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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM 20-F**

Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

or

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended March 31, 2014.

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

or

Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
Date of event requiring this shell company report \_\_\_\_\_

**Commission File Number: 000-31691**

**ZIM CORPORATION**

*(Exact name of registrant as specified in its charter)*

Canada

(Jurisdiction of incorporation or organization)

**150 Isabella Street, Suite 150, Ottawa, Ontario, Canada**

**K1S 1V7**

(Address of principal executive offices)

**John A. Chapman – Chief Financial Officer**

**150 Isabella Street, Suite 150, Ottawa, Ontario, Canada**

**K1S 1V7**

**jchapman@ZIM.biz**

**(613) 727-1397**

(Name, Telephone, E-mail and/or facsimile number and address of Company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 12(g) of the Act:

**Common shares, no par value**

(Title of Class)

Securities registered or to be registered pursuant to Section 15(d) of the Act: None

**135,460,867 common shares outstanding as of March 31, 2014.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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## FORWARD-LOOKING INFORMATION

This Annual Report on Form 20-F contains certain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which can be identified by terminology such as "planned," "expected," "will," "potential," "pipeline," "outlook," or similar expressions, or by express or implied discussions regarding our business, financial condition, results of operations, controls and procedures, and prospects that are based on our current expectations, estimates and projections. In addition, other written or oral statements which constitute forward-looking statements may be made by or on behalf of the registrant. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," or variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance, and are inherently subject to risks and uncertainties that are difficult to predict. As a result, actual outcomes and results may differ materially from the outcomes and results discussed in or anticipated by the forward-looking statements. All such statements are therefore qualified in their entirety by reference to the factors specifically addressed in the section entitled "Risk Factors" as well as those discussed elsewhere in this Annual Report on Form 20-F. We operate in a very competitive and rapidly changing environment. New risks can arise and it is not possible for management to predict all such risks, nor can it assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. All forward-looking statements speak only as of the date of this Annual Report on Form 20-F. We undertake no obligation to revise or update publicly any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 20-F, other than as required by law.

**PART ONE****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION****A. Selected Financial Data**

The following selected consolidated statements of operations data for the fiscal years ended March 31, 2014, 2013, and 2012 and consolidated balance sheet data as of March 31, 2014 and 2013 have been derived from our audited consolidated financial statements that are included in this annual report beginning on page 49. The following selected consolidated statements of operations data for the fiscal years ended March 31, 2011 and 2010 and consolidated balance sheet data as of March 31, 2012, 2011 and 2010 have been derived from our audited consolidated financial statements that are not included in this annual report.

Our historical results do not necessarily indicate results expected for any future periods. The selected consolidated financial data should be read in conjunction with our audited consolidated financial statements and related notes and Item 5 “Operating and Financial Review and Prospects” below. Our audited consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States (“US GAAP”).

As used in this Annual Report, unless the context otherwise indicates, the terms “we”, “us”, “our”, “ZIM”, the “Registrant” or the “Company” mean ZIM Corporation and its wholly-owned subsidiaries, Advanced Internet Inc. (AIS), PCI Merge Inc., and ZIM Technologies do Brazil Ltda.

All references to dollars (\$) in this Annual Report are expressed in United States dollars, unless otherwise indicated.

**Consolidated Statements of Operations**

	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2010
	\$	\$	\$	\$	\$
Revenue	1,271,427	1,310,481	1,798,677	1,912,082	1,460,889
Operating expenses	1,521,231	1,427,293	1,400,259	1,537,509	1,280,871
Income (loss) from continuing operations	(249,804)	(116,812)	398,418	374,573	180,018
Other income (loss)	(119,652)	(8,522)	124,381	108,278	202,058
Income (loss) before income taxes from continuing operations	(369,456)	(125,334)	522,799	482,851	382,076
Income tax	(12,750)	66,781	48,342	84,323	62,631
Net income (loss) from continuing operations	(356,706)	(192,115)	474,457	398,528	319,445
Net income (loss) from discontinued operations	5,364	(8,904)	(23,408)	(31,731)	(14,678)
Net income (loss)	(351,342)	(201,019)	451,049	366,797	304,767
Basic and diluted earnings (loss) per share from continuing operations	(0.003)	(0.002)	0.004	0.003	0.003
Basic and diluted earnings (loss) per share from discontinued operations	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Weighted average number of shares outstanding	135,460,867	130,323,881	125,460,867	123,125,251	113,132,100

**Consolidated Statements of Cash Flows**

	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2010
	\$	\$	\$	\$	\$
Cash flows provided by (used in) operating activities	(29,477)	24,190	353,035	569,608	417,595
Cash flows provided by (used in) investing activities	(18,917)	(4,580)	(197,344)	(72,719)	(101,221)
Effect of changes in exchange rates on cash and cash equivalents	(156,376)	(190,274)	(164,510)	113,220	204,293
Increase (decrease) in cash and cash equivalents	(204,770)	(170,664)	(8,819)	610,109	520,667
Cash and cash equivalents, beginning of year	1,591,507	1,762,171	1,770,990	1,160,881	640,214
Cash and cash equivalents, end of year	1,386,737	1,591,507	1,762,171	1,770,990	1,160,881



**Consolidated Balance Sheets**

	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010
	\$	\$	\$	\$	\$
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	1,386,737	1,591,507	1,762,171	1,770,990	1,160,881
Accounts receivable, net	123,669	154,471	191,296	118,429	224,444
Investment tax credits receivable	292,712	293,806	259,720	273,096	236,235
Other tax credits	139,623	126,517	40,724	53,107	—
Prepaid expenses	16,120	22,345	25,198	34,627	45,068
	<u>1,958,861</u>	<u>2,188,646</u>	<u>2,279,109</u>	<u>2,250,249</u>	<u>1,666,628</u>
Long term deposits	9,722	9,722	9,722	9,722	—
Investments	905	198,037	300,557	113,190	95,147
Intangible assets	13,814	24,615	35,031	47,200	—
Property and equipment, net	34,570	26,607	33,871	38,880	65,844
	<u>2,017,872</u>	<u>2,447,627</u>	<u>2,658,290</u>	<u>2,459,241</u>	<u>1,827,619</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current liabilities					
Accounts payable	30,653	9,879	23,790	30,974	26,858
Accrued liabilities	55,320	66,591	53,386	89,333	47,557
Deferred revenue	225,465	217,065	171,414	241,785	315,339
	<u>311,438</u>	<u>293,535</u>	<u>248,590</u>	<u>362,092</u>	<u>389,754</u>
Deferred rent	—	—	—	—	11,317
Shareholders' equity:					
Preferred shares, no par value, non-cumulative	—	—	—	—	—
Common shares, no par value	19,362,796	19,362,796	19,262,796	19,262,796	19,162,796
Additional paid-in capital	2,943,966	2,865,740	2,825,571	2,798,275	2,726,762
Accumulated deficit	(20,664,842)	(20,313,500)	(20,112,481)	(20,563,530)	(20,930,327)
Accumulated other comprehensive income	64,514	239,056	433,814	599,608	467,317
	<u>1,706,434</u>	<u>2,154,092</u>	<u>2,409,700</u>	<u>2,097,149</u>	<u>1,426,548</u>
	<u>2,017,872</u>	<u>2,447,627</u>	<u>2,658,290</u>	<u>2,459,241</u>	<u>1,827,619</u>

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

You should carefully consider the risks set forth directly below, and other cautionary statements throughout this report. If any event arising from these risks occurs, our business prospects, financial condition, results of operations and cash flows could be materially adversely affected.

## **RISKS RELATED TO OUR BUSINESS**

BECAUSE THE REVENUE AND INCOME POTENTIAL OF OUR BUSINESS AND MARKETS ARE UNPROVEN, WE CANNOT PREDICT WHETHER WE WILL MEET INTERNAL OR EXTERNAL EXPECTATIONS OF FUTURE PERFORMANCE.

We believe that our future success depends on our ability to significantly increase revenue from our operations. Accordingly, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by technology and innovation companies. These risks include our ability to:

- Offer competitive pricing for our services;
- Maintain our current relationships and develop new strategic relationships;
- Attract and retain qualified employees;
- Maintain our current customer and user base of our IDE software; and
- Offer new and innovative upgrades to our IDE software.

IF WE ARE UNABLE TO OBTAIN ADDITIONAL FUNDS, WHEN REQUIRED, IN A TIMELY MANNER OR ON ACCEPTABLE TERMS, WE MAY HAVE TO CURTAIL OR SUSPEND CERTAIN ASPECTS OF OUR BUSINESS OPERATIONS, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS RELATIONSHIPS, FINANCIAL RESULTS, FINANCIAL CONDITION AND PROSPECTS.

We anticipate that our cash and cash equivalents balance at March 31, 2014 of \$1,386,737 along with cash generated from operations will be sufficient to meet our present operating and capital expenditures through fiscal 2015. However, there is no guarantee that unanticipated circumstances will not require additional liquidity.

Future liquidity and cash requirements will depend on a wide range of factors including the level of success the Company has in executing its strategic plan as well as its ability to maintain business in existing operations and to raise additional financing. Accordingly, there can be no assurance that the Company will be able to meet its working capital needs for any future period.

WE MAY EXPERIENCE DIFFICULTIES ACCURATELY FORECASTING OUR OPERATING RESULTS, THEREBY MAKING OUR BUSINESS OPERATIONS MORE DIFFICULT TO SUSTAIN.

Due to the intense competition in the mobile and database industries, we may not be able to accurately forecast our future operating results. If our gross margins from our operations fall materially short of estimated expenses, our business operations will become more difficult to sustain since we will then have to reduce our spending and/or raise additional capital over and above any current capital raising plans. It may not be possible for us to accomplish either task in a timely manner, or at all, in which event we would have to curtail or suspend certain or all of our business operations. Any action to such effect is likely to have a material adverse effect on our business relationships, financial results, financial condition and prospects.

#### OUR OPERATING RESULTS ARE SUBJECT TO SIGNIFICANT FLUCTUATIONS.

We may experience significant fluctuations in our operating results due to a variety of factors, many of which are outside of our control. Factors that may cause our operating results to fluctuate include: our ability to retain existing customers, attract new customers at a steady rate and maintain user satisfaction; technical difficulties or system downtime; the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure; and industry regulation. As a result of these and other factors, you should not place undue reliance on year-to-year comparisons of our operating results as indicators of likely future performance.

#### WE MAY NOT BE ABLE TO ADAPT QUICKLY ENOUGH TO TECHNOLOGICAL CHANGE AND CHANGING CUSTOMER REQUIREMENTS, THEREBY LOSING SALES.

If we are unable to adapt to the rapid changes in technology and customer needs that are inherent to technology based industries, we may lose sales and fail to grow. In order to meet these rapid changes, we will have to effectively integrate new wireless and data technologies, continue to develop our technologies and technical expertise and respond to changing customer needs.

#### THE LOSS OF THE SERVICES OF DR. MICHAEL COWPLAND, MR. JAMES STECHYSON AND OTHER KEY PERSONNEL COULD NEGATIVELY AFFECT OUR BUSINESS.

We currently depend heavily on the services of Dr. Michael Cowpland and Mr. James Stechyson. The loss of the services of Dr. Cowpland, Mr. Stechyson or other key personnel could affect our performance in a material and adverse way.

#### OUR INTERNAL CONTROLS OVER FINANCIAL REPORTING ARE NOT EFFECTIVE.

We did not have effective internal control procedures in place at March 31, 2014, when we evaluated our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002. This could affect the reliability of our financial statements. We are attempting to remedy our weaknesses but as a small company we have limited resources to employ for this purpose. See item 15 of this Form 20-F for additional information on our attempts to rectify our weaknesses. The reduction of the risk will require additional expenses and use of management's time.

#### OUR STRATEGIC DIRECTION IS EVOLVING, WHICH COULD NEGATIVELY AFFECT OUR FUTURE RESULTS.

Since inception, our business model has evolved and is likely to continue to evolve as we refine our offerings and market focus. Prior to 2004, we focused on developing SMS products, in 2004 through to fiscal 2007 we focused on our SMS aggregation services. From fiscal 2008 to 2012, we focused on offering mobile content, applications development and the development of new IDE software. As at March 31, 2013 we have discontinued mobile content sales due to very low sales volume and have redirected resources related to mobile content to the continued development of our IDE software. We continue to evaluate opportunities and alternative strategies in a rapidly evolving market. We plan to leverage our intellectual capital, core technologies and other business assets to focus on new strategic directions and attempt to maximize shareholder value. Changes to our business may not prove successful in the short or long term and may negatively impact our financial results.

WE OPERATE IN NEW AND RAPIDLY EVOLVING MARKETS, AND OUR BUSINESS MODEL CONTINUES TO EVOLVE, WHICH MAKES IT DIFFICULT TO EVALUATE OUR FUTURE PROSPECTS.

Our potential for future profitability must be considered in the light of the risks, uncertainties, and difficulties encountered by companies that are in new and rapidly evolving markets and continuing to innovate with new and unproven technologies or services, as well as undergoing significant change. In addition to the other risks we describe in this section, some of these risks relate to our potential inability to attract and retain unique and sought after content; to control expenditures and to respond quickly and appropriately to industry developments, including rapid technological change; changes in customer requirements; and new products introduced into our markets by our competitors. If we do not effectively address the risks we face, we may not achieve profitability.

IF WE ARE UNABLE TO MANAGE THE INTEGRATION OF ANY ACQUIRED BUSINESSES, OUR FINANCIAL CONDITION AND OPERATING RESULTS MAY BE ADVERSELY AFFECTED.

A failure to effectively manage the integration of any acquisitions we may make may adversely affect our business and financial condition. Any acquisition that we make will place significant demand on management, technical and other resources.

WE HAVE AFFILIATED SHAREHOLDERS WHO CAN SUBSTANTIALLY INFLUENCE THE OUTCOME OF ALL MATTERS VOTED UPON BY OUR SHAREHOLDERS AND WHOSE INTERESTS MAY NOT BE ALIGNED WITH YOURS.

The beneficial ownership of our Chief Executive Officer and related parties is approximately 58%. As a result; they are able to substantially influence all matters requiring the approval of our shareholders, including the election of directors and the approval of significant corporate transactions such as acquisitions. This concentration of ownership could delay, defer or prevent a change in control or otherwise impede a merger or other business combination that our Board of Directors or other shareholders may view favorably.

#### **RISKS RELATED TO THE INDUSTRIES IN WHICH WE OPERATE**

INTENSE COMPETITION IN THE MOBILE SERVICES AND DATABASE MARKETS COULD PREVENT US FROM INCREASING OR RETAINING SUBSCRIPTIONS FOR OUR SERVICES OR CAUSE US TO LOSE MARKET SHARE.

Our future business model for database applications depends on our ability to sell our products and service offerings in an extremely competitive and rapidly changing market. Our competitors may have substantially greater financial, technical and marketing resources, larger customer bases, longer operating histories, more developed infrastructures, greater name recognition or more established relationships in the industry than we have. Our competitors may be able to adopt more aggressive pricing policies, develop and expand their service offerings more rapidly, adapt to new or emerging technologies and changes in customer requirements more quickly, take advantage of acquisitions and other opportunities more readily, achieve greater economies of scale, and devote greater resources to the marketing and sale of their services than we can. Because of these competitive factors and due to our relatively small size and financial resources, we may be unable to compete successfully.

CONSOLIDATION IN THE INDUSTRIES IN WHICH WE OPERATE COULD LEAD TO INCREASED COMPETITION AND LOSS OF CUSTOMERS.

The mobile industry has experienced substantial consolidation. We expect this consolidation to continue. These acquisitions could adversely affect our business and results of operations in a number of ways, including the following:

- Our distribution partners could acquire or be acquired by one of our competitors and terminate their relationship with us;
- Our distribution partners could merge with each other, which could reduce our ability to negotiate favorable terms;
- Competitors could improve their competitive positions through strategic acquisitions; and
- Companies from whom we acquire content could acquire or be acquired by one of our competitors and stop licensing content to us, or gain additional negotiating leverage in their relationships with us.

#### ITEM 4. INFORMATION ON THE COMPANY

##### History and Development of the Company

ZIM's principal place of business and registered office is located at 150 Isabella Street, Suite 150, Ottawa, Ontario, Canada, K1S 1V7 and we can be contacted at (613) 727-1397. In the United States our agent is Corporate Stock Transfer, Inc., located at 3200 Cherry Creek South Dr., #430, Denver, CO, 80209 and can be contacted at (303) 282-4800.

ZIM was incorporated under the Canadian Business Corporations Act on October 17, 2002 in order to purchase ZIM Technologies International Inc. ("ZIM Technologies"), which was formed in 1997 to acquire the software technology now called the ZIM Integrated Development Environment (the "ZIM IDE software"). On February 10, 2004, ZIM purchased UK-based SMS service firms EPL Communications Limited and E-Promotions Limited (together referred to as "EPL"). During the year ended March 31, 2006, EPL was dissolved and all operations were transferred to ZIM Corporation in Canada. ZIM is also the sole shareholder of ZIM Technologies do Brazil Ltda., a company incorporated in Brazil that distributes the ZIM IDE Software, and PCI Merge, Inc., a Florida based holding company with no operations. Until March 31, 2004, ZIM was the sole shareholder of ZIM Technologies, a Canadian federal corporation and the chief operating company of the ZIM group of companies. On April 1, 2004, ZIM Corporation and ZIM Technologies amalgamated into ZIM Corporation. On April 1, 2006, ZIM purchased a US-based mobile content company called Advanced Internet Inc. ("AIS"). In 2011 ZIM acquired the technology assets of Torch Technologies and began offering an advanced portfolio of migration services and management products that strengthen and complement ZIM's enterprise database products.

See Note 7 of the financial statements for details of our principal capital expenditures and divestitures, including those currently in progress, since the beginning of our last three fiscal years to the date of this annual report.

## Business Overview

ZIM started operations as a developer and provider of database software known as ZIM IDE software. ZIM IDE software is used by companies in the design, development, and management of information databases and mission critical applications. The Company continues to provide this software and ongoing maintenance services to its client base.

Beginning in 2002, the Company expanded its business strategy to include opportunities associated with mobile products. Prior to fiscal 2007, the Company focused on developing products and services for the wireless data network infrastructure known as “SMS” or “text messaging”. Although SMS will continue to provide a minimal amount of revenue within the mobile segment of operations, with the acquisition of AIS in 2006 the Company shifted its corporate focus to include offering mobile content directly to end users.

In fiscal 2014, ZIM continued to develop and sell enterprise database software to end users as well as maintain its SMS messaging business. At March 31, 2013 ZIM discontinued the sale of mobile content.

