Consolidated Financial Statements
(In Canadian dollars)

ACUITYADS INC.

Years ended December 31, 2013, 2012 and 2011

KPMG LLP
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AcuityAds Inc.

We have audited the accompanying consolidated financial statements of AcuityAds Inc., which comprise the consolidated statements of financial position as at December 31, 2013, December 31, 2012, December 31, 2011 and January 1, 2011, the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years ended December 31, 2013, December 31, 2012 and December 31, 2011, and notes, comprising 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AcuityAds Inc. as at December 31, 2013, December 31, 2012, December 31, 2011 and January 1, 2011, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2(a) to the consolidated financial statements, which indicates that AcuityAds Inc. has incurred recurring losses and has a shareholders' deficiency. These conditions, along with other matters as set forth in note 2(a) to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about AcuityAds Inc.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 28, 2014
Toronto, Canada

ACUITYADS INC.

Consolidated Statements of Financial Position
(In Canadian dollars)

	December 31, 2013	December 31, 2012	December 31, 2011	January 1, 2011
Assets				
Current assets:				
Cash	$ 120,467	$ 60,498	$ –	$ –
Accounts receivable (note 13)	3,057,764	1,932,653	623,563	32,416
Other current assets (note 7(a))	178,105	33,668	5,879	–
Investment tax credits receivable (note 5)	1,091,764	491,764	276,067	16,326
	4,448,100	2,518,583	905,509	48,742
Non-current assets:				
Property and equipment (note 8)	436,232	72,451	11,358	–
Total assets	$ 4,884,332	$ 2,591,034	$ 916,867	$ 48,742
Liabilities and Shareholders' Deficiency				
Current liabilities:				
Bank indebtedness	$ –	$ –	$ 93,379	$ 7,273
Accounts payable and accrued liabilities (note 7(b))	2,359,827	3,191,664	683,968	174,896
Promissory notes payable (note 9)	2,913,133	–	–	–
Due to related parties (note 15)	–	848,854	1,085,829	339,074
	5,272,960	4,040,518	1,863,176	521,243
Non-current liabilities:				
Due to related parties (notes 9 and 15)	608,249	–	–	–
Total liabilities	5,881,209	4,040,518	1,863,176	521,243
Shareholders' deficiency (note 10)	(996,877)	(1,449,484)	(946,309)	(472,501)
Commitments and contingencies (note 14)				
Events after the balance sheet date (notes 9, 15 and 16)				
Going concern (note 2(a))				
Total liabilities and shareholders' deficiency	$ 4,884,332	$ 2,591,034	$ 916,867	$ 48,742

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Sheldon Pollack" Chairman of the Board

"Tal Hayek" Director

ACUITYADS INC.

Consolidated Statements of Comprehensive Loss
(In Canadian dollars)

Years ended December 31, 2013, 2012 and 2011

	2013	2012	2011
Revenue	$ 10,156,384	$ 5,074,364	$ 1,116,716
Operating expenses:			
Media costs	4,259,422	2,453,693	681,390
Employee compensation and benefits (note 5(c))	3,308,319	1,330,022	274,930
General and administrative	2,038,728	1,671,557	638,306
Depreciation of property and equipment	88,539	14,262	2,004
	9,695,008	5,469,534	1,596,630
Income (loss) from operations	461,376	(395,170)	(479,914)
Finance costs (note 4)	516,276	227,832	81,111
Foreign exchange loss (gain)	42,884	(23,606)	14,744
	559,160	204,226	95,855
Loss for the year and comprehensive loss	$ (97,784)	$ (599,396)	$ (575,769)
Loss per share (note 6):			
Basic	$ (0.00)	$ (0.01)	$ (0.01)
Diluted	(0.00)	(0.01)	(0.01)

See accompanying notes to consolidated financial statements.

ACUITYADS INC.

Consolidated Statements of Changes in Shareholders' Deficiency
(In Canadian dollars)

Years ended December 31, 2013, 2012 and 2011

	Common shares Number	Common shares Amount	Contributed surplus	Warrants	Deficit	Total
Balance, January 1, 2011	10,000,000	$ 100	$ –	$ –	$ (472,601)	$ (472,501)
Shares issued - cash	90,000,000	900	–	–	–	900
Share-based compensation (note 10(c))	–	–	101,061	–	–	101,061
Loss for the year	–	–	–	–	(575,769)	(575,769)
Balance, December 31, 2011	100,000,000	1,000	101,061	–	(1,048,370)	(946,309)
Share-based compensation (note 10(c))	–	–	96,221	–	–	96,221
Loss for the year	–	–	–	–	(599,396)	(599,396)
Balance, December 31, 2012	100,000,000	1,000	197,282	–	(1,647,766)	(1,449,484)
Shares and warrants issued - cash	2,071,407	92,087	–	157,935	–	250,022
Shares issued - options exercised	2,433,840	128,480	(18,595)	–	–	109,885
Dividends paid	–	–	–	–	(800)	(800)
Share-based compensation (note 10(c))	219,433	43,888	147,396	–	–	191,284
Loss for the year	–	–	–	–	(97,784)	(97,784)
Balance, December 31, 2013	104,724,680	$ 265,455	$ 326,083	$ 157,935	$ (1,746,350)	$ (996,877)

See accompanying notes to consolidated financial statements.

ACUITYADS INC.

Consolidated Statements of Cash Flows
(In Canadian dollars)

Years ended December 31, 2013, 2012 and 2011

	2013	2012	2011
Cash flows from (used in) operating activities:			
Loss for the year	$ (97,784)	$ (599,396)	$ (575,769)
Adjustments to reconcile net loss to net cash flows from (used in) operating activities:			
Depreciation of property and equipment	88,539	14,262	2,004
Finance costs	516,276	227,832	81,111
Share-based compensation (note 10(c))	191,284	96,221	101,061
Change in non-cash operating working capital:			
Accounts receivable	(1,125,111)	(1,309,090)	(591,147)
Other current assets	(144,437)	(27,789)	(5,879)
Investments tax credits receivable	(600,000)	(215,697)	(259,741)
Accounts payable and accrued liabilities	(831,838)	2,507,697	509,072
Interest paid	(410,827)	(118,808)	(19,456)
	(2,413,898)	575,232	(758,744)
Cash used in investing activities:			
Additions to property and equipment	(452,320)	(75,355)	(13,362)
Cash flows from (used in) financing activities:			
Net proceeds from promissory notes, net of issuance costs (note 9)	2,891,416	–	–
Proceeds (repayments) of amounts due to related parties, net	(324,336)	(346,000)	685,100
Proceeds from the issuance of common shares and warrants	250,022	–	900
Proceeds from the exercise of stock options	109,885	–	–
Dividends paid	(800)	–	–
	2,926,187	(346,000)	686,000
Increase (decrease) in cash	59,969	153,877	(86,106)
Cash (bank indebtedness), beginning of year	60,498	(93,379)	(7,273)
Cash (bank indebtedness), end of year	$ 120,467	$ 60,498	$ (93,379)

See accompanying notes to consolidated financial statements.

