ZOOMMeD

Empowering Doctors

The ZRx Prescriber reaches new frontiers

CONSOLIDATED FINANCIAL REPORT
AS AT MAY 31, 2014 AND 2013

INDEPENDENT AUDITOR'S REPORT 2 - 3

CONSOLIDATED FINANCIAL STATEMENTS

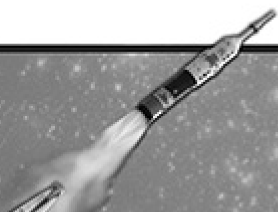
Consolidated statements of financial position 4

Consolidated statements of changes in equity 5

Consolidated statements of net income and comprehensive income 6

Consolidated statements of cash flows 7

Notes to the consolidated financial statements 8 - 38



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ZOOMMED INC.

We have audited the accompanying consolidated financial statements of **ZOOMMED INC.**, which comprise the consolidated statements of financial position as at May 31, 2014, and May 31, 2013, the consolidated statements of net income and comprehensive income, changes in equity and cash flows for the years then ended, and 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 audit. We conducted our audit 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

MAZARS HAREL DROUIN, LLP

215 SAINT-JACQUES STREET - SUITE 1200 - MONTREAL - QUEBEC - CANADA - H2Y 1M6
TELEPHONE: 514 845 9253 - FAX: 514 845 3859 - contact@mazars.ca - www.mazars.ca

CHARTERED PROFESSIONAL ACCOUNTANTS

Opinion

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

Observations

Without qualifying our opinion, we draw attention to Notes 2 and 26 of the consolidated financial statements which indicate respectively that the Company's must improve its profitability and obtain additional financing for the next year to continue its activities and the sale of certain assets. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Comparative figures

Without modifying our opinion, we draw attention to Note 4 of the consolidated financial statements which explain that certain comparative figures for the year ended May 31, 2013, have been restated.

Mazars Harel Drouin, LLP [1]

Montréal, October 17, 2014

[1] CPA auditor, CA, public accountancy permit No. A106080

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2014 AND MAY 31, 2013

	2014	2013 (Restated) (Note 4)
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	159,921	365,824
Receivables (Note 7)	668,202	1,384,406
Prepaid expenses	19,236	27,964
	847,359	1,778,194
Non-current assets		
Fixed assets (Note 8)	24,365	91,372
Intangible assets (Note 9)	894,415	2,407,503
Interest in joint ventures (Note 11)	-	1,052,786
Total assets	1,766,139	5,329,855
LIABILITIES		
Current liabilities		
Payables (Note 12)	1,273,911	683,799
Deferred revenue	734,864	1,033,110
Non-convertible debenture (Note 13)	1,783,457	-
Convertible debenture (Note 14)	-	1,452,178
Short-term debt (Note 15)	377,856	-
	4,170,088	3,169,087
Non-current liabilities		
Lease inducement	3,593	4,699
Total liabilities	4,173,681	3,173,786
SHAREHOLDERS' EQUITY		
Share capital (Note 18)	25,509,437	25,438,120
Equity component of convertible debenture (Note 14)	-	65,686
Contributed surplus	6,568,175	6,502,489
Deficit	(34,485,154)	(29,850,226)
Total equity	(2,407,542)	2,156,069
Total liabilities and equity	1,766,139	5,329,855

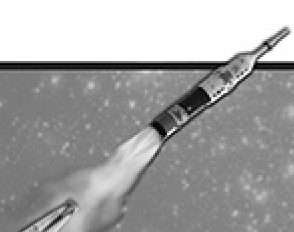
ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) Yves Marmet, Chairman of the Board and Chief Executive Officer

(Signed) Marie-Hélène Pinard, Director and Chief Financial Officer

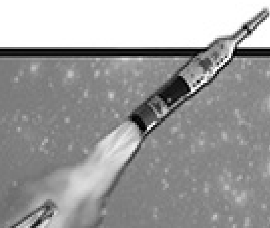
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MAY 31, 2014 AND MAY 31, 2013

	Share capital	Equity component of convertible debenture	Equity component of non-converti-ble debenture	Warrants	Contributed surplus	Deficit	Total
	$	$	$	$	$	$	$
Balance as at June 1, 2012	25,438,120	65,686	-	768,676	5,580,613	(31,271,308)	581,787
Net result	-	-	-	-	-	1,421,082	1,421,082
Fair value of stock options granted (Note 19)	-	-	-	-	153,200	-	153,200
Expired warrants (Note 20)	-	-	-	(768,676)	768,676	-	-
Balance as at May 31, 2013 (Restated - Note 4)	25,438,120	65,686	-	-	6,502,489	(29,850,226)	2,156,069
Net result	-	-	-	-	-	(4,634,928)	(4,634,928)
Repayment of the convertible debenture	-	(65,686)	-	-	65,686	-	-
Non-convertible Debenture (Note 13)	-	-	45,878	-	-	-	45,878
Issuance of bonus shares (Note 13)	45,878	-	(45,878)	-	-	-	-
Issuance of shares (Note 18)	25,439	-	-	-	-	-	25,439
Balance as at May 31, 2014	25,509,437	-	-	-	6,568,175	(34,485,154)	(2,407,542)



CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME FOR THE YEARS ENDED MAY 31, 2014 AND MAY 31, 2013

	2014	2013 (Restated) (Note 4)
	$	$
REVENUE (Note 16)	1,742,153	7,806,385
GAIN ON DISPOSAL OF INTANGIBLE ASSETS	500,000	-
	2,242,153	7,806,385
OPERATING EXPENSES (Note 16)		
Selling expenses	672,447	787,998
Administrative expenses	1,150,134	1,402,491
General operating expenses	621,946	867,674
Development cost	1,673,598	1,329,429
Financial expenses	632,931	372,346
Asset impairment	1,146,167	617,660
	5,897,223	5,377,598
PROFIT (LOSS) BEFORE PROPORTIONATE SHARE IN JOINT VENTURE	(3,655,070)	2,428,787
Proportionate share of the joint venture's net results (Note 11)	(979,858)	(1,007,705)
PROFIT (LOSS) BEFORE INCOME TAXES	(4,634,928)	1,421,082
INCOME TAXES (Note 24)	-	-
NET RESULT AND COMPREHENSIVE INCOME	(4,634,928)	1,421,082
BASIC AND DILUTED NET RESULT PER SHARE	(0.035)	0.011
WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES	132,454,939	130,474,687

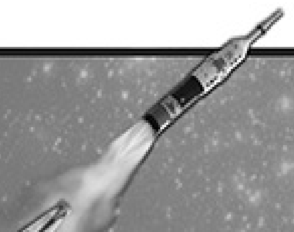


CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2014 AND MAY 31, 2013

	2014	2013 (Restated) (Note 4)
	$	$
OPERATING ACTIVITIES		
Net result	(4,634,928)	1,421,082
Amortization	729,646	542,960
Interest on debenture	77,635	123,150
Operating expenses paid in shares	25,439	-
Exchange rate variation	87,437	-
Proportionate share of profit and loss in joint ventures (Note 11)	979,858	1,007,705
Reinvested proceeds in joint venture	-	(2,056,491)
Stock-based compensation	-	153,200
Gain on disposal of fixed assets	(4,123)	(25,938)
Gain on disposal of intangible assets	(500,000)	-
Asset impairment	1,146,167	617,660
Lease inducements	(1,106)	3,974
	(2,093,975)	1,787,302
Net change in non-cash operating working capital items	1,016,798	(2,498,481)
Cash flows used in operating activities	(1,077,177)	(711,179)
FINANCING ACTIVITIES		
Net proceeds from non-convertible debenture	212,085	-
Short-term debt	377,856	-
Cash flows used in financing activities	589,941	-
INVESTING ACTIVITIES		
Acquisition of fixed assets	(14,155)	(24,032)
Proceeds from disposal of fixed assets	5,734	27,111
Acquisition of intangible assets	(243,664)	(390,790)
Dividends from a joint venture	33,418	-
Gain on disposal of intangible assets	500,000	-
Cash flows used in investing activities	281,333	(387,711)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(205,903)	(1,098,890)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	365,824	1,464,714
CASH AND CASH EQUIVALENTS, END OF YEAR	159,921	365,824

Cash flows used in operating activities includes interest expenses of $263,900 for fiscal year 2014 ($225,000 in 2013).

Non-cash transactions include the issuance of shares as a bonus to the non-convertible debenture lender for $45,878 (Note 13) and the cancellation of the convertible debenture for $1,500,000 (Note 14) by the issuance of the non-convertible debenture (Note 13).



1. GENERAL INFORMATION

ZoomMed Inc. ("ZoomMed") was incorporated under the Canada Business Corporations Act on February 24, 2005.

ZoomMed Inc. and its subsidiaries (the "Company") are committed to the development and the marketing of a broad range of computer applications designed for healthcare professionals.

The Company has developed the "ZRx Prescriber", a technological innovative Web application that enables physicians to quickly generate prescriptions on their computer, tablet or smartphone. Since it is a stand-alone product, it can easily be integrated to any Electronic Medical Record application (EMR).

ZoomMed's communication network is a clinical information exchange platform between physicians and the various other stakeholders of the healthcare sector, such as pharmacists, specialists, pharmaceutical corporations, private insurers, laboratories, specialized clinics and others. This network includes among others, the "ZRx Access" platform that allows bidirectional exchange of prescription information between physicians and pharmacists, as well as "ZRx benefits" for the transmission of certain insurance plans information from insurance companies, in order to inform physicians about their patient's type of coverage when they write the prescription.

The Company also offers "PraxisLab" a new pharmacy management software that enhances all aspects of the prescription filling process and the complete pharmacists patient file management. PraxisLab uses state-of-the-art protocols and up-to-date software standards.

