Consolidated Financial Statements of

POSERA – HDX Ltd.

Years ended December 31, 2013 and 2012

March 26, 2014

Independent Auditor's Report

To the Shareholders of
Posera-HDX Ltd.

We have audited the accompanying consolidated financial statements of Posera-HDX Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Posera-HDX Ltd. and its subsidiaries as at December 31, 2013 and December 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

POSERA-HDX LTD.

Consolidated Statements of Financial Position

As at December 31, 2013 and December 31, 2012

(in Canadian dollars)

	December 31, 2013	December 31, 2012
ASSETS (Notes 11, 15, 20 and 21)		
CURRENT		
Cash and cash equivalents (Note 4)	$ 2,954,115	$ 1,050,441
Accounts receivable (Note 19)	3,554,848	3,118,902
Current portion of lease receivable (Note 5)	10,667	12,388
Inventory (Note 7)	813,746	1,211,219
Investment credits receivable - refundable (Note 6)	775,447	1,087,707
Prepaid expenses and deposits	269,040	240,888
	8,377,863	**6,721,545**
NON-CURRENT		
Property, plant and equipment (Note 8)	290,312	164,552
Deposit on leased premises	39,581	34,409
Lease receivable (Note 5)	36,916	28,881
Investment tax credits receivable - non-refundable (Note 6)	1,217,686	1,262,692
Deferred income tax assets (Note 17)	44,922	-
Intangible assets (Note 9)	3,825,790	4,701,300
Goodwill (Note 10)	6,600,883	4,330,746
	$ 20,433,953	**$ 17,244,125**
LIABILITIES (Notes 20, 21)		
CURRENT		
Bank indebtedness (Note 11)	$ 207,101	$ 256,784
Accounts payable and accrued liabilities (Note 12 and 19)	2,777,542	2,787,688
Provisions (Note 13)	210,000	210,000
Current portion of vehicle loans and capital leases (Note 16)	51,321	10,215
Current portion of royalty payable (Note 14)	-	2,930
Current portion of notes payable (Notes 15 and 26)	2,178,163	487,677
Income taxes payable (Note 17)	342,407	335,973
Deferred revenue	2,015,836	2,078,921
	7,782,370	**6,170,188**
NON-CURRENT		
Deferred income tax liability (Note 17)	740,274	954,844
Vehicle loans and capital leases (Note 16)	165,824	20,991
Royalty payable (Note 14)	-	119,242
Notes payable (Notes 15 and 26)	396,697	491,842
	9,085,165	**7,757,107**
EQUITY (Note 23)		
SHARE CAPITAL [Note 18(a)]	53,319,143	50,790,093
CONTRIBUTED SURPLUS [Note 18(b, c)]	6,782,106	6,529,278
WARRANTS [Note 18(d)]	36,137	-
DEFICIT	(48,736,669)	(47,744,231)
ACCUMULATED OTHER COMPREHENSIVE LOSS	(51,929)	(88,122)
	11,348,788	**9,487,018**
	$ 20,433,953	**$ 17,244,125**

APPROVED BY THE BOARD

Signed "Louden Owen" Director

Signed "David Del Chiaro" Director

See accompanying notes to the consolidated financial statements

Commitments [Note 21(b)]

Subsequent events (Note 26)

POSERA-HDX LTD.

Consolidated Statements of Operations and Comprehensive Loss

For the year ended December 31, 2013 and 2012

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

		Year ended December 31,		
		2013		**2012**
REVENUE (Note 19)				
Point of sale revenue	$	19,350,796	$	16,434,375
Payment processing revenue *[Gross payment processing fees $722,511 (2012 - $12,617)]*		160,616		11,731
TOTAL REVENUE		**19,511,412**		**16,446,106**
COST OF SALES (Notes 19 and 22)				
Cost of inventory (Note 7)		5,001,125		3,794,900
Technology (Note 6)		1,791,176		1,888,403
Operations and support		4,785,559		4,756,107
TOTAL COST OF SALES		**11,577,860**		**10,439,410**
GROSS PROFIT		**7,933,552**		**6,006,696**
OPERATING EXPENSES (Notes 19 and 22)				
Sales and marketing		3,337,638		3,314,850
General and administrative		5,066,151		5,272,964
Impairment of assets (Notes 8, 9, and 10)		262,275		2,419,864
TOTAL OPERATING EXPENSES		**8,666,064**		**11,007,678**
		(732,512)		**(5,000,982)**
OTHER EXPENSES (INCOME)				
Interest expense (Notes 14, 15 and 16)		228,514		300,677
Realized and unrealized (gain)loss on foreign exchange		(198,586)		9,277
Interest and other income		(10,262)		(14,270)
Loss(gain) on revaluation of financial instruments (Note 14)		98,786		(435,047)
TOTAL OTHER EXPENSES (INCOME)		**118,452**		**(139,363)**
NET LOSS BEFORE INCOME TAXES		**(850,964)**		**(4,861,619)**
INCOME TAX EXPENSE (RECOVERY)				
Current (Note 17)		542,666		364,043
Deferred (Note 17)		(401,192)		(432,438)
NET LOSS	**$**	**(992,438)**	**$**	**(4,793,224)**
Items that may be reclassified subsequently to net income				
Other comprehensive gain(loss) on foreign translation		36,193		(26,241)
NET COMPREHENSIVE LOSS	**$**	**(956,245)**	**$**	**(4,819,465)**
BASIC AND DILUTED LOSS PER SHARE (Note 18(e))	$	(0.02)	$	(0.10)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)		48,962		48,434

See accompanying notes to the consolidated financial statements

POSERA-HDX LTD.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2013 and 2012

(in Canadian dollars)

		Year ended December 31,		
		2013		**2012**
DEFICIT BEGINNING OF YEAR	$	(47,744,231)	$	(42,951,007)
Net loss		(992,438)		(4,793,224)
DEFICIT END OF YEAR	**$**	**(48,736,669)**	**$**	**(47,744,231)**
ACCUMULATED OTHER COMPREHENSIVE LOSS BEGINNING OF YEAR	$	(88,122)	$	(61,881)
Other comprehensive gain(loss) on foreign translation		36,193		(26,241)
ACCUMULATED OTHER COMPREHENSIVE LOSS END OF YEAR	**$**	**(51,929)**	**$**	**(88,122)**
NET COMPREHENSIVE LOSS	**$**	**(956,245)**	**$**	**(4,819,465)**
SHARE CAPITAL BEGINNING OF YEAR	$	50,790,093	$	50,790,093
Non-cash issuance upon acquisitions (Note 3)		840,000		-
Issued for cash consideration		2,147,200		-
Issuance costs - Cash		(163,899)		-
Issuance costs - Compensation Warrants		(32,092)		-
Cancellation of Common Shares		(262,159)		-
SHARE CAPITAL END OF YEAR [Note 18(a)]	**$**	**53,319,143**	**$**	**50,790,093**
CONTRIBUTED SURPLUS BEGINNING OF YEAR	$	6,529,278	$	5,620,947
Stock based compensation		28,169		242,982
Expiry of Warrants [net of tax $nil (2012 - $101,624)]		-		665,349
Purchase of Common Shares for cancellation [Note 18(a)(i)]		224,659		-
CONTRIBUTED SURPLUS END OF YEAR [Note 18(c)]	**$**	**6,782,106**	**$**	**6,529,278**
WARRANTS BEGINNING OF YEAR	$	-	$	766,973
Expiry of Warrants		-		(766,973)
Compensation Warrants		36,137		-
WARRANTS END OF YEAR [Note 18(d)]	**$**	**36,137**	**$**	**-**

See accompanying notes to the consolidated financial statements

POSERA-HDX LTD.