1. Corporate information:

AcuityAds Inc. ("Acuity" or the "Company) is a technology company that has developed a proprietary programmatic marketing platform based on machine learning technology, to target and connect digital advertisers with consumers across online display, mobile, social and video advertising channels. The Company is governed by the Ontario Business Corporations Act and is domiciled in Canada. The address of the Company's registered office is 5775 Yonge Street, Suite 1802, Toronto, Ontario M2M 4J1.

2. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements:

(a) Continuity of operations**:**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on the assumption that the Company is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the Company has neither the intention nor the need to liquidate and is able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has experienced losses since inception and has a shareholders' deficiency. In addition, management has determined that additional financing will be required to support operating and investing activities for the foreseeable future as the Company continues to expand its operations.

Subsequent to December 31, 2013 the Company completed a private placement of subscription receipts for gross proceeds of approximately $5.75 million, subject to the satisfaction of certain escrow release conditions which are described in note 16. However, there is no certainty that the Company will meet these escrow release conditions and as a result the Company may have to seek alternative forms of financing which are not yet committed.

2. Significant accounting policies (continued):

The above events and conditions indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses, and the consolidated balance sheet classifications used.

(b) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 28, 2014, the date the Board of Directors authorized the consolidated financial statements for issue.

These are the Company's first annual consolidated financial statements prepared in accordance with IFRS, and the Company has elected January 1, 2011 as the date of transition. As the Company has not presented financial statements for any previous periods presented in these first IFRS financial statements, no reconciliations are required.

(c) Basis of presentation:

All amounts are in Canadian dollars, which is the Company's functional currency.

These consolidated financial statements have been prepared mainly under the historical cost basis. Other measurement bases used are described in the applicable notes.

The Company's financial year corresponds to the calendar year. The consolidated financial statements are prepared on a going concern basis.

2. Significant accounting policies (continued):

(d) Use of estimates and judgments:

The preparation of consolidated financial statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which estimates are revised and may impact future periods as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment.

The following are critical accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported consolidated results of operations and consolidated financial position.

(i) Key sources of estimation uncertainty:

(a) Accounts receivable - The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. Credit risks for outstanding customer receivables are regularly assessed and allowances are recorded for estimated losses as required.

(b) Investment tax credits receivable - The Company claims certain refundable Canadian investment tax credits for qualifying research and development activities performed in Canada, which are recognized in the statements of financial position when the Company estimates they are reliably estimable and realization is reasonably assured. The estimated amount recoverable is subject to review by taxation authorities.

2. Significant accounting policies (continued):

(c) Share-based payments - The estimated fair value of stock options is determined using the Black-Scholes option pricing model. Inputs to the model are subject to various estimates related to the valuation of common shares and warrants, expected volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates. In addition to the fair value calculation, the Company estimates the expected forfeiture rate with respect to equity-settled share-based payments based on historical experience. Because there is no public market for the Company's common shares, the board of directors has determined the fair value of the common shares at the time of the grant of options and warrant awards by considering a number of objective and subjective factors. The fair value of the underlying common shares will be determined by the board of directors until such time as the Company's common shares are listed on an established stock exchange.

(ii) Critical judgments in applying accounting policies:

(a) Impairment tests for non-financial assets - Judgment is applied in determining whether events or changes in circumstances during the years are indicators that a review for impairment should be conducted.

(b) Revenue and cost recognition - For revenue from sales of third-party products or services, management's judgment is applied regarding the determination of whether the Company is a principal or agent to the transactions.

(e) Basis of consolidation:

(i) Subsidiaries:

The consolidated financial statements include the accounts of AcuityAds Inc. and its wholly-owned subsidiary AcuityAds US Inc.

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. Significant accounting policies (continued):

(ii) Transactions eliminated on consolidation:

Intercompany balances and tractions, and any unrealized income and expenses arising from such transactions, are eliminated upon consolidation.

(f) Foreign currency transactions:

The Company's functional and reporting currency is the Canadian dollar. Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities and related depreciation and amortization are translated at historical exchange rates. Revenue and expenses, other than depreciation and amortization, are translated at the average rates of exchange for the period.

Foreign currency differences arising on translation are recognized in finance cost (income).

(g) Financial instruments:

Non-derivative financial assets:

The Company initially recognizes loans and receivables and deposits on the date they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2. Significant accounting policies (continued):

Financial instruments are, for measurement purposes, grouped into categories. The classification depends on the purpose and is determined upon initial recognition. The Company's non-derivative financial assets comprise loans and receivables.

Loans and receivables, which include cash, accounts receivable, investment tax credits receivable and components of other current assets, are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Accounts receivable comprise trade receivables, net of allowance for doubtful accounts.

Cash comprises cash balances and cash deposits with original maturities of three months or less and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Investment tax credits receivable comprise refundable Canadian investment tax credits ("ITCs") for qualifying research and development activities in Canada.

The Company's non-derivative financial liabilities consist of accounts payable and accrued liabilities, promissory notes payable, amounts due to related parties and bank indebtedness. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition and measurement, these financial liabilities are measured at amortized cost using the effective interest method.

(h) Property and equipment:

(i) Recognition and measurement:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within operating income.

2. Significant accounting policies (continued):

The costs of the day-to-day servicing of property and equipment are recognized in operating income as incurred.

(ii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized on a straight-line basis over the estimated useful lives of the property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and fixtures	5 years
Data centre equipment	4 years
Office computer equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(iii) Research and development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in operating income as incurred.

Expenditures on development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. To date, no material development expenditures have been capitalized primarily on the basis that the recognition of internally developed intangible assets from development activities are not met until shortly prior to the related products are in a position to derive or generate economic benefits.

2. Significant accounting policies (continued):

(i) Impairment:

(i) Financial assets (including accounts receivable):

A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively based on the nature of the asset.