The Company holds 50% of the voting and participating shares in the American joint venture EvEMR Inc., which commercializes, throughout North America, an Electronic Medical Record (EMR) designed for all behavioural health providers. In addition, the joint venture has acquired an exclusive license for the distribution rights of the ZRx Prescriber in the United States. The Company holds 50% of the voting and participating shares in EvEMR International joint venture, which was established for the distribution of these products worldwide.

ZoomMed Inc. common shares are trading on the TSX Venture Exchange under ZMD symbol.

The Company's registered head office is located at 6300 Auteuil Street, Suite 121, Brossard, Québec, Canada, J4Z 3P2.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

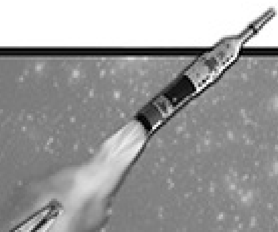
The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been approved by the Board of Directors on October 17, 2014.

These consolidated financial statements have been prepared in accordance with a going concern. Under the going concern assumption, a Company is viewed as being able to continue its operations in the foreseeable future, realize its assets, and discharge its liabilities in the normal course of operations.

The continuation and growth of the Company's activities depend on its ability to gain profitability and to obtain additional financing or cash provided by operations. These funds will come from share issue, from either public or private placement or strategic alliances, or other financing sources. At this stage, it is impossible to predict if those elements will materialize.

The consolidated financial statements do not reflect adjustments that should be made to the book value of assets and liabilities in the case where the Company would be unable to realize its assets and discharge its liabilities in the normal course of operations.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for other measurement bases, as indicated in the related notes.

Consolidation

The consolidated financial statements include the accounts of ZoomMed Inc. and its subsidiaries ZoomMed Médical Inc., Praxis Santé Inc., 9205-1051 Québec Inc. and ZoomMed USA Inc. All intercompany balances and transactions are eliminated upon consolidation.

Revenue recognition

In general, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount can be measured reliably. Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Company's activities.

Revenue derived from annual contracts, related to ZoomMed's communication network, is recognized using the straight-line method over the duration of the agreements. As provided in these contracts, payments received in advance are recorded as deferred revenue in the consolidated statements of financial position, and then, as operating revenue as the service is rendered.

Licensing revenue is recognized when the contract is signed.

Interest revenue is recorded on a fiscal year basis according to the effective interest rate method.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Their classification depends on the purpose, which the financial instruments were acquired or issued, their characteristics and their designation by the Company. Settlement date accounting is used.

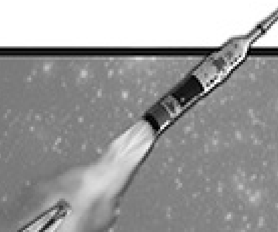
All financial assets, except those designated at fair value through profit or loss, are subject to an annual impairment test and written down when there is an indication of impairment. The impairment loss is the excess of the carrying value over fair value and is recorded in the consolidated statements of comprehensive income.

The classification and measurement of the Company's financial instruments are determined as follows:

Financial assets at fair value through net results – All instruments included in this category meet the definition of financial assets held for trading. Financial instruments held for trading are instruments that are held for the purpose of selling in the short term. Instruments in this category include cash and cash equivalents. They are measured initially and subsequently at fair value and changes in fair value are recognized in the consolidated statements of comprehensive income in financial income or financial expenses in the period in which they occur. The directly attributable transaction costs are recognized in comprehensive income.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company includes accounts receivable in this category. Financial instruments included in this category are initially recognized at fair value and directly attributable transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method.

Other liabilities - Financial instruments included in this category are initially recognized at fair value and transaction costs are deducted from the fair value. Subsequently, other liabilities are measured at amortized cost. The Company includes accounts payable, as well as the liability component of convertible debenture, of non-convertible debenture and short-term debt in this category.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Compound instruments - The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured.
Transaction costs related to the issuance of the convertible debenture are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debenture using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, short-term liquid investments with maturities of less than three months and bank overdrafts, if any, which are classified as a category at fair value through net result.

Interest in joint ventures

The Company has joint control of separate entities when it is entitled to participate to the entities' financial and operating strategic decisions, which exists only when these decisions require the unanimous consent of the parties sharing control.

The Company recognizes its interest in jointly controlled entities using the equity method. The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the joint venture's net assets.

On acquisition of the participating interest, any difference between the cost of the participating interest and the Company's proportionate share of the net fair value of the entity's identifiable assets and liabilities is accounted for as follows:

a) Goodwill relating to the entity is included in the carrying amount of the participating interest.

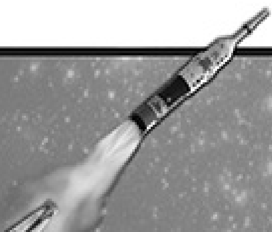
b) Any excess of the Company's proportionate share of the net fair value of the entity's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Company's proportionate share of the entity's profit or loss in the period in which the participating interest is acquired.

The participating interest in the net income of the entities is recognized in the consolidated statements of comprehensive income. When the Company's proportionate share of the net fair value of the entity's identifiable assets and liabilities is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate.

The unrealized gains and losses resulting from transactions between the Company and its jointly controlled entities are eliminated to the extent of the Company's interest in the joint ventures.

Fixed assets

Fixed assets are initially recorded at cost, including acquisition fees and all the preparation fees directly related to the asset before it can be used, less related research and development investment tax credits. Subsequent to the initial measurement, fixed assets are recorded at cost, less accumulated amortization and depreciation.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Amortization is recognized on a straight-line basis, in line with the assets useful life, as follows:

	Method	Periods
Furniture	Straight-line	5 years
Computer equipment	Straight-line	3 years
Computer equipment for ZRx Prescriber	Straight-line	3 years
Leasehold improvements	Straight-line	5 years

The Company allocates the amount initially recognized in respect of a fixed asset to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful life of the assets are reviewed annually and adjusted if appropriate.
Gains and losses on disposals of fixed assets are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of comprehensive income.

Intangible assets

The Company's intangible assets include Website, intellectual properties, licenses and rights, development costs and software with finite useful lives. These assets are capitalized and amortized on a straight-line basis in the consolidated statements of comprehensive income over the period of their expected useful life as follows:

	Periods
Website	3 years
Software	2 years
Intellectual properties	10 years
Licenses and rights	3 years
Development costs	3 years

Expenses related to development activities, which do not meet generally accepted criteria for deferral and research activities, are expensed as incurred. Development expenses, which meet generally, accepted criteria for deferral are capitalized and amortized against income over the estimated period of benefit.

The ZRx Prescriber intellectual property is recorded at cost and is amortized over a ten-year period from the marketing date of the product, which is November 2006. The PraxisLab intellectual property is recorded at cost and is amortized over a ten-year period from the date of acquisition.

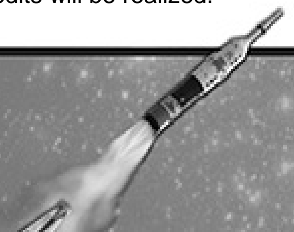
The ZRx Prescriber development costs, which include the development of ZoomMed's communication network and the additional new functionalities, according to future economic benefits, are amortized using the straight-line method over a three-year period from the implementation date of the product. PraxisLab development costs are amortized using the straight-line method over a three-year period since the marketing date of the product.

Exchange of assets

Intangible assets acquired through an exchange against one or more non-monetary assets are measured at fair value, unless the exchange transaction has no commercial substance or if it is not possible to assess reliably neither the fair value of the asset received nor the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying value of the asset given.

Research and development tax credits

The Company is entitled to scientific research and development tax credits. Tax credits are accounted for using the cost reduction method. Accordingly, tax credits are recorded as a reduction of the related expenses or capital expenditures in the period in which those expenses are incurred, provided there is reasonable assurance that the credits will be realized.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Impairment of long-term assets non-financial

Non-current assets with indefinite useful lives are not amortized and are tested for impairment annually. Non-current assets with a finite useful life are assessed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Management is required to asses at each reporting date whether there is any indication that an asset may be impaired. Where such an indication exists, the asset's recoverable amount is compared to its carrying value and an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows or cash-generating units ("CGU"). In determining value in use of a given asset or CGU, 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. Non-current assets with finite useful life that suffered impairment are reviewed for possible reversal of the impairment if there has been a change, since the date of the most recent impairment test, in the estimates used to determine the impaired asset's recoverable amount. However, an asset's carrying amount, increased due to the reversal of a prior impairment loss, must not exceed the carrying amount that would have been determined, net of depreciation or amortization, had the original impairment not occurred.

Lease inducement

The lease inducement includes the difference between the rental expense apportioned over the lease term according to a systematic formula and the minimum lease payment, considering the inducements.

Operating Leases

Leases under which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments under an operating lease (less benefit received from the lessor) are recognized in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

Shareholders' equity

Common shares are classified as equity and are recorded in the Shareholders' Equity at their issuance value. Incremental costs directly attributable to the issuance of shares and stock options are shown in equity as a deduction (as a deficit increase) net of tax from the proceeds. Transactions with shareholders are shown separately in equity.

Income taxes

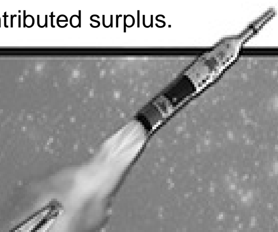
Income taxes are accounted for, by the Company, based on the consolidated statements of financial position method. Accordingly, future income tax assets and income tax liabilities are measured using the income tax rates that are most likely to apply during the fiscal year where the asset is realized or the liability is settled, based on the income tax rates (and tax regulations) adopted or nearly adopted as at the reporting date. As appropriate, a valuation allowance is recognized to decrease the value of future tax assets to an amount that is more likely than not to be realized.

Employee's benefits

Wages, contributions to government pension plans, paid vacations and sick leaves, bonuses and non-monetary benefits are short-term benefits and are recognized over the period during which the employees of the Company have rendered the related services.

