Condensed Consolidated Interim Financial Statements of

POSERA – HDX Ltd.

(Unaudited)
Three and nine-months ended September 30, 2013 and 2012

POSERA-HDX LTD.

Consolidated Statements of Financial Position

As at September 30, 2013 and December 31, 2012

(unaudited)

(in Canadian dollars)

	September 30, 2013	December 31, 2012
ASSETS (Note 7 and 8)		
CURRENT		
Cash and cash equivalents	$ 1,145,590	$ 1,050,441
Accounts receivable (Note 12)	2,731,522	3,118,902
Current portion of lease receivable	10,500	12,388
Inventory	1,119,297	1,211,219
Investment credits receivable - refundable (Note 3)	723,377	1,087,707
Prepaid expenses and deposits	247,984	240,888
	5,978,270	**6,721,545**
NON-CURRENT		
Property, plant and equipment (Note 4)	118,756	164,552
Deposit on leased premises	39,582	34,409
Lease receivable	39,692	28,881
Investment tax credits receivable - non-refundable (Note 3)	1,245,114	1,262,692
Deferred income tax assets (Note 10)	56,495	-
Intangible assets (Note 5)	3,582,115	4,701,300
Goodwill (Note 6)	4,344,725	4,330,746
	$ 15,404,749	**$ 17,244,125**
LIABILITIES		
CURRENT		
Bank indebtedness (Note 7)	$ 60,000	$ 256,784
Accounts payable and accrued liabilities (Note 12)	3,191,374	2,787,688
Provisions	210,000	210,000
Current portion of vehicle loans	16,071	10,215
Current portion of royalty payable (Note 9)	-	2,930
Current portion of notes payable (Note 8)	401,129	487,677
Income taxes payable (Note 10)	250,407	335,973
Deferred revenue	1,765,133	2,078,921
	5,894,114	**6,170,188**
NON-CURRENT		
Deferred income tax liability (Note 10)	766,085	954,844
Vehicle loans	33,802	20,991
Royalty payable (Note 9)	-	119,242
Notes payable (Note 8)	557,023	491,842
	7,251,024	**7,757,107**
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		
SHARE CAPITAL (Note 11(a))	50,527,934	50,790,093
CONTRIBUTED SURPLUS (Note 11(b, c))	6,777,929	6,529,278
DEFICIT	(49,097,442)	(47,744,231)
ACCUMULATED OTHER COMPREHENSIVE LOSS	(54,696)	(88,122)
	8,153,725	**9,487,018**
	$ 15,404,749	**$ 17,244,125**

See accompanying notes to the condensed consolidated interim financial statements

POSERA-HDX LTD.

Consolidated Statements of Operations and Comprehensive Loss

For the three and nine-months ended September 30, 2013 and 2012

(unaudited)

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

	Three-months ended September 30, 2013	Three-months ended September 30, 2012	Nine-months ended September 30, 2013	Nine-months ended September 30, 2012
REVENUE (Note 12)	$ 5,171,555	$ 4,032,574	$ 13,570,671	$ 11,908,578
COST OF SALES (Note 12)				
Cost of inventory	1,331,301	905,019	3,227,681	2,487,154
Technology (Note 3)	583,040	482,762	1,551,085	1,511,427
Operations and support	1,210,190	1,141,433	3,543,937	3,542,000
TOTAL COST OF SALES	**3,124,531**	**2,529,214**	**8,322,703**	**7,540,581**
GROSS PROFIT	**2,047,024**	**1,503,360**	**5,247,968**	**4,367,997**
OPERATING EXPENSES (Note 12)				
Sales and marketing	751,705	749,829	2,480,196	2,491,069
General and administrative	1,215,564	1,346,410	3,634,044	3,693,838
Impairment of assets (Note 6)	331,059	-	331,059	-
TOTAL OPERATING EXPENSES	**2,298,328**	**2,096,239**	**6,445,299**	**6,184,907**
	(251,304)	**(592,879)**	**(1,197,331)**	**(1,816,910)**
OTHER EXPENSES (INCOME)				
Interest expense (Note 7, 8 and 9)	59,923	65,895	160,775	207,430
Realized and unrealized loss(gain) on foreign exchange	118,634	102,421	(73,604)	30,516
Interest and other income	(2,371)	(2,582)	(7,343)	(10,437)
Loss (gain) on revaluation of financial instruments (Note 9)	98,786	-	98,786	(35,556)
TOTAL OTHER EXPENSES (INCOME)	**274,972**	**165,734**	**178,614**	**191,953**
NET LOSS BEFORE INCOME TAXES	**(526,276)**	**(758,613)**	**(1,375,945)**	**(2,008,863)**
INCOME TAX EXPENSE (RECOVERY)				
Current (Note 10)	(10,625)	14,964	244,554	58,259
Deferred (Note 10)	(114,153)	(93,585)	(267,288)	(170,787)
NET LOSS, ATTRIBUTABLE TO OWNERS OF THE PARENT	**$ (401,498)**	**$ (679,992)**	**$ (1,353,211)**	**$ (1,896,335)**
Items that may be reclassified subsequently to net income				
Other comprehensive gain(loss) on foreign translation	73,161	(45,303)	33,426	(61,971)
NET COMPREHENSIVE LOSS, ATTRIBUTABLE TO OWNERS OF THE PARENT	**$ (328,337)**	**$ (725,295)**	**$ (1,319,785)**	**$ (1,958,306)**
BASIC AND DILUTED LOSS PER SHARE (Note 11(d))	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.04)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)	48,308	48,434	48,392	48,434

