

Condensed Consolidated Interim Financial Statements of

POSERA – HDX Ltd.

(Unaudited)

Three-months ended March 31, 2014 and 2013

POSERA-HDX LTD.

Consolidated Interim Statements of Financial Position

As at March 31, 2014 and December 31, 2013

(unaudited)

(in Canadian dollars)

	March 31, 2014	December 31, 2013
ASSETS (Notes 8, 9 and 14)		
CURRENT		
Cash and cash equivalents	\$ 2,647,587	\$ 2,954,115
Accounts receivable	2,999,925	3,554,848
Current portion of lease receivable	10,841	10,667
Inventory	926,415	813,746
Investment credits receivable - refundable (Note 4)	837,810	775,447
Prepaid expenses and deposits	268,917	269,040
	7,691,495	8,377,863
NON-CURRENT		
Property, plant and equipment (Note 5)	281,511	290,312
Deposit on leased premises	39,580	39,581
Lease receivable	34,079	36,916
Investment tax credits receivable - non-refundable (Note 4)	1,184,022	1,217,686
Deferred income tax assets (Note 10)	44,922	44,922
Intangible assets (Note 6)	3,639,889	3,825,790
Goodwill (Note 7)	6,712,969	6,600,883
	\$ 19,628,467	\$ 20,433,953
LIABILITIES (Note 14)		
CURRENT		
Bank indebtedness (Note 8)	\$ 207,095	\$ 207,101
Accounts payable and accrued liabilities	2,739,768	2,777,542
Provisions	210,000	210,000
Current portion of vehicle loans and capital leases	52,259	51,321
Current portion of notes payable (Note 9)	766,771	2,178,163
Income taxes payable (Note 10)	332,317	342,407
Deferred revenue	1,938,554	2,015,836
	6,246,764	7,782,370
NON-CURRENT		
Deferred income tax liability (Note 10)	694,534	740,274
Vehicle loans and capital leases	152,400	165,824
Notes payable (Note 9)	1,543,038	396,697
	8,636,736	9,085,165
EQUITY		
SHARE CAPITAL [Note 11(a)]	53,319,143	53,319,143
CONTRIBUTED SURPLUS [Note 11(b, c)]	6,875,673	6,782,106
WARRANTS [Note 11(d)]	36,137	36,137
DEFICIT	(49,175,654)	(48,736,669)
ACCUMULATED OTHER COMPREHENSIVE LOSS	(63,568)	(51,929)
	10,991,731	11,348,788
	\$ 19,628,467	\$ 20,433,953

See accompanying notes to the consolidated financial statements

POSERA-HDX LTD.

Consolidated Interim Statements of Operations and Comprehensive Loss

For the three-months ended March 31, 2014 and 2013

(unaudited)

(in Canadian dollars, except for number of common shares)

	Three-months ended March 31,	
	2014	2013
REVENUE (Note 12)		
Point of sale revenue	\$ 4,348,770	\$ 4,091,285
Payment processing revenue [<i>Gross payment processing fees \$2,739,876 (2013 - \$2,906)</i>]	372,854	2,301
TOTAL REVENUE	4,721,624	4,093,586
COST OF SALES (Note 12)		
Cost of inventory	926,392	927,595
Technology (Note 4)	310,395	478,918
Operations and support	1,332,175	1,171,117
TOTAL COST OF SALES	2,568,962	2,577,630
GROSS PROFIT	2,152,662	1,515,956
OPERATING EXPENSES (Note 12)		
Sales and marketing	1,277,866	889,299
General and administrative	1,312,782	1,151,757
TOTAL OPERATING EXPENSES	2,590,648	2,041,056
	(437,986)	(525,100)
OTHER EXPENSES (INCOME)		
Interest expense (Notes 8, 9)	106,185	46,693
Realized and unrealized gain on foreign exchange	(189,266)	(36,212)
Interest and other income	(4,086)	(2,260)
TOTAL OTHER EXPENSES (INCOME)	(87,167)	8,221
NET LOSS BEFORE INCOME TAXES	(350,819)	(533,321)
INCOME TAX EXPENSE (RECOVERY)		
Current (Note 10)	151,824	215,785
Deferred (Note 10)	(63,658)	(148,382)
NET LOSS	\$ (438,985)	\$ (600,724)
Items that may be reclassified subsequently to net income		
Other comprehensive gain(loss) on foreign translation	(11,639)	(409)
NET COMPREHENSIVE LOSS	\$ (450,624)	\$ (601,133)
BASIC AND DILUTED LOSS PER SHARE (Note 11(e))	\$ (0.01)	\$ (0.01)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)	59,343	48,434

See accompanying notes to the consolidated financial statements

POSERA-HDX LTD.

