum lease payments	40,749	47,403
Less: interest portion (at a rate of 2.31%)	745	992
Net minimum lease payments	40,004	46,411
Less: current portion	26,213	25,977
	\$ 13,791	\$ 20,434

The equipment under finance lease has been recognized in property and equipment at the present value of minimum lease payments. Interest charges on leased equipment during the three months ended March 31, 2014 were approximately \$247 (March 31, 2013 – \$355). Other than interest, no costs were incurred relating to this lease. The lease is secured by the assets under lease. At March 31, 2014, the net book value of equipment pledged as security for finance leases is \$36,035 (December 31, 2013 - \$42,513).

### 6. Share capital and other components of shareholders' equity

#### (a) Share capital

The authorized share capital of the Company consists of an unlimited number of common shares, and unlimited number of first preferred shares, of which conditions are to be determined; and an unlimited number of second preferred shares, of which conditions are to be determined.

Common shares issued	Number	Amount
<b>Balance, March 31, 2014 and December 31, 2013</b>	<b>55,950,266</b>	<b>\$ 16,544,812</b>

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

March 31, 2014 and 2013

(in Canadian dollars)

### 6. Share capital and other components of shareholders' equity (cont'd)

#### (b) Share-based payments (cont'd)

At March 31, 2014 the Company had one equity-settled share-based compensation plan. The Company accounts for options granted under this plan in accordance with the fair value method of accounting for share-based compensation. The estimated fair value of the options that are ultimately expected to vest is recorded over the options' vesting period and charged to share-based compensation expenses.

During the three months ended March 31, 2014, the Company granted to certain employees, officers, and directors options to purchase a total of 1,436,984 Common Shares at an exercise price of \$0.05 per share. Of the total, 1,285,000 options vest over three years, such that 428,335 of the options will vest one year from the date of grant, 428,335 will vest two years from the date of grant and 428,330 will vest three years from the date of grant. The remaining options vest based on the market price of the Company's common shares. 75,992 options will vest when the closing market price of the Company's common shares exceeds \$0.0625 for ten consecutive trading days. The remaining 75,992 options will vest when the closing market price of the Company's common shares exceeds \$0.075 for ten consecutive trading days. All options granted expire 5 years from the date of grant. The weighted average grant date fair value of the stock options granted during 2014 was estimated to be \$0.043 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 186%, a risk-free interest rate of 1.41%, expected dividend yield of nil%, expected forfeiture rate of 6.4% and expected life of 5 years. The expected volatility was determined by calculating the historical volatility of the Company's common share price from the date of grant back to the date one year prior to the date of grant. The estimated fair value of each tranche of options not immediately vesting is amortized to share-based payments over the option vesting period on a straight line basis. Total share-based payment expenses for the three months ended March 31, 2014 were \$17,410 relating to general and administrative and \$20,599 relating to research and development for a total of \$38,009. Total share-based payment expenses for the three months ended March 31, 2013 were \$5,455 relating to general and administrative and \$6,812 relating to research and development for a total of \$12,267.

During 2013, the Company granted to certain employees, officers, and directors options to purchase a total of 1,075,464 Common Shares at an exercise price of \$0.10 per share. Of the total, 944,000 options vest over three years, such that 314,667 of the options will vest one year from the date of grant, 314,667 will vest two years from the date of grant and 314,666 will vest three years from the date of grant. The remaining options vest based on the market price of the Company's common shares. 65,732 options will vest when the closing market price of the Company's common shares exceeds \$0.0625 for ten consecutive trading days. The remaining 65,732 options will vest when the closing market price of the Company's common shares exceeds \$0.075 for ten consecutive trading days. All options granted expire 5 years from the date of grant. The weighted average grant date fair value of the stock options granted during 2013 was estimated to be \$0.031 per option using the Black-Scholes option pricing model based on the following weighted average assumptions: expected volatility of 168%, a risk-free interest rate of 1.40%, expected dividend yield of nil%, expected forfeiture rate of 7% and expected life of 5 years. The expected volatility was determined by calculating the historical volatility of the Company's common share price from the date of grant back to the date one year prior to the date of grant. The estimated fair value of each tranche of options not immediately vesting is amortized to share-based payments over the option vesting period on a straight line basis. On August 28, 2013, 847,964 of these options, all of which were held by officers and employees, were amended by reducing the exercise price to \$0.05, with no material impact on compensation expense.