The following tables show the breakdown of total revenues by category of activity and geographic market:

Revenue by category	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012
	\$	\$	\$
Software, software maintenance and consulting	1,028,974	1,233,355	1,679,356
Mobile	242,453	77,126	119,321
<b>Total revenue</b>	<b>1,271,427</b>	<b>1,310,481</b>	<b>1,798,677</b>

Revenue by geographic market	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012
	\$	\$	\$
United States	81,407	76,919	143,761
United Kingdom	-	20,946	44,436
Europe	16,373	-	67,077
Brazil	851,774	1,015,248	1,074,938
Canada	77,414	63,705	373,631
Singapore	219,228	47,762	60,187
Other	25,232	85,901	34,647
<b>Total revenue</b>	<b>1,271,427</b>	<b>1,310,481</b>	<b>1,798,677</b>

## SOFTWARE

Historically, we were a developer and provider of the ZIM (IDE) software, which is used by companies in the design, development, and management of information databases. We now license the ZIM IDE software products to customers through direct and partner sales.

The ZIM IDE software provides an integrated development environment (IDE) for Microsoft Windows, UNIX and Linux computer operating systems. An integrated development environment is a set of programs that run from a single user interface for use in the creation of applications and management of databases.

The ZIM IDE software was designed to handle complex data management in a more efficient manner than the database technologies historically provided by other vendors. The distinctive characteristic of the ZIM IDE software is its object dictionary which contains more than just a table of data. Instead, all relationships and data information are concurrently stored in the object dictionary, making it easier to manage and retrieve information. Furthermore, ZIM IDE software uses data sets rather than record-by-record access to manage information. This technique further simplifies the management of data.

The ZIM IDE software has been used to develop database applications that have been deployed in a wide range of industries, including finance, insurance, marketing, human resources, information and records management. Applications built with the ZIM IDE will also fully access most other major databases such as Oracle™ and SQL™ Server.

In fiscal 2012, 2013 and 2014, we continued to support our existing customer base and users of the ZIM IDE software. In addition, we continued to allocate research and development resources to improve the performance and features of the ZIM IDE software.

In 2011, ZIM acquired the technology assets of Torch Technologies and began offering an advanced portfolio of migration services and management products that strengthen and complement ZIM's enterprise database products. The combined product portfolio is a robust solution to rapidly and cost effectively migrate existing databases to other industry databases including Oracle™ and SQL™ while retaining valuable ZIM applications and providing a simplified database management suite.

## MOBILE

Our business strategy previously involved designing mobile data software products to take advantage of the existing wireless data network infrastructure known as Short Message Service (SMS). SMS, mobile messaging, or text messaging, as it is also known, enables users to communicate person to person and application to person through cellular handsets and other SMS-enabled devices. The expertise we gained in the SMS infrastructure and network allowed us to expand into the aggregation of SMS messages in 2004. Aggregators transmit a broad variety of messaging, content, and applications worldwide. ZIM continues to provide a high-volume delivery infrastructure that is scalable with detailed reporting available to our mobile content customers.

During the year ended March 31, 2006, it became apparent that the SMS aggregation market was becoming consolidated, which made it increasingly difficult for us to compete. We noticed a downward trend in sales of aggregation services by the end of the third quarter of fiscal 2006 and decided to expand our product and service offerings. On April 1, 2006, we acquired all of the outstanding capital stock of Advanced Internet, Inc. ("AIS"), from Advanced Telecom Services, Inc. ("ATS").

While ZIM continues to provide SMS aggregation services, mobile content continues to be a very competitive business and ZIM's sales have steadily declined year over year.

### **DISCONTINUED OPERATIONS**

Revenue from the sale of mobile content for the fiscal year ended March 31, 2014 was \$349 as compared to \$22,773 for fiscal year ended March 31, 2013 and \$59,863 for fiscal year ended March 31, 2012. The decline in fiscal year 2013 was due to a highly competitive and saturated market resulting in a lower volume of downloads, partially offset by our pricing increases for these products. Due to the continuing decline and operational cost of this business on March 31, 2013 ZIM discontinued operations in this area.

### **COMPETITION**

ZIM operates primarily in two markets; mobile and database software, as a provider of mobile messaging delivery and enterprise software. Our competitors include mobile application providers, mobile application aggregators, and the mobile operators themselves, as they also offer mobile content directly to their end users. The database market is highly diversified and includes both small and large competitors.

All these markets are highly competitive and rapidly changing due to the respective natures of these growing markets. We have many competitors in the mobile markets, including WIN PLC, MBlox and Sybase.

In the database market, our competitors include Oracle™, Microsoft, SAP, MySQL and many others. These competitors have certain competitive advantages over us, including but not limited to:

- Substantially greater financial and technical resources;
- More extensive and well-developed marketing and sales networks;
- Greater global brand recognition; and
- Larger customer bases.

Our existing competitors may in the future achieve greater market acceptance and gain additional market share. It is also possible that new competitors may emerge and acquire significant market share.

We compete in the mobile aggregation environment based on our ability to connect to international operators through a variety of strategic relationships with other aggregators and mobile operators. We have developed strategic relationships with a range of content and service partners in order to serve our customers more effectively and to extend our services to an international audience.

### **CUSTOMERS**

During fiscal 2014, we had more than 2 revenue generating customers in at least 2 countries in our mobile segment related to the SMS market. In addition, we had in excess of 100 customers who utilized ZIM IDE to run their enterprise applications. No customer accounted for over 10% of revenue for the years ended March 31, 2012, March 31, 2013 and one customer accounted for over 16% of revenue for the year ended March 31, 2014.



## **TECHNOLOGY INFRASTRUCTURE**

We believe that our technology is essential to successfully implement our strategy of expanding and enhancing our products and services and maintaining the attractiveness and competitiveness of our products and services.

The database server houses all the content structure and subscriber database. It is hosted on a fully redundant machine equipped with Redundant Array of Independent Disks (RAIDs) running Microsoft SQL Server. Our platform is completely data-driven and optimized for search engines to ensure direct, easy search and access to all content offered on our sites.

Our platform incorporates its own billing facilities, has direct access to credit card transactions, cheque clearing brokers, PayPal and various carriers for premium SMS charging facilities.

Our servers run on Linux and Windows platforms using Postgres and MySQL and proprietary SMPP servers. SMPP is a short message peer-to-peer protocol for exchanging SMS messages between SMS peer entities such as short message service centers. It is used to allow third parties to submit messages, often in bulk. Our database system is an advanced entity-relationship database, which also operates on Windows, Unix and Linux platforms.

Our platform consists of two main components, the web server and the database server. The web server is the main customer interface providing all necessary facilities for browsing, searching and purchasing mobile contents. It is hosted on a separate server running Microsoft Internet Information Service (IIS) offering Search Engine Optimized (SEO) pages and content structure to ensure a high page ranking for our sites and ease of customer search and navigation.

## **RESEARCH AND DEVELOPMENT**

Our research and development activities focus primarily in the areas of database migration technology and IDE software. Research and development expenditures, net of refundable tax credits, were \$298,358 for fiscal 2014, \$205,330 for fiscal 2013 and \$244,488 for fiscal 2012.

## **PATENTS AND INTELLECTUAL PROPERTY PROTECTION**

Intellectual property does not represent a material part of our assets or business strategy. We do not rely on patents or copyrights and, to the extent we maintain trade secrets, we rely on confidentiality agreements to protect them from misappropriation.

## **GOVERNMENTAL REGULATION**

Because of the increasing use of the internet and mobile devices, and the public's concern for privacy, U.S. and foreign governments have adopted, or may in the future adopt, laws and regulations relating to the internet or use of mobile devices, addressing issues such as user privacy, security, pricing, age verification, content quality, copyrights and distribution techniques. We could become subject to new laws and regulations in various countries that could limit our ability to market our products and to distribute and/or collect user information. These or other laws or regulations that may be enacted in the future could have adverse effects on our business, including higher regulatory compliance costs, limitations on our ability to provide some services in some countries, and liabilities which might be incurred through lawsuits or regulatory penalties. We take steps using industry standard tools such as firewall, VPN, encryption and antivirus to protect the security and confidentiality of the information we collect and store but there is no guarantee that third parties, partners or employees will not gain unauthorized access despite our efforts or that we will not incur costs in complying with our notification obligations under such circumstances.

### C. Organizational Structure

Refer to Exhibit 8.1 for a complete list of ZIM subsidiaries.

### D. Property, Plants and Equipment

#### **DESCRIPTION OF PROPERTY**

Our principal office is located in Ottawa, Canada. ZIM leases an office suite of approximately 3,300 square feet. The lease is currently scheduled to expire in October, 2015.

We believe that our existing facilities are adequate to meet our current needs. Refer to note 7 of our financial statements "PROPERTY AND EQUIPMENT" for additional information.

#### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not applicable.

### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

#### **EXECUTIVE SUMMARY**

Revenue for the fiscal year 2014 was \$1,271,427, compared with revenue of \$1,310,481 for fiscal year 2013. The decrease is attributable to the continued decreased consulting revenue, due to delays in the completion of some consulting projects, and decreased software license revenue for our enterprise software segment and is offset by the unexpected increase in revenue from our mobile segment.

Revenue for the fiscal year 2013 was \$1,310,481, compared with revenue of \$1,798,677 for fiscal year 2012. The decrease is attributable to decreased consulting revenue, due to delays in the completion of some consulting projects, decreased software license revenue for our enterprise software segment and by the expected decline in revenue from our mobile segment, caused by the continued saturation of that market.

Net loss for the fiscal year 2014 was \$356,706 as compared to net loss of \$192,115 for the fiscal year 2013 and net income of \$474,457 for the fiscal year 2012. The increase in losses for fiscal 2014 is due to the increased write down of impaired assets that took place in fiscal 2014 in the amount of \$180,271, lower revenues and increase operating expenses. The decrease in net income in fiscal 2013 when compared to 2012 principally reflects a decrease in revenues coupled with write down of impaired assets in the amount of \$98,464.

ZIM had cash and cash equivalents of \$1,386,737 at March 31, 2014 as compared to cash and cash equivalents of \$1,591,507 at March 31, 2013. The Company consumed \$29,477 of cash flow from operations during the fiscal year ended March 31, 2014.

### A. Operating results

The following is an overview of our operating results for the year ended March 31, 2014. A more detailed discussion of our operating results, comparing our operating results for the years ended March 31, 2014, 2013, and 2012, is included under the heading “Results of Operations for the Year Ended March 31, 2014 Compared to the Year Ended March 31, 2013 and 2012” of this “OPERATING AND FINANCIAL REVIEW AND PROSPECTS”.

Revenues for the year ended March 31, 2014 decreased approximately \$39,100 to \$1,271,427 million from approximately \$1,310,481 for the year ended March 31, 2013. Revenue from our mobile segment increased from \$77,126, to \$242,453 in fiscal 2014. The increase was due to increased SMS aggregation sales. This increase is offset by the decrease of approximately \$70,000 in our software segment and by the decrease of approximately \$134,000 in revenue from our maintenance and consulting segment. Revenues for the year ended March 31, 2013 decreased approximately \$0.49 million to approximately \$1.31 million from approximately \$1.80 million for the year ended March 31, 2012. Revenue from our mobile segment decreased from \$0.12 million, to \$0.08 million in fiscal 2013. The decrease was due to reduced SMS aggregation sales. This decrease is compounded by the decrease of approximately \$0.30 million in our software segment and by the decrease of approximately \$0.15 million in our maintenance and consulting segment.

Total operating expenses for the year ended March 31, 2014 were \$1,521,231, an increase of approximately \$90,000 compared to fiscal 2013 and a increase of approximately \$12,000 from operating expenses of \$1,400,259 for the year ended March 31, 2012. The increase in 2014 is related to increased research and development costs.

### CURRENT STRATEGIC DIRECTION

Due to the decrease in revenues from SMS aggregation services in previous years, we started exploring new opportunities both within the mobile industry and enterprise application industry.

In 2011, with ZIM’s acquisition of the technology assets of Torch Technologies, we increased our focus on the enterprise software market. Torch’s advanced portfolio of migration services and management products strengthened and complemented ZIM’s enterprise database products, and the combined product portfolio is a robust solution to rapidly and cost effectively migrate existing databases to other industry databases including Oracle™ and SQL™ while retaining valuable ZIM applications and providing a simplified database management suite.

In fiscal 2006, we began offering mobile content, but this is a very competitive business and as of March 2013 we have discontinued operations of this business segment. Management of ZIM continues to explore alternative strategies and opportunities within the mobile industries to leverage the existing technology, relationships and expertise. These may include joint ventures or sales of any or all of our assets related to either of these industries.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States, which requires management to make certain estimates and apply judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. We base our estimates and judgments on historical experience, current trends, and other factors that management believes to be important at the time the consolidated financial statements are prepared. Actual results could differ from our estimates, and such differences could be material. On an ongoing basis, management reviews our accounting policies and how they are applied and disclosed in our consolidated financial statements.

The following supplemental information describes significant judgments and estimates involved in our critical accounting policies, which are more fully described in Note 2 to the consolidated financial statements included in this annual report.

### **JUDGMENTS REGARDING TAX POSITIONS**

The Company recognizes in its financial statements the impact of a tax position if that position is more likely than not of not being sustained on an audit, based on the technical merits of the position. Accordingly, management may be required to make additional judgments regarding the accounting treatment of tax positions.

### **VALUATION ALLOWANCES**

We must make certain estimates and judgments in determining the income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. Judgments regarding realization of deferred tax assets and the ultimate outcome of tax-related contingencies represent key items involved in the determination of tax expense and related balance sheet accounts. We have currently recorded a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. Should we determine that based on factors such as future profitability that a reduction in the valuation allowance is appropriate, an adjustment to our deferred tax assets would increase income in the period that such determination was made.

### **REVENUE RECOGNITION**

Revenues shown in the financial statements included with this report have been derived mainly from mobile content sales, SMS messaging services, SMS fee-based services, and proprietary software products and licenses. The Company presents revenues net of sales tax and other sales related taxes.

#### **Proprietary software products and licenses sales**

ZIM records revenues from the perpetual license of the Company's software products and the sale of related maintenance and consulting. The Company's standard license agreement provides a license to use the Company's products based on the number of licensed users. The Company may license its software in multiple element arrangements if the customer purchases any combination of maintenance, consulting or training services in conjunction with the license.

Revenue is recognized using the residual method when Company-specific objective evidence of fair value exists for all of the undelivered elements in the arrangement, but does not exist for one or more delivered elements. The Company allocates revenue to each undelivered element based on its respective fair value determined by the price charged when that element is sold separately. The Company defers revenue for the undelivered elements and recognizes the residual amount of the arrangement fee, if any.

### **Software maintenance and consulting revenue**

Maintenance revenues are recognized equally over the term of the maintenance contract, usually 12 months. The liability relating to the received but unearned portion of maintenance revenues is recognized as deferred revenues.

Consulting revenue, which represents services provided on a per diem basis to customers, is recognized as the services are performed as there are no customer acceptance provisions involved in these types of arrangements.

In general, credit terms of 30 days are extended to customers with a small number of customers receiving extended payment terms based on the long standing relationship with ZIM.

### **Mobile content**

Mobile content revenues are derived primarily from credit card purchases via the internet or through premium messaging. Revenue is recognized by delivery and acceptance of a download to the end users. We recognize revenue when (a) there is persuasive evidence of an arrangement; (b) the service has been provided to the customer; (c) the amount of the fees to be paid by the customer is fixed and determinable; and (d) the collection of the fees is reasonably assured.

### **STOCK-BASED COMPENSATION**

ZIM measures compensation cost for all stock-based awards at fair value on the date of the grant and recognizes compensation expense over the service period for awards expected to vest. The fair value of stock options is determined using the Black Scholes valuation model and requires judgment in establishing the volatility and option forfeiture rates. These internal judgments may be incorrect in any period, which may result in our recording materially incorrect compensation expense.

### **RESULTS OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2014 COMPARED TO THE YEAR ENDED MARCH 31, 2013 AND THE YEAR ENDED MARCH 31, 2012**

REVENUES	Year ended		Year ended		Year ended	
	March 31, 2014	As a %	March 31, 2013	As a %	March 31, 2012	As a %
	\$		\$		\$	
Bulk SMS	242,453	19%	77,126	6%	119,321	7%
	242,453	19%	77,126	6%	119,321	7%
Software	104,733	8%	175,140	13%	473,448	26%
Maintenance and consulting	924,241	73%	1,058,215	81%	1,205,908	67%
	1,028,974	81%	1,233,355	94%	1,679,356	93%
	1,271,427	100%	1,310,481	100%	1,798,677	100%

Total revenues for the year ended March 31, 2014 were \$1,271,427 as compared to \$1,310,481 for the year ended March 31, 2013 and \$1,798,677 for the year ended March 31, 2012. The decrease is mainly due to delays in project completions that have caused decreased sales of enterprise software, maintenance and consulting services related to our suite of migration technologies.

## REVENUE ANALYSIS BY SERVICE/PRODUCT OFFERING

### BULK SMS

Our bulk SMS messaging revenue went from \$119,321 in fiscal 2012 to \$77,126 in fiscal 2013 and rebounded to \$242,453 in fiscal 2014. We experienced an increase in customers using our routes in fiscal 2014, as compared to the declines we experienced in fiscal 2013 and fiscal 2012, resulting in the increased revenue in fiscal 2014. In general, bulk messaging customers choose the aggregator that is offering the lowest cost route. We expect that the increased revenues of fiscal 2014 will not be indicative of future performance.

### SOFTWARE, MAINTENANCE AND CONSULTING

We generate revenues from the sale of our database product as well as the subsequent maintenance and consulting fees. Software sales declined from \$473,448 in fiscal 2012 to \$175,140 in fiscal 2013 and then further decreased to \$104,733 in fiscal 2014. The decreases are mainly due to project delays that are preventing the recognition of revenue with the amount of work to be performed (backlog) of \$300,000.

In addition to the sale of the software, we are generating revenue from software maintenance and consulting. Maintenance and consulting revenues have decreased from \$1,205,908 in fiscal 2012 to \$1,058,215 in fiscal 2013 and decreased to \$924,241 in fiscal 2014. Most of the maintenance revenue was generated in Brazil as this region represents the largest concentration of users of ZIM's IDE product. The fluctuation in revenue is due mainly to the fluctuation of the value of the Brazilian real compared to the United States dollar.

### REVENUE FROM DISCONTINUED OPERATIONS - MOBILE CONTENT

Revenue from the sale of mobile content for the fiscal year ended March 31, 2014 was \$349 as compared to \$22,773 for fiscal year ended March 31, 2013 and \$59,863 for fiscal year ended March 31, 2012. The decline was due to a highly competitive and saturated market resulting in a lower volume of downloads, partially offset by our pricing increases for these products. Due to the continuing decline and operational cost of this business on March 31, 2013 ZIM discontinued operations in this area.

At April 1, 2014, internal resources related to the operation of this business were reassigned to tasks related to ZIM's enterprise software business. All remaining current assets and current liabilities at March 31, 2013 have been discharged in the first quarter of fiscal 2014 as the mobile content business is discontinued. The wind up of the business will have no material impact on the financial performance of the Company including no significant impact on cash flow. The wind up of the assets and liabilities in fiscal 2014 resulted in a gain from discontinued operations of \$5,364.