Consolidated Statements of Cash Flows

For the year ended December 31, 2013 and 2012
(in Canadian dollars)

	Year ended December 31, 2013	2012
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net loss	$ (992,438)	$ (4,793,224)
Items not affecting cash		
Amortization of property, plant & equipment (Note 8)	111,097	142,466
Amortization of intangible assets (Note 9)	1,302,736	1,316,287
Deferred income tax recovery (Note 17)	(401,192)	(432,438)
Tax on expiry of warrants recognized directly in contributed surplus [Note 18(c)]	-	(101,624)
Loss(gain) on revaluation of financial instruments (Note 14)	98,786	(435,047)
Impairment of assets (Notes 8,9 and 10)	262,275	2,419,864
Stock-based compensation expense (Note 18(b,c))	28,169	242,982
Interest accretion (Notes 14, 15 and 16)	122,768	214,942
Increase in provisions (Note 13)	-	210,000
Loss on sale of property, plant & equipment (Note 8)	-	4,390
Unrealized (gain)loss on foreign exchange	(173,978)	4,407
	358,223	**(1,206,995)**
Changes in working capital items (Note 24)	242,142	312,373
	600,365	**(894,622)**
FINANCING		
Proceeds from issuance of Common Shares [Note 18(a)]	2,147,200	-
Issuance costs paid for Common Shares [Notes 18(a,d)]	(163,899)	-
Repayment of vehicle loans and capital leases (Note 16)	(18,028)	(36,669)
Issuance of vehicle loans (Note 16)	28,680	-
Issuance of notes payable (Note 15)	1,485,000	-
Purchase of Common Shares for cancellation [Note 18(a)]	(37,500)	-
Payment of royalties (Note 14)	(229,140)	(1,460)
Repayment of notes payable (Note 15)	(107,228)	(431,261)
	3,105,085	**(469,390)**
INVESTING		
Acquisition of Zomaron Inc., net of Cash (Note 3)	(1,694,237)	-
Acquisition of property, plant and equipment (Note 8)	(59,305)	(80,503)
Disposition of property, plant and equipment (Note 8)	-	3,500
Acquisition of intangible assets (Note 9)	(29,730)	(10,573)
	(1,783,272)	**(87,576)**
Foreign exchange gain(loss) on net cash and cash equivalents held in a foreign currency	**31,179**	**(4,729)**
NET CASH AND CASH EQUIVALENTS INFLOW (OUTFLOW)	**$ 1,953,357**	**$ (1,456,317)**
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	793,657	2,249,974
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 2,747,014**	**$ 793,657**
FOR THE PURPOSE OF THIS STATEMENT, NET CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING		
Cash and cash equivalents (Note 4)	$ 2,954,115	$ 1,050,441
Bank indebtedness (Note 11)	(207,101)	(256,784)
	$ 2,747,014	**$ 793,657**
SUPPLEMENTAL OPERATING CASH FLOW INFORMATION		
Interest paid	$ 91,250	$ 85,735
Interest received	10,262	14,270
Income taxes paid (received)	208,043	(6,524)
Investment credits and investment tax credits receivable received	831,333	-

See accompanying notes to the consolidated financial statements

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 in accordance with IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations (collectively "IFRS") issued that are effective on December 31, 2013. These consolidated financial statements were approved by the Board of Directors on March 20, 2014. These consolidated financial statements have been prepared on the historical cost basis, except for certain fair value through profit and loss financial instruments, which are carried at fair market values.

The preparation of consolidated financial statements in conformity with IFRS 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets held are classified into the following specified categories: loans and receivables, and at fair value through profit and loss.

Financial liabilities held are classified into the following specified categories: other liabilities and at fair value through profit and loss. The classification depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition.

Accounts receivable, cash and cash equivalents, and investment credits receivable are classified as loans and receivables. Loans and receivables are initially measured at fair-value, and subsequently at amortized cost less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable and accrued liabilities, bank indebtedness, vehicle loans, royalty payable and notes payable are all classified as other liabilities, and initially measured at fair-value and subsequently at amortized cost using the effective interest method. Interest expense is recognized by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets - impairment

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of operations. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the Statements of Operations to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Cash and cash equivalents

Cash and cash equivalents consist primarily of demand accounts on deposit at financial institutions and short-term liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Inventory

Inventory consists of point-of-sale equipment for resale and service parts, which are required to fulfill HDX’s contractual obligations and have been valued at the lower of average cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory cost is substantially comprised of the costs paid to purchase equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment tax credits

Investment tax credits, are earned as a result of incurring qualifying research and development expenditures and are accounted for using the cost reduction method. Under this method, investment tax credits are treated as a reduction of the cost of the acquired assets or of the related expenses in the period that the credits become available, there is reasonable assurance that the conditions for their receipt will be complied with and that the grant will be received and it is probable that they will be realized.

Long-lived assets - property plant and equipment

Property, plant and equipment ("PP&E") are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of PP&E consists of the purchase price, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation is provided at rates calculated to write off the cost of PP&E, less their estimated residual value, using the straight-line method, as follows:

Office furniture and fixtures	5 years
Computer equipment	3 years
POS & ATM Equipment	3 - 5 years
Vehicles	5 years
Leasehold improvements	Life of the lease

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or upon disposal. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of operations.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized. Repairs and maintenance costs are charged to the statement of operations during the period in which they are incurred. Residual values, method of amortization and useful lives of the assets are reviewed at least annually and adjusted if appropriate.

Long-lived assets - Intangible assets

Intangible assets acquired individually, are initially recognized and measured at fair value, and subsequently at their initial fair-values, less accumulated amortization and impairment. The fair value of a group of intangible assets acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their fair values at the time of acquisition. Where intangible assets are acquired in a transaction that does not constitute a business combination, the cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives. The estimated useful lives of intangible assets, are as follows:

Technology Assets	5.5 - 10 years
Non-Competition Agreements	1 - 2 years
Revenue Sharing Agreement	3 years
Trade Names	20 years
Customer Relationships	7.5 - 10 years
Computer software	3 years

The method of amortization and useful lives of the assets are reviewed at least annually and adjusted if appropriat*e.*

Long-lived assets - Goodwill

Goodwill is not amortized, but is instead tested for impairment annually or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

Cash-generating units ("CGUs")

For the purposes of measuring recoverable amounts, assets are grouped at the lowest-level for which there are largely independent cash inflows. Goodwill acquired in a business combination is allocated to each of the Company's CGUs, or; groups of CGUs, that is expected to benefit from the synergies of the combination. Each of the Company's CGUs to which goodwill is allocated represents the lowest level within the Company at which goodwill is monitored for internal management purposes; and is not larger than an operating segment. The Company has determined that the CGUs of the Company are QSR, SabrePoint and Biz-Pro; A&A Point of Sales Solutions Inc.; Century Cash Register Inc.; Posera Inc. (and its subsidiaries); HDX Payment Processing Inc.; Posera – HDX Scheduler Inc. and Zomaron Inc.

Long-lived Assets – Impairment

At each financial reporting date, the carrying amounts of the Company's long-lived assets (or CGUs) are reviewed to determine whether there is any indication that those assets (or CGUs) are impaired. If any such indication exists, the recoverable amount of the asset (or CGU) is estimated in order to determine the extent of the impairment, if any. For long-lived assets (or CGUs) not subject to amortization, the recoverable amount of the asset (or CGU) is estimated at least annually; or more frequently if there are any indications of potential impairment. Indicators of potential impairment may include, but are not necessarily limited to: unanticipated competition; loss of a significant customer; significant deterioration of margin; changes in the regulatory or legal framework in which the Company operates; or product discontinuance.

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

The recoverable amount of an asset or CGU is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset (or CGU) in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount and the impairment loss is recognized in the Statements of Operations for the period.

If a CGU is impaired, the impairment is allocated first to Goodwill, with the remainder allocated rateably to the remaining long-lived assets based upon the relative carrying-values. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. Goodwill impairment losses are not subsequently reversed. A reversal of an impairment loss is recognized immediately the consolidated statements of operations.

Lease inducements

Lease inducements represent funds provided by the landlord for property improvements and rent-free periods, if any. Lease inducements are amortized on a straight-line basis over the term of the leases and the amortization is recorded as a reduction in rent expense.

Deferred revenue

Deferred revenue is comprised primarily of fees received for warranty for hardware and software and support for point-of-sale solutions in advance of providing the services covered therein.