An impairment loss on loans and receivables is measured as the difference between the assets carrying amount and the present value of the future cash flows expected to be derived from the asset. The carrying value is reduced through the use of an allowance for doubtful accounts, with the loss recognized in net income (loss).

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

2. Significant accounting policies (continued):

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

(j) Share-based payments:

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

The grant date fair value of share-based payment awards granted to employees is recognized as a compensation cost, with a corresponding increase in contributed surplus, over the vesting period of the award. The amount recognized is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that vest. Upon exercising the options, the fair value of the options exercised that has been expensed to contributed surplus is reclassified to common shares and reflected in the statements of changes in shareholders' deficiency.

(k) Provisions:

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

2. Significant accounting policies (continued):

(l) Revenue:

The Company generates revenue from the services involving the targeted delivery of digital advertisements to advertisers through various channels, including online display, mobile, social and video using its programmatic marketing platform. The Company offers its services on a fully-managed and a self-service basis. Revenue is recognized when all four of the following criteria are met: (i) evidence of an arrangement exists, which is usually in the form of an executed agreement; (ii) delivery has occurred or a service has been provided; (iii) customer fees are fixed or determinable; and (iv) collection is reasonably assured.

Revenue arrangements are evidenced by a fully executed insertion order ("IO"). Generally, IOs specify the number and type of advertising impressions to be delivered over a specified time at an agreed upon price, and performance objectives for the ad campaign.

Performance objectives are generally a measure of targeting as defined by the parties in advance, such as number of ads displayed, consumer clicks on ads, or consumer actions (which may include qualified leads, registrations, downloads, inquiries or purchase). These payment models are commonly referred to as "CPM" (cost per impression), "CPC" (cost per click) and "CPA" (cost per action).

The Company determines collectability by performing ongoing credit evaluations and monitoring its customers' accounts receivable balances. For new customers and their agents, which may be advertising agencies or other third parties, the Company may perform a credit check with an independent credit agency and may check credit references to determine creditworthiness. The Company only recognizes revenue when collection is reasonably assured. If collection is not considered reasonably assured, revenue is recognized only once fees are collected. Revenue is recorded net of returns, trade discounts and volume rebates. If it is probable that discounts will be granted and amounts can be measured reliably, then the discount is recognized as a reduction of revenue as the related sales are recognized.

2. Significant accounting policies (continued):

In instances where the Company contracts with third party advertising agencies on behalf of their advertiser clients or enters into self-service arrangements, a determination is made to recognize revenue on a gross or net basis based on an assessment of whether the Company is acting as the principal or an agent in the transaction. Generally the Company is the primary obligor and is responsible for (i) purchasing impressions and fulfilling the advertisement delivery, (ii) establishing the selling prices for delivery of the advertisements, and (iii) performing all billing and collection activities including retaining credit risk, resulting in a determination that the Company is acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis.

In situations where amounts billed in excess of revenue recognized to date on an arrangement by arrangement basis are classified as deferred revenue, whereas revenue recognized in excess of amounts billed is classified as accrued receivables and included as part of accounts receivable.

(m) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(n) Finance cost:

Finance cost comprises interest expense on bank indebtedness, promissory notes payable and amounts due to related parties. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(o) Income taxes:

Income tax expense for the period comprises current and deferred income taxes. Current taxes and deferred taxes are recognized in the consolidated statements of comprehensive loss, except to the extent that they relate to items recognized in other comprehensive income ("OCI") or directly in equity. In these cases, the taxes are also recognized in OCI or directly in equity, respectively.

2. Significant accounting policies (continued):

The Company uses the asset and liability method of accounting for deferred income taxes. Under this method, the Company recognizes deferred income tax assets and liabilities for future income tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases, and on unused tax losses and tax credit carry-forwards. The Company measures deferred income taxes using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The Company recognizes deferred income tax assets only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences as well as unused tax losses and tax credit carry-forwards can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company recognizes the effect of a change in income tax rates in the period of enactment or substantive enactment.

Deferred income taxes are not recognized if they arise from the initial recognition of goodwill, nor are they recognized on temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred income taxes are also not recognized on temporary differences relating to investments in subsidiaries to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

The Company records current income tax expense or recovery based on taxable income earned or loss incurred for the period in each tax jurisdiction where it operates, and for any adjustment to taxes payable in respect of previous years, using tax laws that are enacted or substantively enacted at the consolidated statements of financial position dates.

In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain. The final tax outcome of these matters may be different from the estimates originally made by management in determining the Company's income tax provisions. Management periodically evaluates the positions taken in the Company's tax returns with respect to situations in which applicable tax rules are subject to interpretation. The Company establishes provisions related to tax uncertainties where appropriate based on its best estimate of the amount that will ultimately be paid to or received from tax authorities.

2. Significant accounting policies (continued):

(p) Investment tax credits:

The Company is entitled to certain refundable Canadian investment tax credits for qualifying research and development activities performed in Canada. The ITCs are accounted for as a reduction of the related expenditures for items expensed in the statements of comprehensive loss, being primarily as part of employee compensation and benefits, or as a reduction of the related asset's cost for items capitalized in the statements of financial position when the amount is reliably estimable and realization is reasonably assured.

(q) Government assistance:

Government assistance is recognized initially at fair value when there is reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant. To the extent that government assistance is earned under the conditions of the grant prior to receipt of funds, the Company records a government assistance receivable. Government assistance related to operating expenses is reflected as a reduction of such expenses in the period when they are incurred. Government assistance recognized as a reduction of employee compensation and benefits expense for the year ended December 31, 2013 was $385,788 (2012 - $40,585; 2011 - $17,800).

(r) Loss per share:

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by dividing the loss for the year by the sum of the weighted average number of common shares outstanding and the dilutive common share equivalents outstanding during the year. Common share equivalents consist of the shares issuable upon exercise of stock options and shares issuable upon exercise of common share unit options calculated using the treasury stock method. Common share equivalents are not included in the calculation of the weighted average number of shares outstanding for diluted loss per share when the effect would be anti-dilutive.

2. Significant accounting policies (continued):

(s) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under employee short-term incentive compensation plans if there is legal or constructive obligation to pay this amount at the time and the obligation can be estimated reliably.

(t) Recently issued accounting pronouncements:

At the date of authorization of these consolidated financial statements, the IASB has issued the following new and revised standards and amendments which are not yet effective for the relevant periods.

(i) IFRS 9, Financial Instruments ("IFRS 9"):

In October 2010, the IASB issued IFRS 9, which replaces IAS 39, Financial Instruments - Recognition and Measurement, and establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2018. The Company is assessing the impact of this new standard on its consolidated financial statements.