Stock-based compensation

The Company offers a stock-based compensation plan. The Company uses the fair value based method of accounting as regards to stock options granted to its Officers, Directors, Employees and Consultants. The fair value of stock options is determined using the Black-Scholes option pricing model, and the stock-based compensation costs are recorded in the consolidated statements of comprehensive income at the granted date and credited to contributed surplus.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Any consideration received by the Company in connection with the exercise of stock options is credited to share capital and contributed surplus component of the stock-based compensation is transferred to share capital upon the issuance of shares.

Accounts denominated in foreign currencies

Presentation currency and foreign currency operations – The Canadian dollars is the Company's presentation currency, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency environment in which the entity operates using the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies at the closing date are converted into functional currencies at the exchange rates prevailing at that date. All resulting changes are recognized in the profit or loss, except monetary items included into foreign institution net investment.

Foreign institutions - Foreign institutions' assets and liabilities denominated in functional currencies other than Canadian dollars are converted into Canadian dollars using the exchange rates prevailing at the closing date. Foreign institution revenue and expenses are converted into Canadian dollars using the exchange rates prevailing at the date of the transaction. Shareholders equity is converted at the original effective rate prevailing at the closing date. All resulting changes are recognized in other comprehensive income until the net investment is disposed of, or reclassified in the profit or loss.

Basic and diluted net earnings per share

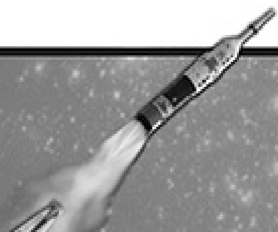
Basic and diluted net earnings per share are calculated using the weighted average number of outstanding common shares during the fiscal year. The Company uses the treasury stock method to determine the dilutive effects of stock options and warrants when cumulating diluted earnings per share. Accordingly, the calculation of diluted earnings per share is made using the treasury stock method, as if all potentially dilutive participating shares had been exercised at the later of the beginning of the period or the date of issuance, as the case may be, and that the funds obtained thereby had been used to purchase common shares of the Company at the average market value of the common shares during the period.

When funds are received, at the date of issuance of dilutive instruments, the net amount is adjusted net of tax expenses related to these instruments. For year 2014 and 2013, the conversion of the debenture into common shares is anti-dilutive.

The diluted net earnings per share are equal to the basic net earnings per share because of the anti-dilutive effect of stock options and warrants when a loss is incurred, and/or that the stock options and warrants are issued at a price exceeding the average market price.

Adoption of new accounting policies

IFRS 10- Consolidation
In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements, which replaces SIC-12, Consolidation ad hoc - Entities and parts of IAS 27 Consolidated and Separate Financial Statements relating to the preparation and presentation of consolidated financial statements. The new standard builds on existing principles by identifying the concept of control as the factor that determines whether an entity should be included in the consolidated financial statements of an entity. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. IFRS 10 is effective on January 1st, 2013. The adoption of this standard had no impact on the consolidated financial statements of the Company.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

IFRS 11 – Joint venture
In May 2011 (amended in June 2012), the IASB issued IFRS 11 which replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 allows making a more accurate view of partnerships, emphasizing the contractual rights and obligations of the partnership rather than the legal form of the latter, as was the case for IAS 31. In addition, under IFRS 11 joint ventures no longer have the freedom to choose the method of equity and the proportionate consolidation; they must now apply the method of the equity method. IFRS 11 is effective on January 1, 2013 and the change has been applied retrospectively in accordance with the transitional rules of IFRS 11. Retrospective application of these changes resulted in no impact on the results or financial position of the Company.

IFRS 12 - Disclosure of Interests in Other Entities
In May 2011 (amended in June 2012), the IASB issued IFRS 12. IFRS 12 is a new and comprehensive standard on requirements to provide information on all forms of interests in other entities, including joint arrangements, associates and structured entities consolidated or not. The term "interest in another entity" means a contractual or non-contractual, which exposes the entity to risk of changes in returns associated with the performance of the other entity. The required disclosures are designed to enable users of financial statements to evaluate the nature of interests in other entities and the risks associated with them, as well as the effects of those interests on the financial position, financial performance, and cash flows of the entity. IFRS 12 is effective on January 1st, 2013. The new requirements are presented in Note 11 Participation in joint ventures.

IAS 27 - Separate Financial Statements
The amendment to IAS 27 removes the concepts now contained in IFRS 10, to retain in IAS 27 only the concepts relating to individual financial statements. The Company does not produce separate financial statements and therefore has not undergone any impact relating to the adoption of this amendment. The retrospective application of these changes resulted in no impact on the results or financial position of the Company.

IAS 28 - Investments in Associates and Joint Ventures
Changes were made to IAS 28 to incorporate changes from the issuance of IFRS 10 and IFRS 11, including the fact that joint ventures must now always be accounted for using the equity method. The Company previously accounted for its investments in joint ventures using the equity method, which limited the impact on the application of changes to these standards.

IFRS 13 - Fair Value
In May 2011, the IASB issued IFRS 13 "Fair Value". This standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source for measuring fair value and requirements for disclosure that apply to all IFRS .

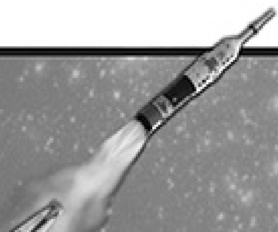
IFRS 13 is effective for fiscal years beginning on or after January 1st, 2013, when the Company adopted this new standard. The adoption of IFRS 13 required no adjustment to the valuation techniques used by the Company to estimate the fair value and did not result in any adjustment.

4. CORRECTIONS OF PRIOR PERIOD ERRORS

The Company has restated the 2013 financial statements as follows:

a) Adjustment to the interest in joint ventures

Proportionate share of unrealized gain on the sale of a license
The Company found an error in the original determination of the profit to be recognized immediately upon the sale of the exclusive license ZRx Prescriber for the American market to the joint venture EvEMR Inc. As required by IAS 28.31 Investments in Associates and Joint Ventures, the entire portion of the gain or loss on the contributed non-monetary assets resulting from monetary assets received should be recorded. The unrealized gain should have been $915,089 instead of $1,600,728, as presented in the 2013 financial statements previously published.



4. CORRECTIONS OF PRIOR PERIOD ERRORS (CONT.)

Amortization of unrealized gain on the sale of a license

The reassessment of the amount of unrealized gain related to the sale of a license to the joint venture EvEMR inc., as described above, also has an impact on the amortized portion during fiscal year 2013 Amortization of unrealized gain should have been $25,419; thus the correction represents a decrease of $19,046 in connection with this adjustment.

Goodwill

An amount of $51,852 was incorrectly recorded when taking into account the sale of the license to the joint venture EvEMR Inc. The latter was derecognized in the consolidated financial statements of the Company as at May 31, 2013.

Interest in joint ventures

The three elements mentioned above have an impact on the value of the interest in joint ventures in the consolidated financial position. The decrease in deferred gain ($685,639), the decrease in amortization of unrealized gain on the sale of a license ($19,046) and the elimination of goodwill ($51,852) have a net impact of $614,741, as at May 31, 2013.The restated interest in joint ventures is $1,052,786.

Proportionate share of the joint venture's net results

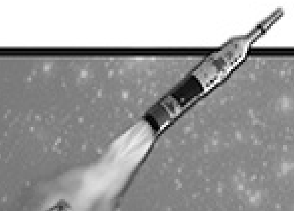
The proportionate share of the joint venture's net results has been restated downward for the fiscal year ended May 31, 2013. The decrease in the proportionate share of unrealized gain on the sale of a license ($685,639) and the decrease in the amortization of unrealized gain on the sale of a license ($19,046) result in a decrease of the proportionate share of the joint venture's net results totaling $666,593. As a result, the proportionate share of the joint venture's net results of $1,007,705 is recorded in the 2013 financial statements.

Operating revenue – License revenue

Derecognition of a goodwill amount of $51,852, which was incorrectly recorded when taking into account the sale of the ZRx Prescriber license to the joint venture EvEMR Inc. leads to a decrease in revenue related to the sale. The aggregate restated revenue is $7,806,385, as presented in the Consolidated statements of net income and comprehensive income and the Licensing revenue shown separately in note 27 "Segment reporting" is $3,594,118.

The effect of the restatements regarding interest in joint ventures (note 11), as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Current assets	552,153	-	552,153
Non-current assets	2,529,925	-	2,529,925
Total assets	3,082,078	-	3,082,078
Current liabilities	494,236	-	494,236
Non-current liabilities	645,386	-	645,386
Total liabilities	1,139,622	-	1,139,622
Net assets	1,942,456	-	1,942,456



4. CORRECTIONS OF PRIOR PERIOD ERRORS (CONT.)

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Proportionate share of unrealized gain on the sale of a license	(1,600,728)	685,639	(915,089)
Amortization of unrealized gain on the sale of a license	44,465	(19,046)	25,419
Goodwill	51,852	(51,852)	-
Interest in joint venture	438,045	614,741	1,052,786
Total revenue	-	-	-
Total expenses	118,035	-	118,035
Net result	(118,035)	-	(118,035)
Proportionate share of unrealized gain on the sale of a license	(1,600,728)	685,639	(915,089)
Amortization of unrealized gain on the sale of a license	44,465	(19,046)	25,419
Proportionate share of net results of the joint venture	(1,674,298)	666,593	(1,007,705)

The effect of the restatements regarding the consolidated statements of financial position, as at May 31, 2013, is as follows:

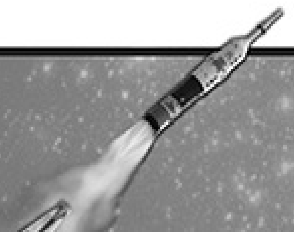
	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Interest in joint ventures	438,045	614,741	1,052,786

The effect of the restatements regarding the consolidated statements of net income and comprehensive income, as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Operating revenue – License revenue	7,858,237	(51,852)	7,806,385
Proportionate share of net results of the joint ventures	(1,674,298)	666,593	(1,007,705)

The effect of the restatements regarding note 27 "Segment reporting", as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Licensing revenue	3,645,970	(51,852)	3,594,118



4. CORRECTIONS OF PRIOR PERIOD ERRORS (CONT.)

The effect of the restatements regarding the consolidated statements of cash flows, as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Proportionate share of net results of the joint ventures	1,674,298	(666,593)	1,007,705
Reinvested proceeds in joint venture	(2,108,343)	51,852	(2,056,491)

b) Adjustments of intangible assets

Development costs of Intangible asset; *PraxisLab* software (pharmacy management software)

An error occurred during the annual impairment testing of PraxisLab software as at May 31, 2013. When running the test, a global assessment of intangible assets was performed, whereas two separate cash generating units should have been identified, which are the ZRx Prescriber and PraxisLab software. Cash flows generated from the sales of these two products are not linked, because they are different in nature and are not aimed at the same clientele (the first for physicians and pharmacies for the second). It was therefore incorrect to consider them as a whole and only perform an overall impairment test as at May 31, 2013.