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. The Company bifurcated the convertible debenture into its two components, the; (a) Note payable and the (b) Conversion option that represents a derivative financial liability. The Company allocated the total face value of the convertible debenture on the date of the Posera acquisition by determining the fair value of the conversion option, with the residual being allocated to the note payable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Royalty payable

As part of the acquisition of the Hospitality Assets of 2020 ITS Inc., through its subsidiary Posera – HDX Scheduler Inc., the Company was obligated to pay a royalty based upon certain future sales of a technology purchased. The royalty payable was initially recognized at the present value of estimated future royalties payable under the asset purchase agreement. The liability will attract interest and will be adjusted in the future for changes in the estimated total payout under the royalty agreement. Both the interest accretion and the changes in the estimate of the total obligation will be recognized as charges or credits to the consolidated statements of operations in the period in which the amounts are incurred**.**

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities as well as for the benefits of losses available to be carried forward for tax purposes. Deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

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.

Equity - Share-based payments

The Company's stock-based compensation plan is described in Note 18(b). The share option plan allows Company employees and directors to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted, the estimated volatility, estimated risk-free rate and estimated forfeitures. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Where the Company issues share-based payments to non-employees for services or assets, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair-value of the goods or services received, unless the fair value of the goods or services received cannot be estimated reliably, in which case the Company measures the goods or services received indirectly by reference to the fair value of the equity instruments granted.

Equity – Warrants

The Company accounts for warrants by measuring the fair value of the warrant at the date on which the respective warrant is issued. When warrants are issued in conjunction with shares of the Company, the cash proceeds received, net of cash offering costs, are prorated between share capital and warrants based on the relative fair value of each. The fair value of the warrants is determined using the Black-Scholes option-pricing model. When warrants are exercised, cash received upon exercise and the amounts previously credited to warrants are reversed and credited to share capital.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost of sales

Cost of sales includes the cost of inventory utilized in the period, depreciation, amortization, impairments, salaries, and other expenditures, which directly relate to the revenue recognized.

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its Common Shares, calculated by dividing the net loss of the Company by the weighted average number of Common Shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the net profit or loss and the weighted average number of Common Shares outstanding for the effects of all dilutive potential Common Shares.

Critical accounting judgments

The following are the significant accounting judgments that were made in the preparation of the financial statements.

a. Cash-generating units (“CGU”s)

In testing for impairment of certain assets that do not have independent cash inflows, the Company is required to group non-goodwill long-lived assets into CGUs which is the lowest level of assets that produce cash inflows which are independent of other assets.

Goodwill is allocated to each CGU, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes and is not larger than an operating segment.

b. Functional currency of consolidated entities.

Under IFRS, each consolidated entity must determine its own functional currency, which becomes the currency that entity measures its results and financial position in. In determining the functional currencies of consolidated entities, the Company considered many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labour material and other costs for each consolidated entity.

Critical accounting estimates

Preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies. Additionally, these estimates and assumptions 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 amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The following are the estimates that are subject to significant estimate and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. *Intangible asset – December 31, 2013 - $3,825,790 (December 31, 2012 - $4,701,300) and Goodwill – December 31, 2012 - $6,600,883 (December 31, 2012 - $4,330,746), and related Goodwill and Intangible assets impairments for the years ended December 31, 2013 - $76,334 and $162,278 respectively (December 31, 2012 - $2,248,885 and $170,979 respectively)*
   - Critical estimates relate to the valuation of intangible assets and goodwill acquired in business combinations and the potential or actual impairment of intangible assets and goodwill as part of the CGU impairment testing. See detailed disclosure surrounding acquisitions in Note 3, and sensitivities on impairment estimates in Notes 9 and 10.

b. *Royalty payable – December 31, 2013 - $Nil (December 31, 2012 - $122,172) and related loss/(gain) on revaluation for the periods ended December 31, 2013 - $98,786 [December 31, 2012 – ($399,491)]*
   - See detailed disclosure including sensitivities surrounding royalty payable valuation estimates in Note 14.

c. *Valuation of shares issued in business combinations – December 31, 2013 - $840,000 (December 31, 2012 - $Nil)*
   - Certain Common Shares issued in business-combinations as disclosed in Note 3 had 2-year hold-periods and were not freely tradable, which required the Company to estimate the fair-value on the date of acquisition. The Company utilized the market price of a freely tradable share on the date of acquisition, and applied a discount of 30% in 2013 to estimate the fair-value of the Common Shares with a 2-year hold-period. A 5% decrease in the discount applied would increase equity and goodwill values by $60,000 in 2013.

d. *Useful life and amortization of intangible assets*
   - See detailed disclosure of intangible asset useful lives in Note 2 above. A decrease of the average useful lives of intangible assets by 1 year, would increase amortization by $210,000 (2012 - $216,000)

e. *Investment Tax Credits Receivable – non-refundable – December 31, 2013 - $1,217,686 (December 31, 2012 - $1,262,692) and related investment tax recovery for the years ended December 31, 2013 - $327,757 (December 31, 2012 - $339,284)*
   - Management estimates that the non-refundable Investment Tax Credits receivable will be recoverable before expiry. See detailed disclosure surrounding the expiry dates for non-refundable Investment Tax Credits Receivable in Note 6. An annualized 2.50% decrease in the forecasted taxable income of the entity with the Non-Refundable Investment Tax Credits Receivable would not cause any of the tax credits to expire before use.

f. *Provision for income tax and information return penalties – December 31, 2013 - $210,000 (December 31, 2012 - $210,00) and related expenditures for the years ended December 31, 2013 - $Nil (December 31, 2012 - $210,000)*
   - See detailed disclosure surrounding the provision at Note 13.

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.

ii) Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2014, the IASB amended IAS 36, Impairment of Assets, to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Early adoption was available and the Company adopted these amendments for the current fiscal year.

Changes in Accounting Policy

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable provisions to the respective standards.

a. *IFRS 10, Consolidated Financial Statements*, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

b. *IFRS 11, Joint Arrangements*, supersedes IAS 31, Interests in Joint Ventures, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, Investments in Associates and Joint Ventures (amended in 2011). The other amendments to IAS 28 did not affect the Company. The Company has classified its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. *IFRS 13, Fair value measurement*, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

d. The Company has adopted the amendments to *IAS 1* effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

e. The Company has adopted the amendments to *IAS 19, Employee Benefits*, which amends certain accounting requirements for defined benefit plans and termination benefits. The amendments to IAS 19 also clarified that benefits are classified as long-term employee benefits if payments are not expected to be made within the next 12 months. The Company has reviewed the classification of its benefits and reclassified its unused vacation accrual as a long-term employee benefit. The unused vacation accrual continues to be classified as a current liability as the Company does not have an unconditional right to defer settlement for more than 12 months even though it does not expect to make payments within the next 12 months. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

(in Canadian dollars, except as noted)

3. ACQUISITIONS AND DIVESTITURES

(a) 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 Company incurred deal costs on the transaction of $69,398 (2012 - $nil), which were included in General and Administrative Operating Expenditures as incurred.

The result of Zomaron’s operations have been included in the consolidated financial statements since December 9, 2013. From the date of acquisition of December 9, 2013 to the Company’s year-end of December 31, 2013, Zomaron generated revenue of $150,526 (2012 - $nil), and net income of $818 (2012 - $nil). Presuming that the Company had acquired Zomaron as at January 1, 2013, Posera-HDX Ltd. would have recorded approximately $22,260,000 of consolidated revenue and a consolidated net loss of approximately $890,000 for the year-ended December 31, 2013.

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**

(b) During the year ended December 31, 2012

There were no acquisitions or divestitures during the year-ended December 31, 2012.