**EXPENSES****Operating expenses**

	<b>Year ended March 31, 2014</b>	<b>Year ended March 31, 2013</b>	<b>Year ended March 31, 2012</b>
	\$	\$	\$
Cost of revenue	163,570	94,472	124,649
Selling, general and administrative	1,049,806	1,117,503	1,020,237
Research and development	298,358	205,330	244,488
Amortization of intangible assets	9,497	9,988	10,885
	<b>1,521,231</b>	<b>1,427,293</b>	<b>1,400,259</b>

Total operating expenses increased in fiscal 2014 compared to 2013 from \$1,427,293 to \$1,521,231. Operating expenses increased slightly from \$1,400,259 for the year ended March 31, 2012 to \$1,427,293 for the year ended March 31, 2013. The increase for fiscal 2014 is mainly attributable to increased research and development costs. The increase in 2013 is mainly due to increased stock based compensation and withholding taxes.

**SELLING, GENERAL AND ADMINISTRATIVE**

Selling, general and administrative expenses for the years ended March 31, 2014, March 31, 2013 and March 31, 2012 were \$1,049,806, \$1,117,503 and \$1,020,237 respectively. Costs have remained stable over the three year period with fluctuations attributable to changes in stock based compensation and withholding taxes on the transfer of funds from Brazil to Canada.

**INTEREST**

For the years ended March 31, 2014, 2013 and 2012, we did not incur any interest expense on the available operating line of credit with the Royal Bank of Canada as there were no draws on this facilities in fiscal 2014, 2013 or 2012.

**ASSET IMPAIRMENT**

On October 21, 2009, ZIM Corporation made a \$95,147 investment in Seregon Solutions Inc.

Due to a significant downturn in the business outlook for Seregon, ZIM has determined that this investment is fully impaired and, on March 31, 2013, has taken an impairment charge equal to the full value of the investment.

On June 29<sup>th</sup>, 2011, ZIM Corporation made an equity investment in Connecting People For Health Co-operative Ltd. The investment consisted of the purchase of 200 common shares at a price of \$187,367.

Due to material changes in the business outlook for CP4H, ZIM has determined that this investment is fully impaired and, on March 31, 2014, has taken an impairment charge equal to the full value of the investment net of the foreign exchange impact.

## INCOME TAXES

Included in income taxes are taxes paid on income earned in Brazil. Investment tax credits on research and development expenditures in Canada are netted against research and development costs. The increase in income taxes recoverable is due to increased research and development tax credits related to database migration technologies.

The Scientific Research and Experimental Development Credits received from the Canadian federal government were assessed as filed in fiscal 2013, 2012 and 2011.

## RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company's management believes that the impact of recently issued standards that are not yet effective will not have any significant impact on the consolidated financial statements upon adoption.

In July 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-11, *Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ("ASU 2013-11"). ASU 2013-11 updates accounting guidance related to the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This guidance resolves the diversity in practice in the presentation of unrecognized tax benefits in those instances. This guidance is effective prospectively for annual periods beginning after December 15, 2013 and interim periods within those annual periods. The Company plans to adopt ASU 2013-11 beginning April 1, 2014. The Company does not anticipate that these changes will have a significant impact on its consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05, *Foreign Currency Matters (Topic 830) Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* ("ASU 2013-05"). ASU 2013-05 updates accounting guidance related to the application of consolidation guidance and foreign currency matters. This guidance resolves the diversity in practice about what guidance applies to the release of the cumulative translation adjustment into net income. This guidance is effective prospectively for annual periods beginning after December 15, 2013 and interim periods within those annual periods. The Company plans to adopt ASU 2013-05 beginning April 1, 2014. The Company does not anticipate that these changes will have a significant impact on its consolidated financial statements.

In February 2013, the Financial Accounting Standards Board (FASB) issued revised accounting guidance on the reporting of reclassifications out of accumulated other comprehensive income. The amendment requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount is required to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. This guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2012, which for the Company is the fiscal year beginning April 1, 2013. This guidance did not have a material impact on the Company.

### B. Liquidity and Capital Resources

As at March 31, 2014, we had cash and cash equivalents of \$1,386,737 and working capital of \$1,647,422 as compared to cash of \$1,591,507 and working capital of \$1,895,111 at March 31, 2013. As at March 31, 2012, we had cash and cash equivalents of \$1,762,171 and working capital of \$2,030,519.



Cash flows for the fiscal periods were as follows:

	<b>Year ended March 31, 2014</b>	<b>Year ended March 31, 2013</b>	<b>Year ended March 31, 2012</b>
	\$	\$	\$
Cash flows provided by (used in) operating activities	(29,477)	24,190	353,035
Cash flows used in investing activities	(18,917)	(4,580)	(197,344)
Cash flows provided by financing activities	-	-	-

Operating activities consumed \$29,477 of cash for the year ended March 31, 2014 as compared to generating cash of \$24,190 for the year ended March 31, 2013 and generating \$353,035 during the year ended March 31, 2012. The \$328,845 decrease in cash generated from operations in fiscal 2013 arose due to the \$652,068 change in income, from an income of \$451,049 to a loss of \$201,019, and is offset by the non-cash impairment of \$98,464, the change in non-cash stock based compensation of \$112,873 and other working capital and non-cash changes of \$111,886.

We used cash in the amount of \$18,917 in fiscal 2014, \$4,580 in fiscal 2013, and used \$197,344 in fiscal 2012 of cash in investing activities. In fiscal 2014, the cash was used for the purchase of furniture and fixtures and in fiscal 2013, the cash used was for the purchase of computer hardware and software. In fiscal 2012, the cash used mainly related to our investment in Connecting People For Health Cooperative Limited, as described in Note 5 of the consolidated financial statements included in this from 20-F, and computer hardware.

At March 31, 2014, the Company had access to a working capital line from its principal banker for approximately \$45,237 (refer to Note 9 "Line of Credit" to consolidated financial statements), in addition to a cash and cash equivalent balance of \$1,386,737. Management believes that these funds, together with cash from on-going operations, will be sufficient to fund existing operations for the next 12 months. However, there is no guarantee that unanticipated circumstances will not require additional liquidity, and in any event, these funds alone may not allow for any additional expenditures or growth.

Credit terms for software, maintenance and consulting services have remained consistent from prior periods at 30 days.

As at March 31, 2014, 90% of all receivables were current. As at March 31, 2013, approximately 77% of all related receivables were current. As at March 31, 2012, approximately 70% of all related receivables were current.

Cash and cash equivalents of \$1,386,737 are comprised of \$44,446 in cash and \$1,342,291 in cash equivalents. The cash equivalents of \$1,342,291 at March 31, 2014 (\$943,114 at March 31, 2013, \$1,517,976 at March 31, 2012) are comprised of:

Held in Canada:

TD Waterhouse at 1.25% - \$184,291 (\$203,697 CDN) – No Maturity  
 TD Waterhouse at 1.25% - \$184,525 (\$203,955 CDN) – No Maturity

Held in Brazil:

Bank Deposit Certificate (CDB) at 8% per annum plus inflation - \$973,475 (R\$2,193,994) - No Maturity. Of these deposits \$79,866 (R\$180,000) are secured by Government Deposit Insurance.

Future liquidity and cash requirements will depend on a wide range of factors, including the level of success the Company has in executing its strategic plan as well as its ability to maintain business in existing operations and its ability to raise additional financing. Accordingly, there can be no assurance that ZIM will be able to meet its working capital needs for any future period. In addition, the Company has an accumulated deficit of \$20,484,571 for the fiscal year ended March 31, 2014.

If ZIM's expenses surpass the funds available or if ZIM requires additional expenditures to grow the business, the Company may be unable to obtain the necessary funds and ZIM may have to curtail or suspend some or all of its business operations, which would likely have a material adverse effect on its business relationships, financial results, financial condition and prospects, as well as on the ability of shareholders to recover their investment.

#### *C. Research and development*

Research and development expenses went from \$244,488 for the year ended March 31, 2012 to \$205,330 for the year ended March 31, 2013 and to \$298,358 for the year ended March 31, 2014. The increase in cost for fiscal 2014 relates to increased staffing of this function. The decrease in fiscal 2013 relates to decreased use of one contract employee and the effects of a weaker US dollar as compared to the Canadian dollar. Research and development expenses are net of refundable investment tax credits on research and development expenses in Canada.

#### *D. Trend information*

The Company has not identified and is not aware of any trends that will have a significant impact on its consolidated financial position, statement of operations or cash flows.

#### *E. Off-Balance Sheet Arrangements*

The Company had no off balance sheet arrangements as of March 31, 2014.

#### *F. Tabular Disclosure of Contractual Obligations*

Contractual Obligations	Payment Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	Greater than 5 years
	\$	\$	\$	\$	\$
Operating Lease Obligations	79,300	50,084	29,216	-	-
Total	79,300	50,084	29,216	-	-

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

The following sets forth information concerning our executive officers and directors, including their ages, present principal occupations, other business experience during the last five years, memberships on committees of the Board of Directors and directorships in other companies:

<b>NAME</b>	<b>AGE</b>	<b>POSITION WITH ZIM</b>
Dr. Michael Cowpland	71	President, Chief Executive Officer, and Director
John Chapman	50	Chief Financial Officer / Consultant
Steven Houck	44	Director
James Stechyson	49	Director
Donald Gibbs	68	Director

Michael Cowpland has served as our President, Director and Chief Executive Officer since February 2001 and as our Chief Financial Officer from March 2007 to November 2007. In 1973, Dr. Cowpland co-founded Mitel Corporation (formerly NYSE:MTL) and was that company's Chief Executive Officer for 10 years. During Dr. Cowpland's tenure as CEO of Mitel, Mitel's sales reached \$300 million before it was acquired by British Telecom in 1984. After the acquisition of Mitel, Dr. Cowpland founded Corel Corporation (formerly NASDAQ:CORL), a company that evolved into one of the world's leading providers of office productivity software. Corel was widely recognized for its WordPerfect Office Suite, and its PC graphics application, Corel Draw. Dr. Cowpland served as President of Corel from 1985 to January 2001. Dr. Cowpland began his career in 1964 at Bell Northern Research. Dr. Cowpland received a Bachelor of Science and Engineering from the Imperial College (London), a Masters of Engineering from Carleton University and Ph.D. in Engineering from Carleton University (Ottawa, Canada).

John Chapman has served as our Chief Financial Officer since November 2007 and has provided consulting services to the Company since July 2007. Mr. Chapman provides virtual CFO consulting services to various companies. From 2003 to 2005, Mr. Chapman held the positions of Director of Finance and Program Management Office at Amdocs Canadian Managed Services. From 1988 to 2003, Mr. Chapman held various positions at Bell Canada and BCE companies in the areas of Finance, Human Resources and Engineering. He received a Bachelor of Technology (Mechanical Engineering) from Ryerson Polytechnical Institute in 1988 and a Masters in Business Administration from the University of Ottawa in 1999. Mr. Chapman is a member of, and holds professional designations, with the Association of Professional Engineers of Ontario, the Institute of Certified Management Consultants of Ontario and the Society of Management Accountants of Ontario.

Steven Houck has served as a Director of ZIM since April 2001. Currently, Mr. Houck is Chief Operating Officer of DataCore Software, a company that develops storage virtualization software. Until recently, Mr. Houck also held the position of Chief Executive Officer of GRIDTREE Inc., a technology company headquartered in Miami, Florida providing enterprise class IT services to the small to medium sized business market. Previously Mr. Houck was the Vice President of Latin America at VMware, a developer of software for the virtualization market. Prior to working at VMware Mr. Houck was Vice President of World Wide SMB Sales at EMC Corporation, a developer and provider of information infrastructure technology and solutions. During 2004 and 2005, Mr. Houck worked as a consultant for various start-up companies. From 1995 to early 2004, Mr. Houck held various positions with Corel Corporation including Executive Vice President of World Wide Sales. Prior to his service to Corel, he founded Worldview Technologies, a company specializing in multimedia design and authoring and served as its CEO until 1995. He attended Florida State University and Florida Atlantic University.

James Stechyson has served as a Director and Chairman of ZIM since June 1, 2003. He also served as a Director of ZIM Technologies beginning in January 1998 and was appointed into the position of Chairman in May 2001. Mr. Stechyson is also currently Managing Director of HostedBizz Inc., a company delivering cloud based Hosted IT services. From September 2002 until 2003, Mr. Stechyson served as the President of ClearOne Communications Canada a subsidiary of ClearOne Communications a global provider of audio conferencing solutions used by thousands of organizations worldwide. From 1990 to September 2002, he was the President of OM Video, a company specializing in the design, sales and systems integration of professional audio/visual technologies.

Donald R. Gibbs has been a Director of ZIM since July 2003. He also serves as the Chairman of ZIM's Audit Committee. Mr. Gibbs is presently Chief Financial Officer of Tweed Marijuana Inc.. Prior to Tweed Mr. Gibbs was Chief Executive Officer of AirIQ between June 2008 and April 2014. From April 2007, to June 2008, Mr. Gibbs was the Chief Executive Officer of Tarquin Inc. Since July of 2004, Mr. Gibbs has been the Chairman and Chief Executive Officer of Process Photonics Inc. From June 2001 to April 2004, Mr. Gibbs was the President and Chief Executive Officer of Original Solutions Inc. He is also the principal of his own consulting company, Donald R Gibbs and Associates which provides financial and management assistance to start-up corporations. Since 1970, Mr. Gibbs has held senior financial and executive positions in Mitel Corporation, Cognos Inc., Gandalf Systems Corporation, Positron Fiber Systems Inc., Gorilla Capital Inc., VIPswitch Inc. and Original Solutions Inc. Mr. Gibbs received his Bachelor of Commerce degree from the University of Ottawa and holds a professional designation as a Certified Management Accountant.

## **EMPLOYEES**

As at March 31, 2014, we had 15 full-time employees, with 4 employees in selling, general and administration and 11 employees in technical areas including technical support and research and development. We consider our relations with our employees to be excellent, and none of our employees are covered by a collective bargaining agreement. ZIM also contracts services from 4 consultants on a part-time basis and 1 consultant on a full time basis.

Of these employees, 13 are based in Ottawa, Canada and 2 are based in Sao Paulo, Brazil.

## **COMMITTEES OF THE BOARD OF DIRECTORS**

We have an Audit Committee and a Compensation Committee. ZIM does not have a Nominating Committee. In the absence of such a committee, the Board as a whole considers individuals to recommend to the Board for inclusion among management's nominees and considers corporate governance issues. The Board will consider director candidates recommended by shareholders of the Company if the name and qualifications of such candidates are presented to the Board in a timely manner. The membership term for Board and Board Committee members is 3 years.

The Audit Committee's functions include evaluating, and recommending to the Board the engagement of the independent registered public accounting firm, reviewing the results of their audit findings, and monitoring on a periodic basis our internal controls over financial reporting. The Audit Committee has a formally approved written charter. The Audit Committee consists of Donald Gibbs (Chairman) and Steven Houck. Mr. Gibbs is the Audit Committee's "audit committee financial expert," as defined in Item 16A of Form 20-F, and he is "independent" under the NASDAQ Listing Rules. Mr. Houck replaced James Stechyson as a member of the audit committee effective June 24, 2009. The Audit Committee held four meetings during the fiscal year ended March 31, 2014.

The Compensation Committee's functions include evaluating compensation for directors, officers, employees of and consultants to the Company, and making recommendations to the Board regarding such compensation matters. The Compensation Committee has a formally approved written charter. The Compensation Committee currently consists of James Stechyson and Steven Houck. The Compensation Committee did not hold a meeting during the fiscal year ended March 31, 2014.

## **CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS**

Our Board of Directors has adopted a Code of Ethics that qualifies as a "code of ethics" within the meaning of such term in Form 20-F and applies to our Chief Executive Officer and our Chief Financial Officer, as well as to other senior management and senior financial staff of ZIM, including, without limitation, our comptroller and person performing such function, and complies with the requirements imposed by the Sarbanes-Oxley Act of 2002 and the rules issued thereunder for codes of ethics applicable to such officers. Our Board has reviewed and will continue to evaluate its role and responsibilities with respect to the new legislative and other requirements of the Securities and Exchange Commission. Interested persons can obtain a copy of our Code of Ethics without charge by writing to: Investor Relations c/o 150 Isabella Street, Suite 150, Ottawa, Ontario K1S 1V7 or by visiting our web-site at [www.ZIM.biz](http://www.ZIM.biz).

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### *Philosophy*

We design all of our compensation programs to retain and as necessary attract key employees who are motivated to achieve growth in technology. Our program has been kept simple due to the size of our staff and our lack of performance measurements. Our programs are designed to reward performance based on team and individual performances. Due to the size of our organization, our executive compensation programs impact all employees because these programs help establish expectations for our general approach to rewards. The Company encourages our business leaders to work together to create a high performance environment that is reinforced by constant attention to individual's goals and expectations.

We believe that the performance of the executives in managing our company should be considered in light of general economic and specific company, industry and competitive conditions. We believe that our compensation programs for our executives should reflect our success as a management team and in attaining an increased value for shareholders. We also believe that individual performance should be evaluated annually and considered in compensation decisions.

#### *Overview of Compensation and Process*

Elements of compensation for our executives include: salary and stock option grants and health, disability and life insurance. Our Compensation Committee consists of Messrs. Stechyson and Houck. It generally meets as required to review any changes to the compensation plans for the next year. In fiscal 2014, there were no changes to the plan, no bonuses and no changes to the salary levels for executives, and as a result, there were no Compensation Committee meetings.

Due to the size of the organization, the Compensation Committee is aware of all the elements of each executive's total compensation over each of the past three years, as well as a comparison to the compensation of other executive officers in an appropriate market comparison group. Typically, our Chief Executive Officer recommends compensation changes with respect to the executive officers who report to him. The Chief Executive Officer has no salary so there have been no compensation recommendations to the compensation committee with respect to him. All option grants to the executives in the organization are approved by our Board of Directors at the time of grant. The Compensation Committee has the authority to accept or adjust any recommendations.

We choose to pay each element of compensation in order to attract and retain the necessary executive talent, reward annual performance and provide incentive for their balanced focus on long-term strategic goals as well as short-term performance. The amount of each element of compensation is determined by or under the direction of the Compensation Committee, which uses the following factors to determine the amount of salary and other benefits to pay each executive:

- Performance in the previous year;
- Difficulty of achieving desired results in the coming year;
- Value of their unique skills and capabilities to increase the performance of the Company;
- Performance of their general management responsibilities; and
- Contribution as a member of the management team.

These elements fit into our overall compensation objectives by helping to secure the future potential of our operations, facilitating our entry into new markets, providing proper compliance and regulatory guidance, and helping to create a cohesive team.

Our policy for allocating between long-term and currently paid compensation is to ensure adequate base compensation to attract and retain personnel, while providing stock option incentives to maximize long-term value for our Company.

#### ***Base Salary and Bonus***

It is the goal of the Compensation Committee to establish salary compensation for our executive officers based on our comparable peer companies. We believe that this gives us the opportunity to attract and retain appropriate managerial employees both at the senior executive level and below.