By performing a separate test for the PraxisLab software as at May 31, 2013, the Company found that the recoverable amount of PraxisLab software was less than its carrying value of $617,660 and has therefore restated its financial statements to reflect this decrease in value.

The recoverable amount of PraxisLab software was determined using the value in use. To assess this, the company has established cash flow projections for the next three years, based on budgets approved by the Board of Directors. No forecasts beyond 2016 have been prepared, since the uncertainty about the future development of new markets is too high. These forecasts were prepared based on historical data taking into account the marketing experience the Company acquired in recent years regarding its main product, the technological application ZRx Prescriber.

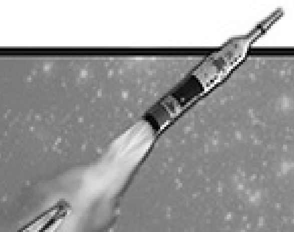
As at May 31, 2013, the key assumptions used by management to assess the recoverable value include achieving sales forecasts as budgeted, that is to say, one sale to a pharmacy chain each year for the first two years and individual sales to pharmacy owners for three years were taken into account. The specific disbursements regarding the expected sales and disbursements related to client support were evaluated.

Net cash flows have been discounted at a rate of 19.5%, the incremental borrowing rate of the Company and the most relevant, since it is an asset. It reflects the current market assessment of the time value of money and the specific risks regarding the asset.

After this assessment, the value in use of PraxisLab software was estimated at $1,383,584, as at May 31, 2013. The value being less than its carrying value of $2,001,244 at that date, an impairment of asset for $617,660 was recognized.

Depreciation

The depreciation of $ 617,660 resulting from PraxisLab software impairment testing involves adding a distinct item for impairment of assets in the consolidated statements of net income and comprehensive income for the fiscal year ended May 31, 2013.



4. CORRECTIONS OF PRIOR PERIOD ERRORS (CONT.)

The effect of the restatements regarding the development costs of Intangible assets (note 9), as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Cost			
As at June 1st, 2012	2,693,893	-	2,693,893
Acquisitions	390,790	-	390,790
As at May 31, 2013	3,084,683	-	3,084,683
Accumulated Amortization and depreciation			
As at June 1st, 2012	1,700,541	-	1,700,541
Amortization	49,803	-	49,803
Depreciation	-	617,660	617,660
As at May 31, 2013	1,750,344	617,660	2,368,004
Net book value as at May 31, 2013	1,334,339	(617,660)	716,679

The effect of the restatements regarding the consolidated statements of financial position, as at May 31, 2013, is as follows:

	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Intangible assets	3,025 163	(617,660)	2,407,503

The effect of the restatements regarding the consolidated statements of comprehensive income, as at May 31, 2013, is as follows:

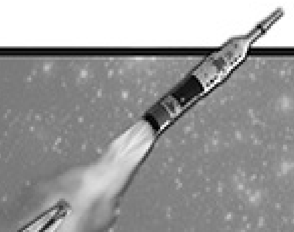
	Previously established May 31, 2013	Adjustments	Restated May 31, 2013
	$	$	$
Depreciation	-	617,660	617,660

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

IFRS 9 - Financial Instruments

In October 2010, the IASB issued IFRS 9 "Financial Instruments" which is the completion of the first phase of a three-part project to replace IAS 39 "Financial Instruments: Recognition and Measurement", with a new standard . According to recent updates to IFRS 9, an entity that chooses to measure a liability at fair value will present the portion of changes in fair value of the liability that is attributable to changes in credit risk of that entity in other comprehensive income rather than through net income. The third part covering the impairment of financial assets is still being developed.

In November 2013, the IASB issued the section on hedge accounting, which introduces a new model for hedge accounting.



5. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED (CONT.)

Also, to determine whether a financial asset is measured at amortized cost or fair value, IFRS 9 uses a single approach that replaces the multiple rules in IAS 39. The approach recommended by IFRS 9 is based on how an entity manages its financial instruments and the characteristics of the contractual cash flows of financial assets.

This standard was originally to be applied to financial statements for annual periods beginning on or after January 1st, 2015. However, in November 2013, the IASB issued a revised draft of IFRS 9 edition, and the date of adoption of this standard was withdrawn. For now, no effective date of adoption of IFRS 9 was mentioned as long as all the projects in this standard will not be completed. The Company intends to adopt the new standard from the date of entry into force. The Company will study the impact of this standard on the consolidated financial statements when it is officially published.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenue, expenses, and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates, and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

Estimated useful life

The management assesses fixed assets in line with the assets useful life. The amount and the related fixed assets amortization timetable for a given period are influenced by their estimated useful life. The estimations are reviewed at least once a year and are updated if the useful life expectations are altered by physical wear, technical and commercial obsolescence.

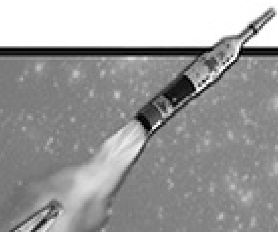
Intangible assets

The values associated with identifiable intangible assets with finite useful life are determined by applying significant estimates and assumptions.

Valuations performed in connection with post-acquisition assessments of impairment of identifiable intangible assets are based on estimates that include risk-adjusted future cash flows. Projected cash flows are based on business forecasts, trends and expectations and are therefore inherently judgmental. Future events could cause the assumptions utilized in impairment assessments to change, resulting in a potentially significant effect on the Company's future operating results due to increased impairment charges, reversals thereof, or adjustments to amortization charges.

Fair value of stock options

Determining the fair value of the stock options requires judgment related to the choice of a pricing model, the estimation of stock price volatility and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or other components of shareholders' equity.



6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT.)

Government assistance

The Company is entitled to government assistance in the form of research and development tax credits and grants. These are applied against related expenses and the cost of the asset acquired. Tax credits are available based on eligible research and development expenses consisting of direct and indirect expenditures and including a reasonable allocation of overhead expenses. Grants are subject to compliance with terms and conditions of the related agreements. Government assistance is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

Definitions of cash generating units

The determination of cash generating units requires judgment in determining the lowest level for which there are largely independent cash inflows generated by the asset group level. This determination could have an impact on the results of impairment testing and, as appropriate, on the impairment charge recorded in the consolidated statements of net income and comprehensive income.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The current situation indicates the existence of a material uncertainty, which may cast significant doubt upon the Company's ability to continue as a going concern. Further information regarding going concern is outlined in note 2. (See Note 26 – Subsequent event after closing date).

7. ACCOUNTS RECEIVABLE

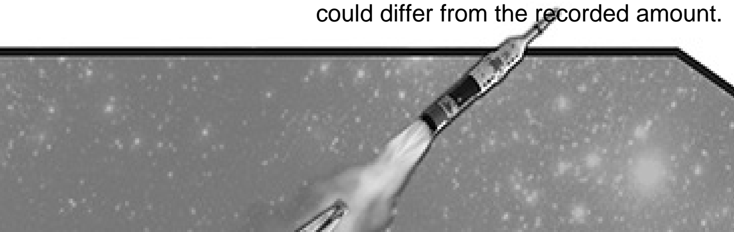
	2014	2013
	$	$
Accounts receivable [(1)]	38,202	58,606
Account receivable – Joint venture [(1)] [(2)]	-	925,800
Research and development tax credits [(3)]	630,000	400,000
	668,202	1,384,406

[(1)] No impairment was required on accounts receivable as of May 31, 2014 and 2013. The company's net book value of accounts receivable is $38,202 ($984,406 in 2013) at the closing date. The terms of these accounts receivable are detailed in the following table:

Breakdown of accounts receivable :	2014	2013
	$	$
0 to 30 days	36,977	348,726
31 to 60 days	431	326,032
61 to 90 days	201	308,600
More than 90 days	593	1,048
	38,202	984,406

[(2)] The Company signed with the joint venture EvEMR Inc., an exclusive license agreement regarding the rights to distribute, license and sub-license the ZRx Prescriber in the United States. EvEMR has agreed to pay to ZoomMed a cash amount of US $1,500,000, in five (5) equal and consecutive monthly installments of US $300,000. As at May 31, 2013, a balance of $925,800 CDN was receivable.

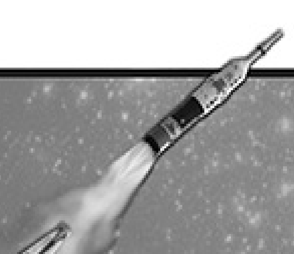
[(3)] The exact amount will be known when Revenu Québec will process and approve the claim. Approved amount could differ from the recorded amount.