(ii) IAS 32, Financial Instruments: Disclosures ("IAS 32"):

In December 2011, the IASB issued new disclosure requirements in IAS 32 to clarify the requirements for offsetting financial assets and liabilities. The new disclosure requirements are effective for the Company's annual consolidated financial statements commencing January 1, 2014 and is to be applied retroactively. The Company is assessing the impact of this new standard on its consolidated financial statements.

2. Significant accounting policies (continued):

(iii) IAS 36, Recoverable Amount Disclosures for Non-Financial Assets ("IAS 36"):

In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). The new disclosure requirements are effective for the Company's interim and annual consolidated financial statements commencing January 1, 2014 and is to be applied retrospectively. The Company is assessing the impact of this new standard on its consolidated financial statements.

(iv) International Financial Reporting Interpretations Committee 21, Levies ("IFRIC 21"):

In May 2013, the IASB issued IFRIC 21 which provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The new standard is effective for the Company's annual consolidated financial statements commencing January 1, 2014 and is to be applied retrospectively. The Company is assessing the impact of this new standard on its consolidated financial statements.

3. Segment information:

The Company has one operating segment.

The Company's chief operating decision maker is its chief executive officer ("CEO"). The CEO evaluates performance, makes operating decisions and allocates resources based on financial data consistent with the presentation in these consolidated financial statements.

The Company's assets and operations are substantially located in Canada.

(In Canadian dollars)

3. Segment information (continued):

The Company generates revenue across three geographical regions; revenue by region is as follows:

	2013	2012	2011
Canada	$ 9,196,695	$ 4,669,198	$ 873,504
United States	933,340	405,166	243,212
Other	26,349	–	–
	$ 10,156,384	$ 5,074,364	$ 1,116,716

In 2013, the Company had one customer that represented 20% of revenue. This customer comprises two entities which are part of a consolidated group under common control (one entity represented 14% and another represented 6%). Accordingly, revenue from these related entities has been aggregated for this purpose. In 2012, the Company had one customer that represented 15% of revenue. In 2011, the Company had three customers that exceeded 10% of revenue, accounting for 18%, 15% and 15% of revenue, respectively.

4. Finance costs:

	2013	2012	2011
Other interest expense	$ 42,240	$ 19,667	$ 904
Interest and fees on promissory note	259,046	–	–
Interest and fees on accounts receivable factoring	128,197	78,397	–
Interest on amounts due to related parties (note 15)	86,793	129,768	80,207
Total finance cost	$ 516,276	$ 227,832	$ 81,111

5. Income taxes:

(a) Income tax recovery:

The Company has not recorded any deferred income tax recovery on tax losses in net and comprehensive loss and will not be until, in the opinion of management, it is probable that the deferred tax assets will be realized from such tax attributes.

(In Canadian dollars)

5. Income taxes (continued):

A reconciliation between tax recovery and the product of accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Loss before income taxes	$ (97,784)	$ (599,396)	$ (575,769)
Income tax recovery at the Company's statutory tax rate of 26.5% (2012 - 26.5%; 2011 - 28.25%)	$ (25,913)	$ (158,840)	$ (162,655)
Increase (decrease) in income taxes resulting from:			
Permanent differences	59,885	38,293	60,591
Changes in unrecognized SRED pool and temporary differences	251,129	88,953	80,399
Utilization of previously unrecognized tax losses	(285,101)	–	–
Current year loss for which no benefit recognized	–	31,594	21,665
Income tax recovery	$ –	$ –	$ –

(b) Deferred taxes:

Recognized deferred income tax assets and deferred income tax liability:

Deferred income tax assets and liabilities are attributable to the following:

	Assets			Liabilities		
	2013	2012	2011	2013	2012	2011
Non-capital loss carry-forwards	$ 152,656	$ 86,949	$ 41,148	$ –	$ –	$ –
Property and equipment	–	–	–	(22,935)	(6,389)	(1,265)
Tax credits	–	–	–	(129,721)	(80,560)	(39,883)
Tax assets (liabilities)	152,656	86,949	41,148	(152,656)	(86,949)	(41,148)
Reclassification	(152,656)	(86,949)	(41,148)	152,656	86,949	41,148
Net tax assets (liabilities)	$ –	$ –	$ –	$ –	$ –	$ –

(In Canadian dollars)

5. Income taxes (continued):

Unrecognized deferred tax asset:

Deferred tax assets have not been recognized in respect of the following items:

	2013	2012	2011
Deductible temporary differences	$ –	$ 5,000	$ 45,000
SRED expenditure pool	1,486,061	508,409	258,554
Non capital loss carryforwards	–	1,075,851	956,628
	$ 1,486,061	$ 1,589,260	$ 1,260,182

(c) Investment tax credits:

The Company is entitled to certain federal and provincial income tax incentives for qualified research and development expenditures based on management's interpretation of the applicable legislation in the Income Tax Act (Canada). These tax incentives are available to reduce future Canadian income taxes payable or are refundable in cash depending on various factors.

Investment tax credits are recorded as a reduction in employee compensation and benefits, which totalled $600,000 in 2013 (2012 - $327,217; 2011 - $164,547).

6. Loss per share:

The computations for basic and diluted loss per share for the years ended December 31, 2013, 2012 and 2011 are as follows:

	2013	2012	2011
Loss for the year	$ (97,784)	$ (599,396)	$ (575,769)
Weighted average number of shares outstanding:			
Basic	102,834,979	100,000,000	100,000,000
Diluted	102,834,979	100,000,000	100,000,000
Loss per share, basic and diluted	$ (0.00)	$ (0.01)	$ (0.01)

(In Canadian dollars)

6. Loss per share (continued):

Stock options to purchase 6,469,310 common shares (2012 - 7,713,150; 2011 - 6,913,150) and warrants to purchase 2,071,407 common shares (2012 - nil; 2011 – nil) were outstanding at December 31, 2013. The weighted average number of options and warrants were excluded from the calculation of diluted loss per share in 2013, 2012 and 2011, because their inclusion would have been anti-dilutive.