#### ***Equity Incentives***

A significant goal of our compensation is to afford our executives (and employees) an opportunity to participate in our performance through stock option grants. The Compensation Committee considers factors such as the ability for the Company to attract, motivate and retain qualified individuals and to align their success with that of the Company's Shareholders through the achievement of strategic corporate objectives and creation of shareholder value. The level of equity incentives paid to an individual is based on the individual's overall experience, responsibility, performance and base salary.

Factors also considered are the equity incentives offered for similar positions in the high tech industry and other labor markets in which the Company competes for employees. The Compensation Committee compares remuneration for executive officers of the Company to the remuneration for similar executives in relevant labor markets.

### Perquisites

We limit the perquisites that we make available to our executive officers. Our executives are not entitled to any benefits that are not otherwise available to all of our employees.

### Post-Employment Compensation

We do not provide pension arrangements or post-retirement health coverage for our executives or employees. Our executive officers are eligible to participate in our registered retirement savings plan.

### Summary Compensation Table

The table below provides detailed information on the compensation of the Chief Executive Officer and the Chief Financial Officer of ZIM for services rendered for the fiscal year ended March 31, 2014, 2013 and 2012. No executive officer or employee received compensation in excess of \$100,000 for the fiscal year ended March 31, 2014.

Name and principal position	Year	Salary/ Consulting Payments (\$)	Option Awards \$(1)	Shares (\$)	Total (\$)
Michael Cowpland, President and Chief Executive Officer	2012	-	2,001	-	2,001
	2013	-	19,953	50,000	69,953
	2014	-	8,501	-	8,501
John Chapman, (Chapman CFO Resources Inc.) Chief Financial Officer	2012	38,799	10,244	-	49,043
	2013	32,798	-	-	32,798
	2014	29,354	11,905	-	41,258

- (1) Represents the compensation expense incurred by the Company for the years ended March 31, 2012, March 31, 2013, and March 31, 2014 respectively, relating to outstanding stock options held by the named executive officers ("NEOs"), determined in accordance with ASC 718 using the assumptions described under "Stock Options" in Note 2 to the Company's Financial Statements included in this Form 20-F, provided that no forfeitures of awards have been assumed for the NEOs. All options vest immediately upon option grant.

**Outstanding Equity Awards At Fiscal Year-End**

<u>Name</u>	<u>Number of Securities Underlying Unexercised Options Exercisable</u>	<u>Number of Securities Underlying Unexercised Options Unexercisable</u>	<u>Option Exercise Price (\$)</u>	<u>Option Expiration Date</u>
Michael Cowpland, President and Chief Executive Officer	100,000	Nil	0.0100	20-Nov-14
	100,000	Nil	0.0090	22-Feb-15
	1,695,843	Nil	0.0090	21-Aug-15
	726,702	Nil	0.0030	21-Feb-16
	6,667	Nil	0.0030	21-Feb-16
	5,710,000	Nil	0.0030	21-Feb-16
	406,650	Nil	0.0030	21-Feb-16
	242,500	Nil	0.0110	13-Aug-16
	393,350	Nil	0.0145	21-Nov-16
	10,000	Nil	0.0145	17-Feb-17
John Chapman (CHAPMAN CFO Resources Inc.) Chief Financial Officer	351,563	Nil	0.0100	16-Aug-14
	421,875	Nil	0.0100	16-Aug-14
	332,813	Nil	0.0100	16-Aug-14
	441,406	Nil	0.0100	16-Aug-14
	460,938	Nil	0.0100	16-Aug-14
	399,376	Nil	0.0145	21-Nov-16
	421,875	Nil	0.0145	17-Feb-17

All options above vested immediately upon option grant. All options are granted three years prior to the expiry date.

**COMPENSATION OF DIRECTORS**

Non-employee members of the Board of Directors are reimbursed for reasonable travel expenses related to attendance at Board meetings. No other fees are paid for attendance at meetings of the Board or their Committees. Each director is also awarded for his first year of service as a director, 200,000 stock options to purchase common shares at fair market value at date of the option grant. In addition, non-employee members of the Board of Directors are eligible to receive option grants as determined by the Board of Directors.

The following table shows compensation of our non-employee directors for the fiscal year ended March 31, 2014.

<u>Name</u>	<u>Option Awards \$(1)</u>	<u>Common Shares (\$)</u>	<u>Total (\$)</u>
Steven Houck	1,422	-	1,422
James Stechyson	44,921	-	44,921
Donald Gibbs	1,422	-	1,422

- (1) Represents the compensation expense incurred by the Company for the years ended March 31, 2014, relating to outstanding stock options held by the named executive officers ("NEOs"), determined in accordance with ASC 718 using the assumptions described under "Stock Options" in Note 2 to the Company's Financial Statements included in this Form 20-F, provided that no forfeitures of awards have been assumed for the NEOs. All options vest immediately upon option grant.



Refer to Item 7 for share ownership information with respect to the Company's directors.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

ZIM established the Employee Stock Option Plan, which was approved by our shareholders on November 19, 2003, to promote the interests of the Company and our shareholders by using investment interests in the Company to attract, retain and motivate our directors, officers, employees and other persons, to encourage and reward their contributions to the performance of the Company, and to align their interests with the interests of the Company's shareholders.

Securities authorized for issuance under equity compensation plans at March 31, 2014 are as follows:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights (\$)	Number of securities remaining available for future issuance under equity compensation plans, excluding the securities reflected in the first column
Equity compensation plans approved by security holders	15,574,558(1)	0.0100	11,625,442
Equity compensation plans not approved by security holders	6,010,000(2)	0.003	NIL
<b>Total</b>	<b>21,584,558</b>	<b>0.0081</b>	<b>11,625,442</b>

- (1) Represents ZIM common shares issuable upon the exercise of options outstanding under ZIM's Employee Stock Option Plan.
- (2) Represents ZIM common shares issuable upon the exercise of options outstanding and issued outside of ZIM's Employee Stock Option Plan to officers, directors and advisory Board members. During the period from October 13, 2000 to June 25, 2001, ZIM issued an aggregate of 8,285,000 options outside of the Employee Stock Option Plan. Of these options, 145,000 were exercised in the ten months ended March 31, 2004 and 2,030,000 options were cancelled in the fiscal periods ended March 31, 2005 and 2004. The remaining options expired on February 5, 2007 and 6,010,000 were reissued with an expiry date of February 19, 2010. They were reissued again in 2010 and expired February 18, 2013. They were reissued again in 2013 and have a new expiry date of February 21, 2016.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The following table sets forth, as of June 28, 2013, the number and percentage of our outstanding common shares which are beneficially owned, directly or indirectly, by:

- Each person who is known to us as the beneficial owner of 5% or more of our outstanding common shares;
- Each director and executive officer of ZIM Corporation; and
- All directors and executive officers of ZIM Corporation as a group.

Beneficial ownership includes shares over which the indicated person has sole or shared voting or investment power and shares which he or she has the right to acquire within 60 days of June 28, 2013. Unless otherwise indicated, the persons listed are deemed to have sole voting and investment power over the shares beneficially owned.

Name	Address	Title	Common shares	
			Number	Percentage
Michael Cowpland(1)	234 Perley Court, Ottawa, Ontario	President and CEO	84,061,703	58.0%
James Stechyson(2)	5597 Goddard Street Manotick, Ontario	Director	28,340,000	19.8%
Advanced Telecom Services(3)	996 Bold Eagle School Road, Suite 1105, Wayne, PA	N/A	10,000,000	7.4%
John Chapman (CHAPMAN CFO Resources Inc.)(4)	30 Holitzner Way Ottawa, Ontario	Chief Financial Officer	2,829,846	2.0%
Steven Houck (5)	401 Hillview Avenue, Palo Alto, CA 94304	Director	1,010,000	0.7%
Donald Gibbs (6)	5 Reaney Court, Kanata, Ontario, Canada, K2K 1W7	Director	910,000	0.7%

All directors and executive officers as a group (5 persons) beneficially hold 117,151,549 common shares, which totals 74.6% of ownership.

Applicable percentage of ownership is based upon 135,460,867 common shares outstanding as of June 30, 2014, together with applicable options for such shareholder or group. Shares of common stock subject to options currently exercisable or exercisable within 60 days of June 30, 2014 are deemed outstanding for the purpose of computing the percentage ownership of the person holding such options, but are not deemed outstanding for computing the percentage of any other person.

- (1) The beneficial ownership of Michael Cowpland consists of 61,357,468 common shares owned directly by Dr. Cowpland and 9,391,712 common shares under options, which are currently exercisable or are exercisable within 60 days of June 30, 2014. In addition, Dr. Cowpland's ownership includes 4,518,728 common shares owned by Dr. Cowpland's spouse and 8,793,795 common shares owned by a company controlled by Dr. Cowpland's spouse. Dr. Cowpland disclaims beneficial ownership of the shares held by his spouse and the company controlled by his spouse.

- (2) The beneficial ownership of James Stechyson consists of 20,450,000 common shares. 450,000 shares are owned directly by Mr. Stechyson and 20,000,000 are owned by a company controlled by Mr. Stechyson. 7,890,000 common shares, which he has a right to acquire under stock options are currently exercisable or are exercisable within 60 days of June 30, 2014.
- (3) The beneficial ownership of Advanced Telecom Services Inc. consists of 10,000,000 common shares owned directly.
- (4) The beneficial ownership of John Chapman consists of 2,829,846 common shares, which he has a right to acquire under stock options that are currently exercisable or are exercisable within 60 days of June 30, 2014. The options assigned to Mr. Chapman are held by CHAPMAN CFO Resources Inc. in which Mr. Chapman is the controlling shareholder.
- (5) The beneficial ownership of Steven Houck consists of 1,010,000 common shares, which he has a right to acquire under stock options that are currently exercisable or are exercisable within 60 days of June 30, 2014.
- (6) The beneficial ownership of Donald Gibbs consists of 910,000 common shares, which he has a right to acquire under stock options that are currently exercisable or are exercisable within 60 days of June 30, 2014.

The Board of Directors has determined that all directors who served on the Board during fiscal 2014, other than Dr. Michael Cowpland and Mr. James Stechyson, are or were "independent" under NASDAQ Listing Rules. The Board has further determined that the members of the Audit Committee also meet the additional independence requirements of the Sarbanes-Oxley Act of 2002 and the rules of the Securities and Exchange Commission.

The services of John Chapman, our Chief Financial Officer, are provided through a contractual relationship with CHAPMAN CFO Resources Inc., a company owned 50% by Mr. Chapman and controlled by Mr. Chapman. The total cash and option compensation provided to CHAPMAN CFO Resources Inc. for the services provided by Mr. Chapman are detailed in "Executive Compensation" above.

#### Change in Ownership of Shareholders Owning More Than 5%:

On July 2, 2012, Dr. Cowpland acquired 5,000,000 of the Issuer's common shares as compensation in lieu of salary for services provided to the Company.

On July 2, 2012, Mr. Stechyson acquired 5,000,000 of the Issuer's common shares as compensation in lieu of cash for services provided to the Company.

#### **VOTING RIGHTS**

Major Shareholders of the Company do not hold any special voting rights.

#### **LOCATION OF STOCK HOLDINGS**

At June 30, 2013, 86,405,035 (64%) of ZIM's common shares are held outside of the United States. The number of shareholders of record is 994.

**CONTROL**

The Company is not owned or controlled directly or indirectly by another corporation, foreign government or by any other natural of legal person(s) severally or jointly.

**ITEM 7B. RELATED PARTY TRANSACTIONS**

A director of the Company is a director and principal owner of a company that provides hosting services to ZIM. During the fiscal year ending March 31, 2014 the Company paid \$23,993 for these hosting services.

**ITEM 8. FINANCIAL INFORMATION****A. Consolidated Statements and Other Financial Information**

Refer to Item 18 for Consolidated Financial Statements

**B. Significant Changes**

There have been no significant changes to our business since the fiscal year ended March 31, 2014.

**ITEM 9. THE OFFER AND LISTING****OFFER AND LISTING DETAILS**

"Bid" and "asked" offers for our common shares are quoted on the Over-the-Counter Bulletin Board ("OTCBB"). Our common shares have been quoted on the OTCBB under the symbol "ZIMCF" since October 16, 2003. The following table shows the high and low closing prices of our common shares for the periods indicated as reported by the OTCBB. The OTCBB quotations reflect inter-dealer prices, are without retail markup, markdown or commission, and may not represent actual transactions.

<u>PERIOD</u>	<u>HIGH</u>	<u>LOW</u>
Fiscal 2010	\$ 0.0100	\$ 0.0020
Fiscal 2011	\$ 0.0200	\$ 0.0040
Fiscal 2012	\$ 0.0200	\$ 0.0001
Fiscal 2013	\$ 0.0110	\$ 0.0020
Fiscal 2014	\$0.0300	\$0.0007
Fiscal 2013 First Quarter	\$ 0.0110	\$ 0.0090
Fiscal 2013 Second Quarter	\$ 0.0100	\$ 0.0090
Fiscal 2013 Third Quarter	\$ 0.0090	\$ 0.0020
Fiscal 2013 Fourth Quarter	\$ 0.0050	\$ 0.0020
Fiscal 2014 First Quarter	\$ 0.0050	\$ 0.0010
Fiscal 2014 Second Quarter	\$ 0.0300	\$ 0.0020
Fiscal 2014 Third Quarter	\$ 0.0299	\$ 0.0007
Fiscal 2014 Fourth Quarter	\$ 0.0200	\$ 0.0085
Fiscal 2015 First Quarter	\$ 0.0075	\$ 0.0253
Fiscal 2014 January 2014	\$ 0.0087	\$ 0.0200
Fiscal 2014 February 2014	\$ 0.0110	\$ 0.0171
Fiscal 2014 March 2014	\$ 0.0094	\$ 0.0199
Fiscal 2015 April 2014	\$ 0.0075	\$ 0.0240
Fiscal 2015 May 2014	\$ 0.0110	\$ 0.0253
Fiscal 2015 June 2014	\$ 0.0120	\$ 0.0149

Our common shares are thinly traded and, accordingly, reported sale prices may not represent a true market-based valuation of our common shares.

We have not paid any dividends on our common shares and we intend to retain all earnings for use in our operations and to finance the development and the expansion of our business. We do not anticipate paying any dividends on the common shares in the foreseeable future. The payment of dividends is within the discretion of our Board of Directors. Any future decision with respect to dividends will depend on future earnings, future capital needs and our operating and financial condition, among other factors.

#### **RECENT SALES OF UNREGISTERED SECURITIES**

None

#### **ITEM 10. ADDITIONAL INFORMATION**

##### **A. SHARE CAPITAL**

Not Applicable.

##### **B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

ZIM was incorporated under the federal laws of Canada on October 17, 2002, in order to purchase ZIM Technologies International Inc. ("ZIM Technologies"), which was formed in 1997 to acquire the software technology now called the ZIM Integrated Development Environment (the "ZIM IDE software"). On February 10, 2004, ZIM purchased UK-based SMS service firms EPL Communications Limited and E-Promotions Limited (together referred to as "EPL"). During the year ended March 31, 2006, EPL was dissolved and all operations were transferred to ZIM Corporation in Canada. ZIM is also the sole shareholder of ZIM Technologies do Brazil Ltda., a company incorporated in Brazil that distributes the ZIM IDE Software, and PCI Merge, Inc., a Florida based holding company with no operations. Until March 31, 2004, ZIM was the sole shareholder of ZIM Technologies, a Canadian federal corporation and the chief operating company of the ZIM group of companies. On April 1, 2004, ZIM Corporation and ZIM Technologies amalgamated into ZIM Corporation. On April 1, 2006, ZIM purchased a US-based mobile content company called Advanced Internet Inc. ("AIS"). In 2011 ZIM acquired the technology assets of Torch Technologies and began offering an advanced portfolio of migration services and management products that strengthen and complement ZIM's enterprise database products.

##### **Other Provisions of Articles and By-laws**

There are no provisions in the Articles or By-laws:

- Delaying or prohibiting a change in control of our company that operate only with respect to a merger, acquisition or corporate restructuring;
- Discriminating against any existing or prospective holder of shares as a result of such shareholder owning a substantial number of shares;
- Requiring disclosure of share ownership; or
- Governing changes in capital, where such provisions are more stringent than those required by law.

**Share Capital**

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Special Shares which shall have the following rights, privileges, restrictions and conditions:

**COMMON SHARES**

The Common Shares have attached thereto the following rights, privileges, restrictions and conditions:

**1. Voting**

The holders of the Common Shares are entitled to receive notice of and to attend and shall be entitled to one (1) vote at any meeting of the shareholders of the Corporation for each Common Share held.

**2. Dividends**

The holders of the Common Shares are entitled to receive dividends as and when the directors shall in their discretion declare dividends on the Common Shares and pay the same.

**3. Dissolution**

The holders of the Common Shares are entitled to receive the remaining property of the Corporation in the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

**SPECIAL SHARES**

The Special Shares have attached thereto the following rights, privileges, restrictions and conditions:

**1. Voting Rights**

Except as may be required by applicable law, the holders of the Special Shares are not entitled to notice of or to attend or vote at any meeting of the shareholders of the Company.

Notwithstanding the provisions of the Act and any other provision contained herein, the holders of the Special Shares shall not be entitled to vote separately as a class upon a proposal to amend these Articles to:

- (a) increase or decrease any maximum number of authorized Special Shares, or increase any maximum number of authorized shares of a class of shares having rights or privileges equal or superior to the Special Shares; or
- (b) effect an exchange, reclassification or cancellation of the Special Shares; or
- (c) create a new class of shares equal or superior to the Special Shares.

## **2. Dividends**

Subject to the rights of the holders of any shares ranking prior to the Special Shares or the Common Shares, the holders of the Special Shares are entitled to receive, pro rata with the holders of the Common Shares, such dividends as may be declared by the board of directors of the Corporation, out of funds legally available therefor; the holder of any Special Shares on the record date for any dividend payable on such share will be entitled to such dividend, notwithstanding that such share is converted into a Common Share as described below after such record date and before the payment date of such dividend. Dividends shall not be paid or declared or set aside for payment on the Special Shares unless dividends in an equal amount per Common Share are paid or set aside for payment at the same time on the Common Shares.

## **3. Rights on Dissolution**

In the event of the liquidation, dissolution or winding-up of the Corporation, the holders of the Special Shares are entitled to receive on a pro rata basis and on a share-for-share basis with the holders of the Common Shares, all of the assets of the Corporation remaining after payment of all of the Corporation's liabilities, subject to the preferential rights of any shares ranking prior to the Special Shares.

## **4. Conversion Rights**

Any holder of Special Shares is entitled, at any time on written notice to the Corporation, to have any or all of the Special Shares held by him or it converted into Common Shares on the basis (the "Special Conversion Basis") of one Common Share for each Special Share which such holder may desire to convert.

No fractional Common Shares will be issued upon the conversion of the Special Shares and no payment shall be made to the holders of Special Shares in lieu thereof.