See accompanying notes to the condensed consolidated interim financial statements

POSERA-HDX LTD.

Consolidated Statements of Changes in Equity

For the three and nine-months ended September 30, 2013 and 2012

(unaudited)

(in Canadian dollars)

	Three-months ended September 30,				Nine-months ended September 30,			
		2013		2012		2013		2012
DEFICIT BEGINNING OF PERIOD	$	(48,695,944)	$	(44,167,350)	$	(47,744,231)	$	(42,951,007)
Net loss, attributable to owners of the parent		(401,498)		(679,992)		(1,353,211)		(1,896,335)
DEFICIT END OF PERIOD	**$**	**(49,097,442)**	**$**	**(44,847,342)**	**$**	**(49,097,442)**	**$**	**(44,847,342)**
ACCUMULATED OTHER COMPREHENSIVE LOSS BEGINNING OF PERIOD	$	(127,857)	$	(78,549)	$	(88,122)	$	(61,881)
Other comprehensive gain(loss) on foreign translation		73,161		(45,303)		33,426		(61,971)
ACCUMULATED OTHER COMPREHENSIVE LOSS END OF PERIOD	**$**	**(54,696)**	**$**	**(123,852)**	**$**	**(54,696)**	**$**	**(123,852)**
NET COMPREHENSIVE (LOSS) INCOME, ATTRIBUTABLE TO OWNERS OF THE PARENT	**$**	**(328,337)**	**$**	**(725,295)**	**$**	**(1,319,785)**	**$**	**(1,958,306)**
SHARE CAPITAL BEGINNING OF PERIOD	$	50,790,093	$	50,790,093	$	50,790,093	$	50,790,093
Cancellation of Common Shares (Note 11(a)(i))		(262,159)		-		(262,159)		-
SHARE CAPITAL END OF PERIOD (Note 11(a))	**$**	**50,527,934**	**$**	**50,790,093**	**$**	**50,527,934**	**$**	**50,790,093**
CONTRIBUTED SURPLUS BEGINNING OF PERIOD	$	6,549,092	$	6,499,924	$	6,529,278	$	5,620,947
Stock based compensation		4,178		87,239		23,992		199,243
Expiry of Warrants		-		-		-		766,973
Purchase of Common Shares for cancellation (Note 11(a)(i))		224,659		-		224,659		-
CONTRIBUTED SURPLUS END OF PERIOD (Note 11(c))	**$**	**6,777,929**	**$**	**6,587,163**	**$**	**6,777,929**	**$**	**6,587,163**
WARRANTS BEGINNING OF PERIOD	$	-	$	-	$	-	$	766,973
Expiry of Warrants	$	-	$	-		-	$	(766,973)
WARRANTS END OF PERIOD	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**

See accompanying notes to the condensed consolidated interim financial statements

POSERA-HDX LTD.