(in Canadian dollars, except as noted)

4. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents is comprised of the following:

	December 31, 2013	December 31, 2012
Demand accounts	$ 2,954,115	$ 1,050,441
Total	**$ 2,954,115**	**$ 1,050,441**

5. LEASE RECEIVABLE

During the year ending December 31, 2013, the Company recognized finance income of $5,256 (2012 - $5,759) in the consolidated financial statements. The Company's net lease receivable includes the following;

	December 31, 2013	December 31, 2012
Total minimum lease payments receivable	$ 57,435	$ 52,886
Unearned finance income	(9,852)	(11,617)
Total lease receivable	**$ 47,583**	**$ 41,269**
Short-term portion	10,667	12,388
Long-term portion	**$ 36,916**	**$ 28,881**

Future minimum lease payments receivable under the sales leases are as follows;

	December 31, 2013	December 31, 2012
2013	$ -	$ 15,596
2014	15,472	10,732
2015	15,472	10,732
2016	15,472	10,732
2017	6,452	5,094
2018 and thereafter	4,567	-
Total	**$ 57,435**	**$ 52,886**

(in Canadian dollars, except as noted)

6. 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 statements of operations as a reduction in technology expenses in the amount of $799,329 during the year ended December 31, 2013 (2012 - $710,162). As of December 31, 2013, a subsidiary of the Company has refundable investment tax credits receivable totaling $775,447 (December 31, 2012 - $1,087,707), and non-refundable investment credits receivable totaling $1,217,686 (December 31, 2012 - $1,262,692) which expire according to the schedule below:

	December 31, 2013	December 31, 2012
2027	$ -	$ 118,493
2028	-	243,660
2029	160,028	170,772
2030	161,198	161,198
2031	288,103	288,103
2032	327,736	280,466
2033	280,621	-
Total	**$ 1,217,686**	**$ 1,262,692**

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.

7. INVENTORY

	December 31, 2013	December 31, 2012
Inventory held for resale	$ 542,718	$ 941,604
Inventory held as service stock	271,028	269,615
Total	**$ 813,746**	**$ 1,211,219**

For the year ending December 31, 2013, the Company expensed $4,717,182 (2012 - $3,678,032) related to inventory consumed. Throughout the fiscal period, the Company assesses the carrying amount of inventory on hand and determines if any inventory needs to be written-down to net realizable value. For the year ending December 31, 2013 the Company wrote refurbished service stock down by $nil (2012 - $29,427). As at December 31, 2013 the total inventory balance was $813,746 (2012 - $1,211,219). Additionally, as at December 31, 2013 $33,296 (December 31, 2012 - $59,294) of inventory is secured to certain bank indebtedness. This bank indebtedness has a balance outstanding of $2,928 as at December 31, 2013 (2012 - $12,426).

(in Canadian dollars, except as noted)

8. PROPERTY PLANT AND EQUIPMENT ("PP&E")

	Cost	Accumulated amortization and impairment	Net book value
	December 31, 2013		
Office furniture and fixtures	$ 97,275	$ 76,152	$ 21,123
Computer equipment	444,712	408,499	36,213
POS & ATM equipment	9,945	2,213	7,732
Vehicles	379,292	174,714	204,578
Leasehold improvements	53,115	32,449	20,666
Total	**$ 984,339**	**$ 694,027**	**$ 290,312**
	December 31, 2012		
Office furniture and fixtures	$ 79,353	$ 60,372	$ 18,981
Computer equipment	401,493	329,372	72,121
POS & ATM equipment	6,385	639	5,746
Vehicles	178,298	143,144	35,154
Leasehold improvements	52,684	20,134	32,550
Total	**$ 718,213**	**$ 553,661**	**$ 164,552**

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

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2011	**$ 663,826**	**$ 412,950**	**$ 250,876**
Acquisition of PP&E	80,503	-	80,503
Disposition of PP&E	(10,000)	(2,110)	(7,890)
Amortization of PP&E	-	142,466	(142,466)
Translation adjustment	(16,116)	355	(16,471)
Balance - December 31, 2012	**$ 718,213**	**$ 553,661**	**$ 164,552**
Acquisition of PP&E	59,305	-	59,305
Amortization of PP&E	-	111,097	(111,097)
Impairment of PP&E (Note 10)	-	12,734	(12,734)
Acquisition of Zomaron (Note 3)	187,982	-	187,982
Translation adjustment	18,839	16,535	2,304
Balance - December 31, 2013	**$ 984,339**	**$ 694,027**	**$ 290,312**

(in Canadian dollars, except as noted)

9. INTANGIBLE ASSETS

	Cost	Accumulated amortization and impairment	Net book value
	December 31, 2013		
Technology assets	$ 4,254,269	$ 3,476,923	$ 777,346
Trade name	910,430	307,537	602,893
Customer relationships	6,566,991	4,215,924	2,351,067
Non-compete agreements	275,407	188,157	87,250
Revenue sharing agreement	743,666	743,666	-
Computer software	407,313	400,079	7,234
Total	**$ 13,158,076**	**$ 9,332,286**	**$ 3,825,790**
	December 31, 2012		
Technology assets	$ 4,142,354	$ 2,790,501	$ 1,351,853
Trade name	878,809	265,299	613,510
Customer relationships	6,107,833	3,690,163	2,417,670
Non-compete agreements	185,407	185,407	-
Revenue sharing agreement	743,666	661,036	82,630
Computer software	377,582	141,945	235,637
Total	**$ 12,435,651**	**$ 7,734,351**	**$ 4,701,300**

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

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2011	**$ 12,469,734**	**$ 6,249,584**	**$ 6,220,150**
Amortization	-	1,316,287	(1,316,287)
Impairment (Note 10)	-	179,979	(179,979)
Acquisition	10,573	-	10,573
Translation adjustment	(44,656)	(11,499)	(33,157)
Balance - December 31, 2012	**$ 12,435,651**	**$ 7,734,351**	**$ 4,701,300**
Amortization	-	1,302,736	(1,302,736)
Impairment (Note 10)	-	168,278	(168,278)
Acquisition of Zomaron (Note 3)	405,000	-	405,000
Acquisition	29,730	-	29,730
Translation adjustment	287,695	126,921	160,774
Balance - December 31, 2013	**$ 13,158,076**	**$ 9,332,286**	**$ 3,825,790**

(in Canadian dollars, except as noted)

10. GOODWILL

Goodwill by reportable segment and CGU

	Net Book Value Before Impairment	Impairment Loss	Net Book Value
	December 31, 2013		
POS Segment			
QSR, SabrePoint and Biz-Pro	$ 1,562,675	$ -	$ 1,562,675
Century Cash	17,548	-	17,548
Posera	2,858,847	-	2,858,847
Sub-total	**4,439,070**	**-**	**4,439,070**
Payment Processing Segment			
HDX Payment Processing	76,334	76,334	-
Zomaron	2,161,813	-	2,161,813
Sub-total	**2,238,147**	**76,334**	**2,161,813**
Total	**$ 6,677,217**	**$ 76,334**	**$ 6,600,883**

	December 31, 2012		
POS Segment			
QSR, SabrePoint and Biz-Pro	$ 3,562,676	$ 2,000,000	$ 1,562,676
Century Cash	17,548	-	17,548
Posera	2,674,188	-	2,674,188
Posera – HDX Scheduler	248,885	248,885	-
Sub-total	**6,503,297**	**2,248,885**	**4,254,412**
Payment Processing Segment			
HDX Payment Processing	**76,334**	**-**	**76,334**
Total	**$ 6,579,631**	**$ 2,248,885**	**$ 4,330,746**

Reconciliation of Goodwill

	Net Book Value
Balance - December 31, 2011	**$ 6,639,033**
Goodwill impairment (i)	(2,248,885)
Translation adjustment	(59,402)
Balance – December 31, 2012	**$ 4,330,746**
Acquisition of Zomaron (Note 3)	2,161,813
Goodwill impairment (ii)	(76,334)
Translation adjustment	184,658
Balance – December 31, 2013	**$ 6,600,883**

(in Canadian dollars, except as noted)

10. GOODWILL (*continued*)

(i) During the year ended December 31, 2012, the Company assessed an impairment of $2,000,000 related to the goodwill allocated to the QSR, Sabrepoint and Biz-Pro CGU, and an impairment of $419,864 related to the goodwill and intangible assets allocated to the Posera-HDX Scheduler CGU, both of which are in the POS Segment, because of the deterioration in the higher of the value-in-use and fair-value less costs to sell. The impairments recorded reflect value-in-use as it was higher than the fair-value less costs to sell. For the QSR, Sabrepoint and Biz-Pro CGU, this was primarily the result of a reduction in the estimated terminal earnings growth rate as a result of a downward revision of long-term forecasts; whereas, for the Posera – HDX Scheduler CGU, this was primarily the result of a reduction in the Years 1 – 5 earnings growth rate, reflecting the downward revision to the forecasted sales of certain technology products. The key assumptions utilized to calculate the higher of value-in-use and fair-value less costs to sell are detailed below. These impairments are included in the operating expenditures in the consolidated statements of operations.