## **5. Adjustment Rights**

In the event of the Special Shares or Common Shares being at any time subdivided, consolidated, converted or exchanged for a greater or lesser number of shares of the same or another class, appropriate adjustments will be made in the rights and conditions attaching to the Special Shares and the Common Shares, respectively, so as to preserve in all respects the benefits conferred on the holders of each such class. No such adjustment will be required to be made unless the cumulative effect of such adjustment or adjustments would change the number of Common Shares issuable upon the conversion of the Special Shares by at least one-hundredth of a share, provided that such adjustment not so made shall be carried forward and taken into account at any subsequent adjustment.

In the event of any reclassification of Common Shares, any amalgamation, merger or other consolidation of the Corporation with another entity, or the transfer of all or substantially all of the Corporation's assets, the holders of the Special Shares will be entitled to receive such securities or other property as if on the effective date of such event they were registered holders of the number of Common Shares which such holders of Special Shares were entitled to receive upon the conversion of their Special Shares. No such adjustment shall be made if the holders of the Special Shares are entitled to participate in any such event on the same terms, as though they had converted their Special Shares prior to the occurrence of such event.

## **6. General Rights and Attributes**

Except as specifically referred to above, each Special Share and each Common Share shall have the same rights and attributes and not have any priority over the other

### Powers and Duties of Directors

The Directors shall manage or supervise the management of our affairs and business and shall have authority to exercise all such powers as are not, by the Company Act, Articles or By-laws, required to be exercised by the shareholders in a general meeting or prohibited by law.

A majority of the directors shall be resident Canadians and, if any of the issued securities of the Corporation are or were a part of a distribution to the public, at least two of the directors shall not be officers or employees of the Corporation or any affiliate of the Corporation. No director shall be required to hold shares issued by the Corporation, unless the articles otherwise provide. In exercising his powers and discharging his duties each director must (a) act honestly and in good faith with a view to the best interests of the Corporation and (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Directors serve for three (3) years, until each third annual meeting of shareholders. In general, a Director who is, in any way, directly or indirectly interested in an existing or proposed contract or transaction with us whereby a duty or interest might be created to conflict with his duty or interest as a director, shall declare the nature and extent of his interest in such contract or transaction or the conflict or potential conflict with his duty and interest as a director. Such a Director shall not vote in respect of any such contract or transaction with us if the Chairman disqualifies him. If he votes, his vote shall not be counted, but he shall be counted in the quorum present at the meeting at which such a vote is taken. The shareholders at the general meeting shall determine the remuneration of the Directors. However, notwithstanding the foregoing, Directors shall be paid all expenses incurred in attending meetings or conducting business on our behalf.

### Shareholders

An Annual General Meeting of Shareholders must be held once in every year at such time and place as may be determined by the Directors. Notice of the meeting must be given not less than twenty-one (21) nor more than fifty (50) days prior to the meeting. A quorum at an Annual General Meeting and Special Meeting shall be such person or number of persons present, in person or by proxy, holding or representing a majority of the total number of issued shares of the Corporation carrying voting rights for such meeting.

In accordance with our By-laws, Directors are elected by an "ordinary resolution" which means (a) a resolution passed by our shareholders in a General Meeting by a simple majority of the votes cast in person or by proxy, or (b) a resolution that has been submitted to our shareholders who would have been entitled to vote on it in person or by proxy at our general meeting and that has been consented to in writing by all of our shareholders entitled to vote on it.

For further details refer to Exhibits:

1.1	Articles of Incorporation of the Registrant (Incorporated by reference to the Registrant's Registration Statement on Form S-4 filed on November 1, 2002 (No. 333-100920))
1.2	By-Laws of the Registrant (Incorporated by reference to the Registrant's Registration Statement on Form S-4 filed on November 1, 2002 (No. 333-100920))

### C. MATERIAL CONTRACTS

None.



#### D. EXCHANGE CONTROLS

As of the date hereof, there are no governmental laws, decrees or regulations in Canada on the export or import of capital, or which impose foreign exchange controls or affect the remittance of interest, dividends or other payments to non-resident holders of our common stock, except as described under ITEM 10E "Taxation".

Except as provided in the Investment Canada Act, which has provisions that restrict the holding of voting shares by non-Canadians, there are no limitations specific to the rights of non-Canadians to hold or vote the Company's common shares under the laws of Canada or Ontario, or in its charter documents. The following summarizes the principal features of the Investment Canada Act for non-Canadian residents proposing to acquire the Company's common shares.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal advice to any holder or prospective holder of the Company's common shares, and no opinion or representation to any holder or prospective holder of our common shares is hereby made. Accordingly, holders and prospective holders of the Company's common shares should consult with their own legal advisors with respect to the consequences of purchasing and owning the Company's common shares. The Investment Canada Act governs the acquisition of Canadian businesses by non-Canadians. Under the Investment Canada Act, non-Canadian persons or entities acquiring "control" (as defined in the Investment Canada Act) of a corporation carrying on business in Canada are required to either notify, or file an application for review with, Industry Canada, subject to certain statutory exemptions. The relevant Minister may review any transaction which constitutes an acquisition of control of a Canadian business, where the book value of the assets acquired exceeds certain thresholds (which are higher for investors from members of the World Trade Organization, including United States residents, or World Trade Organization member-controlled companies) or where the activity of the business is related to Canada's cultural heritage or national identity, or where the investment could be injurious to Canada's national security. For acquisitions of control of a business which do not involve a business related to Canada's cultural heritage or national identity or present national security issues, no change of voting control will be deemed to have occurred, for purposes of the Investment Canada Act, if less than one-third of the voting control of a Canadian corporation is acquired by an investor. Different rules apply to acquisitions of control of businesses related to Canada's cultural heritage or national identity, or present national security concerns.

If an investment is reviewable under the Investment Canada Act, an application for review in the form prescribed is normally required to be filed with Industry Canada prior to the investment taking place, and the investment may not be implemented until the review has been completed and the Minister responsible for the Investment Canada Act is satisfied that the investment is likely to be of net benefit to Canada. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian applicant must not implement the investment, or if the investment has been implemented, may be required to divest itself of control of the Canadian business that is the subject of the investment. Different rules apply if the Minister determines that the investment may be injurious to Canada's national security. Certain transactions relating to ZIM's common stock would be exempt from the Investment Canada Act, if they are not found to be potentially injurious to Canada's national security by the Minister responsible for the Investment Canada Act, including:

- The acquisition of the Company's common stock by a person in the ordinary course of that person's business as a trader or dealer in securities;
- The acquisition of control of the Company in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the Investment Canada Act; and the acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of the Company, through ownership of our common stock, remains unchanged.

These exemptions do not apply to an acquisition of control of a Canadian business that is deemed to be potentially injurious to Canada's national security.

## **E. TAXATION**

*Certain United States Federal Income Tax Consequences* The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of common shares of the Company.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences to U.S. Holders of the acquisition, ownership, and disposition of common shares. Except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of common shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

### **Scope of this Summary**

#### Authorities

This summary is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended, or the Canada-U.S. Tax Convention, and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

### U.S. Holders

For purposes of this summary, the term “U.S. Holder” means a beneficial owner of common shares that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

### Non-U.S. Holders

For purposes of this summary, a “non-U.S. Holder” is a beneficial owner of common shares that is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences to non-U.S. Holders arising from and relating to the acquisition, ownership, and disposition of common shares. Accordingly, a non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences (including the potential application of and operation of any income tax treaties) relating to the acquisition, ownership, and disposition of common shares.

### U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a “functional currency” other than the U.S. dollar; (e) U.S. Holders that own common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that acquired common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold common shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); or (h) U.S. Holders that own or have owned (directly, indirectly, or by attribution) 10% or more of the total combined voting power of the outstanding shares of the Company. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Income Tax Act (Canada) (the “Tax Act”); (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold common shares in connection with carrying on a business in Canada; (d) persons whose common shares constitute “taxable Canadian property” under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of common shares.

If an entity or arrangement that is classified as a partnership (or “pass-through” entity) for U.S. federal income tax purposes holds common shares, the U.S. federal income tax consequences to such partnership and the partners of such partnership generally will depend on the activities of the partnership and the status of such partners (or owners). This summary does not address the tax consequences to any such partnership or partner. Partners of entities or arrangements that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of common shares.

### **Passive Foreign Investment Company Rules**

If the Company were to constitute a “passive foreign investment company” under the meaning of Section 1297 of the Code, or a PFIC, as defined below, for any year during a U.S. Holder’s holding period, then certain different and potentially adverse rules will affect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of common shares. In addition, in any year in which the Company is classified as a PFIC, such holder may be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621.

#### PFIC Status of the Company

The Company generally will be a PFIC if, for a tax year, (a) 75% or more of the gross income of the Company is passive income (the “income test”) or (b) 50% or more of the value of the Company’s assets either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets (the “asset test”). “Gross income” generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and “passive income” generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

For purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, and assuming certain other requirements are met, “passive income” does not include certain interest, dividends, rents, or royalties that are received or accrued by the Company from certain “related persons” (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

In addition, under certain attribution rules, if the Company is a PFIC, U.S. Holders will be deemed to own their proportionate share of the stock of any subsidiary of the Company that is also a PFIC, or a Subsidiary PFIC, and will be subject to U.S. federal income tax on their proportionate share of (a) a distribution on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC.

The Company believes that it was classified as a PFIC during the tax year ended March 31, 2014, and may be a PFIC in future tax years. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by the Company (or a Subsidiary PFIC) concerning its PFIC status.

Each U.S. Holder should consult its own tax advisor regarding the PFIC status of the Company and any Subsidiary PFIC.

#### Default PFIC Rules Under Section 1291 of the Code

If the Company is a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the acquisition, ownership, and disposition of common shares will depend on whether such U.S. Holder makes an election to treat the Company and each Subsidiary PFIC, if any, as a “qualified electing fund” or “QEF” under Section 1295 of the Code, or a QEF Election, or a mark-to-market election under Section 1296 of the Code, or a Mark-to-Market Election. A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a “Non-Electing U.S. Holder.”

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code with respect to (a) any gain recognized on the sale or other taxable disposition of common shares and (b) any excess distribution received on our common shares. A distribution generally will be an “excess distribution” to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder’s holding period for our common shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of common shares (including an indirect disposition of the stock of any Subsidiary PFIC), and any “excess distribution” received on common shares, must be ratably allocated to each day in a Non-Electing U.S. Holder’s holding period for the respective common shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such year, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as “personal interest,” which is not deductible.

If the Company is a PFIC for any tax year during which a Non-Electing U.S. Holder holds common shares, the Company will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether the Company ceases to be a PFIC in one or more subsequent tax years. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above), but not loss, as if such common shares were sold on the last day of the last tax year for which the Company was a PFIC.

#### QEF Election

A U.S. Holder that makes a timely and effective QEF Election for the first tax year in which its holding period of its common shares begins generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to its common shares. A U.S. Holder that makes a timely and effective QEF Election will be subject to U.S. federal income tax on such U.S. Holder’s pro rata share of (a) the net capital gain of the Company, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the ordinary earnings of the Company, which will be taxed as ordinary income to such U.S. Holder. Generally, “net capital gain” is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and “ordinary earnings” are the excess of (a) “earnings and profits” over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which the Company is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by the Company. However, for any tax year in which the Company is a PFIC and has no net income or gain, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as “personal interest,” which is not deductible.

A U.S. Holder that makes a timely and effective QEF Election with respect to the Company generally (a) may receive a tax-free distribution from the Company to the extent that such distribution represents “earnings and profits” of the Company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder’s tax basis in our common shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of common shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as “timely” if such QEF Election is made for the first year in the U.S. Holder’s holding period for our common shares in which the Company was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year. If a U.S. Holder does not make a timely and effective QEF Election for the first year in the U.S. Holder’s holding period for our common shares, the U.S. Holder may still be able to make a timely and effective QEF Election in a subsequent year if such U.S. Holder also makes a “purging” election to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such common shares were sold for their fair market value on the day the QEF Election is effective.

A QEF Election will apply to the tax year for which such QEF Election is timely made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, the Company ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which the Company is not a PFIC. Accordingly, if the Company becomes a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which the Company qualifies as a PFIC.

U.S. Holders should be aware that there can be no assurance that the Company will satisfy record keeping requirements that apply to a QEF, or that the Company will supply U.S. Holders with information that such U.S. Holders require to report under the QEF rules, in event that the Company is a PFIC and a U.S. Holder wishes to make a QEF Election. Thus, U.S. Holders may not be able to make a QEF Election with respect to their common shares. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a QEF Election.

#### Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election only if the common shares are marketable stock. Our common shares generally will be “marketable stock” if our common shares are regularly traded on (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and meets other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be “regularly traded” for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter.

A U.S. Holder that makes a Mark-to-Market Election with respect to its common shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such common shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder's holding period for our common shares or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, our common shares.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of our common shares, as of the close of such tax year over (b) such U.S. Holder's tax basis in such common shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (a) such U.S. Holder's adjusted tax basis in our common shares, over (b) the fair market value of such common shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder's tax basis in our common shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of common shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years).

A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless our common shares cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to our common shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the application of the default rules of Section 1291 of the Code described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

#### Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of common shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which common shares are transferred.

Certain additional adverse rules will apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example under Section 1298(b)(6) of the Code, a U.S. Holder that uses common shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such common shares.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with their own tax advisor regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisor regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares.

### **Ownership and Disposition of Common Shares**

The following discussion is subject to the rules described above under the heading “Passive Foreign Investment Company Rules.”

#### Distributions on Common Shares

Subject to the PFIC rules discussed above, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to an Offered Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of the Company, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if the Company is a PFIC. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in our common shares and thereafter as gain from the sale or exchange of such common shares. (See “Sale or Other Taxable Disposition of common shares” below). However, the Company may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by the Company with respect to our common shares will constitute ordinary dividend income. Dividends received on common shares generally will not be eligible for the “dividends received deduction”. Subject to applicable limitations and provided the Company is eligible for the benefits of the Canada-U.S. Tax Convention, dividends paid by the Company to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

#### Sale or Other Taxable Disposition of Common Shares

Subject to the PFIC rules discussed above, upon the sale or other taxable disposition of common shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount of cash plus the fair market value of any property received and such U.S. Holder's tax basis in such common shares sold or otherwise disposed of. Subject to the PFIC rules discussed above, gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, our common shares have been held for more than one year.

Preferential tax rates apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.



## Additional Considerations

### Additional Tax on Passive Income

Individuals, estates and certain trusts whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surtax on “net investment income” including, among other things, dividends and net gain from disposition of property (other than property held in certain trades or businesses). U.S. Holders should consult with their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of common shares.

## F. DIVIDENDS AND PAYING AGENTS

Not Applicable.

## G. STATEMENT BY EXPERTS

Not Applicable.

## H. DOCUMENTS ON DISPLAY

The documents referred to in this Form 20-F may be viewed at the Company’s office located at 150 Isabella Street, Suite 150, Ottawa, Ontario, Canada, K1S 1V7.

## I. SUBSIDIARY INFORMATION

Not Applicable.

## ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### FOREIGN EXCHANGE RISK

The Company operates internationally, giving rise to significant exposure to market risks from changes in foreign exchange rates. The Company’s financial assets are in the form of cash and cash equivalents held at institutions with high quality credit ratings. A hypothetical 10% change in the value of one Brazilian real expressed in U.S. dollars during the year ended March 31, 2014 would have caused an approximate \$85,000 change in the Company’s revenue for the fiscal year 2014. The Company is exposed to exchange risk due to the timing of the movement of funds between subsidiaries and the parent company related to the transfer pricing agreement and the pricing of contracts in non-functional currencies. Financial instruments denominated in foreign currencies that lead to foreign exchange risk when funds are moved include:

Cash and cash equivalents includes the following amounts in their source currency:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Canadian dollars	416,037	571,384
US dollars	10,364	18,404
Brazilian reals	2,253,710	2,017,114
British pounds	-	1,385
Euros	-	5,524

Accounts receivable include the following amounts receivable in their source currency:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Canadian dollars	29,614	32,012
US dollars	19,582	52,992
Brazilian reals	174,206	207,857

Accounts payable include the following amounts payable in their source currency:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Canadian dollars	29,255	7,258
US dollars	1,084	2,382
Brazilian reals	6,988	706

Accrued liabilities include the following accruals in their source currency:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Canadian dollars	49,356	47,807
US dollars	-	5,171
Brazilian reals	24,038	28,931

The Company does not use derivative financial instruments to reduce its foreign exchange risk exposure.

#### CREDIT RISK

The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing with only creditworthy counterparties in accordance with established credit approval policies.

Concentration of credit risk in accounts receivable is indicated below by the percentage of the total balance receivable from customers in the specified geographic area:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Canada	22%	17%
North America, excluding Canada	16%	28%
South America	62%	55%
	100%	100%

#### FAIR VALUE

The carrying values of accounts receivable, investment tax credits receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

**KEY PERSONNEL RISK**

We are a small company with 15 full-time employees as of March 31, 2014, and we depend to a great extent on principal members of our management staff. If we lose the services of any key personnel, in particular Dr. Michael Cowpland, our President and Chief Executive Officer, and Mr. James Stechyson, our Chairman, the loss could significantly impede the achievement of our research and development objectives and delay our product development programs and commercialization of our product candidates. We do not currently have any key man life insurance policies.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

**PART TWO****ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not applicable.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

Not applicable.

**ITEM 15. CONTROLS AND PROCEDURES****Evaluation of Disclosure Controls and Procedures**

We are required to maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information that we are required to disclose in the reports we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do.

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2014. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective due to the material weaknesses in our internal control over financial reporting described below related to our financial reporting processes and information technology security protocols.

**Management's Annual Report on Internal Control over Financial Reporting**

ZIM's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15 (f) and 15d-15(f) under the Exchange Act.

Based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 1992 *Internal Control-Integrated Framework*, as previously stated in this annual report, our management concluded that our internal control over financial reporting was not effective as of March 31, 2014, due to the existence of certain significant deficiencies which constituted a material weakness, as described in greater detail below. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement in our financial statements will not be prevented or detected on a timely basis.

Our principal deficiency was inadequate staffing and supervision that could lead to the untimely identification and resolution of accounting and disclosure matters. Other significant deficiencies that contributed to the material weakness were:

- Inadequate segregation of duties and cross training; and
- Continued reliance on manual systems to account for revenue and expenses.

### **Changes in Internal Control over Financial Reporting**

We are taking steps to make the necessary improvements to remedy these deficiencies. We have implemented certain remedial measures and are in the process of designing and implementing additional measures to remedy the material weakness. These include the following:

1. Our inadequate staffing and supervision is being addressed by reduction of workload through process optimization and documentation.

We intend to continue to improve our internal controls; however, our small size and financial resources continue to prevent us from being able to employ sufficient resources to enable us to have adequate segregation of duties within our internal control system. Management is required to apply its judgment in evaluating the cost-benefit.

### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Board of Directors has determined that we have a least one audit committee financial expert serving on the audit committee. Mr. Donald Gibbs, a member of the audit committee, is an audit committee financial expert and “independent” as that term is defined in the NASDAQ Listing Rules.