7. Other current assets and accounts payable and accrued liabilities:

(a) Other current assets:

The major components of other current assets are as follows:

	December 31, 2013	December 31, 2012	December 31, 2011	January 1, 2011
Prepaid expenses	$ 70,140	$ 24,106	$ 5,879	$ –
Government assistance receivables	92,861	–	–	–
Amounts due from related parties	6,010	9,562	–	–
Employee advances	9,094	–	–	–
	$ 178,105	$ 33,668	$ 5,879	$ –

(b) Accounts payable and accrued liabilities:

The major components of accounts payable and accrued liabilities are as follows:

	December 31, 2013	December 31, 2012	December 31, 2011	January 1, 2011
Trade accounts payable	$ 1,926,796	$ 2,061,929	$ 662,004	$ 170,865
Amounts payable to factoring agent (c)	–	780,901	–	–
Accrued liabilities	433,031	348,834	21,964	4,031
	$ 2,359,827	$ 3,191,664	$ 683,968	$ 174,896

7. Other current assets and accounts payable and accrued liabilities (continued):

(c) Arrangement with factoring company:

In June 2012, the Company entered into a six-month renewable factoring agreement where certain receivables of the Company are financed or factored for related interest and fees. The factoring agent advanced 90% of the face value of factored accounts receivable upon submission of evidence of eligible debtors, with the other 10% remitted to the Company, net of interest and fees, upon payment by the end customer to the factoring agent. The facility included an administration fee of 1.25% of the face value of the amounts factored and an advance fee calculated as interest upon the daily net outstanding balance at prime rate, based on the Scotiabank rate for loans in Canadian dollars, plus 6.5%. Other facility fees, including shortfall and chargeback fees also apply which are expensed as incurred. The facility was secured by a general security agreement over all of the assets of the Company. The agreement was terminated in July 2013 and all amounts owing to the factoring agent have been settled and the general security agreement released. At December 31, 2012, the Company had received advances of $780,901 which has been presented as part of accounts payable and accrued liabilities as the right of offset did not exist. The accounts receivable initially assigned were subsequently settled by the Company's customers through payment directly to the factoring agent.

(In Canadian dollars)

8. Property and equipment:

	Data centre equipment	Office computer equipment	Furniture and fixtures	Total
Cost				
Balance, January 1, 2011	$ –	$ –	$ –	$ –
Additions	13,362	–	–	13,362
Balance, December 31, 2011	13,362	–	–	13,362
Additions	66,377	–	8,978	75,355
Balance, December 31, 2012	79,739	–	8,978	88,717
Additions	418,446	29,139	4,735	452,320
Balance, December 31, 2013	$ 498,185	$ 29,139	$ 13,713	$ 541,037
Depreciation				
Balance, January 1, 2011	$ –	$ –	$ –	$ –
Depreciation	2,004	–	–	2,004
Balance at December 31, 2011	2,004	–	–	2,004
Depreciation	13,364	–	898	14,262
Balance, December 31, 2012	15,368	–	898	16,266
Depreciation	82,078	4,372	2,089	88,539
Balance, December 31, 2013	$ 97,446	$ 4,372	$ 2,987	$ 104,805
Carrying amounts				
At January 1, 2011	$ –	$ –	$ –	$ –
At December 31, 2011	11,358	–	–	11,358
At December 31, 2012	64,371	–	8,080	72,451
At December 31, 2013	400,739	24,767	10,726	436,232

(In Canadian dollars)

9. Promissory notes payable:

On July 9, 2013, the Company entered into a credit agreement (the "Credit Agreement") with a Canadian lender in the amount of $3,000,000, due January 2016. The arrangement contains an option to increase the available lending capacity by an additional $1,000,000 within six months from the closing date of the Credit Agreement. The debt under the Credit Agreement, evidenced by promissory notes, originally bore interest at an annual rate of 16.5% with interest payments due monthly. Under certain circumstances, the Company may repay any or all of the outstanding principal prior to the maturity date and retain its ability to re-borrow under the agreement. The notes payable are secured by a guarantee from the Company and a general security agreement over specified assets of the Company and the Company is subject to certain financial and non-financial covenants. The refundable investment tax credits claimed by the Company have been assigned to the lender and must be applied against amounts owing under the arrangement upon receipt by the Company. Subsequent to December 31, 2013, the Company borrowed the remaining $1,000,000. Upon the mutual agreement of the parties, the interest rate for all amounts outstanding under the Credit Agreement increased to 17%.

Transaction costs incurred were $108,584, which included a management fee of 1.5% of the amount drawn on closing of the initial $3,000,000 of promissory notes. The transaction costs have been capitalized as deferred transaction costs and will be amortized over the term of the arrangement under the effective interest method and included in finance costs. The amounts due to related parties are subordinate to the promissory notes payable and cannot be settled while the promissory notes are outstanding without the lender's prior written consent.

The following table outlines the activity of the promissory notes during the year ended December 31, 2013:

Balance, December 31, 2012	$ –
Principal amount drawn on note	3,000,000
Accrued interest on promissory note	237,329
Repayment of interest on promissory note	(237,329)
Deferred finance charges	(86,867)
Balance, December 31, 2013	$ 2,913,133

At December 31, 2013, the Company was in breach of one of its financial covenants. Subsequent to the year end, the Company received an acknowledgement from the lender that the default has been waived and the promissory notes were not due until January 16, 2016, consistent with the stated term of the debt. However, as a result of not having received the waiver prior to December 31, 2013, the amounts owing have been classified as current liabilities.

10. Share capital and share-based payments:

(a) Common shares:

The authorized share capital of the Company comprises an unlimited number of common shares without par value. The holders of common shares are entitled to receive dividends when declared and are entitled to one vote per share at annual meetings of the Company.

(b) Class A, B and C special shares:

The authorized share capital of the Company comprises an unlimited number of class A, B and C special shares without par value.

Holders of Class A Special Shares are entitled to receive non-cumulative dividends when declared at the discretion of the board of directors. Holders are entitled to one vote per share at shareholder meetings of Acuity, and Acuity may redeem these shares with 30 days notice.

Holders of class B special shares are entitled to receive non-cumulative dividends when declared and are entitled to one vote per share at annual meetings of the Company. The Company may redeem these shares with 30 days notice. The holders of the class B special shares will not have any voting rights for the election of Directors, and they are not entitled to attend shareholders' meetings.

Holders of class C special shares are entitled to receive fixed non-cumulative dividends declared at a rate determined by the Board of Directors. The class C special share are non-voting. The Company may redeem these shares with 30 days notice. The class C special shares have restrictions in participating to any further extent in the profits and assets of the Company available for distribution to shareholders.

At December 31, 2013 there were no Class A, B or C special shares issued and outstanding (2012 - nil; 2011 - nil).