(ii) During the year ended December 31, 2013, the Company assessed an impairment of $262,275 related to the goodwill, intangible assets and property, plant and equipment allocated to the HDX Payment Processing CGU in the Payment Processing Segment, because of the deterioration in the higher of the value-in-use and fair-value less costs to sell. The impairments recorded reflect fair-value less costs to sell as it was higher than the value-in-use. This was primarily the result of the decision to outsource certain activities to which the assets relate, and a downward revision in the Years 1 – 5 earnings growth rate. The recoverable amount of the CGU was determined to be $8,170. The key assumptions utilized to calculate the higher of value-in-use and fair-value less costs to sell are detailed below. This impairment is included in the operating expenditures in the consolidated statements of operations.

The following key assumptions were used in calculating the higher of value-in-use and fair-value less costs to sell by CGU as at December 31, 2013, the date of the Company's impairment testing:

	QSR, SabrePoint & Biz-Pro	Posera	HDX Payment Processing	Zomaron
Years 1 – 5 earnings growth rate (i)	2 - 5%	3 - 30%	5 - 7%	1 - 30%
Terminal earnings growth rate (ii)	1%	3%	2%	2%
After-tax discount rate (iii)	14%	15%	13%	18%
Fair-value less costs to sell (iv)	N/A	N/A	$8,170	$N/A

(i) Earnings growth was projected based on past experience, actual operating results, and a market participant's expected view of the 5 year forecasts of the CGUs..

(ii) Earnings were extrapolated further using a constant growth rate, which does not exceed the long-term average growth rate for the industry.

(iii) The discount rate was estimated based upon industry average after-tax weighted cost of capital, adjusted for the specific risks of the CGU.

(iv) The fair-value less costs to sell was estimated based upon the marketability and condition of assets.

(in Canadian dollars, except as noted)

10. GOODWILL (*continued*)

For the Posera CGU, the higher of value-in-use and fair-value less costs to sell exceeded the carrying value by $320,000. See below for the resultant impairment by CGU, if any, as a result of the specified change to the key assumptions above, in isolation.

Change	QSR, SabrePoint & Biz-Pro	Posera	HDX Payment Processing	Zomaron
Reduction of 2.5% (i)	$nil	$nil	$nil	$210,000
Reduction of 1% (ii)	$nil	$nil	$nil	$40,000
Increase of 1% (iii)	$nil	$nil	$nil	$110,000
Decrease of 25% (iv)	N/A	N/A	$2,000	N/A

11. BANK INDEBTEDNESS

As at December 31, 2013, the Company through its subsidiary Posera Software, has a revolving line of credit of $204,173 (2012 - $191,000), of an available $500,000 (2012 - $191,000). The available credit facilities relate to $200,000 (2012 - $nil) as an operating line of credit and $300,000 (2012 - $191,000) 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% (2012 – 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 $775,447 (2012 - $1,087,707). Additionally, the facilities have a first ranking $1,000,000 (2012 - $Nil) 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 December 31, 2013 the Company is in full compliance with these covenants.

As at December 31, 2013, the Company through its subsidiary Posera Europe, has a revolving line of credit of $2,928 as at December 31, 2013 (December 31, 2012 - $12,426), with interest at 9.13% over the Bank of England base rate (2012 – 6.59%). The effective interest rate was 9.63% (2012 – 7.09%) for the year ended December 31, 2013. The revolving line of credit is secured by a floating lien on assets, with a carrying value of $203,489 as at December 31, 2013 (2012 - $253,852). Under the current terms of this line of credit there are no restrictive covenants.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2013	December 31, 2012
Trade payables (Note 19)	$ 1,583,972	$ 1,876,843
Accrued charges	1,193,570	910,845
Total accounts payable and accrued liabilities	**$ 2,777,542**	**$ 2,787,688**

(in Canadian dollars, except as noted)

13. PROVISIONS

	Provision for income tax and information return penalties
Balance – January 1, 2012	**$ -**
Increase in provisions (i)	210,000
Balance – December 31, 2012 and 2013	**$ 210,000**

(i) During the year-ended December 31, 2012, the Company became aware that certain income tax and information returns were past-due, which may be subject to certain penalties provided by legislation, the amount and timing of which is not certain. The full amount or a portion of these penalties, and associated income tax balances may be recouped by the Company through an indemnification agreement, although the amount and timing of the inflow is uncertain, and as such an asset and recovery is not recorded in these consolidated financial statements. During the year-ended December 31, 2013 there has been no change in resolving these income tax related penalties and the subsequent indemnification.

14. ROYALTY PAYABLE

As part of an acquisition of certain assets of 2020 IT Solutions Inc. during 2011, the Company agreed to pay a royalty based on future sales to non-customers as of the date of acquisition, of a certain technology acquired, which was determined to be part of the purchase price. The fair-value of the royalty payable was estimated on the date of acquisition to be $471,309. The fair-value of the royalty payable was determined utilizing a discount rate of 11.00%, and was accreted for interest utilizing the effective interest rate method, reduced for payments, and adjusted for changes in estimates. For the year ending December 31, 2013 $8,182 (2012 - $51,814) in accretion interest expense and a revaluation loss (gain) of $98,786 [2012 – ($399,491)] was recorded in the consolidated statements of operations, due to a revision in the estimated cash-flows subject to royalty. During the year-ended December 31, 2013, the Company entered into an agreement to make a one-time payment of $229,140 to terminate the Royalty Payable.

A reconciliation of the Royalty Payable is as follows:

	Carrying value
Balance – December 31, 2011	**$ 471,309**
Interest accretion	51,814
Revaluation gain	(399,491)
Royalty payments	(1,460)
Balance – December 31, 2012	**$ 122,172**
Interest accretion	8,182
Revaluation loss	98,786
Royalty payments	(229,140)
Balance – December 31, 2013	**$ Nil**

The royalty payable valuation sensitivity to +/- 5% in revenues applicable to royalties and +/- 1% to the discount rate is $nil (2012 - $14,000) and $nil (2012 - $6,000) respectively.

(in Canadian dollars, except as noted)

15. NOTES PAYABLE

		Carrying Value	
#	Details	December 31, 2013	December 31, 2012
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.	242,034	209,214
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. The conversion 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 December 31, 2012 have a carrying value of $577,535 (2012 - $834,902).	847,826	764,770
3	Note payable with a nominal and effective interest at a rate of 5.50%, with monthly payments of $5,560 including interest, ending January 1, 2013. A General Security agreement of the Company has been pledged as security for the note payable. The assets under the General Security Agreement have a carrying value of $nil (2012 - $17,323,952).	-	5,535
4	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 $1,500,000 and interest is repayable on maturity, being January 24, 2014 (Note 26).	1,485,000	-
	Total Notes Payable	**2,574,860**	**979,519**
	Current portion of the Notes Payable	2,178,163	487,677
	Long-term portion of the Notes Payable	**$ 396,697**	**$ 491,842**

	Fair Value	
#	December 31, 2013	December 31, 2012
1	226,817	203,210
2	869,948	825,457
3	-	5,313
4	1,505,401	-
Total	**$ 2,602,166**	**$ 1,033,980**

(in Canadian dollars, except as noted)

15. NOTES PAYABLE (*continued*)

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

	December 31, 2013	December 31, 2012
2013	-	590,429
2014	2,268,906	386,928
2015	429,264	165,697
2016	13,411	-
2017 and thereafter	-	-
Sub-total	**2,711,581**	**1,143,054**
Less: Interest	(136,721)	(163,535)
Total	**$ 2,574,860**	**$ 979,519**

For the year ending December 31, 2013, interest expense of $164,272 (2012 - $202,271) was recorded in the consolidated statements of operations in relation to notes payable.