Mr. Gibbs is currently the Chief Financial Officer of Tweed Marijuana Inc.. Prior to Tweed Mr. Gibbs was Chief Executive Officer of AirIQ between June 2008 and April 2014. From April 2007, to June 2008, Mr. Gibbs was the Chief Executive Officer of Tarquin Inc. Since July of 2004, Mr. Gibbs has been the Chairman and Chief Executive Officer of Process Photonics Inc. From June 2001 to April 2004, Mr. Gibbs was the President and Chief Executive Officer of Original Solutions Inc. He is also the principal of his own consulting company, Donald R Gibbs and Associates which provides financial and management assistance to start-up corporations. Since 1970, Mr. Gibbs has held senior financial and executive positions in Mitel Corporation, Cognos Inc., Gandalf Systems Corporation, Positron Fiber Systems Inc., Gorilla Capital Inc., VIPswitch Inc. and Original Solutions Inc. Mr. Gibbs received his Bachelor of Commerce degree from the University of Ottawa and holds a professional designation as a Certified Management Accountant.

### **ITEM 16B. CODE OF ETHICS**

Our Board of Directors has adopted a code of conduct and ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our Chief Executive Officer, Chief Financial Officer, Comptroller, Vice Presidents and any other persons who perform similar functions for us. Our code of business conduct and ethics is posted on our website at [www.ZIM.biz](http://www.ZIM.biz). We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person’s written request.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

During the most recent two fiscal year ends, we were billed for audit, audit-related, tax and other services provided by Independent Registered Public Accounting Firm, Raymond Chabot Grant Thornton LLP, as follows:

	Year ended March 31, 2014	Year ended March 31, 2013
Audit fees	54,284	78,491
Tax fees	9,047	6,011
<b>Total</b>	<b>63,331</b>	<b>84,502</b>

*Audit Fees.* Audit fees were for professional services rendered for the audits of ZIM's consolidated financial statements and services that generally only the independent auditor can reasonably provide, such as comfort letters, consents and assistance and review of documents filed with the Securities and Exchange Commission.

*Tax Fees.* Tax fees were for tax compliance, tax advice and tax planning. These services included the preparation of the Canadian and subsidiaries' income tax returns in the respective jurisdictions, assistance with questions regarding tax audits from the various taxation authorities in Canada and tax planning relating to common forms of domestic and international taxation (i.e. income tax, capital tax and excise tax).

All audit and tax fees are estimated by the Independent Registered Public Accounting Firm and approved by the audit committee before they are performed. There were no significant differences between the approved estimates and final fees for fiscal years 2012, 2013 and 2014.

The audit committee's policy is to pre-approve all audit and permissible non-audit services provided by the Independent Registered Public Accounting Firm. These services may include audit services, audit-related services, tax services and other services. The policy prohibits retention of the Independent Registered Public Accounting Firm to perform the prohibited non-audit functions defined in section 201 of the Sarbanes-Oxley Act of 2002 or the rules of the SEC, and also considers whether proposed services are compatible with the independence of the public auditors. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Independent Registered Public Accounting Firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the Independent Registered Public Accounting Firm in accordance with this pre-approval and the fees for the services performed to date.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not Applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

**ITEM 16G. CORPORATE GOVERNANCE**

Not applicable.

**PART THREE****ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements prepared under United States generally accepted accounting principles, which appear in Item 18.

**ITEM 18. FINANCIAL STATEMENTS****REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****Board of Directors and Shareholders of ZIM Corporation**

We have audited the accompanying consolidated balance sheet of ZIM Corporation and subsidiaries (the "Company") as of March 31, 2014, and March 31, 2013, and the related consolidated statement of comprehensive income, shareholders' equity, and cash flows for the two years in the period ended March 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ZIM Corporation and subsidiaries as of March 31, 2014, and 2013, and the results of their operations and their cash flows for each of the two years in the period ended March 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ Raymond Chabot Grant Thornton LLP

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Raymond Chabot Grant Thornton LLP  
Chartered Accountants,  
Licensed Public Accountants  
Ottawa, Canada  
July 28, 2014

**REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****Board of Directors and Shareholders of ZIM Corporation**

We have audited the accompanying consolidated balance sheets of ZIM Corporation and subsidiaries as of March 31, 2012 and 2011 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ZIM Corporation and subsidiaries as of March 31, 2012 and 2011 and the results of their operations and their cash flows for each of the two years in the period ended March 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

/s/ Ernst and Young LLP

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Ernst and Young LLP  
Ottawa, Canada  
July 19, 2012



**ZIM Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
**(Expressed in US dollars)**

	March 31, 2014	March 31, 2013
<b>ASSETS</b>		
Current assets	\$	\$
Cash and cash equivalents	1,386,737	1,591,507
Accounts receivable, net of allowance for doubtful accounts of \$29,465 and \$NIL as of March 31, 2014 and 2012	123,669	154,471
Investment tax credits receivable	292,712	293,806
Other tax credits	139,623	126,517
Prepaid expenses	16,120	22,345
	<u>1,958,861</u>	<u>2,188,646</u>
Long term deposits	9,722	9,722
Investments	905	198,037
Intangible assets	13,814	24,615
Property and equipment, net	34,570	26,607
	<u>2,017,872</u>	<u>2,447,627</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	30,653	9,879
Accrued liabilities	55,320	66,591
Deferred revenue	225,465	217,065
	<u>311,438</u>	<u>293,535</u>
Shareholders' equity:		
Preferred shares, no par value, non-cumulative dividend at a rate to be determined by the Board of Directors redeemable for CDN \$1 per share. Unlimited authorized shares; NIL issued and outstanding shares at March 31, 2014 and 2013.		
	—	—
Common shares, no par value,		
Unlimited authorized shares; 135,460,867 shares issued and outstanding as at March 31, 2014 and 135,460,867 shares as at March 31, 2013.	19,362,796	19,362,796
Additional paid-in capital	2,943,966	2,865,740
Accumulated deficit	(20,664,842)	(20,313,500)
Accumulated other comprehensive income	64,514	239,056
	<u>1,706,434</u>	<u>2,154,092</u>
	<u>2,017,872</u>	<u>2,447,627</u>

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

**ZIM Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**(Expressed in US Dollars)**

	Year ended March 31, 2014 \$	Year ended March 31, 2013 \$	Year ended March 31, 2012 \$
<b>Revenue</b>			
Mobile	242,453	77,126	119,321
Software	104,733	175,140	473,448
Software maintenance and consulting	924,241	1,058,215	1,205,908
<b>Total revenue</b>	<u>1,271,427</u>	<u>1,310,481</u>	<u>1,798,677</u>
<b>Operating expenses</b>			
Cost of revenue	163,570	94,472	124,649
Selling, general and administrative	1,049,806	1,117,503	1,020,237
Research and development (net of investment tax credits)	298,358	205,330	244,488
Amortization of intangible assets	9,497	9,988	10,885
<b>Total operating expenses</b>	<u>1,521,231</u>	<u>1,427,293</u>	<u>1,400,259</u>
Operating income (loss) from continuing operations	<u>(249,804)</u>	<u>(116,812)</u>	<u>398,418</u>
Other income (expenses):			
Impairment of investment	(180,271)	(98,464)	—
Interest income, net	60,619	89,942	124,381
<b>Total other income (expense)</b>	<u>(119,652)</u>	<u>(8,522)</u>	<u>124,381</u>
Income (loss) from continuing operations and before income taxes	<u>(369,456)</u>	<u>(125,334)</u>	<u>522,799</u>
Income tax (recovery) expense (note 15)	(12,750)	66,781	48,342
<b>Income (loss) from continuing operations</b>	<u>(356,706)</u>	<u>(192,115)</u>	<u>474,457</u>
Gain (loss) from discontinued operations (Note 8)	5,364	(8,904)	(23,408)
<b>Net (loss) income</b>	<u>(351,342)</u>	<u>(201,019)</u>	<u>451,049</u>
Other comprehensive income, net of tax			
Foreign currency translation adjustment	(174,542)	(194,758)	(165,794)
<b>Comprehensive (loss) income</b>	<u>(525,884)</u>	<u>(395,777)</u>	<u>285,255</u>
	(0.003)	(0.002)	0.004
Basic and diluted (loss) income per share from continuing operations			
Basic and diluted loss per share from discontinued operations	(0.000)	(0.000)	(0.000)
<b>Weighted average number of shares outstanding</b>	<u>135,460,867</u>	<u>130,323,881</u>	<u>125,460,867</u>

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

**ZIM Corporation and Subsidiaries**  
**Consolidated Statements of Shareholders' Equity**  
(Expressed in US dollars)

	Number of common shares issued	Common shares \$	Additional paid-in capital \$	Accumulated deficit \$	Accumulated other comprehensive income \$	Total shareholders' equity \$
<b>Balance as at March 31, 2011</b>	125,460,867	19,262,796	2,798,275	(20,563,530)	599,608	2,097,149
Stock options granted			27,296			27,296
Comprehensive income						
Net income				451,049		451,049
Cumulative translation adjustment					(165,794)	(165,794)
<b>Balance as at March 31, 2012</b>	125,460,867	19,262,796	2,825,571	(20,112,481)	433,814	2,409,700
Shares issued in lieu of compensation	10,000,000	100,000				100,000
Stock options granted			40,169			40,169
Comprehensive income						
Net loss	(201,019)	(201,019)		(201,019)		(201,019)
Cumulative translation adjustment					(194,758)	(194,758)
<b>Balance as at March 31, 2013</b>	<u>135,460,867</u>	<u>19,362,796</u>	<u>2,865,740</u>	<u>(20,313,500)</u>	<u>239,056</u>	<u>2,154,092</u>

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

**ZIM Corporation and Subsidiaries**  
**Consolidated Statements of Shareholders' Equity (Continued)**  
(Expressed in US dollars)

	Number of common shares issued	Common shares \$	Additional paid-in capital \$	Accumulated deficit \$	Accumulated other comprehensive income \$	Total shareholders' equity \$
<b>Balance as at March 31, 2013</b>	135,460,867	19,362,796	2,865,740	(20,313,500)	239,056	2,154,092
Stock options granted			78,226			78,226
Comprehensive income						
Net loss				(351,342)		(351,342)
Cumulative translation adjustment					(174,542)	(174,542)
<b>Balance as at March 31, 2014</b>	<u>135,460,867</u>	<u>19,362,796</u>	<u>2,943,966</u>	<u>(20,664,842)</u>	<u>64,514</u>	<u>1,706,433</u>

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

**ZIM Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(Expressed in US dollars)

	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012
	\$	\$	\$
<b>OPERATING ACTIVITIES</b>			
Net (loss) income	(351,342)	(201,019)	451,049
Items not involving cash:			
Depreciation of property and equipment	10,953	11,844	14,986
Amortization of intangible asset	9,497	9,988	10,885
Impairment of investment	180,271	98,464	—
Stock-based compensation	78,226	140,169	27,296
Changes in operating working capital:			
Decrease (increase) in accounts receivable	30,802	36,825	(72,867)
Decrease (increase) in investment tax credits	1,094	(34,086)	13,376
Decrease (increase) in other tax credits	(13,106)	(85,793)	12,383
Increase in prepaid expenses	6,225	2,853	9,429
Increase (decrease) in accounts payable	20,774	(13,911)	(7,184)
Increase (decrease) in accrued liabilities	(11,271)	13,205	(35,947)
Increase (decrease) in deferred revenue	8,400	45,651	(70,371)
Cash flows (used in) provided by operating activities	<u>(29,477)</u>	<u>24,190</u>	<u>353,035</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	(18,917)	(4,580)	(9,977)
Investment in shares of Connecting People for Health Co-operative Ltd.	—	—	(187,367)
Cash flows used in investing activities	<u>(18,917)</u>	<u>(4,580)</u>	<u>(197,344)</u>
Effect of changes in exchange rates on cash and cash equivalents	(156,376)	(190,274)	(164,510)
<b>Decrease in cash and cash equivalents</b>	<b>(204,770)</b>	<b>(170,664)</b>	<b>(8,819)</b>
Cash and cash equivalents, beginning of year	<u>1,591,507</u>	<u>1,762,171</u>	<u>1,770,990</u>
Cash and cash equivalents, end of year	<u>1,386,737</u>	<u>1,591,507</u>	<u>1,762,171</u>

**ZIM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN US DOLLARS)**

**1 - NATURE OF OPERATIONS**

**COMPANY OVERVIEW**

ZIM Corporation (“ZIM” or the “Company”) is a provider of software products and services for the database and mobile markets. ZIM products and services are used by enterprises in the design, development and management of business, database and mobile applications. ZIM also provides mobile content to the consumer market.

**BUSINESS DEVELOPMENT**

ZIM was formed under the laws of Canada on October 17, 2002, in order to purchase ZIM Technologies International Inc. (“ZIM Technologies”), which was formed in 1997 to acquire the software technology now called the ZIM Integrated Development Environment (the “ZIM IDE software”). On February 10, 2004, ZIM purchased UK-based short messaging service (“SMS”) firms EPL Communications Limited and E-Promotions Limited (together referred to as “EPL”). During the fiscal year ended March 31, 2006, EPL was dissolved and all operations were transferred to ZIM Corporation in Canada. ZIM is also the sole shareholder of ZIM Technologies do Brazil Ltda., a company incorporated in Brazil that distributes the ZIM IDE Software, and PCI Merge, Inc., a Florida based holding company with no operations. Until March 31, 2004, ZIM was the sole shareholder of ZIM Technologies, a Canadian federal corporation and the chief operating company of the ZIM group of companies. On April 1, 2004, ZIM Corporation and ZIM Technologies amalgamated into ZIM Corporation. On April 1, 2006, ZIM purchased a US-based mobile content company called Advanced Internet Inc. (“AIS”).

**BUSINESS OF THE COMPANY**

ZIM started operations as a developer and provider of database software known as ZIM IDE software. ZIM IDE software is used by companies in the design, development, and management of information databases and mission critical applications. The Company continues to provide this software and support services to its client base.

Beginning in 2002, the Company expanded its business to include opportunities associated with mobile products. Prior to fiscal 2007, the Company focused on developing products and services for the wireless data network infrastructure known as “SMS” or “text messaging”. Although SMS will continue to provide a minimal amount of revenue within the mobile segment of ZIM’s operations, with the acquisition of AIS, the Company shifted its corporate focus to include offering mobile content directly to end users.

In fiscal 2008, ZIM added the ZIM TV service and in partnership with the International Table Tennis Federation (“ITTF”) provided development and hosting services for IPTV to ITTF end users. However, due to low sales volumes ZIM exited this market in fiscal 2009.

Revenue from the sale of mobile content for the fiscal year ended March 31, 2014 was \$349 as compared to \$22,773 for fiscal year ended March 31, 2013 and \$59,863 for fiscal year ended March 31, 2012. The decline was due to a highly competitive and saturated market resulting in a lower volume of downloads, partially offset by our pricing increases for these products. Due to the continuing decline and operational cost of this business on March 31, 2013 ZIM discontinued operations in this area.

**ZIM CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(EXPRESSED IN US DOLLARS)**

**2 - SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

**PRINCIPLES OF CONSOLIDATION**

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. The results of operations for acquisitions are included in these consolidated financial statements from the date of acquisition. Inter-company transactions and balances are eliminated upon consolidation.

**USE OF ESTIMATES**

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Estimates have been made by management in several areas, including, but not limited to, the realizability of accounts receivable and investments, the valuation allowance associated with deferred income tax assets, investment tax credits, expected useful life of property and equipment, the fair value calculation with respect to the stock options, and the accrued accounts receivable and accrued accounts payable related to our premium SMS business. Actual results may differ from those estimates.

**CASH AND CASH EQUIVALENTS**

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Accounts receivable are recorded at the invoiced amount net of an allowance for doubtful accounts. The Company determines its allowance for doubtful accounts by considering a number of factors, including the age of the receivable, the financial stability of the customer, discussions that may have occurred with the customer and management's judgment as to the overall collectability of the receivable from that customer. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to selling, general and administration accounts in the period of recovery.

**REVENUE RECOGNITION**

The Company derives revenue from two sources: enterprise software, including maintenance and consulting services and mobile services and applications. Enterprise software involves providing enterprise software for designing, developing and manipulating database systems and applications. Mobile services involve providing SMS and other content applications and services. The Company presents revenues net of sales tax and other related taxes.

**ZIM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN US DOLLARS)**

**ENTERPRISE SOFTWARE REVENUE RECOGNITION**

ZIM records revenues from the perpetual license of the Company's software products and the sale of related maintenance and consulting. The Company's standard license agreement provides a license to use the Company's products based on the number of licensed users. The Company may license its software in multiple element arrangements if the customer purchases any combination of maintenance, consulting or training services in conjunction with the license.

The Company recognizes revenue pursuant to the requirements of the ASC 985-605 "Software Revenue Recognition". Revenue is recognized using the residual method when Vendor-specific objective evidence of fair value exists for all of the undelivered elements in the arrangement, but does not exist for one or more delivered elements. The Company allocates revenue to each undelivered element based on its respective fair value determined by the price charged when that element is sold separately. The Company defers revenue for the undelivered elements and recognizes the residual amount of the arrangement fee, if any. The separate elements of the arrangements are considered to be separate units of accounting.

Revenue is recognized when the following four criteria have been met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred;
- The fee is fixed and determinable; and
- Collectability is probable.

The Company records revenue as earned as evidenced by contracts or invoices for its services at prices established by contract, price list and/or fee schedule less applicable discounts. If at the outset of an arrangement the Company determines that the arrangement fee is not fixed or determinable, revenue is deferred until the arrangement fee becomes due. If at the outset of an arrangement the Company determines that the collectability is not probable, revenue is deferred until payment is received.

Collectability is assessed based on the collection history of the client, current economic trends, customer concentrations and customer credit worthiness. Delivery of the software has occurred once the customer has accepted the product or has been provided with permanent keys to the file transfer protocol ("FTP") site. If an arrangement allows for customer acceptance of the software or services, the Company defers revenue recognition until the earlier of customer acceptance or when the acceptance right lapses.

**MAINTENANCE AND CONSULTING REVENUE RECOGNITION**

Maintenance revenues are recognized equally over the term of the maintenance contract. The liability relating to the received but unearned portion of maintenance revenues is recognized as deferred revenues.



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Consulting revenue, which represents services provided on a per diem basis to customers, is recognized as the services are performed as there are no customer acceptance provisions involved in these types of arrangements.

In general, credit terms of 30 days are extended to customers with a small number of customers receiving longer payment terms based on the long standing relationship with ZIM.

**MOBILE REVENUE RECOGNITION**

Revenues from the Company's mobile segment are derived principally from providing aggregation services and from their mobile content portals.