Consolidated Interim Statements of Changes in Equity

For the three-months ended March 31, 2014 and 2013

(unaudited)

(in Canadian dollars)

	Three-months ended March 31,	
	2014	2013
DEFICIT BEGINNING OF PERIOD	\$ (48,736,669)	\$ (47,744,231)
Net loss	(438,985)	(600,724)
DEFICIT END OF PERIOD	\$ (49,175,654)	\$ (48,344,955)
ACCUMULATED OTHER COMPREHENSIVE		
LOSS BEGINNING OF PERIOD	\$ (51,929)	\$ (88,122)
Other comprehensive gain(loss) on foreign translation	(11,639)	(409)
ACCUMULATED OTHER COMPREHENSIVE		
LOSS END OF PERIOD	\$ (63,568)	\$ (88,531)
NET COMPREHENSIVE LOSS	\$ (450,624)	\$ (601,133)
SHARE CAPITAL BEGINNING OF PERIOD	\$ 53,319,143	\$ 50,790,093
SHARE CAPITAL END OF PERIOD [Note 11(a)]	\$ 53,319,143	\$ 50,790,093
CONTRIBUTED SURPLUS BEGINNING OF PERIOD	\$ 6,782,106	\$ 6,529,278
Issuance of convertible debenture (Note 9)	92,000	-
Stock based compensation	1,567	12,199
CONTRIBUTED SURPLUS END OF PERIOD [Note 11(c)]	\$ 6,875,673	\$ 6,541,477
WARRANTS BEGINNING OF PERIOD	\$ 36,137	\$ -
WARRANTS END OF PERIOD [Note 11(d)]	\$ 36,137	\$ -

See accompanying notes to the consolidated financial statements

POSERA-HDX LTD.

Consolidated Interim Statements of Cash Flows

For the three-months ended March 31, 2014 and 2013

(unaudited)

(in Canadian dollars)

	Three-months ended March 31,	
	2014	2013
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net loss	\$ (438,985)	\$ (600,724)
Items not affecting cash		
Amortization of property, plant & equipment (Note 5)	22,722	36,921
Amortization of intangible assets (Note 6)	260,924	326,065
Deferred income tax recovery (Note 10)	(63,658)	(148,382)
Stock-based compensation expense [Note 11(b,c)]	2,578	12,199
Interest accretion (Notes 8 and 9)	50,003	32,379
Reduction of notes payable principle	-	(34,323)
Unrealized gain on foreign exchange	(157,221)	(35,828)
	(323,637)	(411,693)
Changes in working capital items (Note 13)	254,626	1,075,806
	(69,011)	664,113
FINANCING		
Repayment of vehicle loans and capital leases	(16,083)	(2,528)
Issuance of notes payable (Note 9)	1,350,000	-
Issuance costs of notes payable (Note 9)	(100,435)	-
Payment of royalties	-	(720)
Repayment of notes payable (Note 9)	(1,500,000)	(99,088)
	(266,518)	(102,336)
INVESTING		
Acquisition of property, plant and equipment (Note 5)	(12,999)	(2,987)
Acquisition of intangible assets (Note 6)	-	(22,385)
	(12,999)	(25,372)
Foreign exchange gain(loss) on net cash and cash equivalents held in a foreign currency	42,006	11,749
NET CASH AND CASH EQUIVALENTS INFLOW (OUTFLOW)	\$ (306,522)	\$ 548,154
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,747,014	793,657
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 2,440,492	\$ 1,341,811
FOR THE PURPOSE OF THIS STATEMENT, NET CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING		
Cash and cash equivalents	\$ 2,647,587	\$ 1,354,451
Bank indebtedness (Note 8)	(207,095)	(12,640)
	\$ 2,440,492	\$ 1,341,811
SUPPLEMENTAL OPERATING CASH FLOW INFORMATION		
Interest paid	\$ 56,182	\$ 14,314
Interest received	4,086	2,260
Income taxes paid (received)	1,355	44,572
Investment credits and investment tax credits receivable received	-	528,218

See accompanying notes to the consolidated financial statements

POSERA – HDX Ltd.
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2014 and 2013
(in Canadian dollars, except as noted)

1. DESCRIPTION OF BUSINESS

Posera-HDX Ltd. (“Posera – HDX”, “HDX” or the “Company”), is domiciled in Canada and is in the business of managing merchant transactions with consumers and facilitating payments emphasizing transaction speed, simplicity and accuracy. Posera - HDX develops and deploys touch screen point-of-sale (“POS”) system software and associated enterprise management tools and has developed and deployed numerous POS applications. Posera - HDX also provides system hardware integration services, merchant staff training, system installation services, distribution of electronic cash registers to a network of value added resellers across Canada and post-sale software and hardware support services. Through Posera Inc. and its subsidiaries, collectively (“Posera”), the Company licenses, distributes and markets its hospitality POS software throughout the Americas, Europe & Asia. Finally as a result of the 2013 acquisition of Zomaron Inc. (“Zomaron”) the Company has added to its suite of product offerings by offering debit and credit card merchant processing and services.