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

March 31, 2014 and 2013

(in Canadian dollars)

### 6. Share capital and other components of shareholders' equity (cont'd)

#### (b) Share-based payments (cont'd)

The changes to the number of options granted by Acceleware Ltd. and their weighted average exercise price are as follows:

	Number	Weighted Average Exercise Price
Balance, December 31, 2013	5,425,464	0.092
Granted	1,436,984	0.050
Forfeited	(606,000)	0.090
Expired	(965,000)	0.100
<b>Balance, March 31, 2014</b>	<b>5,291,448</b>	<b>0.080</b>

Summary of options outstanding and exercisable as at March 31, 2014:

Exercise price outstanding	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
\$0.05	2,158,948	4.61	\$0.05	—
0.10	3,132,500	2.18	0.10	2,198,200
	5,291,448	3.17	\$0.08	2,198,200

#### (c) Contributed surplus

Balance, December 31, 2013	\$	6,033,864
Share-based payments		38,009
<b>Balance, March 31, 2014</b>	<b>\$</b>	<b>6,071,873</b>

### 7. Segmented information

The Company operates in an international market within one reportable industry segment.

#### (a) Geographic segmentation is as follows:

Revenue:	Canada	Foreign Countries	Total
Three months ended March 31, 2013	\$ 133,815	819,212	\$ 953,027
<b>Three months ended March 31, 2014</b>	<b>\$ 16,558</b>	<b>656,426</b>	<b>\$ 672,984</b>

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

March 31, 2014 and 2013

(in Canadian dollars)

### 7. Segmented information (cont'd)

(b) Product segmentation of revenue is as follows:

	Three months ended March 31, 2014		Three months ended March 31, 2013
Product sales	\$ 165,806	\$	158,867
Consulting	398,625		720,792
Maintenance	108,553		73,368
	\$ 672,984	\$	953,027

The Company derives significant revenues from major customers each of whom exceed 10% of total revenues for the three months ended March 31, 2014.

	Three months ended March 31, 2014		Three months ended March 31, 2013
Customer A	\$ 157,275	\$	81,321
Customer B	151,243		—
Customer C	149,491		272,682
Customer D	132,260		—
	\$ 590,269	\$	354,003

All of the Company's assets are located in Canada.

### 8. Commitments

On February 29, 2012, Acceleware entered into a premise lease agreement to lease 5,244 square feet of office space commencing August 1, 2012 and ending July 31, 2017, a period of five years. A rent inducement of \$103,420 was received and included in accounts payable and accrued liabilities. It will be amortized over the term of the lease and recorded as a reduction to rent expense. At March 31, 2014, \$66,854 of the rent inducement remains (December 31, 2013 - \$71,868).

In addition to the basic monthly rents, the Company must pay a proportionate share of property taxes, operating costs, utilities and additional services.

The minimum annual basic rent commitments are as follows:

2014	\$	113,607
2015		153,807
2016		155,992
2017		79,525
	\$	502,931

# Acceleware Ltd.

## Notes to Condensed Interim Financial Statements

March 31, 2014 and 2013

(in Canadian dollars)

### 9. Related Party Transactions

- (a) For the three months ended March 31, 2014, the Company incurred expenses in the amount of \$39,000 (March 31, 2013 - \$39,000) with a company controlled by an officer of the Company as fees for duties performed in managing operations, and this amount is included in research and development. \$12,559 was included in accounts payable and accrued liabilities as at March 31, 2014 (December 31, 2013 \$8,219). These fees were charged to the Company in the normal course of operations and in the opinion of Management approximate fair value for services rendered.
- (b) For the three months ended March 31, 2014, the Company incurred expenses in the amount of \$139 (three months ended March 31, 2013 - \$nil) with a company controlled by a director of the Company for legal fees, and this amount is included in general and administrative. \$4,694 was included in accounts payable and accrued liabilities as at March 31, 2014 (December 31, 2013 - \$4,555). These fees were charged to the Company in the normal course of operations and in the opinion of management approximate fair value for services rendered.
- (c) Four officers of the Company have advanced \$255,808 (December 31, 2013 - \$221,280) to the Company. These amounts are non-interest bearing, unsecured and are to be repaid no later than December 31, 2014. These amounts are recorded in accounts payable.
- (d) Key management includes the Company's directors and members of the executive management team. Compensation awarded to key management included:

	Three months ended		Three months ended	
	March 31, 2014		March 31, 2013	
Salaries and short-term employee benefits	\$	170,897	\$	197,480
Share-based payments		20,779		7,365
	\$	191,676	\$	204,845

### 10. Other income

During the three months ended March 31, 2013 (March 31, 2014 - \$nil) the Company recorded other income of \$54,480 relating to third-party Asset-Backed Commercial Paper ("ABCP") settlement funds. This payment is pursuant to the ABCP settlement distribution plan announced by the Ontario Securities Commission and Investment Industry Regulatory Organization of Canada in 2013.

The Company held an investment in third party ABCP with a face amount of approximately \$1.4 million, which it acquired in 2007. The investment was made on a short term basis. However, due to the collapse of the Canadian ABCP market in 2007, the Company continued to hold the investment into 2009. Liquidity gradually returned to the ABCP market over the course of 2009, and the Company was able to liquidate the investment for gross proceeds of \$752,466 on December 9, 2009. The ABCP settlement funds were collected in enforcement settlements agreed to by certain investment dealers who sold ABCP products prior to the collapse of the market in 2007.

The balance of other income is interest income on cash deposits.