8. FIXED ASSETS

	Furniture	Computer equipment	Computer equipment for ZRx Prescriber	Leasehold improvements	Total
	$	$	$	$	$
Cost					
As at June 1, 2013	150,792	213,487	1,551,545	61,586	1,977,410
Acquisitions	-	4,463	9,692	-	14,155
Disposals	(48,452)	(56,241)	(75,991)	-	(180,684)
As at May 31, 2014	102,340	161,709	1,485,246	61,586	1,810,881
Accumulated amortization					
As at June 1, 2013	146,929	193,455	1,484,068	61,586	1,886,038
Amortization	1,498	13,613	64,440	-	79,551
Disposals	(48,452)	(55,780)	(74,841)	-	(179,073)
As at May 31, 2014	99,975	151,288	1,473,667	61,586	1,786,516
Net book value as at May 31, 2014	2,365	10,421	11,579	-	24,365

	Furniture	Computer equipment	Computer equipment for ZRx Prescriber	Leasehold improvements	Total
	$	$	$	$	$
Cost					
As at June 1, 2012	149,698	210,358	1,702,018	61,586	2,123,660
Acquisitions	1,094	9,847	13,091	-	24,032
Disposals	-	(6,718)	(163,564)	-	(170,282)
As at May 31, 2013	150,792	213,487	1,551,545	61,586	1,977,410
Accumulated amortization					
As at June 1, 2012	142,030	185,590	1,515,564	60,579	1,903,763
Amortization	4,899	16,530	128,948	1,007	151,384
Disposals	-	(8,665)	(160,444)	-	(169,109)
As at May 31, 2013	146,929	193,455	1,484,068	61,586	1,886,038
Net book value as at May 31, 2013	3,863	20,032	67,477	-	91,372



9. INTANGIBLE ASSETS

	Website	Software	Licenses and rights	Intellectual properties (1)	Development costs (1) & (2)	Total
	$	$	$	$	$	$
Cost						
As at June 1, 2013	26,200	4,322	175,000	3,417,736	3,084,683	6,707,941
Acquisitions	-	-	-	-	243,664	243,664
As at May 31, 2014	26,200	4,322	175,000	3,417,736	3,328,347	6,951,605
Accumulated Amortization and Depreciation						
As at June 1, 2013	26,200	4,322	175,000	1,726,912	2,368,004	4,300,438
Amortization	-	-	-	341,773	308,322	650,095
Depreciation	-	-	-	785,567	321,090	1 106 657
As at May 31, 2014	26,200	4,322	175,000	2 854 252	2 997 416	6 057 190
Net book value as at May 31, 2014	-	-	-	563,484	330,931	894,415

	Website	Software	Licenses and rights	Intellectual properties (1)	Development costs (1) & (2)	Total
	$	$	$	$	$	$
Cost						
As at June 1, 2012	26,200	4,322	175,000	3,417,736	2,693,893	6,317,151
Acquisitions	-	-	-	-	390,790	390,790
As at May 31, 2013	26,200	4,322	175,000	3,417,736	3,084,683	6,707,941
Accumulated Amortization and Depreciation						
As at June 1, 2012	26,200	4,322	175,000	1,385,139	1,700,541	3,291,202
Amortization	-	-	-	341,773	49,803	391,576
Depreciation	-	-	-	-	617,660	617,660
As at May 31, 2013	26,200	4,322	175,000	1,726,912	2,368,004	4,300,438
Net book value as at May 31, 2013	-	-	-	1,690,824	716,679	2,407,503

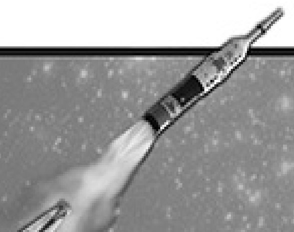
(1) For the fiscal year ended May 31, 2014, the Company performed an annual impairment test for the PraxisLab laboratory management software. The result was inconclusive and an impairment loss for all of its intellectual property and development expenses was recognized ($617,660, as at May 31, 2013). In the future, if there is a change in market valuation, a reversal of the impairment loss will be recorded.

(2) Development costs totaling $3,084,683 include $193,069 related to development costs from business acquisitions, which still have a $193,069 net book value as at May 31, 2013.

10. IMPAIRMENT OF ASSETS

Valuation method

The Company uses the present value of estimated future cash flows method to determine the value in use of each CGU. Since the last impairment test, the Company has not made any change in the valuation method used to assess impairment of intangible assets.



10. IMPAIRMENT OF ASSETS (CONT.)

a) Intangible assets

Main assumption - Discount rate

The estimated future cash flows were discounted at a rate of 19.5% for the two cash generating units, which is the incremental borrowing rate of the Company and the most relevant, since it is an asset. It reflects the current market assessment of the time value of money and the specific risks regarding the assets.

Impairment test

PraxisLab

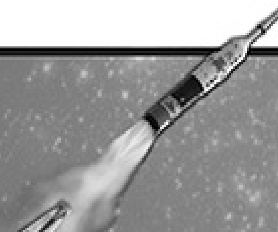
In November 2013, a significant event in relation with the intangible asset PraxisLab occurred. An undivided co-ownership of intellectual property was sold to a Quebec pharmacy chain.

Since this sale was not part of the estimated future cash flows of this asset, management believes that it does not affect the estimated future cash flows of PraxisLab software and, therefore, recoverable value is greater than the book value at that date. There was therefore no need to depreciate the PraxisLab in the second quarter.

As at May 31, 2014, the company had to revise its estimated future cash flows and perform an impairment test of PraxisLab as specified in its accounting methods. The management of the company has found that new circumstances led them to reconsider the assumptions leading to the evaluation of the value in use of PraxisLab significantly. As of year-end, the Company held a letter of intent from Telus Health, issued May 6, 2014, regarding the acquisition of its Canadian market assets. Given the seriousness of the ongoing discussions, management has assumed that it would be realized and considered it in its estimates as at May 31, 2014.

Given that the cash-generating unit of PraxisLab laboratory management software is primarily designed for the Canadian market, the company has assessed that the best estimate of cash flows was $Nil and, therefore, its value in use was nil. This value being less than the carrying value of $1,106,657, at that date, an asset impairment of this amount was recognized as a result of the impairment test. Specifically, it is an asset impairment of $785,567 for intellectual property and $321,090 for capitalized development costs, as reflected in the following table:

	Intellectual properties	Development cost	Total
	$	$	$
Cost			
As at June 1st, 2013	1,163,802	1,099,297	2,263,099
Acquisitions	-	-	-
As at May 31, 2014	1,163,802	1,099,297	2,263,099
Accumulated Amortization and Depreciation			
As at June 1st, 2013	261,856	617,660	879,515
Amortization	116,380	160,547	276,926
Depreciation	785,567	321,090	1,106,657
As at May 31, 2014	1,163,802	1,099,297	2,263,099
Net book value as at May 31, 2014	-	-	-



10. IMPAIRMENT OF ASSETS (CONT.)

ZRx Prescriber

As regards to the ZRx Prescriber cash-generating unit, its estimated recoverable amount according to the value in use is greater than its carrying value, as at May 31, 2014. The assumptions used in the valuation include, among others, short-term sales on the Canadian market, completing short-term sale to Telus Health and sales on the international market. The completion of the impairment test leads to the conclusion that the carrying value exceeds the recoverable amount and therefore no impairment was taken for the ZRx Prescriber.

b) Impairment of assets of the joint venture EvEMR Inc.

The ZRx Prescriber marketing right in the United States is the most important intangible asset of the joint venture EvEMR Inc. This is a cash-generating unit and the recoverability test carried out, as at May 31, 2014, takes into account projections specifically bound thereto. As at May 31, 2014, the Company estimates that the best forecast of estimated future cash flows for EvEMR inc. is nil and, therefore, its value is nil. No discount rate has to be determined, as the estimated future cash flows are nil. No marketing plan is contemplated in the foreseeable future. The recoverable amount being less than the carrying value of $3,872,144 at that date, an impairment of the entire amount ($3,872,144) was recognized in the statement of net income and comprehensive income subsequent to the completion of this impairment test, as at May 31, 2014. The joint venture EvEMR inc. therefore proceeded to a complete depreciation of its intangible assets:

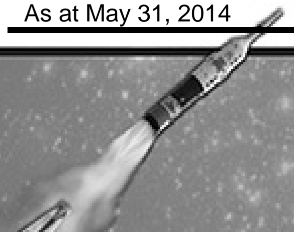
	Licence	Development cost	Total
	$	$	$
Cost			
As at June 1st, 2013	3,594,103	1,436,283	5,030,386
Acquisitions	-	-	-
As at May 31, 2014	3,594,103	1,436,283	5,030,386
Accumulated Amortization and Depreciation			
As at June 1st, 2013	100,483	12,320	112,803
Amortization	933,522	111,917	1,045,439
Depreciation	2,560,098	1,312,046	3,872,144
As at May 31, 2014	3,594,103	1,436,283	5,030,386
Net book value as at May 31, 2014	-	-	-

c) Impairment of the interest in the joint venture EvEMR International

The joint venture EvEMR International was established to distribute products for behavioral health care professionals on the international market. More than a year after its establishment, no commercial activity has been generated. As at May 31, 2014, no concrete development plan was prepared and the potential to generate future cash flows is not sufficiently predictable to consider that the joint venture is an asset to the Company. The joint venture has no intention, in the foreseeable future, to develop a marketing strategy.

As at May 31, 2014, the Company assessed that the best forecast of estimated future cash flows for EvEMR International was nil and, therefore, its utility value was nil. This value being less than the carrying value of $39,510 at that date, an impairment of the entire amount ($39,510) was recognized in the statement of net income and comprehensive income subsequent to the completion of this impairment test, as at May 31, 2014. The impact on the value of the interest in joint venture is as follows:

	Total
	$
As at June 1st 2013	-
Interest in joint venture	39,510
Depreciation	(39,510)
As at May 31, 2014	-



11. INTEREST IN JOINT VENTURES

a) EvEMR Inc.