Posera - HDX was founded in 2001 and is headquartered at 350 Bay Street, Suite 700, in Toronto, Canada M5H 2S6. The Company’s common shares (“Common Shares”) are listed on the Toronto Stock Exchange under the symbol “HDX”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with IFRS. As such, these condensed consolidated interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2013. These condensed consolidated interim financial statements were approved for issue by the Board of Directors on May 14, 2014.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain held for trading financial instruments, which are carried at fair market values.

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS effective for the year ended December 31, 2014, as issued and outstanding as of the date the Board of Directors approved these statements. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company’s annual consolidated financial statements for the year-ended December 31, 2013, except as described below.

The results for the three-months ended March 31, 2014 are not necessarily indicative of the results to be expected for the full year.

POSERA – HDX Ltd.
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2014 and 2013
(in Canadian dollars, except as noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

These consolidated financial statements include the accounts of Posera – HDX Ltd. and its wholly owned subsidiaries. These subsidiaries are A&A Point of Sale Solutions Inc. (“A&A”); Posera Inc. and its subsidiaries: Posera France SAS; Posera Europe Ltd.; Posera Software Inc.; Posera Singapore and Posera USA Inc. (“Posera”); Century Cash Register Inc. (“Century”); HDX Payment Processing Ltd. (“HDX Payment Processing”); Posera – HDX Scheduler Inc. (“Posera – HDX Scheduler”); and Zomaron Inc. (“Zomaron”). Zomaron has been included in the consolidated financial statements since the date of acquisition, being December 9, 2013.

Subsidiaries are those entities (including special purpose entities) over which the Company has the power to govern financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenditures, and gains and losses are eliminated.

Presentation Currency

These consolidated financial statements are presented in Canadian Dollars (“CAD”).

Foreign Currency Translation

The functional currencies of all consolidated entities are CAD, with the exception of Posera Inc. and certain of its subsidiaries, which have functional currencies of the United States Dollar (“USD”) (Posera Inc. and Posera USA Inc.), the U.K. Pound (“UKP”) (Posera Europe Ltd.), the Euro (Posera France SAS), and the Singapore dollar (“SGD”) (Posera Singapore). The Company translates the assets and liabilities of consolidated entities with differing functional currencies to CAD at the rate of exchange prevailing at the statement of financial position date and revenues and expenses of those operations using the average rates of exchange during the period. Gains and losses resulting from this translation are recorded in accumulated other comprehensive loss, a component of shareholders’ equity.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entities’ functional currency are recognized in the consolidated statements of operations

POSERA – HDX Ltd.
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2014 and 2013
(in Canadian dollars, except as noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segments

The Company has organized its business around different products and services. Each acquired business is a separate operating segment. The Company then aggregates the operating segments into reportable segments based on the similarities of the products and services that are offered to its customers, the types of customers that products and services are provided to, and the methods used to distribute products and provide services. The chief decision maker of the company was determined to be the Company's Chief Executive Officer (the "CEO"), and as such the Company determined its reportable segments based upon the reports the chief decision maker utilized to evaluate performance and allocate resources. Revenues from external customers are geographically allocated to countries based upon the place where the customers are located.

Business Combinations

Business combinations that occurred after January 1, 2010 have been accounted for in accordance with IFRS 3, Business Combinations ("IFRS 3"), whereby acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, contingent consideration and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition related costs are expensed as incurred, except for incremental costs of issuance of debt or equity instruments. The acquired identifiable assets and liabilities are recognized at their fair values at the acquisition date. Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets acquired and liabilities assumed.

If the Company's interest in the net fair value of the acquired identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognized immediately as a bargain purchase gain in the consolidated statements of operations.

Subsequent to initial recognition, measurement of contingent consideration depends on whether it is an equity instrument or a financial asset or liability. Subsequent changes in the fair value of the contingent consideration that is deemed to be a financial asset or liability is recognized in the statement of operations as a gain or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Convertible debentures

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial liability or an equity instrument in accordance with the contractual arrangement's substance, and applicable IFRS standards. If the IFRS equity classification criteria are met, the Company allocates the total face value of the convertible debenture by estimating the fair-value of the note payable component in isolation, and allocating the residual to the conversion option presented as equity. If the IFRS equity classification criteria are not met, the Company allocates the total face value of the convertible debenture by determining the fair value of the conversion option component presented as a derivative liability in isolation, with the residual being allocated to the note payable.

POSERA – HDX Ltd.
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2014 and 2013
(in Canadian dollars, except as noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financing - Transaction Costs

Incremental costs incurred in respect of raising capital or debt are charged against the equity or debt proceeds raised, unless the instrument to which the transaction costs relate is classified as fair value through profit and loss in which case the incremental costs are expensed in the Statements of Operations immediately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the gross inflow of economic benefits during the period, arising in the ordinary course of the Company's activities. The Company offers certain arrangements whereby a customer can purchase products and services together. Where such multiple element arrangements exist, the amount of revenue is allocated to each element based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements sold separately.