16. VEHICLE LOANS AND CAPITAL LEASES

HDX uses vehicles in order to perform aspects of its business. Commitments for future payments of principle and interest on vehicle loans and capital leases are as follows:

Year	December 31, 2013	December 31, 2012
2013	$ -	$ 11,144
2014	65,084	11,144
2015	64,016	8,442
2016	46,536	2,392
2017	71,397	-
2018 and thereafter	2,348	-
	249,381	33,122
Less: Interest	(32,236)	(1,916)
	$ 217,145	**$ 31,206**
Short-Term Portion	51,321	10,215
Long-Term Portion	**$ 165,824**	**$ 20,991**

The Company makes monthly loan and capital lease payments of $4,954 (2012 - $929), which includes interest payments. The security provided for the loans and capital leases is the acquired vehicle related to that specific loan. Interest expense of $1,812 (2012 - $1,519) related to vehicle loans and capital leases was recorded in the consolidated statements of operations.

(in Canadian dollars, except as noted)

17. INCOME TAXES

Certain investment tax credits were netted against the expenses which were incurred to earn the credits, see Note 6. Deferred income tax assets are recorded to the extent it is probable that the Company will be able to recover such deferred income tax assets.

Deferred tax items recognized in net income were distributed as follows:

	December 31, 2013	December 31, 2012
Deferred tax recovery originated or reversed in current year	$ (368,792)	(123,280)
Recognition of previously unrecognized deferred taxes	(32,400)	(287,465)
Effect on deferred tax recovery from changes in tax rates	-	(21,693)
Total	**$ (401,192)**	**(432,438)**

A reconciliation of the deferred income tax liabilities and assets is as follows:

	Tax losses & SRED expenditure	Investment tax credits	Intangible assets	Royalty payable	Convertible Debenture	Other	Total
Balance – January 1, 2012	**$ 261,310**	**$ (479,000)**	**(1,201,000)**	**118,000**	**(77,000)**	**(22,000)**	**(1,399,690)**
Deferred income tax recovery (expense)	370,846	(184,000)	251,592	(118,000)	40,000	72,000	432,438
Exchange differences	-	-	12,408	-	-	-	12,408
Balance – December 31, 2012	**$ 632,156**	**$ (663,000)**	**$ (937,000)**	**$ -**	**$ (37,000)**	**$ 50,000**	**$ (954,844)**
Deferred income tax recovery (expense)	42,982	8,000	330,529	-	29,000	(9,319)	401,192
Acquisitions (Note 3)	-	-	(107,000)	-	-	6,319	(100,681)
Exchange differences	16,510	-	(57,529)	-	-	-	(41,019)
Balance – December 31, 2013	**$ 691,648**	**$ (655,000)**	**$ (771,000)**	**$ -**	**$ (8,000)**	**$ 47,000**	**$ (695,352)**

(in Canadian dollars, except as noted)

17. INCOME TAXES (*continued*)

A reconciliation between the Company's statutory and effective tax rate for the year ended December 31 is as follows:

	2013	2012
Tax recovery at statutory rate of parent	26.50 %	26.50 %
Effect of foreign operations	11.11	1.83
Weighted average statutory tax rate	**37.61**	**28.33**
Permanent differences	(30.70)	(18.65)
Gain on expired warrants charged directly to equity	-	2.09
Effect on deferred tax expense from changes in tax rates	-	0.45
Filing adjustments	5.12	(12.51)
Current year losses and deductible temporary differences for which no deferred tax asset was recognized	(35.80)	(3.49)
Recognition of previously unrecognized deferred tax assets	3.81	5.91
Other	3.33	(0.72)
	(16.63) %	**1.41 %**

The weighted average statutory tax rate was 37.61% (2012 – 28.33%), which varied largely as a result of a higher proportion of the loss being earned in jurisdictions with higher marginal rates compared to the prior year.

A reconciliation of deferred tax liabilities and assets to the statement of financial position is as follows:

	December 31, 2013	December 31, 2012
Deferred income tax liabilities to be settled after the next fiscal year	(740,274)	(954,844)
Deferred income tax assets to be settled after the next fiscal year	44,922	-
Total	**(695,352)**	**(954,844)**

Non-capital losses

No deferred tax has been recorded in respect to investments in foreign subsidiaries, as there are no anticipated distributions or transactions in the foreseeable future. The company has not recognized the deferred tax asset relating to a $516,469 (2012 - $466,376) intangible asset deductible temporary difference. In addition, the Company has non capital losses available for carry-forward to reduce future years' income for tax purposes, which, if unused, will expire as follows in the respective jurisdictions:

(in Canadian dollars, except as noted)

17. INCOME TAXES (*continued*)

	December 31, 2013			
	Canada	United States	United Kingdom	Singapore
2015	$ 2,000	$ -	$ -	$ -
2026	9,000	-	-	-
2029	8,000	-	-	-
2030	8,000	-	-	-
2031	1,000	-	-	-
2032	402,000	459,000	-	-
2033	449,000	11,000	-	
Indefinite	-	-	-	118,000
	$ 879,000	**$ 470,000**	**$ -**	**$ 118,000**

	December 31, 2012			
	Canada	United States	United Kingdom	Singapore
2015	$ 8,000	$ -	$ -	$ -
2026	9,000	-	-	-
2029	8,000	-	-	-
2030	14,000	-	11,000	-
2031	1,000	-	72,000	-
2032	558,000	476,000	67,000	-
Indefinite	-	-	-	62,000
	$ 598,000	**$ 476,000**	**$ 150,000**	**$ 62,000**

18. 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 December 31, 2013 and December 31, 2012 there are nil Class B issued or outstanding.

Common Shares Issued		Number of Common Shares	$
Balance, January 1, 2012 and December 31, 2012		**48,434,422**	**50,790,093**
Cancellation of Common Shares	(i)	(250,000)	(262,159)
Non-cash issuance upon acquisition (Note 3)	(ii)	4,000,000	840,000
Issued for cash consideration	(iii)	7,158,665	2,147,200
Issuance costs	(iii)	-	(195,991)
Balance, December 31, 2013		**59,343,087**	**53,319,143**

18. SHARE CAPITAL (*continued*)

(i) On August 15, 2013, the Company purchased and cancelled 250,000 shares for $37,500 or $0.15 per Common Share.

(ii) As disclosed in Note 3, on December 9, 2013 the Company completed the acquisition of Zomaron. As part of the purchase price, the Company completed a non-cash issuance of 4,000,000 Common Shares, which are subject to a 24-month hold period. The fair-value of the Common Shares with a 24-month hold period was estimated to be $0.21 per share.

(iii) During the year-ended December 31, 2013 the Company completed a private placement of 7,158,665 Common Shares for $0.30 per Common Share. Gross proceeds from the private placement were $2,147,200, before cash issuance costs of $163,899, and 405,000 broker warrants with an exercise price of $0.30 per Common Share until December 19, 2015. The fair value of the warrants was calculated to be $32,092 using the Black-Scholes option pricing model based on the following assumptions; a risk free interest rate of 1.09%, averaged expected volatility of 92%, expected dividend yield of 0% and an expected life of 2 years.

(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.

(in Canadian dollars, except as noted)

18. SHARE CAPITAL (*continued*)

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.

	December 31, 2013		December 31, 2012	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Options outstanding, beginning of the year	**4,631,584**	**$ 0.42**	**3,344,593**	**$ 0.52**
Granted – employees and directors	-	-	1,604,656	0.25
Granted – consultants and brokers	-	-	250,000	0.28
Exercised – employees and directors	-	-	-	-
Expired – broker compensation	-	-	(552,665)	(0.45)
Expired – employees and directors	(857,979)	(0.89)	(15,000)	(0.83)
Options outstanding, end of the year	**3,773,605**	**$ 0.32**	**4,631,584**	**$ 0.42**
Options exercisable, end of the year	**3,653,605**	**$ 0.32**	**4,266,584**	**$ 0.44**

The following table summarizes information about options outstanding as at;

December 31, 2013					
	Options outstanding			Options exercisable	
Exercise Price	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	1,644,338	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**

(in Canadian dollars, except as noted)

18. SHARE CAPITAL (*continued*)

December 31, 2012					
		Options outstanding		Options exercisable	
Exercise Price	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	4.17	0.25	1,544,338	0.25
0.28	250,000	4.50	0.28	125,000	0.28
0.30	483,333	2.56	0.30	483,333	0.30
0.34	637,563	3.70	0.34	637,563	0.34
0.40	290,304	2.91	0.40	290,304	0.40
0.50	400,000	2.91	0.50	400,000	0.50
0.94	762,596	0.39	0.94	762,596	0.94
2.00	12,050	0.49	2.00	12,050	2.00
2.70	11,400	2.08	2.70	11,400	2.50
	4,631,584	**3.13**	**$0.42**	**4,266,584**	**$0.44**

Of the options outstanding as at December 31, 2013 250,000 (2012 – 250,000) with an exercise price of $0.28, of which 250,000 (2012 – 125,000) are exercisable, are consultant compensation options.