The American joint venture EvEMR Inc., based in Washington D.C., markets throughout North America an Electronic Medical Record (EMR) designed for all behavioural health providers.

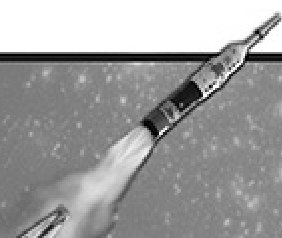
On April 22, 2013, the Company signed with EvEMR Inc., an Exclusive License Agreement regarding the rights to distribute, license and sub-license the ZRx Prescriber in the United States. In consideration of the grant of the license, EvEMR Inc. has agreed to pay to the Company; a cash amount of U.S. $1,500,000, issue to the Company, two million (2,000,000) preferred shares for an amount of U.S. $2,000,000 and two million (2,000,000) participating, non-voting shares in the capital stock of EvEMR Inc., representing an additional 10% of the total economic interest in EvEMR Inc.

The Company holds 50% of the participating shares and 50% of the voting shares in the joint venture EvEMR Inc. The joint venture fiscal year is December 31.

The aggregate amount of current asset, non-current assets, current liabilities, non-current liabilities, products and expenses related to the participation in EvEMR Inc. are as follows:

	2014	2013 (Restated) (Note 4)
	$	$
Current assets	25,654	552,153
Non-current assets	11,097	2,529,925
Total assets	36,751	3,082,078
Current liabilities	66,874	494,236
Non-current liabilities	803,290	645,386
Total liabilities	870,164	1,139,622
Net assets	(833,413)	1,942,456
Proportionate share of unrealized gain on the sale of a license	(915,089)	(915,089)
Amortization of unrealized gain on the sale of a license	254,191	25,419
Dividends	(33,418)	-
Proportionate share of net losses not recognised [1]	1,527,729	-
Interest in joint venture	-	1,052,786
Total revenue	42,651	-
Total expenses	2,818,520	118,035
Net Results	(2,775,869)	(118,035)
Proportionate share of unrealized gain on the sale of a license	-	(915,089)
Amortization of unrealized gain on the sale of a license	228,772	25,419
Proportionate share of net losses not recognised [1]	1,527,729	-
Proportionate share of net result of the joint venture	(1,019,368)	(1,007,705)

[1] The 50% interest in EvEMR Inc. is nil as of May 31, 2014 ($1,052,786 as of May 31, 2013). The Company did not recognized additional proportionate share of net losses beyond its participation, to the extent that it has no obligation to cover these losses.



11. INTEREST IN JOINT VENTURES (CONT.)

b) EvEMR International

Since October 23, 2012, the Company holds 50% of the equity shares and 50% of the voting shares in EvEMR International joint venture, which was established to distribute products designed for all behavioral health providers throughout the world. The joint venture fiscal year is December 31. The aggregate amount of current assets, non-current assets, current liabilities, non-current liabilities products and expenses related to the participation in EvEMR International are as follows:

	2014	2013
	$	$
Current assets	65,301	56,952
Non-current assets	341,725	132,236
Total assets	407,026	189,188
Current liabilities	6,301	608
Non-current liabilities	361,215	188,580
Total Liabilities	367,516	189,188
Net assets	39,510	-
Depreciation[1]	(39,510)	-
Interest in joint venture	-	-
Total revenue	53,768	4,365
Total expenses	14,258	(4,365)
Net results	39,510	-
Proportionate share of net result of the joint venture	39,510	-

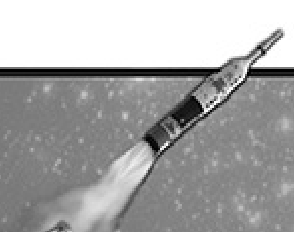
[1] For the fiscal year ended May 31, 2014, the Company performed an annual impairment test. The result of this test was not conclusive and an impairment for the entire investment was recognized.

12. ACCOUNTS PAYABLE

	2014	2013
	$	$
Accounts payable and accrued liabilities	752,442	324,068
Wages and tax deductions	304,601	357,376
Sales tax	216,868	2,355
	1,273,911	683,799

13. NON-CONVERTIBLE DEBENTURE

On October 30, 2013, the Company issued a secured debenture with a nominal value of US $1,664,319 and a premium to the lender of 4,607,795 common shares of the share capital of the company. The debenture bears interest at a nominal rate of 17% per year. It is repayable in monthly capital installments of US $60,000 plus interest, from January 31, 2014 and matures in December 2014. The debenture is redeemable prior to maturity, in whole or in part, by the Company after a two days' notice to the lender. The debenture is secured by a movable hypothec charging the universality of the Corporation’s present and after-acquired movable property, corporeal and incorporeal.



13. NON-CONVERTIBLE DEBENTURE (CONT.)

The net proceeds from the issuance of the non-convertible debenture has been separated into a liability component and an equity component representing the residual amount attributable to the premium to the lender, as shown in the following table:

Proceeds from issuance	$	1,712,085
Fair value of the liability component, at the date of issue, for a similar instrument that does not have a premium to the lender as an equity component		(1,666,207)
Fair value of the equity component	$	45,878

The liability component of $ 1,666,207 is measured at amortized cost, using the effective interest method, of 19.5%. The equity component of $ 45,878 is recorded in the capital component as equity component of non-convertible debenture and led to the issuance of 4,607,795 common shares, as at January 16, 2014.

The difference between the carrying value of the liability component, at the date of issuance, of $1,666,207 and the amount reported in the consolidated statement of financial position, as at May 31, 2014, of $1,783,457, represents the effective interest rate less interest due, plus the exchange rate difference once the debenture is converted at that date.

The interest charge on this loan is calculated by applying an effective interest rate of 19.5%. The liability component is measured at amortized cost.

As at May 31, 2014, the Company was in default to pay principal and interest due. However, the lender has confirmed its tolerance for these exceptions and does not intend to exercise its security rights.

On September 3, 2014, the Company fully repaid the secured debenture and got a complete, full and final release from the lender. (See Note 26, "Subsequent events after closing date")

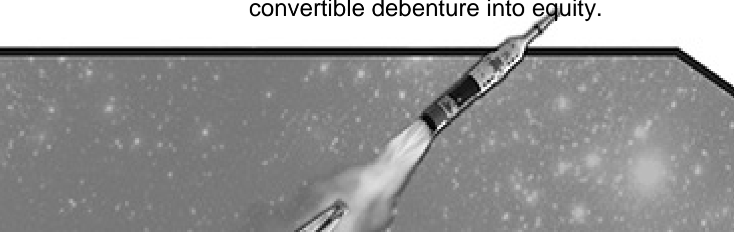
14. CONVERTIBLE DEBENTURE

On September 30, 2011, the Company has issued a secured convertible debenture for a nominal amount of $1,500,000, such convertible debenture being convertible at the sole option of the holders thereof into common shares of the share capital of the Company, based on one common share for each $0.15 in principal amount of convertible debenture. Furthermore, 10,000,000 common shares purchase warrants were issued. Each warrant entitles the holder thereof to purchase one common share at a price of $0.15 per share for 24 months following the closing date. The convertible debenture matures 24 months from the date of issuance or such earlier date which may be provided for as a redemption feature. Subject to certain conditions, the Company may redeem all or any portion of the convertible debenture upon 30 days written notice to the holders thereof in which case such holders may exercise their conversion rights, in whole or in part, prior to the intended date of redemption. The convertible debenture bears a nominal interest rate of 15% per annum and matures in September 2013. The convertible debenture is secured by a movable hypothec on the assets of the Company and a promissory note.

The net proceeds from the issuance of the convertible debenture has been separated into a liability component and an equity component, representing the residual amount attributable to the conversion option of the liability into equity of the Company as shown in the following table:

Proceeds from issuance	$	1,500,000
Fair value of the liability component, at the date of issue, for a similar instrument that does not have an equity conversion		(1,425,797)
Fair value of the equity component	$	74,203

Issuance costs were proportionally allocated to the liability and the equity components. The $1,262,140 liability component, net from the $163,657 issuance costs, is measured at amortized cost, using 25.35% effective interest method. The $65,686 equity component, net of the $8,517 issuance costs, is shown as equity component of convertible debenture into equity.



14. CONVERTIBLE DEBENTURE (CONT.)

Interest expenses on this loan are calculated by applying an effective interest rate of 25.35%. The liability component is measured at amortized cost. The difference between the carrying value of the $1,262,140 liability component, at the date of issuance and the $1,452,178 amount presented in the consolidated statement of financial position, as at May 31, 2013, reflects the effective interest rate, less interest paid as of that date.

15. SHORT-TERM

On October 31, 2013, the Company entered into a research and development tax credits financing offer with Investissement Québec.

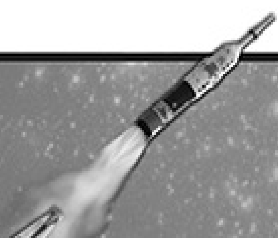
The funding is allocated as follows: an amount of $308,520 for the 2013 fiscal year and $69,336 for the fiscal year ending May 31, 2014.

The loan bears interest at prime rate plus 3%, for the disbursed portions, and is secured by a first-ranking movable hypothec for $395,190 and an additional hypothec of $79,038 for a total of $474,338.

The amount of $308,520 is repayable in full, on receipt of the tax credit, which is estimated at $400,000 for the fiscal year ended May 31, 2013 and the amount of $69,336 is repayable in full on receipt of the tax credit, which is estimated at $230,000 for the fiscal year ended May 31, 2014.