The Company derives revenues from the following sources:

- a) Revenue from POS systems, digital video recording ("DVR") systems and POS parts and consumables is recognized when the Company has transferred to the customer the significant risks and rewards of ownership, the Company does not retain continuing managerial involvement with or effective control of the goods, the amount of revenue can be measured reliably, it is probable the economic benefits associated with the sale will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions are generally met when the product has been installed. POS and DVR systems generally include a one year support contract. The Company allocates revenue to each component of the transaction using the relative fair value of each separately identifiable component. The Company defers the fair value of the support services under the agreement, as deferred revenue at the time of sale. Revenue on the support services is then recognized in line with the customer support contract policy below.
- b) Revenue from customer support contracts is deferred and recognized as revenue on a straight-line basis over the term of the contract.
- c) Software development and hosting service revenue are accounted for as services. Revenue is recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Generally, unless a more accurate measure of the stage of completion is available, Software development and hosting service revenue is recognized on a straight-line basis over the term of the contract.
- d) Services revenue relates to the delivery of consulting and system integration services with revenue recognized upon delivery and acceptance by the customer.

POSERA – HDX Ltd.
Notes to the Condensed Consolidated Interim Financial Statements
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(in Canadian dollars, except as noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- e) Software perpetual licenses are accounted for as sales of products as the customer has a perpetual right to use the software freely and the Company has no remaining obligations to perform after delivery of the software. The revenue from these products is recognized when the Company has transferred to the customer the significant risks and rewards of ownership of the software, the Company does not retain continuing managerial involvement with or effective control over the software, the amount of revenue can be measured reliably, it is probable the economic benefits associated with the sale will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions generally are met when the application software has been delivered.
- f) Revenue from processing transactions is recognized at the time the transactions are processed (*See Revenue Recognition - Gross Payment Processing Fees below for more information*).

The Company has presented the revenues segmented into POS Revenues and Payment Processing Revenues. POS Revenues are those revenues earned primarily from the sale, service of POS terminal hardware and software; whereas Payment Processing Revenues are those revenues earned from primarily the sale from Payment Processing Hardware, such as Debit/Credit Card pin-pads and ATMs, and the associated payment processing transactions.

Revenue Recognition - Gross Payment Processing Fees

The Company has disclosed Gross Payment Processing Fees related to its Payment Processing Revenues. Gross Payment Processing Fees represent the total amount of Payment Processing Fees underlying the processing of debit and credit card payments transactions. The transaction fees are paid by merchants to a third party processor, who then remits a residual to the Company based upon certain metrics. The Company does not have a direct relationship with the merchant to process the transactions, and is not the primary obligator of the payment processing transaction. As a result, the Company records the residual received as revenue. Although the Company records the residual received as revenue, the Company has disclosed the Gross Payment Processing Fees underlying the transactions, as it may be relevant information to benchmark the Company against others in the payment processing industry who may have dissimilar contractual arrangements between the merchants and payment processors.

POSERA – HDX Ltd.
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2014 and 2013
(in Canadian dollars, except as noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS standards issued but not yet effective

Standards issued but not yet effective or amended up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company has not determined if they will early adopt any standards at this time.

- i) In November 2009, the IASB issued IFRS 9 as part of its plan to replace IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 requires financial assets, including hybrid contracts, to be measured at either fair value or amortized cost. In October 2010, the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities previously included in IAS 39. In November 2013, the IASB introduced a new hedge accounting model, and allowed early adoption of the own credit provisions of IFRS 9. It also removed the mandatory effective date of January 1, 2015 and has not proposed a future effective date. The Company is evaluating the impact of adopting this new standard.

Changes in Accounting Policy

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable provisions to the respective standards.

- i) IFRIC 21 Accounting for Levies Imposed by Governments, an interpretation was issued which clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this interpretation did not result in any change to the Company's accounting policies or financial statements.

POSERA – HDX Ltd.
Notes to the Condensed Consolidated Interim Financial Statements
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(in Canadian dollars, except as noted)

3. ACQUISITIONS AND DIVESTITURES

(a) During the three-months ended March 31, 2014

There were no acquisitions or divestitures during the three-months ended March 31, 2014.

(b) During the year ended December 31, 2013

On December 9, 2013 Posera-HDX Ltd. completed the acquisition of all the issued and outstanding shares of Zomaron Inc. (“Zomaron”) The purchase price was an aggregate of \$2,640,000, comprised of \$1,800,000 in cash and 4,000,000 Common Shares of Posera-HDX Ltd., having a hold-period that the shares are not freely tradable until December 9, 2015, with an estimated fair-value of \$840,000. The acquisition provides the Company with a complete line of payment processing offerings which are complementary to the Company’s existing suite of hospitality industry software solutions and services.