(In Canadian dollars)

10. Share capital and share-based payments (continued):

(c) Stock option plan:

The Company has a stock option plan (the "Plan"), pursuant to which the Board of Directors may grant options to employees, officers, directors and consultants of the Company. As at December 31, 2013 the Company was entitled to issue 10,472,468 stock options under the Plan. The maximum number of common shares which may be issued under the Plan is a rolling fixed maximum percentage of 10% of the common shares issued and outstanding at a point in time. The expiry date of options granted under the Plan typically does not exceed five years from the grant date and the vesting schedule is at the discretion of the Board and is generally annually over a three- to four-year period. The exercise price of options is based on a determination of the fair market value per share on the day preceding the grant date.

The following table summarizes the continuity of options issued under the Plan:

	2013		2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	7,713,150	$ 0.05	6,913,150	$ 0.04	–	$ –
Granted	1,490,000	0.21	800,000	0.14	6,913,150	0.04
Forfeited or cancelled	(300,000)	0.15	–	–	–	–
Exercised	(2,433,840)	0.05	–	–	–	–
Outstanding, end of year	6,469,310	0.08	7,713,150	0.05	6,913,150	0.04
Options exercisable, end of year	2,309,615	$ 0.05	2,304,382	$ 0.04	--	$ --

(In Canadian dollars)

10. Share capital and share-based payments (continued):

A summary of the status of the Company's options under the Plan is as follows:

2013:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
$0.04	3,876,310	3.00	1,855,446
$0.07	735,000	3.56	319,500
$0.12	284,500	3.00	1,169
$0.15	883,500	2.00	133,500
$0.25	570,000	3.83	–
$0.33	120,000	4.00	–
	6,469,310		2,309,615

2012:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
$0.04	6,013,150	3.09	2,004,382
$0.07	900,000	3.75	300,000
$0.12	400,000	4.50	–
$0.15	400,000	4.68	–
	7,713,150		2,304,382

2011:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
$0.04	6,013,150	4.0	–
$0.07	900,000	4.0	–
	6,913,150		–

(In Canadian dollars)

10. Share capital and share-based payments (continued):

During the year ended December 31, 2013, the Company recorded stock-based compensation expense related to stock options granted to employees and shares issued to consultants of $119,304 (2012 - $96,221; 2011 - $101,061). Stock-based compensation expense is included as part of employee compensation and benefits.

In addition to the above, during the year ended December 31, 2013 the Company granted 200,000 options with an exercise price of $0.25 and 219,433 common shares were issued from treasury at $0.0001 per share to a company controlled by a finance consultant as payment for services rendered. Charges totaling $28,092 and $43,888 have been included in share-based compensation expense based on the estimated fair value of the options granted and shares issued, respectively. The consultant received no other direct or indirect compensation for his services.

Share-based compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model with the weighted average assumptions for the years ended December 31, as follows:

	2013	2012	2011
Weighted average grant-date fair value of options granted	$0.12	$0.06	$0.01
Weighted average assumptions used:			
Expected option life	5 years	5 years	5 years
Risk-free interest rate	1.55%	1.16%	1.00%
Dividend yield	–	–	–
Expected volatility	88%	86%	85%

(i) Risk-free interest rate:

The Company bases the risk-free interest rate used in the Black-Scholes option-pricing model on the yields of Canadian Treasury securities with maturities appropriate for the term of employee stock option awards.

10. Share capital and share-based payments (continued):

(ii) Expected term:

The expected term of employee stock options represents the weighted-average period that the stock options are expected to remain outstanding. Given insufficient historical data relating to stock-option exercises, to determine the expected term, the Company assigned greater weighting to the period subsequent to the vesting date and prior to the expiration date of the award.

(iii) Volatility:

Because the Company does not have a trading history for the Company's common shares, the Company determines the price volatility based on the historical volatilities of a publicly traded peer group based on share price observations over a period approximately equivalent to the expected term of the stock option grants.

(iv) Dividend yield:

The dividend yield assumption is based on the Company's history and current expectations of dividend payouts. The Company has not declared or paid any significant cash dividends on its common shares and does not anticipate paying any cash dividends in the foreseeable future, so the Company used an expected dividend yield of zero.

(d) Warrants:

During the year ended December 31, 2013, the Company issued 2,071,407 units, each unit comprising one common share and one warrant to purchase common shares, to a company controlled by the Chairman for proceeds of $250,000. Each warrant allows the holder to purchase one common share of the Company at an exercise price of $0.12 per share, has no vesting requirements, and expires five years from the issue date. Subsequent to the year end, the warrants were fully exercised for proceeds of $250,000.

The average grant date fair value of the warrants was $0.08 each, as determined using the Black-Scholes pricing model with the following assumptions: volatility of 88%, risk-free interest rate of 1.49%, dividend yield of nil, and time to maturity of 4 years. An aggregate of $157,935 of the gross proceeds of $250,000 was allocated to the warrants.

(In Canadian dollars)

11. Fair value of financial instruments:

(a) Classification of financial instruments:

The following table provides the allocation of financial instruments and their associated financial instrument classifications:

December 31, 2013	Loans and receivables/ other financial liabilities
Measurement basis	Amortized cost
Financial assets:	
Cash	$ 120,467
Accounts receivable	3,057,764
ITC receivable	1,091,764
Government assistance receivable	92,861
	$ 4,362,856
Financial liabilities:	
Accounts payable and accrued liabilities	$ 2,359,827
Due to related parties	608,249
Promissory notes payable	2,913,133
	$ 5,881,209

December 31, 2012	Loans and receivables/ other financial liabilities
Measurement basis	Amortized cost
Financial assets:	
Cash	$ 60,498
Accounts receivable	1,932,653
ITC receivable	491,764
	$ 2,484,915
Financial liabilities:	
Accounts payable and accrued liabilities	$ 3,191,664
Due to related parties	848,854
	$ 4,040,518

(In Canadian dollars)

11. Fair value of financial instruments (continued):

December 31, 2011	Loans and receivables/ other financial liabilities
Measurement basis	Amortized cost
Financial assets:	
Accounts receivable	$ 623,563
ITC receivable	276,067
	$ 899,630
Financial liabilities:	
Bank indebtedness	$ 93,379
Accounts payable and accrued liabilities	683,968
Due to related parties	1,085,829
	$ 1,863,176

January 1, 2011	Loans and receivables/ other financial liabilities
Measurement basis	Amortized cost
Financial assets:	
Accounts receivable	$ 32,416
ITC receivable	16,326
	$ 48,742
Financial liabilities:	
Bank indebtedness	$ 7,273
Accounts payable and accrued liabilities	174,896
Due to related parties	339,074
	$ 521,243