16. INFORMATION ON INCOME

	2014	2013 (Restated) (Note 4)
	$	$
a) Revenue :		
Operating revenue	1,742,153	4,212,267
Prescriber's license with an indefinite useful life – U.S. market	-	3,594,118
	1,742,153	7,806,385
b) Selling expenses :		
Selling expenses	235,190	303,789
Salaries and benefits	434,315	479,929
Amortization of tangible assets	2,942	4,280
	672,447	787,998
c) Administrative expenses :		
Administrative expenses	812,223	678,313
Stock-based compensation	-	153,200
Salaries and benefits	331,626	561,381
Amortization of tangible assets	6,285	9,597
	1,150,134	1,402,491
d) General operating expenses :		
Operating expenses	120,907	76,178
Salaries and benefits	433,657	658,269
Amortization of tangible assets	67,382	133,227
	621,946	867,674



16. INFORMATION ON INCOME (CONT.)

	2014	2013 (Restated) (Note 4)
	$	$
e) Development cost :		
Development cost	97,225	329,930
Salaries and benefits	1,153,336	1,003,643
Research and development tax credits	(230,000)	(400,000)
Amortization of tangible assets	2,942	4,280
Amortization of intangible assets	650,095	391,576
	1,673,598	1,329,429
f) Financial expenses :		
Interest and bank charges	164,149	14,122
Interest on debts	362,166	348,150
Exchange rate variation	106,616	10,074
	632,931	372,346
g) Impairment of assets:		
Development costs – PraxisLab	321,090	617,660
Intellectual properties – PraxisLab	785,567	-
Interest in joint ventures	39,510	-
	1,146,167	617,660

17. COMMITMENTS

As at May 31, 2014, the balance of commitments under operating leases amounts to $488,414.

Minimum lease payments for each of the next four years are as follows:

	2015	2016	2017	2018
	$	$	$	$
Leasehold – Head Office	125,163	115,584	-	-
Leasehold – Toronto	65,242	66,796	67,315	16,829
Multi-function printers	10,495	10,495	10,495	-
	200,900	192,875	77,810	16,829

18. SHARE CAPITAL

a) Authorized

An unlimited number of voting and participating common shares without par value.

b) Declared

	2014	2013
	$	$
135,591,268 common shares (130,474,687 as at May 31, 2013)	25,509,437	25,438,120

18. SHARE CAPITAL (CONT.)

c) Transaction during 2014

On November 12, 2013, the Company issued 508,786 common shares at a deemed price of $0.05 each as compensation for due diligence services for a total value of $25,439.

On January 16, 2014, the Company issued as a bonus of 4,607,795 common shares in the capital of the company to the lender. This equity component of the non-convertible debenture is valued at $45,878.

d) Transaction during 2013

No transactions occurred during the fiscal year ended May 31, 2013.

e) Share capital reconciliation

	Number	Declared
		$
Balance as at June 1st, 2012	130,474,687	25,438,120
	-	-
Balance as at May 31, 2013	130,474,687	25,438,120
Issuance of shares as compensation for services	508,786	25,439
Issuance of shares as a bonus to a lender	4,607,795	45,878
Balance as at May 31, 2014	135,591,268	25,509,437

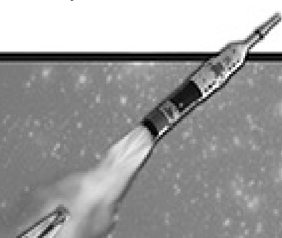
19. STOCK OPTION PLAN

The shareholders of the Company adopted a resolution approving the “rolling” stock option plan of 10% at the annual and special meeting of shareholders held November 29, 2013. Under the plan terms, the exercise price of the options will be determined by the Directors of the Company subject to other restrictions described in the plan and some requirements of the TSX Venture Exchange. The maximum period for which an option can be exercise is limited to five years and the exercise price must be paid in full before the issuance of the shares.

The following table summarizes the changes in the plan position for the fiscal years ended May 31, 2014 and May 31, 2013:

	Options	Average exercise price
		$
Balance as at June 1, 2012	9,252,500	0.18
Awarded	3,830,000	0.10
Cancelled	(245,000)	0.18
Balance as at May 31, 2013	12,837,500	0.15
Cancelled	(4,745,000)	0.17
Balance as at May 31, 2014	8,092,500	0.14

The following table summarizes the information about the outstanding stock options for years ended May 31, 2014 and May 31, 2013.



19. STOCK OPTION PLAN (CONT.)

a) As at May 31, 2014

Outstanding options				Exercisable options	
Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Weighted average fair value	Number	Weighted average exercise price
		$	$		$
100,000	3	0.32	0.14	100,000	0.32
1,915,000	19	0.20	0.12	1,915,000	0.20
17,500	19	0.20	0.12	17,500	0.20
2,865,000	30	0.15	0.05	2,865,000	0.15
3,195,000	38	0.10	0.04	3,195,000	0.10
8,092,500	30	0.14	0.06	8,092,500	0.14

Transaction during 2014

No transactions occurred during the fiscal year ended May 31, 2014.

b) As at May 31, 2013

Outstanding options				Exercisable options	
Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Weighted average fair value	Number	Weighted average exercise price
		$	$		$
2,140,000	5	0.20	0.10	2,140,000	0.20
100,000	15	0.32	0.14	100,000	0.32
2,322,500	31	0.20	0.12	2,322,500	0.20
35,000	31	0.20	0.12	35,000	0.20
4,410,000	42	0.15	0.05	4,410,000	0.15
3,830,000	50	0.10	0.04	3,830,000	0.10
12,837,500	36	0.15	0.07	12,837,500	0.15

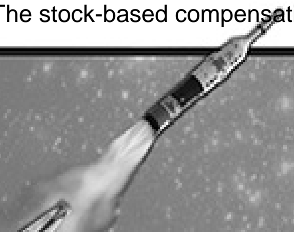
Transaction during 2013

In July 2012, the Company granted 3,830,000 stock options allowing their holders to acquire 3,830,000 common shares, at an exercise price of $0.10 per share, for a period of five years.

The fair value of the stock options awarded during the fiscal year ended May 31, 2013 was estimated on the grant date using the Black-Scholes' options pricing model with the following assumptions:

Date	July 20, 2012
Quantity	3,830,000
Stock price	$0.045
Dividend yield	Nil
Expected volatility	158%
Risk-free interest rate	1.15%
Expected life	60 months

The stock-based compensation expense amounts to $153,200 for the fiscal year ended May 31, 2013.



20. WARRANTS

The following table summarizes the changes in the plan position for the fiscal year ended May 31, 2014 and May 31, 2013.

	Warrants	Weighted average Exercise price	Value
		$	$
Balance as at June 1, 2012	18,711,768	0.15	768,676
Warrants expired	(8,711,768)	0.17	(768,676)
Balance as at May 31, 2013	10,000,000	0.15	-
Warrants expired	(10,000,000)	0.15	-
Balance as at May 31, 2014	-	-	-

a) Transactions during 2014

On September 30, 2013, 10,000,000 common shares purchase warrants, associated with the convertible debenture, with an exercise price of $0.15 each, have expired. These warrants were cancelled.

b) Transactions during 2013

On February 8, 2013, 6,941,961 warrants, with an exercise price of $0.17 each, have expired. These warrants were cancelled and the total carrying value, which was $624,082, was transferred to the contributed surplus.

On March 28, 2013, 1,769,807 warrants, with an exercise price of $0.17 each, have expired. These warrants were cancelled and the total carrying value, which was $144,594, was transferred to the contributed surplus.

The following table summarizes the information about the outstanding warrants owned by public investors and agents as at May 31, 2013:

Outstanding warrants			
Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Weighted average fair value
		$	$
10,000,000	4	0.15	-

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2014		2013	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets	$	$	$	$
Cash and cash equivalents	159,921	159,921	365,824	365,824
Loans receivables	38,202	38,202	984,406	984,406
Financial liabilities				
Other liabilities	286,187	286,187	139,251	139,251
Short-term debt	377,856	377,856	-	-
Non-convertible debenture	1,783,457	1,783,457	-	-
Convertible debenture	-	-	1,486,096	1,452,178

21. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

The fair value of cash and cash equivalents, loans, receivables and other liabilities approximates their carrying value, because of the relatively short maturity of these instruments.

The Company categorizes its financial assets and liabilities measured at fair value using a hierarchy that consists of three levels, which reflects the significance of inputs used in their evaluation. The hierarchy of the fair value consists of the following levels:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are supported by little or no market activities and that are significant to the fair value of assets or liabilities.

As at May 31, 2014 and May 31, 2013, the only financial instruments measured at fair value in the consolidated statements of financial position, consist of cash and cash equivalents and were all classified in level 1.

22. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Company, through its financial instruments, is exposed to various risks without being exposed to risk concentrations. The Company is primarily exposed to credit risk, interest rate risk, market risk, liquidity risk and key personnel risk.

a) Risks associated with financial instruments

Credit risk management

Credit risk is the risk of financial loss for the Company, if a debtor does not meet its obligation. This risk arises mainly from the credit the Company grants its customers in the normal course of its activities.

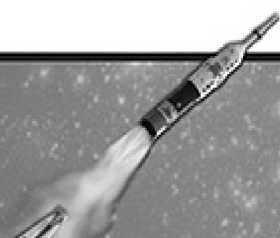
Credit evaluations are performed continuously and the consolidated statements of financial position reflect a provision for doubtful debts. No qualitative assessment has been made, management has assessed the credit risk was not significant.

Currency risk management

The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. In the normal course of its operations, the Company is exposed to the risk of variations in the exchange rate of the U.S. dollar.

As at May 31, 2014, the Company has the following balances in converted U.S. dollars: cash: $88 and debenture: $1,783,457. As at May 31, 2013, the Company has the following balances in converted U.S. dollars: cash: $290,603 and accounts receivable: $925,800.

The following table details the sensitivity of the Company to an increase and a decrease of 10% of the foreign currency against the Canadian dollar. The analysis considers only monetary items denominated in the foreign currency and adjusts their conversion to May 31 of each year.



22. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONT.)