The result of Zomaron’s operations have been included in the consolidated financial statements since December 9, 2013. During the three-months ended March 31, 2014, Zomaron generated revenue of \$686,947 (2013 - \$nil), and a net loss of \$19,494 (2013 - \$nil).

The acquisition of Zomaron is accounted for using the acquisition method whereby HDX is identified as the acquirer. The following table summarizes the fair value of the assets acquired and liabilities assumed and consideration paid at the date of the acquisition. Goodwill represents the excess earning capacity as a result of synergistic revenue opportunities, future growth, pre-assembled workforce and cost reductions. The consideration has yet to be finalized at the time of filing these financial statements as the final adjustments for closing have yet to be negotiated and agreed upon by the parties in relation to the working capital requirement as part of the share purchase agreement. The presentation of the Zomaron business acquisition is provisional as the Company expects a potential future adjustment to consideration, goodwill and working capital.

The identifiable net assets of Zomaron that were acquired at fair value as at December 9, 2013 are as follows:

Net Assets:	
Cash	\$ 105,763
Current assets excluding cash	277,318
Property, plant and equipment	187,982
Intangible assets	405,000
Current liabilities	(258,045)
Long-term portion of capital lease obligation	(139,150)
Deferred Income Tax Liability	(100,681)
Goodwill acquired in business combination	2,161,813
Net assets acquired	\$ 2,640,000
Consideration:	
Cash consideration	\$ 1,800,000
Share consideration	840,000
Total consideration	\$ 2,640,000

POSERA – HDX Ltd.
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(in Canadian dollars, except as noted)

4. INVESTMENT CREDITS AND INVESTMENT TAX CREDITS RECEIVABLE

Investment tax credits related to Scientific Research and Experimental Design and investment credits related to Electronic Business, were recorded in the consolidated interim statements of operations as a reduction in technology expenses in the amount of \$189,258 during the three-months ended March 31, 2014 (2013 - \$185,763). As of March 31, 2014, a subsidiary of the Company has refundable investment tax credits receivable totaling \$837,810 (December 31, 2013 - \$775,447), and non-refundable investment credits receivable totaling \$1,184,022 (December 31, 2013 - \$1,217,686) which expire according to the schedule below:

	March 31, 2014	December 31, 2013
2029	56,232	160,028
2030	161,198	161,198
2031	288,103	288,103
2032	327,736	327,736
2033	280,621	280,621
2034	70,132	-
Total	\$ 1,184,022	\$ 1,217,686

In order to receive the investment credits and investment tax credits receivable the Company must file its tax returns no later than 18 months after the period to which the claim relates.

5. PROPERTY PLANT AND EQUIPMENT (“PP&E”)

The following is a reconciliation of the net book value for PP&E:

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2013	\$ 984,339	\$ 694,027	\$ 290,312
Acquisition of PP&E	12,999	-	12,999
Amortization of PP&E	-	22,722	(22,722)
Translation adjustment	3,277	2,355	922
Balance - March 31, 2014	\$ 1,000,615	\$ 719,104	\$ 281,511

6. INTANGIBLE ASSETS

The following is a reconciliation of the net book value for Intangible Assets:

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2013	\$ 13,158,076	\$ 9,332,286	\$ 3,825,790
Amortization	-	260,924	(260,924)
Translation adjustment	276,913	201,890	75,023
Balance - March 31, 2014	\$ 13,434,989	\$ 9,795,100	\$ 3,639,889

POSERA – HDX Ltd.
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(in Canadian dollars, except as noted)

7. GOODWILL

Reconciliation of Goodwill	
	Net Book Value
Balance – December 31, 2013	\$ 6,600,883
Translation adjustment	112,086
Balance – March 31, 2014	\$ 6,712,969

8. BANK INDEBTEDNESS

As at March 31, 2014, the Company through its subsidiary Posera Software, has a revolving line of credit of \$207,095 (December 31, 2013 - \$204,173), of an available \$500,000 (December 31, 2013 - \$500,000). The available credit facilities relate to \$200,000 (December 31, 2013 - \$200,000) as an operating line of credit and \$300,000 (December 31, 2013 - \$300,000) to finance investment tax credits. These facilities bear interest at the Canadian bank prime rate plus 2.50%, with an effective interest rate of 5.50% (March 31, 2013 – 5.25%). Any amounts borrowed in relation to the investment tax credits are payable in full upon receipt of the investment tax credit receivables and are secured by a floating lien on current and future investment tax credit receivables with a current carrying value of \$837,810 (December 31, 2013 - \$775,447). Additionally, the facilities have a first ranking \$1,000,000 (December 31, 2013 - \$1,000,000) moving hypothec on the assets of Posera Software. This facility has been guaranteed up to 80% by Investissement Quebec for the portions borrowed pertaining to the investment tax credits. Posera Software must meet certain non-IFRS measures including Working Capital, EBITDA, Net Tangible Worth and Debt ratios. As at March 31, 2014 the Company is in full compliance with these covenants.