For the year ended December 31, 2013, the Company recognized an expense of $28,169 (2012 – $242,982) for the vesting of options issued to directors, officers, and employees, which is included in Operating Expenditures.

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:

	Year ended December 31, 2013	Year ended December 31, 2012
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.

18. *SHARE CAPITAL (continued)*

(c) Contributed Surplus

The following is a continuity schedule of contributed surplus.

Balance January 1, 2012	**$ 5,620,947**
Stock-based compensation expense recognized during the year	242,982
Expiry of warrants net of tax effect of $101,624 (2011 - $nil) (Note 18(d))	665,349
Balance December 31, 2012	**$ 6,529,278**
Stock-based compensation expense recognized during the year	28,169
Gain on repurchase of Common Shares (Note 18(a)(i))	224,659
Balance December 31, 2013	**$ 6,782,106**

(d) Warrants

The warrants outstanding are as follows:

	December 31, 2013		December 31, 2012	
	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	Nil	$ Nil
Outstanding share purchase warrants to purchase Common Shares at $0.45 per share. The warrants expire on December 6, 2015	177,533	4,045	Nil	Nil
Total	**582,533**	**$ 36,137**	**Nil**	**$ Nil**

(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:

	Exercise price	Expiry	Number issued and outstanding	Number exercisable with dilutive impact	Number exercisable with anti-dilutive impact
Stock options	Note 18(b)	Note 18(b)	3,773,605	-	3,653,605
Warrants	$0.30	December 19, 2015	405,000	-	405,000
Warrants	$0.45	December 6, 2015	177,533	-	177,533

A reconciliation of basic to dilutive weighted average number of shares follows:

(in 000's)	December 31, 2013	December 31, 2012
Basic weighted average number of shares	48,962	48,434
Dilutive impact of in-the-money options	-	-
Dilutive weighted average number of shares	**48,962**	**48,434**

(in Canadian dollars, except as noted)

19. RELATED PARTY TRANSACTIONS

The Company recognized revenue from a company controlled by the CEO, who is also a director of the Company, during the year ended December 31, 2013, based on amounts agreed upon by the parties, in the amounts of $35,618 (2012 - $58,624). The Company recognized operating expenses related to shared office space and employees, and purchased products of $367,862 during the year ended December 31, 2013 (2012 - $443,242) from a Company controlled by the CEO at the exchange amount based on amounts agreed to by the parties. As at December 31, 2013, the Company has a receivable position of $38,015 (2012 - $23,730), and a payable of $106,764 (2012 - $170,467), which will be settled between the related parties in the normal course of business.

During the year ended December 31, 2013, the Company received legal fees and disbursement invoices totaling $235,743 (2012 - $56,285) to a law firm, a partner of which is a director of the Company. As at December 31, 2013, the Company has a payable position of $117,588 (2012 - $55,159) 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:

	Year ended December 31, 2013	Year ended December 31, 2012
Salaries and short-term employee benefits	$ 969,114	$ 922,381
Share-based payments	16,710	185,691
Total	**$ 985,824**	**$ 1,108,072**

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 year-ended December 31, 2013 (2012 – 1,499,339) to key management.

20. FINANCIAL INSTRUMENTS

The fair value of the financial assets and liabilities, excluding notes payable approximate their carrying value as at December 31, 2013 and December 31, 2012. The fair value of the note payables is disclosed in Note 15, which estimates are level 2 measurements in the fair-value hierarchy. 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 of 10.25% as at December 31, 2013 (December 31, 2012 – 9.50%). Changes in assumptions could materially affect estimates.

(in Canadian dollars, except as noted)

20. FINANCIAL INSTRUMENTS (*continued)*

The Company's financial instruments have been summarized below:

	December 31, 2013	December 31, 2012
Financial assets		
Loans and receivables	$ 8,549,679	$ 6,561,011
Financial liabilities		
Fair value through profit and loss	-	-
Other financial liabilities	5,776,648	4,177,369

21. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact of the Company's financial instruments are summarized below.

a) Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and, accounts receivable in the aggregate amount of $6,508,963 as at December 31, 2013 (2012 $4,169,343). Cash and cash equivalents are held with certain Canadian and European financial institutions. The Company has adopted a credit policy under which the balance of new customers are analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are primarily located in Canada, the United States, France and the United Kingdom. The Company has no significant concentration of receivables, which would result in unusual credit risk exposure.

No financial assets are past due except for trade receivables. As at December 31, 2013, trade receivables of $2,009,981 (December 31, 2012 - $1,799,882) were current and not impaired, $1,544,867 (December 31, 2012 - $1,319,020) were past due but not impaired and $108,384 (December 31, 2012 - $64,294) were impaired.

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	December 31, 2013	December 31, 2012
Balance – Beginning of year	**$ 64,294**	**$ 146,968**
Receivables written off as uncollectible	(24,443)	(168,950)
Net provision for impairment	68,533	86,276
Balance – End of year	**$ 108,384**	**$ 64,294**
Accounts receivable – gross	**3,663,232**	**3,183,196**
Accounts receivable – net	**$ 3,554,848**	**$ 3,118,902**

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet financial obligations when due through periodic monitoring of working capital balances.

(in Canadian dollars, except as noted)

21. FINANCIAL RISK FACTORS (*continued*)

As at December 31, 2013, the Company had a cash balance of $2,954,115 (2012 - $1,050,441) and other current assets of $5,423,748 (2012 - $5,671,104) to settle current liabilities of $7,782,370 (2012- $5,684,519). All of the Company's current financial liabilities have contractual maturities that range between 30 and 90 days and are subject to normal trade terms excluding vehicle loans and notes payable disclosed separately in Note 15 and Note 16 respectively. The following are the commitments to be settled in cash. The amounts presented represent the future undiscounted principal and interest cash flows, with the exception of the royalty payable which is discounted due to the nature of the liability, and therefore do not equate to the carrying amounts on the consolidated statement of financial position.

	2014	2015	2016	2017	2018 and thereafter	Total
Bank indebtedness (Note 11)	$ 207,101	$ -	$ -	$ -	$ -	$ 207,101
Accounts payable and accrued liabilities (Note 12)	2,777,542	-	-	-	-	2,777,542
Income taxes payable (Note 17)	342,407	-	-	-	-	342,407
Vehicle loans and capital leases (Note 16)	65,084	64,016	46,536	71,397	2,348	249,381
Provisions (Note 13)	210,000	-	-	-	-	210,000
Note payable (Notes 15 and 26)	2,268,906	429,264	13,411	-	-	2,711,581
Operating leases	472,702	406,856	126,935	73,983	-	1,080,476
Total	**$ 6,343,742**	**$ 900,136**	**$ 186,882**	**$ 145,380**	**$ 2,348**	**$ 7,578,488**

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign currency risk.

i) Interest rate risk

The Company has cash balances and interest-bearing debt. The Company holds cash and cash equivalents in deposit with certain Canadian and European financial institutions. The Company also holds notes payable, with largely fixed interest rates. The Corporation is sensitive to changes in the prevalent interest rates through interest income earned on its cash balance and interest paid on its notes payable. Interest rate risk is low as the interest rates on the Company's certificates of deposits, and notes payable are largely fixed. Interest rates and maturity dates for the Company`s certificates of deposits are disclosed in Note 4. The interest rates and maturity dates for the notes payable are disclosed in Note 16.

ii) Foreign currency risk

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. The foreign exchange risk arises primarily with respect to the USD, GBP and the Euro.