	Effects of variation in the exchange rate of the U.S. dollar against the Canadian dollar			
	10 % increase		10% decrease	
	2014	2013	2014	2013
	$	$	$	$
Debenture ($1,783,457)	1,961,803	-	1,605,111	-
Prescriber's license ($3,594,118 in 2013)	-	3,953,530	-	3,234,706

Interest rate risk management

The interest rate risk exists in times of fluctuating rates and when differences are expected in the cash flow matching of assets and liabilities.

The Company has no debt bearing interest at variable rates. In addition, it invests part of its liquidity in guaranteed interest rate financial instruments. These financial instruments represent a minimal risk for the Company.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly regarding its creditors, its short-term debt, its non-convertible debenture and its convertible debenture.

In order to meet additional capital requirements, the Company may consider collaborative arrangements and additional public or private financing to fund all or a part of particular product development programs. Private financing could include the incurrence of debt and the issuance of additional equity securities, which could result in dilution to shareholders. There can be no assurance that additional funding will be available. The Company manages this risk by establishing detailed cash forecasts, as well as long-term operating and strategic plans. According to these forecasts, most of its cash flows for operating activities will be generated by the ZRx Prescriber, PraxisLab and ZoomMed's communication network.

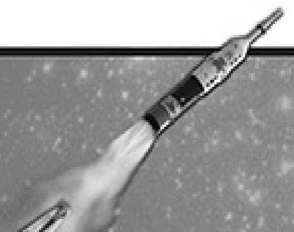
b) Other risks

Market risk

The future performance of the Company is dependent on the continued popularity of its existing products and its ability to develop and introduce products that gain acceptance and satisfy consumer preferences in targeted markets. The popularity of any of its products may decline over time, as consumer preferences change or as new competing products are introduced in targeted markets. The development of new systems and their distribution within the targeted market, require significant investments.

Key personnel risk

Recruiting and retaining qualified personnel is essential to the Company's success. The Company believe that it has been successful in recruiting excellent personnel to help meet its objectives but, as its activities grow, it is possible that additional key personnel in departments like administration, research and development, as well as marketing will be required. Although the Company believes that it will be successful in attracting qualified personnel, there can be no assurance to that effect.



23. CAPITAL DISCLOSURES

In regards to capital management, the Company's objective, from the beginning of its operations, is the continuity of its operations in order to carry on with the development and marketing of the ZRx Prescriber, PraxisLab and ZoomMed's communication network, the protection of its assets, while maximizing the shareholders return on investment. The Company is not subject to any externally imposed capital requirements. The Company has several options regarding its capital needs. See Note 22 for more details.

The Company defines its capital as the sum of its shareholders equity and debenture. The shareholders equity ($2,407,542) as at May 31, 2014 and $2,156,069 as at May 31, 2013, includes share capital, equity component of debenture, contributed surplus and deficit. Debenture accounts for $1,783,457 as at May 31, 2014 and $1,452,178 as at May 31, 2013. The $4,232,332 equity decrease during the fiscal year ended May 31, 2014 is primarily due to the recorded loss for the year and impairment of assets.

24. INCOME TAXES

The provision for income taxes differs from tax amount computed using to the statutory tax rate for the following reasons:

	2014 $	2013 Restated (Note 4) $
Income taxes at the effective rate of 26.90%	(1,246,796)	387,022
Tax effects of non-deductible expenses	7,123	80,085
Difference between Canadian statutory rates and those applicable to subsidiaries abroad	-	(15,462)
Losses not taken into account for tax purposes	571,900	424,731
Unrecognized tax benefits from operating losses carried forward	341,038	(1,254,896)
Origination and reversal of temporary differences	326,735	139,199
Deferred gain on sale of a license	-	239,321
Total	-	-

Deferred income taxes are as follows:

	2014 $	2013 Restated (Note 4) $
Deferred income tax assets		
Loss carried forwards	5,217,195	5,067,861
Deferred financing costs	63,376	71,598
Excess of amortization for accounting purposes over capital cost allowance	952,183	935,735
Capitalized development costs	834,295	453,837
Deferred gain on sale of a license	-	239,321
	7,067,049	6,768,352
Deferred income tax liabilities		
Intellectual property	113,683	159,156
Net deferred income tax assets	6,953,366	6,609,196
Less: Valuation allowance	6,953,366	6,609,196
Deferred income tax assets recognized	-	-

24. INCOME TAXES (CONT.)

Furthermore the Company has unused tax credits totalling $1,019,466 ($745,230 net of taxes) as at May 31, 2014, $850,016 as at May 31, 2013 ($621,361 net of taxes).

Tax losses carried forward as at May 31, 2014, amount to $19,607,199 at the Federal level, $19,127,015 at the Provincial level. Since 2009, the Company operates a business office in Ontario. In addition, the Company incurred losses totaling $839,797 (118,035 in 2013) in the United States.

Tax losses will expire as follows:

Year	Federal	Provincial Quebec
	$	$
2027	171,607	167,803
2028	3,298,241	3,009,980
2029	4,634,592	4,549,931
2030	3,695,314	3,662,997
2031	3,038,657	3,015,472
2032	2,753,819	2,732,502
2033	736,816	736,816
2034	1,278,153	1,251,514
	19,607,199	19,127,015

25. RELATED PARTY TRANSACTIONS

a) Key management compensation

Key management is those persons having authority and responsibility for planning, managing and controlling the Company's activities, including the Directors and Executives. Key management participates to the stock option plan. Key management wage compensation, for the fiscal year ended May 31, 2014 totalized $358,000 ($476,293 for the fiscal year ended May 31, 2013). Furthermore, as at July 20, 2012, 1,350,000 stock options, at a price of $0.10 for a period of 5 years, were awarded to key management and represent a stock-based compensation cost of $54,000.

b) Related party transactions

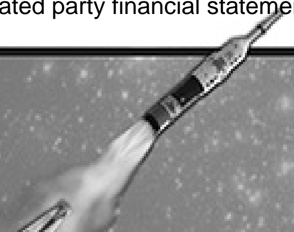
A director of the Company is a partner in a law firm that acted as legal advisor to the Company. During the fiscal year ended May 31, 2014, an amount of $54,248 ($23,736 for the fiscal year ended May 31, 2013) was paid to the law firm.

Accounts payable and accrued liabilities include an amount of $15,493 ($17,110 at May 31, 2013) payable to the directors, without repayment terms or interest.

During the fiscal year ended May 31, 2014, the Company received, from a joint venture, a dividend totaling $33,418. For the fiscal year ended May 31, 2013, the Company received, from a joint venture, fees totaling $1,342,388 and $3,645,970 relatively to the sale of a prescriber's licence. As at May 31, 2013, receivables include an amount of $925,800 relating to these transactions.

Related party transactions terms and conditions

The balances, as at the end of the period, are not guaranteed and bear no interest, as it is a cash settlement. No guaranties were given or received regarding receivables or payables between the related parties. For the fiscal years ended May 31, 2014 and May 31, 2013, the Company did not record any depreciation as regards to outstanding related party receivables. An assessment is performed at each financial period, by examining the related party financial statements and the market in which the related party operates.



26. SUBSEQUENT EVENTS AFTER CLOSING DATE

These transactions were made on equivalent terms to those prevailing in the case of transactions subject to normal market conditions.

Sale of certain assets

On September 2, 2014, the Company entered into an agreement to sell an interest in the underlying technology of its ZRx Prescriber for the Canadian market, to share the intellectual property of the ZRx Prescriber for the rest of the world, except the United States and the United Kingdom, along with the sale of some related activities in Canada, to TELUS Health for an amount up to $ 6,800,000, which is a primary sector of the Company in terms of geographical area (Note 27).

The $6,800,000 purchase price terms and conditions include a cash payment of $4,756,371 at closing, $493,629 in adjustments for deferred revenue, $250,000 payable on February 28, 2015 and $1.3 million in contingent payment subject to certain conditions.

The company used the proceeds generated by this transaction as follows:

Repayment of debenture

Dated September 3, 2014, the Company repaid the existing non-convertible debenture in the amount of capital and interest totaling $2,134,866. The company got a complete, full and final release from the lender.

Working capital

The balance has been used as working capital in order to invest in the marketing and deployment of the ZRx Prescriber technology worldwide, giving priority at this time to the US market.

27. SEGMENT REPORTING

The Company is organized into two primary segments, which are geographic areas Canada and the United-States.

Information about major customers

Revenue from ordinary activities resulting from transactions with two clients exceeded more than 10% of the total revenue. These clients respectively accounted for $507,379 and $598,777 of the Company's total revenue for the fiscal year ended May 31, 2014. For the fiscal year, ended May 31, 2013, revenue from ordinary activities resulting from transactions with three clients exceeded more than 10% of the total revenue. These clients respectively accounted for $807,231, $834,383 and $1,342,388 of the Company's total revenue.

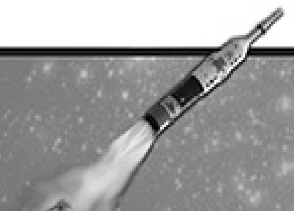
In 2014, revenue from ordinary activities from multiple clients of the Company's Canadian segment, represents approximately $1,742,153 or 100% ($2,869,879 or 37% for 2013) of its total revenue from ordinary activities.

Information about revenue

Revenue from external customers, as previously described, comes from the sale of a prescriber's license, Pharmaceutical contracts and development contracts.

They can be analyzed according to the following groups:

2014	Canada	United-States	Total
	$	$	$
Revenue			
Operating revenue	1,742,183	-	1,742,183



27. SEGMENT REPORTING (CONT.)

2013	Canada	United-States Restated (Note 4)	Total
	$	$	$
Revenue			
Operating revenue	2,869,879	1,342,388	4,212,267
Licensing revenue	-	3,594,118	3,594,118
	2,869,879	4,936,506	7,806,385

Pursuant to the sale of certain assets, as at September 2, 2014, revenues and cash flows from the Canadian geographical area will not be recurrent (Note 26).