Consolidated Statements of Cash Flows

For the three and nine-months ended September 30, 2013 and 2012

(unaudited)
(in Canadian dollars)

	Three-months ended September 30, 2013	Three-months ended September 30, 2012	Nine-months ended September 30, 2013	Nine-months ended September 30, 2012
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net loss	$ (401,498)	$ (679,992)	$ (1,353,211)	$ (1,896,335)
Items not affecting cash				
Amortization of property, plant & equipment (Note 4)	24,058	7,691	93,516	103,776
Amortization of intangible assets (Note 5)	453,042	347,281	1,065,669	988,483
Deferred income tax recovery	(114,153)	(93,585)	(267,288)	(170,787)
Loss(gain) on revaluation of financial instruments (Note 9)	98,786	-	98,786	(35,556)
Impairment of assets (Note 6)	331,059	-	331,059	-
Stock-based compensation expense (Note 11(b,c))	4,178	87,239	23,992	199,243
Interest accretion	28,754	46,580	96,682	144,482
Reduction of notes payable principle	-	-	(34,323)	-
Unrealized loss(gain) on foreign exchange	76,283	80,036	(65,694)	48,365
	500,509	**(204,750)**	**(10,812)**	**(618,329)**
Changes in working capital items (Note 13)	(459,814)	(315,157)	745,227	(667,335)
	40,695	**(519,907)**	**734,415**	**(1,285,664)**
FINANCING				
Repayment of vehicle loans	(4,911)	(5,624)	(10,013)	(34,614)
Issuance of vehicle loans	-	-	28,680	-
Purchase of Common Shares for cancellation (Note 11(a))	(37,500)	-	(37,500)	-
Payment of royalties (Note 9)	(225,830)	(680)	(227,470)	(790)
Repayment of notes payable (Note 8)	-	(106,580)	(99,088)	(323,893)
	(268,241)	**(112,884)**	**(345,391)**	**(359,297)**
INVESTING				
Deposits	-	(100,000)	-	(100,000)
Acquisition of property, plant and equipment (Note 4)	(26,189)	(37,649)	(60,760)	(59,864)
Acquisition of intangible assets (Note 5)	(4,260)	-	(29,731)	(1,466)
	(30,449)	**(137,649)**	**(90,491)**	**(161,330)**
Foreign exchange gain on net cash and cash equivalents held in a foreign currency	**5,610**	**(10,830)**	**(6,600)**	**(8,402)**
NET CASH AND CASH EQUIVALENTS INFLOW (OUTFLOW)	**$ (252,385)**	**$ (781,270)**	**$ 291,933**	**$ (1,814,693)**
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,337,975	1,216,551	793,657	2,249,974
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 1,085,590**	**$ 435,281**	**$ 1,085,590**	**$ 435,281**
FOR THE PURPOSE OF THIS STATEMENT, NET CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING				
Cash and cash equivalents	$ 1,145,590	$ 671,341	$ 1,145,590	$ 671,341
Bank indebtedness	(60,000)	(236,060)	(60,000)	(236,060)
	$ 1,085,590	**$ 435,281**	**$ 1,085,590**	**$ 435,281**
SUPPLEMENTAL OPERATING CASH FLOW INFORMATION				
Interest paid	$ 31,169	$ 19,315	$ 45,483	$ 62,482
Interest received	2,371	2,582	4,631	10,437
Income taxes paid	53,751	11,395	98,323	69,289
Investment credits receivable received	-	-	528,218	-

See accompanying notes to the condensed consolidated interim 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with IFRS. As such, these condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2012.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 7, 2013.

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

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2013, as issued and outstanding as of the date the Board of Directors approved these statements. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's annual consolidated financial statements for the year-ended December 31, 2012, except as described below.

The results for the three and nine-months ended September 30, 2013 are not necessarily indicative of the results to be expected for the full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 had a consequential impact on the Company's fair value disclosures relating to IAS 36, which has been considered in these condensed interim financial statements.

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.

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

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.

Reorganization

On October 7, 2011, the Company was formed as a result of reorganization, by way of a plan of arrangement, which resulted in all of the assets and liabilities of Posera – HDX Inc., except for the Dexit radio frequency identification device ("RFID") business assets and liabilities, and certain other assets being transferred to Posera – HDX Ltd. The former security holders of Posera – HDX Inc. then became the security holders of Posera – HDX Ltd. Posera – HDX Inc. (renamed Dexit Inc), then became a wholly owned subsidiary of Posera – HDX Ltd. On October 28, 2011, Posera – HDX Ltd. then disposed of Dexit Inc. This reorganization was accounted for as a capital reorganization transaction at predecessor values. As such these financial statements are a continuation of the previous financial statements of Posera – HDX Inc.

Consolidation

These condensed consolidated interim 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"); and Posera – HDX Scheduler Inc. ("Posera – HDX Scheduler").