**Aggregation services.** Aggregation services occur when ZIM sends messages from its content provider customers through mobile operators to end users on their cell phones. In this situation, the Company contracts with its customers that cannot connect directly to the mobile operators and with the third party mobile operators or other aggregators directly for the transmission of the messages. Net revenues are recognized in the month in which the service is performed, provided no significant ZIM obligations remain. ZIM relies on a number of mobile network operators and other aggregators globally to deliver its services. Generally, (i) within 15 to 45 days after the end of each month, ZIM receives a statement from each of the operators or aggregators confirming the amount of charges billed to that operator's mobile phone users and (ii) within 30 to 90 days after delivering a monthly statement, each operator or aggregator remits the fees for the month to ZIM. ZIM arranges to pay the mobile content provider a set amount per message under a revenue sharing arrangement. ZIM nets this revenue share fee against the revenue it receives from the mobile operators in accordance with ASC 605.

Revenues are recorded on a net basis as the mobile content provider is the primary obligor in the transaction as they manage and market the content, which ZIM then distributes. ZIM's role within the transaction is limited to providing transportation and a billing mechanism for the mobile content provider.

**Mobile content portals.** On April 1, 2006, ZIM acquired two internet portals offering mobile content. Consumers are able to download ring tones and wallpapers directly from the internet sites to their mobile phones. The majority of consumers choose to pay for the content with their credit card with the balance of consumers paying through the use of a premium message. If they use a premium message to pay for their content, the charge is paid on their cell phone bill.

Revenues from all sales are recorded on a gross basis as ZIM manages and markets the content ZIM distributes. Revenue on mobile content is recognized at the point of sale, when the customer purchases content from the websites.

**RESEARCH AND DEVELOPMENT EXPENSES**

Costs related to research, design and development of products and applications are charged to research and development expense as incurred. Software development costs are capitalized beginning when a product's technological feasibility has been established, which generally occurs upon completion of a working model, and ending when a product is available for general release to customers. All subsequent costs are expensed as incurred. To date, completing a working model of the Company's products and the general release of the products has substantially coincided. The Company has not capitalized any software development costs since such costs have not been significant.

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The Company qualifies for scientific research and experimental development refundable investment tax credits. These credits are recorded as a reduction of research and development expense when it is more likely than not that the credits will be realized. Other non-refundable investment tax credits not utilized in the current year can be used to offset income taxes in future years.

**INVESTMENTS**

Investments in other companies are not available for sale and are recorded at the historical cost in the base currency of the investment. At such time as the investment does become available for sale the investment will be adjusted to fair market value with the increase or decrease in value booked to the income statement.

**TRANSLATION OF FOREIGN CURRENCIES**

The Company's reporting currency is the US dollar and the functional currency is the Canadian dollar for ZIM Corporation, US Dollar for AIS and Brazilian Reals for ZIM do Brazil.

The accounts of the Company's subsidiaries that are recorded in their respective functional currencies, remeasure their foreign currency transactions as follows: gains or losses from foreign currency transactions such as those resulting from the settlement of receivables or payables denominated in foreign currency, are remeasured at the weighted average exchange rates for the period and are included in the statement of operations of the current period. For the years ended March 31, 2014, 2013, and 2012, the Company recognized a foreign exchange gain of \$4,433, a foreign exchange loss of \$460, and a foreign exchange loss of \$4,064, respectively, in the accompanying consolidated statements of operations included in the selling, general and administration line.

The translation of the Company's financial statements from the functional currency to its reporting currency is performed as follows: all assets and liabilities are translated into US dollars at the rate of exchange in effect at the balance sheet date. Equity transactions are translated at the exchange rate in effect at the date of the transaction. Revenues, expenses and cash flow amounts are translated at the weighted average exchange rates for the period. The resulting translation adjustments are included in other comprehensive income in shareholders' equity. The translation adjustments did not result in a tax impact.

**INCOME TAXES**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. When necessary, a valuation allowance is recorded to reduce the tax assets to an amount for which realization is more likely than not. The effect of changes in tax rates is recognized in the period in which the rate change occurs.

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**EARNINGS PER SHARE**

Basic earnings per share are computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share are calculated giving effect to the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to such shares at the later of the beginning of the period or the issuance date. This method is used to determine the dilutive effect of common shares. The treasury stock method is used to determine the dilutive effect of warrants and stock options. The treasury stock method assumes that proceeds received from the exercise of in-the-money share purchase warrants and stock options are used to repurchase common shares at the average market price during the period.

**STOCK OPTIONS AND GRANTS**

Compensation cost for all stock-based awards is measured at fair value on the date of grant and recognized as compensation expense over the service period for awards expected to vest. Stock-based awards granted to consultants are measured at fair value on the grant date and compensation expense is recognized on the date at which the consultant's performance is complete which, for the Company, is on the date of grant.

The fair value of stock options is determined using the Black Scholes-Merton option pricing model. The expected dividend yield is based on historical dividend payouts, the expected volatility is based on historical volatilities of company stock (management believes that the historical volatility is an appropriate measure of expected volatility) for a period approximating the expected life; the risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option; and the expected life represents the period of time the options are expected to be outstanding and is based on historical trends. The weighted average assumptions used in the computations are as follows:

	<u>Year ended</u> <u>March 31, 2014</u>	<u>Year ended</u> <u>March 31, 2013</u>	<u>Year ended</u> <u>March 31, 2012</u>
Risk-free interest rates	0.64%	0.39%	0.31%
Expected volatility	443%	156%	78%
Dividend yield	-	-	-
Expected life of options (years)	3.0	3.0	3.0

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**PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the underlying assets using the following methods and rates:

Computer equipment	40%	Declining balance
Software	40%	Declining balance
Office furniture and equipment	20% to 40%	Declining balance
Voice communications equipment	20%	Declining balance
Leasehold improvements	5 years	Straight line over the lesser of 5 years or the term of the underlying lease

**IMPAIRMENT OF PROPERTY AND EQUIPMENT**

Property and equipment is tested for impairment when evidence of a decline in value exists, and adjustments to estimated fair value are made if the asset is impaired. Whenever events and circumstances indicate that the Company may not be able to recover the net book value of its productive assets, that the assets are deemed impaired and are to be written down to their estimated fair value through a charge to earnings. The guidance states that fair values may be estimated using discounted cash flow analysis or quoted market prices, together with other available information. The Company reviewed its property and equipment assets for impairment to determine if there were events or changes in circumstances that would indicate that the carrying amount of the assets may not be recoverable through future cash flows. It was determined that no impairment was evident for the years ended March 31, 2014 and 2013.

**INTANGIBLE ASSETS**

Intangible assets, which consist of database migration methodologies and software, are determined to have finite lives and are amortized on the straight-line method over their estimated useful lives, which is 60 months.

Intangible assets are tested for impairment when evidence of a decline in value exists, and adjustments to estimated fair value are made if the asset is impaired. Whenever events and circumstances indicate that the Company may not be able to recover the net book value of its productive assets, the assets are deemed impaired and are to be written down to their estimated fair value through a charge to earnings. Fair values may be estimated using discounted cash flow analysis or quoted market prices, together with other available information. During the year, the Company reviewed its intangible assets for impairment to determine if there were events or changes in circumstances that would indicate that the carrying amount of the assets may not be recoverable through future cash flows. It was determined that no impairment was evident for the years ended March 31, 2014 and 2013.

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**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company's management believes that the impact of recently issued standards that are not yet effective will not have any significant impact on the consolidated financial statements upon adoption.

In July 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-11, *Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ("ASU 2013-11"). ASU 2013-11 updates accounting guidance related to the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This guidance resolves the diversity in practice in the presentation of unrecognized tax benefits in those instances. This guidance is effective prospectively for annual periods beginning after December 15, 2013 and interim periods within those annual periods. The Company plans to adopt ASU 2013-11 beginning April 1, 2014. The Company does not anticipate that these changes will have a significant impact on its consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05, *Foreign Currency Matters (Topic 830) Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* ("ASU 2013-05"). ASU 2013-05 updates accounting guidance related to the application of consolidation guidance and foreign currency matters. This guidance resolves the diversity in practice about what guidance applies to the release of the cumulative translation adjustment into net income. This guidance is effective prospectively for annual periods beginning after December 15, 2013 and interim periods within those annual periods. The Company plans to adopt ASU 2013-05 beginning April 1, 2014. The Company does not anticipate that these changes will have a significant impact on its consolidated financial statements.

In February 2013, the Financial Accounting Standards Board (FASB) issued revised accounting guidance on the reporting of reclassifications out of accumulated other comprehensive income. The amendment requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount is required to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. This guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2012, which for the Company is the fiscal year beginning April 1, 2013. This guidance did not have a material impact on the Company.

**3 - ACCOUNTING FOR UNCERTAIN TAX POSITIONS**

The Company recognizes any interest accrued related to unrecognized tax benefits in interest and penalties in income tax benefit in the Consolidated Statement of Operations.

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**4 - ACCOUNTS RECEIVABLE**

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	\$	\$
Trade accounts receivable	118,079	171,612
Allowance for doubtful accounts	-	(29,465)
Travel advances	-	11,898
Other	5,590	426
	<u>123,669</u>	<u>154,471</u>

**5 – INVESTMENTS AND LONG TERM DEPOSITS**

Investments and long term deposits	Original Cost	Carrying Value
Seregon	95,147	-
CP4H	187,367	-
LW Capital Pool	10,290	9,722
Hosted Bizz	1,005	905

On October 21, 2009, ZIM Corporation made a \$95,147 investment in Seregon Solutions Inc.

The investment consisted of the purchase of 61,480 common shares and 69,677 warrants. Depending on the fiscal 2010 results of Seregon each warrant was convertible, at no cost to ZIM, to a portion of a common share or would have expired with no action. The warrants converted during fiscal 2011 and ZIM gained an additional 69,677 common shares to a total of 131,157. With the additional shares provided to ZIM, ZIM did not gain significant influence, or control, over Seregon.

Due to a significant downturn in the business outlook for Seregon, ZIM has determined that this investment is fully impaired and, on March 31, 2013, has taken an impairment charge equal to the full value of the investment.

On June 29<sup>th</sup>, 2011, ZIM Corporation made an equity investment in Connecting People For Health Co-operative Ltd. The investment consisted of the purchase of 200 common shares at a price of \$187,367.

Connecting People for Health Co-operative Ltd. (CP4H) is owned by a large and varied base of co-operatives and Credit Unions that span Atlantic Canada. CP4H has created HealthConnex as a healthcare service for its members. CP4H has been promoting and working toward a more user-driven health care system since it was founded in 2006 by the co-op and credit union sector.

HealthConnex is a health portal providing tools for patients to drive positive change in the health care system, from the patient up. The HealthConnex internet portal provides convenient services and a pay engine that allow patients to connect with their health care team in new and innovative ways. In addition, HealthConnex purchased Benneworth Advanced Systems and the Medical Office Manager product (MOM) which was developed using ZIM's core database technology and language.

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ZIM's investment in CP4H is strategic in nature as it provides the company with indirect access to the 1800 medical professionals using MOM and future product opportunities.

The equity interest in CP4H by ZIM is less than 10% and ZIM has no significant influence, over the corporate decisions of CP4H at this time. Based on these facts the investment has been accounted for using the cost method.

Due to material changes in the business outlook for CP4H, ZIM has determined that this investment is fully impaired and, on March 31, 2014, has taken an impairment charge equal to the full value of the investment net of the foreign exchange impact.

**6 – INTANGIBLE ASSETS**

On October 27th, 2010, ZIM purchased all of the technology assets of Torch Technologies for the sum of \$50,000 Canadian dollars (\$51,451 United States dollars). The assets include database migration methodologies and software assets.

The Company has recorded the acquired technology assets as intangible assets on the consolidated balance sheet. This asset is being amortized over 60 months on a straight line basis. Amortization expense for fiscal 2014 was \$9,497 and the net book value as at March 31, 2014, was \$13,814. Amortization expense for fiscal 2013 was \$9,988 and \$10,885 for fiscal 2012. Net book value as at March 31, 2013, was \$24,615.

**7 - PROPERTY AND EQUIPMENT**

<b>March 31, 2014</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
	\$	\$	\$
Computer equipment	988,352	972,102	16,250
Software	85,957	84,718	1,239
Office furniture and equipment	211,862	196,462	15,400
Voice communications equipment	5,696	4,871	825
Leasehold improvements	144,669	143,813	856
	<b>1,436,536</b>	<b>1,401,966</b>	<b>34,570</b>

  

<b>March 31, 2013</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
	\$	\$	\$
Computer equipment	1,031,033	1,024,223	6,810
Software	105,937	95,509	10,428
Office furniture and equipment	230,010	222,634	7,376
Voice communications equipment	25,115	23,304	1,811
Leasehold improvements	152,180	151,998	182
	<b>1,544,275</b>	<b>1,517,668</b>	<b>26,607</b>

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Depreciation expense for the year ended March 31, 2014 was \$10,953 (\$11,844 and \$14,986 for the year ended March 31, 2013 and 2012 respectively). These expenses are included in the cost of revenue account, the selling, general, and administration account and the research and development account.

**8 – DISCONTINUED OPERATIONS**

Revenue from the sale of mobile content for the fiscal year ended March 31, 2014 was \$349 as compared to \$22,773 for fiscal year ended March 31, 2013 and \$59,863 for fiscal year ended March 31, 2012. The decline was due to a highly competitive and saturated market resulting in a lower volume of downloads, partially offset by our pricing increases for these products. Due to the continuing decline and operational cost of this business on March 31, 2013 ZIM discontinued operations in this area.

	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2012
Revenue	349	22,773	59,863
Cost of revenue	5,015	(4,705)	(33,731)
Selling, general and administrative	-	(22,005)	(33,960)
Research and development	-	(4,967)	(15,580)
Income (loss) from discontinued operations	5,364	(8,904)	(23,408)

At April 1<sup>st</sup> 2014, internal resources related to the operation of this business were reassigned to tasks related to ZIM's enterprise software business. All remaining current assets and current liabilities at March 31, 2013 have been discharged in the first quarter of fiscal 2014 as the business is dissolved. The dissolution will have no material impact on the financial performance of the Company including no significant impact on cashflow. The wind up of the assets and liabilities in fiscal 2014 resulted in a gain from discontinued operations of \$5,364.

**9 – LINE OF CREDIT**

During fiscal 2014, a working capital line of credit was available at approximately \$45,237 (equivalent to \$50,000 Canadian, the Company's functional currency) from the Company's major financial institution. This credit facility is secured by the Company's assets. Amounts drawn on this credit facility bear interest at the prime rate, as published by the Royal Bank of Canada, plus 1.75%.

In order to maintain the working capital line of credit the Company must maintain a Tangible Net Worth of greater than \$150,000 Canadian dollars (equivalent to \$135,710 US dollars) and a ratio of current assets to current liabilities greater than 1.10:1. During fiscal years 2012, 2013 and 2014 the Company has not been in violation of these covenants.

As at March 31, 2012, March 31, 2013 and March 31, 2014 nothing was drawn down on this line of credit. The line of credit does not have defined expiration or renewal dates.



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**10 - ACCRUED LIABILITIES**

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
	\$	\$
Employee related accruals	57,491	64,057
Withholding tax accrual	(1,627)	(2,081)
Trade	(544)	4,615
	<u>55,320</u>	<u>66,591</u>

**11 – COMMON SHARE ISSUE**

The Company did not issue any common shares, except for those issued as compensation as described in notes 12 and 13, during the years ended March 31, 2014 or March 31, 2013 pursuant to the exercise of stock options by employees and the granting of stock for executive officers.

On November 12, 2009, the Board of Directors approved a share repurchase plan. Shares may be repurchased by the company to a maximum of \$200 per day and \$12,000 per quarter. The repurchase program has no expiration date. As of March 31, 2014 no shares have been repurchased as part of this program.

**12 - RELATED PARTY TRANSACTIONS**

No remuneration has been recorded in these financial statements for the services of the Chief Executive Officer (CEO) for the fiscal year 2014, 2013 and 2012 except for the 5,000,000 shares of common stock, valued at \$50,000 issued on July 7, 2012 and for stock options issued through the year with a fair market value of \$8,501, \$19,953, and \$2,001 for the fiscal years 2014, 2013 and 2012 respectively. The CEO is also a director and the controlling shareholder.

A director of the Company is a director and principal owner of a company that provides hosting services to ZIM. During the fiscal year ending March 31, 2014 the company paid \$23,993 for these hosting services.

**13 - STOCK BASED COMPENSATION**

During the year ended March 31, 2014 and March 31, 2013, the Company issued common shares and options to employees and non-employees, and as a result, common shares and additional paid in capital has been increased by \$78,226 and \$140,169 respectively.

On July 2, 2012, Dr. Cowpland received 5,000,000 of the Company's common shares as compensation in lieu of salary for services provided to the Company. An amount of \$50,000 in stock based compensation expense was recorded during the year ended March 31, 2013, which represents the fair value of the shares on the date of the grant.

On July 2, 2012, Mr. Stechyson received 5,000,000 of the Company's common shares as compensation in lieu of cash for services provided to the Company. An amount of \$50,000 in stock based compensation expense was recorded during the year ended March 31, 2013, which represents the fair value of the shares on the date of the grant.

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The increase in additional paid in capital is the value associated with the common shares issued and the vesting of options, which is recorded as compensation expense in the statement of Comprehensive Income as a part of selling, general and administrative expense.

Under ZIM's Employee Stock Option Plan, the Company may grant options to its officers, directors and employees for up to 27,200,000 common shares. As at March 31, 2014, 15,574,558 (March 31, 2013, 20,124,485) options were outstanding under the Employee Stock Option Plan. In addition, 6,010,000 (March 31, 2011, 6,010,000) options were issued outside of ZIM's Employee Stock Option Plan and are outstanding. Stock options are granted with an exercise price equal to the common share's fair market value at the date of grant. Options are granted periodically and both the maximum term of an option and the vesting period are set at the Board's discretion. All options granted in fiscal year 2014 vested on the day of the grant and have a three year term. The expected life of the grants due to forfeitures and exercise of options is estimated based on recent history and is 3.0 years.

The Company recognized the following expense relating to stock options and grants:

	<b>Year ended March 31, 2014</b>	<b>Year ended March 31, 2013</b>	<b>Year ended March 31, 2012</b>
	\$	\$	\$
Options compensation expense for employees	22,731	31,387	3,339
Options compensation expense for consultants	55,495	8,782	23,957
Stock grant compensation expense for executive officers	-	100,000	-
Total expense	<u>78,226</u>	<u>140,169</u>	<u>27,296</u>

All options granted vested on the day of the grant resulting in the Company not having any non-vested awards as of March 31, 2014 or March 31, 2013.

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A summary of the status of the stock options is as follows:

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<b>Number of options</b>	<b>Number of options</b>
	<b>outstanding</b>	<b>outstanding</b>
Options outstanding, beginning of year	26,134,485	26,037,985
Granted	5,582,101	10,628,862
Expired	(10,132,028)	(10,532,362)
Options outstanding, end of year	<u>21,584,558</u>	<u>26,134,485</u>

The following table represents a summary of the options outstanding as at March 31, 2014:

<b>Range of exercise prices</b>	<b>Options outstanding and exercisable</b>	
	<b>Number outstanding at March 31, 2014</b>	<b>Weighted average remaining contractual life</b>
\$		Years
0.002-0.004	7,893,019	1.75
0.004-0.008	410,000	0.50
0.008-0.012	8,656,938	0.81
0.016-0.020	4,624,601	2.52
	<u>21,584,558</u>	<u>1.51</u>

The weighted average grant-date fair value of options granted and vested in fiscal 2014 and 2013 were \$0.0139 and \$0.0045 respectively.