As at March 31, 2014, the Company through its subsidiary Posera Europe, has a revolving line of credit of \$Nil (December 31, 2013 - \$2,928), with interest at 9.13% over the Bank of England base rate (March 31, 2013 – 6.59%). The effective interest rate was 9.63% (March 31, 2013 – 7.09%) for the three-months ended March 31, 2014. The revolving line of credit is secured by a floating lien on assets, with a carrying value of \$268,512 as at March 31, 2014 (December 31, 2013 - \$203,489). Under the current terms of this line of credit there are no restrictive covenants.

POSERA – HDX Ltd.
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(in Canadian dollars, except as noted)

9. NOTES PAYABLE

#	Details	Carrying Value	
		March 31, 2014	December 31, 2013
1	Loan from prior Posera shareholders, with a nominal and effective interest rate of 5.00%, with monthly installments of USD \$33,633 including interest, commencing June 1, 2015, and is unsecured.	254,610	242,034
2	Convertible debenture with a nominal interest rate of 3.95% and an effective interest rate of 9.50%, due in April, 2015, with monthly installments of USD \$33,633 including interest. The debenture was convertible into Class A Common Shares until May 5, 2012 at \$0.645 per Common Share, which option expired unexercised. The convertible debenture is secured with the Posera assets source code, all recodes, accounts, money and proceeds derived from the source code and any part thereof; which, as at March 31, 2014 have a carrying value of \$518,335 (December 31, 2013 - \$577,535).	891,731	847,826
3	Term Promissory Note with a nominal interest rate of 10.25% and an effective interest rate of 20.83%, which is unsecured. The principal of \$1,500,000 and interest is repayable on maturity, being January 24, 2014.	-	1,485,000
4	Convertible debentures with a nominal interest rate of 10.25%, and an effective interest rate of 22.77%, due with monthly interest payments and a balloon payment of \$1,500,000 due on January 15, 2017. The debenture is convertible into Class A Common Shares until January 15, 2016 at \$0.45 per Common share, and thereafter until January 15, 2017 at \$0.60. The conversion rights shall terminate 15 days after the Company provides notice to the debenture holders, if after January 15, 2016 the average 90 day closing price of the Company's common shares exceeds \$0.75. The convertible debenture is unsecured.	1,163,468	-
	Total Notes Payable	2,309,809	2,574,860
	Current portion of the Notes Payable	766,771	2,178,163
	Long-term portion of the Notes Payable	\$ 1,543,038	\$ 396,697

#	Fair Value	
	March 31, 2014	December 31, 2013
1	238,602	226,817
2	894,114	869,948
3	-	1,505,401
4	1,259,402	-
Total	\$ 2,392,118	\$ 2,602,166

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9. NOTES PAYABLE (continued)

Principal and interest payments required in the next five years and thereafter are as follows:

	March 31, 2014	December 31, 2013
2014	874,128	2,268,906
2015	599,879	429,264
2016	167,687	13,411
2017	1,506,200	-
Sub-total	3,147,894	2,711,581
Less: Interest	(838,085)	(136,721)
Total	\$ 2,309,809	\$ 2,574,860

For the three-months ending March 31, 2014, interest expense of \$89,316 (2013 - \$37,923) was recorded in the consolidated statements of operations in relation to notes payable.

10. INCOME TAXES

Income tax expense has been recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year for each taxable entity, less a valuation adjustment in instances where it was not probable that any future income tax assets would be realized. The estimated average annual rate used for the three-months ended March 31, 2014 and March 31, 2013, by taxable entity, ranged from 0% to 34%. Certain investment tax credits were netted against the expenses which were incurred to earn the credits, see Note 4.

11. SHARE CAPITAL

(a) *Authorized and issued*

Authorized

An unlimited number of Class A voting common shares ("Common Shares"), with no par value.

An unlimited number of Class B non-voting common shares ("Class B") – non-voting convertible into Common Shares at the option of the holder, on a share for share basis, with no par value. As at March 31, 2014 and December 31, 2013 there are nil Class B issued or outstanding.

<i>Common Shares Issued</i>	Number of Common Shares	\$
Balance, March 31, 2014 and December 31, 2013	59,343,087	53,319,143

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11. SHARE CAPITAL (continued)

(b) Stock options and stock-based compensation

Since 2002, the Company has had a stock option plan (“the Old Plan”) to encourage ownership of the Company's Common Shares by its key officers, directors, employees and consultants. The maximum number of Common Shares that may be reserved for issue under the Old Plan is 2,000,000 Common Shares. Options under the Old Plan vest over various periods from the date of the granting of the option. All options granted under the Old Plan that have not been exercised within ten years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company. The majority of options granted under the Old Plan were granted to former executives of the Company.