A $0.05 strengthening of the CDN dollar compared to the USD, holding all other variables constant, would increase net income by $67,000 (December 31, 2012 – $50,000 increase), and increase comprehensive income by $106,000 (December 31, 2012 - $30,000 increase). The Company has elected to not actively manage this exposure at this time.

(in Canadian dollars, except as noted)

21. FINANCIAL RISK FACTORS (*continued*)

A $0.05 strengthening of the CDN dollar compared to the GBP pound, holding all other variables constant, would decrease net income by $3,000 (December 31, 2012 - $2,000 increase), and decrease comprehensive income by $6,000 (December 31, 2012 – $2,000 increase). The Company has elected to not actively manage this exposure at this time.

A $0.05 strengthening of the CDN dollar compared to the EUR euro, holding all other variables constant, would decrease net income by $1,000 (December 31, 2012 –$1,000 decrease), and decrease comprehensive income by $16,000 (December 31, 2012 - $14,000 decrease). The Company has elected to not actively manage this exposure at this time.

A $0.05 strengthening of the CDN dollar compared to the SGD dollar, holding all other variables constant, would decrease net income by $4,000 (December 31, 2012 – $5,000 increase), and decrease comprehensive income by $4,000 (December 31, 2012 - $8,000 increase). The Company has elected to not actively manage this exposure at this time.

22. EXPENDITURES BY NATURE

The following is a reconciliation of expenditures by function to expenditures by nature:

Presentation by Nature	December 31, 2013	December 31, 2012
Salaries, wages and other employee benefits (Note 6)	$ 8,773,312	$ 8,713,781
Changes in inventories of finished goods (Note 7)	5,032,156	3,794,665
Amortization (Notes 8 and 9)	1,413,834	1,458,754
Office and utilities	1,137,576	1,190,343
Professional and regulatory fees	905,837	839,870
Travel, meals and entertainment	781,548	787,779
Rent	745,598	876,917
Outside service	332,725	317,461
Advertising	293,232	360,732
Impairment (Notes 8, 9 and 10)	262,275	2.419,864
Stock-based compensation (Note 18(b,c))	147,710	175,691
Bad debt	129,093	86,276
Insurance	98,756	105,863
Provision for penalties (Note 13)	-	210,000
Other expenditures	190,272	109,092
Total	**$ 20,243,924**	**$ 21,447,088**
Presentation by Function		
Cost of inventory	$ 5,001,125	$ 3,794,900
Technology	1,791,176	1,888,403
Operations and support	4,785,559	4,756,107
Sales and marketing	3,337,638	3,314,850
General and administrative	5,066,151	5,272,964
Impairment of assets	262,275	2,419,864
Total	**$ 20,243,924**	**$ 21,447,088**

(in Canadian dollars, except as noted)

23. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets to reduce debt or issue new debt.

The Company monitors capital on the basis of the debt to equity ratio, which is a non-IFRS measure. This ratio is calculated as total debt divided by total equity. Total debt is calculated as the sum of bank indebtedness, and current and long-term notes payable and vehicle loans as shown in the consolidated statements of financial position. Total equity is the equity of the Company in the consolidated statements of financial position. As disclosed in Note 11, the Company is subject to certain externally imposed capital covenants related to bank indebtedness.

The debt to equity ratios as at December 31, 2013 and December 31, 2012 were as follows:

	December 31, 2013	December 31, 2012
Total Debt		
Notes payable	$ 2,574,860	$ 979,519
Vehicle loans and capital leases	217,145	31,206
Bank indebtedness	207,101	256,784
Total Debt	**$ 2,999,106**	**$ 1,267,509**
Equity		
Equity	$ 11,348,788	$ 9,487,018
Total Equity	**$ 11,348,788**	**$ 9,487,018**
Debt to Equity Ratio	**26.43%**	**13.35%**

24. CHANGES IN WORKING CAPITAL ITEMS

	December 31, 2013	December 31, 2012
Accounts receivable	$ (41,187)	$ 141,959
Holdback on sale of Dexit	-	200,000
Investment tax credits and investment credits receivable	380,217	(642,007)
Income taxes payable	(131,811)	303,935
Lease receivable	22,455	24,840
Inventory	405,227	(2,289)
Prepaid expenses and deposits	(30,990)	(36,411)
Accounts payable and accrued liabilities	(283,956)	79,016
Deferred revenue	(77,813)	243,330
Total	**$ 242,142**	**$ 312,373**

(in Canadian dollars, except as noted)

25. SEGMENTED INFORMATION

The Company is divided into two reportable segments: Point of Sale ("POS") and Payment Processing, with other segments not meeting the aggregation criteria being grouped into other. The reported segments has changed from prior segmented information presented, as the former segments of Direct POS and POS Software have over time met the aggregation criteria, and the new Payment Processing segment does not meet the aggregation criteria. 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. Certain segmented information relating to Goodwill is provided in Note 10.

Disclosure by Segment

	Revenue for the period ended		Operating profit for the period ended (i)	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
POS	$ 19,350,796	$ 16,434,375	$ 2,330,173	$ 570,073
Payment Processing	160,616	11,731	(429,125)	(475,822)
Total	**$ 19,511,412**	**$ 16,446,106**	**$ 1,901,048**	**$ 94,251**

(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:

	December 31, 2013	December 31, 2012
Total segmented operating profit	$ 1,901,048	$ 94,251
Corporate headquarter operating expenditures	(957,452)	(1,216,616)
Other non-operating expenditures	(1,936,034)	(3,670,859)
Net Loss	**$ (992,438)**	**$ (4,793,224)**

(in Canadian dollars, except as noted)

25. SEGMENTED INFORMATION *(continued)*

	POS	Payment Processing	**Total Consolidated**
	December 31, 2013		
Total Assets	$ 17,367,794	3,066,159	**$ 20,433,953**
Total Liabilities	$ 8,640,058	445,107	**$ 9,085,165**
	December 31, 2012		
Total Assets	$ 16,792,037	452,088	**$ 17,244,125**
Total Liabilities	$ 7,632,483	124,624	**$ 7,757,107**

Disclosure by Territory

	Revenue for the period ended		Operating profit for the period ended (1)	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Canada	$ 13,854,184	$ 10,485,243	$ 2,484,159	$ 831,953
USA	3,224,936	3,430,513	(819,760)	(665,343)
Europe	2,104,636	2,108,043	269,198	(13,059)
Asia and others	327,656	422,307	(32,549)	(59,300)
Total	**$ 19,511,412**	**$ 16,446,106**	**$ 1,901,048**	**$ 94,251**

(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.

	Canada	USA	Europe	Asia	**Total**
		December 31, 2013			
Total Assets	$ 14,635,857	4,797,469	1,000,627	-	**$ 20,433,953**
Total Liabilities	$ 7,325,097	1,394,281	365,787	-	**$9,085,165**
		December 31, 2012			
Total Assets	$ 11,251,839	4,854,362	1,038,371	99,553	**$ 17,244,125**
Total Liabilities	$ 6,024,160	1,319,894	363,379	49,674	**$ 7,757,107**

26. SUBSEQUENT EVENTS

On January 15, 2014, the Company issued a total of $1.5 million (principal amount) of unsecured convertible subordinated debentures, and repaid the term promissory note maturing January 24, 2014. The unsecured convertible subordinated debentures will mature with the principal amount repayable on January 15, 2017 and will pay interest at a nominal rate of 10.25% per annum, payable monthly. Each Convertible Debenture will be convertible into Posera - HDX Common Shares at $0.45 per Posera - HDX Common Share until January 15, 2016 and at $0.60 per Posera - HDX Common Share thereafter until maturity. The offering price of each Convertible Debenture was $900 per $1,000 principal amount resulting in gross proceeds to Posera - HDX of $1.35 million. Posera - HDX paid a finder's fee equal to 5.0% of the gross proceeds, being $67,500, of the Offering, and incurred issuance costs of $27,173, both of which will be amortized over the life of the debentures. As a result of the conversion option, issuance discount, commission and issuance costs, the unsecured convertible subordinated debentures have a resulting effective interest rate of 19.86%.

27. COMPARATIVE FIGURES

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