(In Canadian dollars)

11. Fair value of financial instruments (continued):

(b) Carrying value and fair value of financial instruments:

The following table provides the carrying value and fair value of financial instruments:

	December 31, 2013		December 31, 2012		December 31, 2011		January 1, 2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets:								
Cash	$ 120,467	$ 120,467	$ 60,498	$ 60,498	$ –	$ –	$ –	$ –
Accounts receivable	3,057,764	3,057,764	1,932,653	1,932,653	623,563	623,563	32,416	32,416
ITC receivable	1,091,764	1,091,764	491,764	491,764	276,067	276,067	16,326	16,326
	$ 4,269,995	$ 4,269,995	$ 2,484,915	$ 2,484,915	$ 899,630	$ 899,630	$ 48,742	$ 48,742
Financial liabilities:								
Bank indebtedness	$ –	$ –	$ –	$ –	$ 93,379	$ 93,379	$ 7,273	$ 7,273
Accounts payable and accrued liabilities	2,359,827	2,359,827	3,191,664	3,191,664	683,968	683,968	174,896	174,896
Promissory notes payable	2,913,133	2,913,133	–	–	–	–	–	–
Due to related parties	608,249	608,249	848,854	848,854	1,085,829	1,085,829	339,074	339,074
	$ 5,881,209	$ 5,881,209	$ 4,040,518	$ 4,040,518	$ 1,863,176	$ 1,863,176	$ 521,243	$ 521,243

11. Fair value of financial instruments (continued):

(c) Fair value measurements:

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1- inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2- inputs are based on observable market data, either directly or indirectly other than quoted prices; and
- Level 3- inputs are not based on observable market data.

Financial assets measured at fair value include cash and bank indebtedness. There were no transfers of financial assets during the years between any of the levels.

12. Capital risk management:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' equity (deficiency), which comprises issued capital, contributed surplus, and deficit. The Company manages its capital structure and makes adjustments to it in working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements, except for certain monthly financial covenants associated with the Credit Agreement as described in note 9.

13. Financial risk management:

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's risk management policies on an annual basis. The finance department identifies and evaluates financial risks and is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable and cash. The majority of the Company's customers are located in Canada and the United States. At December 31, 2013, four customers represented 12%, 9%, 7% and 7% of the gross accounts receivable balance of $3,057,764 respectively. At December 31, 2012, four customers represented 14%, 10%, 9% and 9% of the gross accounts receivable balance of $1,932,653 respectively. At December 31, 2011, four customers represented 21%, 13%, 11% and 11% of the gross accounts receivable balance of $623,563 respectively.

The accounts receivable balances due from these significant customers was current at December 31, 2013, 2012 and 2011. No other individual customers represented more than 10% of accounts receivable. As at December 31, 2013, 2012, 2011 and January 1, 2011, the allowance for doubtful accounts was not significant. In establishing the appropriate allowance for doubtful accounts, management makes assumptions with respect to the future collectability of the receivables. Assumptions are based on an individual assessment of a customer's credit quality as well as subjective factors and trends. Overdue accounts receivable at December 31, 2013, 2012 and 2011 were $930,100, $570,338 and $365,355 respectively. Management believes that the allowance is adequate.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally large financially established organizations which limits the credit risk relating to the customers. In addition, credit reviews by the Company take into account the counterparty's financial position, past experience and other factors.

(In Canadian dollars)

13. Financial risk management (continued):

The Company from time to time invests its excess cash in accounts with Schedule A banks, with the objective of maintaining safety of the principal and providing adequate liquidity to meet current payment obligations and future planned capital expenditures and with the secondary objective of maximizing the overall yield of the portfolio. The Company's cash as at December 31, 2013 is not subject to external restrictions. Investments must be rated at least investment grade by recognized rating agencies. Given these high credit ratings, the Company does not expect any counterparties to these investments to fail to meet their obligations.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for principal and interest payments on its debt, capital expenditures and working capital needs. The Company uses its operating cash flows, loans and borrowings and cash balances to maintain liquidity. Refer to note 2(a).

The following are the contractual maturities for the financial liabilities:

December 31, 2013	Carrying amount	Contractual cash flow on demand	Less than 1 year	1 to 3 years	> 3 years
Accounts payable and accrued liabilities	$ 2,359,827	$ 2,359,827	$ 2,359,827	$ –	$ –
Promissory notes payable	2,913,133	3,000,000	3,000,000	–	–
Due to related parties	608,249	608,249	–	608,249	–
	$ 5,881,209	$ 5,968,076	$ 5,359,827	$ 608,249	$ –

(In Canadian dollars)

13. Financial risk management (continued):

December 31, 2012	Carrying amount	Contractual cash flow on demand	Less than 1 year	1 to 3 years	> 3 years
Accounts payable and accrued liabilities	$ 3,191,664	$ 3,191,664	$ 3,191,664	$ –	$ –
Due to related parties	848,854	848,854	848,854	–	–
	$ 4,040,518	$ 4,040,518	$ 4,040,518	$ –	$ –

December 31, 2011	Carrying amount	Contractual cash flow on demand	Less than 1 year	1 to 3 years	> 3 years
Accounts payable and accrued liabilities	$ 683,968	$ 683,968	$ 683,968	$ –	$ –
Due to related parties	1,085,829	1,085,829	1,085,829	–	–
	$ 1,769,797	$ 1,769,797	$ 1,769,797	$ –	$ –

January 1, 2011	Carrying amount	Contractual cash flow on demand	Less than 1 year	1 to 3 years	> 3 years
Accounts payable and accrued liabilities	$ 174,896	$ 174,896	$ 174,896	$ –	$ –
Due to related parties	339,074	339,074	339,074	–	–
	$ 513,970	$ 513,970	$ 513,970	$ –	$ –

(c) Interest rate risk:

Interest rate risk is the risk of financial loss to the Company if interest rates increase on interest-bearing instruments. Promissory notes payable and amounts due to related parties bear interest at a fixed rate, which the Company believes is consistent with fair value, and accordingly the Company has no floating rate exposure. In the event that the Company had to refinance its fixed-rate interest bearing instruments, the impact would be to increase comprehensive loss in 2013 by $3,521 (2012 - $849; 2011 - $1,086).