As at March 31, 2014 there were 16,002,457 options in the money with a total intrinsic value of \$79,625.

**EMPLOYEE AND NON-EMPLOYEE OPTIONS**

During the year ended March 31, 2014, 1,682,725 options were granted to employees. In the year ended March 31, 2013, 8,908,862 options were granted to employees.

During the year ended March 31, 2014, 3,899,376 options were granted to non-employees. In the year ended March 31, 2013, 1,720,000 options were granted to non-employees.

No options have been granted with exercise prices below the market price on the respective grant dates during the year ended March 31, 2014 or March 31, 2013.

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**14 - INTEREST**

	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012
	\$	\$	\$
Interest income	70,621	97,630	132,210
Interest expense	(10,002)	(7,688)	(7,829)
Total	60,619	89,942	124,381

**15 - INCOME TAXES**

The Company recognizes in its financial statements the impact of a tax position if that position is more likely than not of not being sustained on an audit, based on the technical merits of the position.

The Company and its subsidiaries file income tax returns in Canadian, Brazil and U.S. federal jurisdictions, and various provincial jurisdictions. The Company's federal income tax returns are generally subject to examination for a period of three years after filing of the respective return in the U.S. and Canada and five years in Brazil.

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial income tax rates to loss before taxes, as follows:

	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012
	\$	\$	\$
Tax Rate, comprised of a federal rate of 11.00% and a provincial rate of 4.50%	15.50%	15.50%	15.50%
Expected Canadian Income Tax (Recovery)	(54,458)	(19,427)	81,034
Change in valuation allowance	6,700	(66,568)	(194,181)
Expired Ontario transitional tax credit	-	86,409	-
Permanent differences	11,778	19,212	4,409
Difference between Canadian and foreign tax rates	(2,555)	21,921	22,994
Adjustments to deferred tax assets	7,723	18,913	137,219
Other	23,116	6,321	(3,133)
	(12,750)	66,781	48,342

The change in valuation allowance for originating temporary differences and losses available for carry forward, is calculated using an expected deferred tax rate of 15.50%, based on the application of the Small Business Deduction. The rate at which such amounts may be realized as disclosed as part of a deferred tax asset and related valuation allowance takes into account the enacted tax rate decreases over the expected period of realization.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN US DOLLARS)**

Refundable investment tax credits for research and development in Canada of \$292,712, \$293,806, and \$300,769 for the years ended March 31, 2014, March 31, 2013 and March 31, 2012, respectively is netted against research and development expense. The investment tax credits are subject to review and approval by taxation authorities and it is possible that the amounts granted will be different from the amounts recorded by the Company.

Deferred income taxes reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The tax effects of temporary differences that gave rise to significant portions of the deferred tax asset and deferred tax liability are as follows:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
	\$	\$
Temporary differences		
Losses available for carry forward	457,305	606,480
Property and equipment - differences in net book value and unamortized capital cost	142,471	153,376
Intangible assets - differences in net book value and tax basis	250,445	271,028
Unused scientific research and experimental development amounts deductible and investment tax credits available for carry forward	882,277	928,540
Other	<u>55,722</u>	<u>30,617</u>
Gross deferred tax asset	1,788,220	1,990,041
Valuation allowance	<u>(1,788,220)</u>	<u>(1,990,041)</u>
Net deferred tax asset	<u>—</u>	<u>—</u>

The Company has federal and provincial non-capital losses available to reduce taxable income in Canada, which expire in the following years:

	<u>Federal &amp; Provincial</u>
	\$
2014	-
2015	1,463,622
2026	909,156
2027	<u>369,988</u>
	<u>2,742,766</u>

**ZIM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN US DOLLARS)**

The Company has capital losses of \$415,176, which are available indefinitely to reduce capital gains in future years as of March 31, 2014.

As at March 31, 2014, the Company had accumulated unclaimed federal and provincial scientific research and experimental development deductions of approximately \$3,964,816 (\$3,438,796 in 2013). This amount can be carried forward indefinitely to reduce income taxes payable in future years.

The Company has federal scientific research and experimental development credits available to reduce income taxes in Canada, which expire in the following years:

2019	6,014
2020	-
2021	16,356
2022	320,475
2023	2,057
2024	2,577
2025 to 2033	11,278
	<u>358,757</u>

**16 - EARNINGS (LOSS) PER SHARE**

For the purposes of the earnings (loss) per share computation, the weighted average number of common shares outstanding has been used.

The following securities are considered "in the money" and could potentially dilute the basic earnings per share in the future but have not been included in diluted earnings per share because their effect was antidilutive:

	<b>March 31, 2014</b>	<b>March 31, 2013</b>	<b>March 31, 2012</b>
Stock options	16,002,457	7,893,019	2,910,843

Total options outstanding at March 31, 2014, 2013 and 2012 were 21,584,558, 26,134,485, and 26,037,985 respectively.

**17 - FINANCIAL RISKS**

**FOREIGN EXCHANGE RISK**

The Company operates internationally, giving rise to significant exposure to market risks from fluctuations and the degree of volatility of foreign exchange rates. The Company is exposed to exchange risk due to the timing of the movement of funds between subsidiaries and the parent company related to the transfer pricing agreement and the pricing of contracts in non-functional currencies. A hypothetical 10% change in the value of one Brazilian real expressed in U.S. dollars during the year ended March 31, 2014 would have caused an approximate \$85,000 change in the Company's revenue for the fiscal year 2014. Financial instruments denominated in foreign currencies that lead to foreign exchange risk when funds are moved include:

**ZIM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN US DOLLARS)**

Cash and cash equivalents of \$1,386,737 are comprised of \$44,446 in cash and \$1,342,291 in cash equivalents. The cash equivalents of \$1,342,291 at March 31, 2014 (\$1,591,507 at March 31, 2013, \$1,517,976 at March 31, 2012) are comprised of:

Held in Canada:

TD Waterhouse at 1.25% - \$184,286 (\$203,697 CDN) – No Maturity

TD Waterhouse at 1.25% - \$184,556 (\$203,955 CDN) – No Maturity

Held in Brazil:

Bank Deposit Certificate (CDB) at 8% per annum plus inflation - \$973,475 (R\$2,193,994)- No Maturity. Of these deposits \$79,866 (R\$180,000) are secured by Government Deposit Insurance.

Cash and cash equivalents includes the following amounts in their source currency:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Canadian dollars	416,037	571,384
US dollars	10,364	18,404
Brazilian reals	2,253,710	2,017,114
British pounds	-	1,385
Euros	-	5,524

Accounts receivable include the following amounts receivable in their source currency:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Canadian dollars	29,614	32,012
US dollars	19,582	52,992
Brazilian reals	174,206	207,857

Accounts payable include the following amounts payable in their source currency:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Canadian dollars	29,255	7,258
US dollars	1,084	2,382
Brazilian reals	6,988	706

**ZIM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN US DOLLARS)**

Accrued liabilities include the following accruals in their source currency:

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Canadian dollars	49,356	47,807
US dollars	-	5,171
Brazilian reals	24,038	28,931

The Company does not use derivative financial instruments to reduce its foreign exchange risk exposure.

**CREDIT RISK**

The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. Credit exposure is minimized by dealing with only creditworthy counterparties in accordance with established credit approval policies.

Concentration of credit risk in accounts receivable is indicated below by the percentage of the total balance receivable from customers in the specified geographic area:

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
Canada	22%	17%
North America, excluding Canada	16%	28%
South America	62%	55%
	100%	100%

**FAIR VALUE**

The carrying values of accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

**18 – COMMITMENTS AND CONTINGENCIES**

**OPERATING LEASE COMMITMENTS**

The Company has the following financial commitments related to minimum rent expenses for facilities:

	<b>\$</b>
2015	50,084
2016	29,216
Total	79,300

For the year ended March 31, 2014, facilities expense was \$122,227 (\$130,472 for the year ended March 31, 2013 and \$132,927 for the year ended March 31, 2012). The lease was renewed for 5 years on November 1, 2010.



**ZIM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN US DOLLARS)**

**Contingencies**

In the normal course of business, the Company is subject to litigation, claims and assessments; the Company has concluded that a material loss or negative impact on operations or cash flows from such matters is not reasonably possible.

**OTHER**

The Company is committed to pay an unrelated third party \$75,000 upon the listing of ZIM Corporation's common shares on a national securities exchange.

**19 - SUPPLEMENTAL CASH FLOW DISCLOSURE**

	Year ended March 31, 2014	Year ended March 31, 2013
	\$	\$
Interest paid	(10,002)	(7,688)
Income taxes paid	(3,661)	(68,295)
Investment tax credit on research and development received	333,106	357,477

**20 - SEGMENT REPORTING**

The Company operates in two reportable segments based on product differentiation: mobile and enterprise software. Mobile applications involve providing SMS and other content applications and services for mobile devices. Enterprise software involves providing enterprise software for designing, developing and manipulating database systems and applications.

The Company considers all revenues and expenses to be of an operating nature and accordingly, allocates them to the segments. Costs specific to a segment are charged directly to the segment. Company operating expenses are allocated to either of the segments based on gross revenues. Significant assets of the Company include working capital, an investment and property and equipment. The accounting policies of the reportable segments are the same as those described in the summary of the significant accounting policies.

The following table sets forth external revenues, cost of revenues (including depreciation expense), operating expenses (including depreciation expense) and other amounts attributable to these product lines:

**ZIM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN US DOLLARS)**

<b>Year ended March 31, 2014</b>	<b>Mobile</b>	<b>Software</b>	<b>Total</b>
	\$	\$	\$
Revenue	242,453	1,028,974	1,271,427
Cost of revenue	7,036	156,534	163,570
Gross margin	235,417	872,440	1,107,857
Allocation of operating expenses	288,500	1,069,162	1,357,661
Impairment of investment	-	180,271	180,271
Allocation of interest income, net	(12,881)	(47,738)	(60,619)
Income taxes	(2,709)	(10,041)	(12,750)
	272,909	1,191,654	1,464,563
Net loss	(37,492)	(319,214)	(356,706)
<b>Year ended March 31, 2013</b>	<b>Mobile</b>	<b>Software</b>	<b>Total</b>
	\$	\$	\$
Revenue	77,126	1,233,355	1,310,481
Cost of revenue	8,811	85,661	94,472
Gross margin	68,315	1,147,694	1,216,009
Allocation of operating expenses	74,878	1,257,944	1,332,821
Allocation of interest income, net	(5,053)	(84,889)	(89,942)
Impairment of investment	98,464	-	98,464
Income tax recovery	3,752	63,029	66,781
	172,040	1,236,084	1,408,124
Net loss	(103,725)	(83,390)	(192,115)
<b>Year ended March 31, 2012</b>	<b>Mobile</b>	<b>Software</b>	<b>Total</b>
	\$	\$	\$
Revenue	119,321	1,679,356	1,798,677
Cost of revenue	11,483	113,166	124,649
Gross margin	107,838	1,566,190	1,674,028
Allocation of operating expenses	82,173	1,193,437	1,275,610
Allocation of interest income, net	(8,012)	(116,369)	(124,381)
Income taxes	3,114	45,228	48,342
	77,274	1,122,297	1,199,571
Net income	30,564	443,893	474,457

**ZIM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN US DOLLARS)**

In the year ended March 31, 2014 one customer accounted for 16% of revenue and no customers generated over 10% of revenue for the year ended March 31, 2013 and 2012.

The following table sets forth total assets used by each segment:

<b>TOTAL ASSETS</b>	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<u>\$</u>	<u>\$</u>
Mobile	384,795	144,051
Software	1,633,077	2,303,576
<b>Total assets</b>	<b><u>2,017,872</u></b>	<b><u>2,447,627</u></b>

The following tables set forth external revenues and long-lived assets attributable to geographic areas. External revenues are based on the location of the customer:

	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<u>\$</u>	<u>\$</u>
<b>Long-lived assets</b>		
Canada	30,851	24,354
Brazil	3,719	2,253
<b>Total long-lived assets</b>	<b><u>34,570</u></b>	<b><u>26,607</u></b>

<b>Total Revenue</b>	<b>Year ended March 31, 2014</b>	<b>Year ended March 31, 2013</b>	<b>Year ended March 31, 2012</b>
	<u>\$</u>	<u>\$</u>	
United States	81,407	76,919	143,761
United Kingdom	-	20,946	44,436
Europe	16,373	-	67,077
Brazil	851,774	1,015,248	1,074,938
Canada	77,414	63,705	373,631
Singapore	219,228	47,762	60,187
Other	25,232	85,901	34,647
<b>Total revenue</b>	<b><u>1,271,427</u></b>	<b><u>1,310,481</u></b>	<b><u>1,798,677</u></b>

Management evaluates each segment's performance based upon revenues and gross margins achieved.

**21 – SUBSEQUENT EVENTS**

On April 3, 2014 LW Capital Pool Inc. ("LWCPI") completed a reverse takeover transaction with Tweed Marijuana Inc. ("Tweed") and in exchange for its investment in LWCPI ZIM received 20,000 shares of Tweed. Because the business of Tweed is not part of the business ZIM is pursuing, ZIM has categorized the shares of Tweed as available for sale subsequent to year-end.

**ZIM CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN US DOLLARS)**

On April 11, 2014 the Company sold its shares of Tweed of a net gain of \$71,842 Canadian Dollars, which at the prevailing exchange rate of 1.0979 equals \$65,436 United States Dollars. Transaction fees amounted to \$727.

**ITEM 19. EXHIBITS.**

See the Exhibit Index hereto.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ZIM Corporation  
(Registrant)

By /s/ Michael Cowpland

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Michael Cowpland (President and CEO)

Date: July 29, 2014

## EXHIBIT INDEX

Exhibit Number	EXHIBIT
1.1	Articles of Incorporation of the Registrant (Incorporated by reference to the Registrant's Registration Statement on Form S-4 filed on November 1, 2002 (No. 333-100920))
1.2	By-Laws of the Registrant (Incorporated by reference to the Registrant's Registration Statement on Form S-4 filed on November 1, 2002 (No. 333-100920))
4.10	Employee Stock Option Plan, as amended September 22, 2005 (Incorporated by reference to Appendix A to the Registrant's Proxy Statement filed August 19, 2005)
4.11	Form of Stock Option Agreement under Employee Stock Option Plan (Incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-KSB filed June 28, 2006)
4.12	Form of Non-Qualified Stock Option Agreement between the Registrant and each of Michael Cowpland, James Stechyson, Steve Houck and Charles Saikaley, dated, 2001 (Incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-KSB filed June 28, 2006)
4.13	ZIM SMS Gateway Agreement with SIT Consulting, dated October 27, 2004 (Incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-KSB filed June 28, 2006)
4.14	Secured Senior Promissory Note dated March 31, 2006 between ZIM Corporation and Advanced Telecom Services, Inc. (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed April 4, 2006)
4.15	Loan Agreement dated August 11, 2005 between ZIM Corporation and Dr. Michael Cowpland (Incorporated by reference to Exhibit 10.11 to the Registrant's Current Report on Form 8-K filed August 11, 2005)
4.16	Surrender and Conversion Agreement by and between Michael Cowpland and ZIM Corporation dated December 4, 2008 (Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended December 31, 2008).
4.17	Consulting Agreement by and between Chapman CFO Resources Inc. and ZIM Corporation dated July 20, 2008 (Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-QSB for the quarter ended December 31, 2008).
4.18	Stock Purchase Agreement dated March 28, 2006 by and among ZIM Corporation, Advanced Telecom Services, Inc. and Advanced Internet, Inc. (Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed March 28, 2006)
8.1 *	List of subsidiaries of the Registrant
12.1 *	Certification by the Chief Executive Officer, Michael Cowpland, pursuant to Exchange Act Rules 13(a)-14(a) and 15d-14(a)
12.2 *	Certification by the Chief Financial Officer, John Chapman, pursuant to Exchange Act Rules 13(a)-14(a) and 15d-14(a)
13.1 *	Certification by the Chief Executive Officer, Michael Cowpland, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2 *	Certification by the Chief Financial Officer, John Chapman, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1 *	Consent of Ernst and Young LLP, an independent registered public accounting firm
15.2 *	Consent of Raymond Chabot Grant Thornton LLP, an independent registered public accounting firm
15.3*	Change in Auditor Concurrence Letter
*	Filed herewith.

**Exhibit 8.1**

**LIST OF SUBSIDIARIES**

- ZIM has the following, wholly owned subsidiaries:
- ZIM Technologies do Brazil Ltda., a company incorporated in Brazil that distributes the ZIM IDE Software

**EXHIBIT 12.1**

**CERTIFICATIONS**

I, Michael Cowpland, certify that:

1. I have reviewed this annual report on Form 20-F of ZIM Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 29, 2014

/s/ Michael Cowpland

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Michael Cowpland  
Chief Executive Officer



**EXHIBIT 12.2**

**CERTIFICATIONS**

I, John Chapman, certify that:

1. I have reviewed this annual report on Form 20-F of ZIM Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: July 29, 2014

/s/ John Chapman

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John Chapman  
Chief Financial Officer

**Exhibit 13.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS  
ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of ZIM Corporation (the "Company") on Form 20-F for the year ended March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Cowpland, Chief Executive Officer of the Company, certify, pursuant to Section 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Cowpland

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Michael Cowpland  
Chief Executive Officer  
Date: July 29, 2014

**Exhibit 13.2**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of ZIM Corporation (the "Company") on Form 20-F for the year ended March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Chapman, Chief Financial Officer of the Company, certify, pursuant to Section 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John Chapman

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John Chapman  
Chief Financial Officer  
Date: July 29, 2014

**Exhibit 15.1****CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our report dated July 28, 2014, with respect to the consolidated financial statements included in the Annual Report of ZIM Corporation on Form 20-F for the year ended March 31, 2014. We hereby consent to the incorporation by reference of said report in the Registration Statements of ZIM Corporation on Forms S-8 (File No. 333-110878, effective December 3, 2003; File No. 333-135447, effective June 29, 2006; and File No. 333-135448, effective June 29, 2006).

Ottawa, Canada  
July 29, 2014

/s/ Raymond Chabot Grant Thornton LLP  
Chartered Accountants  
Licensed Public Accountants

**Exhibit 15.2****CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of  
Zim Corporation

We consent to the incorporation by reference in the following Registration Statements of ZIM Corporation on Forms S-8 (File No. 333-110878, effective December 3, 2003; File No. 333-135447, effective June 29, 2006; and File No. 333-135448, effective June 29, 2006) of our report dated July 19, 2012 with respect to the consolidated financial statements included in this Annual Report to Shareholders on Form 20-F.

/s/ Ernst and Young LLP

Ottawa, Canada  
July 29, 2014