On September 20, 2011, the shareholders of the Company approved a new stock option plan (the “Plan”). The Plan has a rolling maximum number of Common Shares that may be issued upon the exercise of stock options, but shall not exceed 10% of the issued and outstanding Common Shares at the time of grant. Any increase in the total number of issued and outstanding Common Shares will result in an increase in the available number of options issuable under the Plan, and any exercises of options will make new grants available under the Plan. Options under the Plan vest over various periods from the date of the granting of the option. All options granted under the Plan that have not been exercised within ten years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company. The Plan was established on July 31, 2007, and reapproved on September 20, 2011 was enacted to encourage ownership of the Company's Common Shares by its key officers, directors, employees and consultants.

The Company does not have any current intention to convert the options outstanding under the Old Plan into options under the Plan. The Company intends to maintain the Old Plan in place until all outstanding options under the Old Plan are exercised or have expired, at which time the Old Plan will terminate. The Company will not grant any new options under the Old Plan.

The following is a summary of the stock options granted and changes for the years then ended.

	March 31, 2014	
	Number Outstanding	Weighted Average Exercise Price
Options outstanding, beginning and end of the period	3,773,605	\$ 0.32
Options exercisable, end of the period	3,653,605	\$ 0.32

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11. SHARE CAPITAL (continued)

The following table summarizes information about options outstanding as at:
March 31, 2014

Exercise Price	Options outstanding			Options exercisable	
	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.25	1,784,338	2.92	0.25	1,664,338	0.25
0.28	250,000	3.25	0.28	250,000	0.28
0.30	400,000	1.65	0.30	400,000	0.30
0.34	637,563	2.45	0.34	637,563	0.34
0.40	290,304	1.66	0.40	290,304	0.40
0.50	400,000	1.66	0.50	400,000	0.50
2.70	11,400	0.83	2.70	11,400	2.50
	3,773,605	2.49	\$0.32	3,653,605	\$0.32

December 31, 2013					
Exercise Price	Options outstanding			Options exercisable	
	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.25	1,784,338	3.17	0.25	1,664,338	0.25
0.28	250,000	3.50	0.28	250,000	0.28
0.30	400,000	1.90	0.30	400,000	0.30
0.34	637,563	2.70	0.34	637,563	0.34
0.40	290,304	1.91	0.40	290,304	0.40
0.50	400,000	1.91	0.50	400,000	0.50
2.70	11,400	1.08	2.70	11,400	2.50
	3,773,605	2.74	\$0.32	3,653,605	\$0.32

Of the options outstanding as at March 31, 2014 250,000 (December 31, 2013 – 250,000) with an exercise price of \$0.28, of which 250,000 (December 31, 2013 – 250,000) are exercisable, are consultant compensation options.

For the three-months ended March 31, 2014, the Company recognized an expense of \$1,567 (2013 – \$12,199) for the vesting of options issued to directors, officers, and employees, which is included in Operating Expenditures.

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11. SHARE CAPITAL (continued)

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for options granted in the respective period ended:

	Three-months ended March 31, 2014	Three-months ended March 31, 2013
Risk-free rate of return	1.18%	1.18%
Expected volatility (i)	110%	110%
Dividend yield	-%	-%
Weighted average expected life	5 years	5 years
Estimated forfeiture rate	0 - 5%	0 - 5%

(i) *The Company estimated the expected volatility on the date of grant through reference to the historical volatility of the Company's shares over a similar period.*

(c) *Contributed Surplus*

The following is a continuity schedule of contributed surplus.

Balance December 31, 2013	\$ 6,782,106
Stock-based compensation expense recognized during the year	1,567
Issuance of Convertible Debenture (Note 9)	92,000
Balance December 31, 2013	\$ 6,875,673

(d) *Warrants*

The warrants outstanding are as follows:

	March 31, 2014		December 31, 2013	
	Number of Warrants	Carrying value	Number of Warrants	Carrying value
Outstanding share purchase warrants to purchase Common Shares at \$0.30 per share. The warrants expire on December 19, 2015	405,000	\$ 32,092	405,000	\$ 32,092
Outstanding share purchase warrants to purchase Common Shares at \$0.45 per share. The warrants expire on December 6, 2015	177,533	4,045	177,533	4,045
Total	582,533	\$ 36,137	582,533	\$ 36,137

(e) *Loss per share*

The Company uses the treasury stock method of calculating the dilutive effect of options and warrants on loss per share. Stock Options, Broker Compensation options, Warrants and Convertible debenture are only included in the dilution calculation if the exercise price is below the average market price for the period. The following is a summary of stock options, broker compensation options, convertible debenture and warrants:

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11. SHARE CAPITAL (continued)

	Exercise price	Expiry	Number issued and outstanding	Number exercisable with dilutive impact	Number exercisable with anti-dilutive impact
Stock options	Note 11(b)	Note 11(b)	3,773,605	-	3,653,605
Conversion Option	Note 9	January 15, 2017	3,333,333	-	3,333,333
Warrants	\$0.30	December 19, 2015	405,000	-	405,000
Warrants	\$0.45	December 6, 2015	177,533	-	177,533