13. Financial risk management (continued):

(d) Foreign exchange or currency risk:

The Company is exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in U.S. dollars. The Company's main objective in managing its foreign exchange risk is to maintain U.S. cash on hand to support U.S. forecasted obligations and cash flows. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash held. During the years ended December 31, 2013, 2012 and 2011, the Company maintained a portion of its cash resources in both U.S. and Canadian dollars. The Company does not have any foreign currency derivative instruments outstanding as at December 31, 2013, 2012 or 2011.

The Company has performed a sensitivity analysis in respect of foreign exchange exposure in fiscal 2013. The analysis used a modeling technique that compares the U.S. dollar equivalent of all revenue recognized and expenses incurred in Canadian dollars, at the actual exchange rate, to a hypothetical 10% adverse movement in the foreign currency exchange rates against the U.S. dollar, with all other variables held constant. Foreign currency exchange rates used were based on the market rates in effect during fiscal 2013. The sensitivity analysis indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in an increase in net loss for fiscal 2013 of approximately $112,000 (2012 - $101,000; 2011 - $34,000). There can be no assurances that the above projected exchange rate decrease will materialize.

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately $112,000 due to the fluctuation and this would be recorded in the consolidated statements of comprehensive loss.

Balances held in U.S. dollars are as follows:

	December 31, 2013	December 31, 2012	December 31, 2011	January 1, 2011
Cash	$ 1,407	$ 14,499	$ 14,833	$ 4,946
Accounts receivable	335,441	67,607	16,720	26,322
Accounts payable	1,537,195	1,093,259	370,993	42,982

(In Canadian dollars)

14. Commitments and contingencies:

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2013	December 31, 2012	December 31, 2011	January 1, 2011
Less than 1 year	$ 233,546	$ 187,798	$ 100,723	$ 18,000
Between 1 and 5 years	54,826	288,371	284,211	37,500
	$ 288,372	$ 476,169	$ 384,934	$ 55,500

The Company leases a number of office facilities under operating leases. The lease terms are between 1 and 5 years, and currently expire no later than April 29, 2015, with an option to renew the lease after that date.

During the year ended December 31, 2013, an amount of $222,049 was recognized as an expense in profit or loss in respect of operating leases (2012 - $80,722; 2011 - $63,309).

15. Related party transactions and balances:

Transactions with key management personnel:

The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. The remuneration of key management personnel during the years ended December 31, 2013, 2012 and 2011 was as follows:

	2013	2012	2011
Employee compensation and benefits	392,400	37,500	100,000

The Company has entered into promissory note agreements with certain shareholders and officers of the Company, whereby the Company borrowed from these lending parties. The amounts borrowed bear interest at 12% and are due on demand. Amounts have been borrowed and repaid on the notes during the years presented. As described in note 10, the amounts due to related parties are subordinated to the promissory notes payable and, according to the terms of the Company's Credit Agreement, amounts due to these related parties cannot be settled by the Company in whole or in part while the promissory notes are outstanding, without the prior written consent of the lender.

(In Canadian dollars)

15. Related party transactions and balances (continued):

Balance, January 1, 2011	$	339,074
Principal amount advanced		685,100
Accrued interest		80,207
Payment of interest		(18,552)
Balance, December 31, 2011		1,085,829
Principal amount repaid		(346,000)
Accrued interest		129,768
Payment of interest		(20,743)
Balance, December 31, 2012		848,854
Principal amount repaid		(324,336)
Accrued interest		86,793
Payment of interest		(3,062)
Balance, December 31, 2013	$	608,249

Other assets at December 31, 2013 include an amount owing from shareholders for $6,010 (2012 - $9,562; 2011 - $3.876). This represents amounts advances paid to shareholders for Company expenses.

Executive officers and directors are eligible to participate in the stock option plan, but as of the date hereof no options have been granted to any officers or directors of the Company.

16. Events after the balance sheet date:

On April 24, 2014 the Company entered into a binding agreement (the "Definitive Agreement") for a business combination (the "Transaction") with Wildlaw Capital CPC 2 Inc. ("Wildlaw"). The Transaction is subject to a number of terms and conditions as set forth in the Definitive Agreement, including (among other things) the approval of the TSXV. If completed, the Transaction will constitute Wildlaw's "Qualifying Transaction" (as such term is defined in TSXV Policy 2.4 - Capital Pool Companies). As a result of the Transaction Acuity will complete a reverse takeover of Wildlaw and the resulting issuer will be publicly traded on the TSX Venture Exchange ("TSXV").

16. Events after the balance sheet date (continued):

In connection with the Transaction, Acuity completed a private placement (the "Offering") of subscription receipts (the "Subscription Receipts") for gross proceeds of approximately $5.75 million pursuant to an agency agreement dated April 24, 2014 (the "Agency Agreement") with a syndicate of investment banks led by Paradigm Capital Inc. and including Clarus Securities Inc. and Euro Pacific Canada Inc. (collectively, the "Agents"). Each Subscription Receipt was sold at a price of $1.59 and entitles the holder thereof to one post-Consolidation (as defined below) common share of Acuity upon the satisfaction of certain escrow release conditions.

As part of the Transaction, Wildlaw and Acuity will complete a "three-cornered" amalgamation under the provisions of the Business Corporation Act (Ontario), pursuant to which Acuity will amalgamate with a wholly-owned subsidiary of Wildlaw (the "Amalgamation"). The amalgamated entity will be a wholly-owned subsidiary of Wildlaw CPC 2 post-Transaction and Wildlaw CPC 2 on a post-Transaction basis will be the "Resulting Issuer" (as such term is defined under the rules of the TSXV).

Immediately prior to the closing of the Amalgamation, (i) Wildlaw will complete a consolidation (the "Wildlaw Consolidation") of the common shares of Wildlaw on the basis of 31.8 pre-consolidation shares for one post-consolidation share and (ii) Acuity will complete a consolidation (the "Acuity Consolidation") of the common shares of Acuity on the basis of 6.5 pre-consolidation shares for one post-consolidation share. The Wildlaw Consolidation reflects a deemed Transaction value of $0.05 per Wildlaw common share (on a pre-Wildlaw Consolidation basis).

Pursuant to the Amalgamation, the outstanding common shares of Acuity will be exchanged for common shares of Wildlaw on a 1:1 basis, resulting in the existing holders of common shares of Acuity (including investors under the Offering) becoming holders of common shares of Wildlaw 2 post-Transaction. Subject to TSXV approval, the outstanding convertible securities of Acuity will be exchanged pursuant to the Amalgamation for comparable securities of Wildlaw, having substantially the same terms and conditions (and, for greater certainty, being economically equivalent to the exchanged convertible securities of Acuity).