12. RELATED PARTY TRANSACTIONS

The Company recognized revenue from a company controlled by the CEO, who is also a director of the Company, during the three-months ended March 31, 2014, based on amounts agreed upon by the parties, in the amounts of \$9,442 (2013 - \$13,243). The Company recognized operating expenses related to shared office space and employees, and purchased products of \$74,446 during the three-months ended March 31, 2014 (2013 - \$82,963) from a Company controlled by the CEO at the exchange amount based on amounts agreed to by the parties. As at March 31, 2014, the Company has a receivable position of \$43,164 (December 31, 2013 - \$38,015), and a payable of \$96,895 (December 31, 2013 - \$106,764), which will be settled between the related parties in the normal course of business.

During the three-months ended March 31, 2014, the Company received legal fees and disbursement invoices totaling \$12,802 (2013 - \$8,319) from a law firm, a partner of which is a director of the Company. As at March 31, 2014, the Company has a payable position of \$51,542 (December 31, 2013 - \$117,588) which will be settled between the related parties in the normal course of business.

Compensation of key management

Compensation awarded to key management includes the Company's directors, and members of the Executive team, which include the Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer and Senior Vice-President of Corporate Development, is as follows:

	Three-months ended March 31, 2014	Three-months ended March 31, 2013
Salaries and short-term employee benefits	\$ 271,321	\$ 241,199
Share-based payments	1,567	4,178
Total	\$ 272,888	\$ 245,377

The salaries and short-term employee benefits are expensed as occurred, whereas the share-based payments are recorded at the date of grant and expensed over the vesting period to the Consolidated Statement of Operations and Comprehensive Loss. The Company did not grant any options during the three-months March 31, 2014 (2013 – Nil) to key management.

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13. CHANGES IN WORKING CAPITAL ITEMS

	Three-months March 31, 2014	Three-months March 31, 2013
Accounts receivable	\$ 588,352	\$ 671,067
Investment tax credits and investment credits receivable	(28,762)	727,712
Income taxes payable	(17,672)	(21,512)
Lease receivable	2,665	3,015
Inventory	(108,677)	175,656
Prepaid expenses and deposits	2,447	40,878
Accounts payable and accrued liabilities	(96,885)	(227,888)
Deferred revenue	(86,842)	(293,122)
Total	\$ 254,626	\$ 1,075,806

14. FINANCIAL INSTRUMENTS

The fair value of the financial assets and liabilities, excluding notes payable, approximate their carrying value as at March 30, 2014 and December 31, 2013. The fair value of the note payables is disclosed in Note 9. Fair value estimates are made at a specific point in time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. The fair-value estimates for notes payable utilized a discounted cash-flow valuation method, with an estimated discount rate in the range of 10.25 – 18.67% as at March 31, 2014 (December 31, 2013 – 10.25%). Changes in assumptions could materially affect estimates.

The Company's financial instruments' carrying values by classification have been summarized below:

	March 31, 2014	December 31, 2013
Financial assets		
Loans and receivables	\$ 7,714,264	\$ 8,549,679
Financial liabilities		
Other financial liabilities	5,308,931	5,776,648

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15. SEGMENTED INFORMATION

The Company is divided into two reportable segments: Point of Sale (“POS”) and Payment Processing. The POS segment focuses primarily on selling, installing and servicing POS hardware and software directly to end-users and on developing, licensing, distributing and marketing POS software indirectly through a dealer network. The Payment Processing segment focuses primarily on selling and installing payment processing hardware and recurring payment processing services for credit and debit cards. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on the profit and loss from operations before income taxes, amortization, interest, realized and unrealized foreign exchange gains or losses, other gains or losses and other comprehensive income. The Company manages each segment separately and management at the time of the acquisitions were retained.

Disclosure by Segment

	Revenue for the period ended		Operating profit for the period ended ⁽ⁱ⁾	
	March 31, 2014	March 31, 2014	March 31, 2014	March 31, 2013
POS	\$ 4,032,577	\$ 4,091,285	\$ 119,785	\$ 200,506
Payment Processing	689,047	2,301	(51,217)	(134,272)
Total	\$ 4,721,624	\$ 4,093,586	\$ 68,568	\$ 66,234

(i) Operating profit is earnings before corporate headquarters operating expenditures, interest earnings and expense, taxes, amortization, foreign exchanges losses and gains and realized currency translation gains and losses.

Reconciliation between the total consolidated operating profit and the net income (loss) per the consolidated financial statements is as follows:

	March 31, 2014	March 31, 2013
Total segmented operating profit	\$ 68,568	\$ 66,234
Corporate headquarter operating expenditures	(222,908)	(228,348)
Other non-operating expenditures	(284,645)	(438,610)
Net Loss	\$ (438,985)	\$ (600,724)

16. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the condensed consolidated interim financial statement presentation adopted in the current period.