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 condensed consolidated interim financial statements are presented in Canadian Dollars ("CAD").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement 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.

Business Combinations

Business combinations 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 gain on financial instruments through profit and loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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 derives revenues from the following sources:

a) Revenue from POS systems, digital video recording ("DVR") systems and POS parts and consumables is recognized when the Company has transferred to the customer the significant risks and rewards of ownership, the Company does not retain continuing managerial involvement with or effective control of the goods, the amount of revenue can be measured reliably, it is probable the economic benefits associated with the sale will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions are generally met when the product has been installed. POS and DVR systems generally include a one year support contract. The Company allocates revenue to each component of the transaction using the relative fair value of each separately identifiable component. The Company defers the fair value of the support services under the agreement, as deferred revenue at the time of sale. Revenue on the support services is then recognized in line with the customer support contract policy below.

b) Revenue from customer support contracts is deferred and recognized as revenue on a straight-line basis over the term of the contract.

c) PCS and hosting service revenue are accounted for as services. Revenue is recognized when 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 PCS 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.

(in Canadian dollars, except as noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

f) Revenue from processing transactions is recognized at the time the transactions are processed.

3. 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 $181,697 and $553,993 during the three and nine-months ending September 30, 2013 respectively (September 30, 2012 - $172,609 and $430,028 respectively). As of September 30, 2013, a subsidiary of the Company has refundable investment credits receivable totaling $723,377 (December 31, 2012 - $1,087,707) of which $723,377 (2012 - $1,087,707) is pledged for bank indebtedness, and non-refundable investment tax credits receivable totaling $1,245,114 (December 31, 2012 - $1,262,692) which expire according to the schedule below:

	September 30, 2013	December 31, 2012
2027	$ -	$ 118,493
2028	134,182	243,660
2029	170,772	170,772
2030	161,198	161,198
2031	288,103	288,103
2032	280,466	280,466
2033	210,393	-
Total	**$ 1,245,114**	**$ 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.

(in Canadian dollars, except as noted)

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

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

	Cost	Accumulated Amortization and Impairment	Net book value
Balance – December 31, 2012	**$ 718,213**	**$ 553,661**	**$ 164,552**
Acquisition	60,760	-	60,760
Amortization	-	93,516	(93,516)
Impairment (Note 6)	-	12,734	(12,734)
Translation adjustment	(1,336)	(1,030)	(306)
Balance - September 30, 2013	**$ 777,637**	**$ 658,881**	**$ 118,756**

5. INTANGIBLE ASSETS

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

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2012	**$ 12,435,651**	**$ 7,734,351**	**$ 4,701,300**
Amortization	-	1,065,669	(1,065,669)
Acquisition	29,731	-	29,731
Impairment (Note 6)	-	162,278	(162,278)
Translation adjustment	209,049	130,018	79,031
Balance - September 30, 2013	**$ 12,674,431**	**$ 9,092,316**	**$ 3,582,115**

6. GOODWILL

Reconciliation of Goodwill

	Net book value
Balance - December 31, 2012	**$ 4,330,746**
Impairment (i)	(76,334)
Translation adjustment	90,313
Balance - September 30, 2013	**$ 4,344,725**

(i) During the three and nine-months ended September 30, 2013, the Company assessed an impairment of $331,059 related to the goodwill, intangible assets, property plant and equipment, and other assets, allocated to the HDX Payment Processing CGU in the Other Segment, because of the deterioration in the higher of the value-in-use and fair-value less costs to sell. The impairment was recorded at fair-value less costs to sell as it was higher than the value-in-use. This was primarily the result of the Company's decision to outsource certain activities to which the assets relate, and a downward revision to 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, which differ from the assumptions previously utilized as a result of a change in the intended use of the assets. This impairment is included in Operating Expenditures.

(in Canadian dollars, except as noted)

6. GOODWILL (continued)

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 September 30, 2013, the date of the Company's impairment testing:

	HDX Payment Processing
Years 1 – 5 earnings growth rate (i)	5 - 7%
Terminal earnings growth rate (ii)	2%
After-tax discount rate (iii)	13%
Fair-value less costs to sell (iv)	$8,170

(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) Fair-value less costs to sell was estimated based upon the estimated market value, less costs to sell, from the sale of the CGU's physical assets.

7. BANK INDEBTEDNESS

As at September 30, 2013, the Company, through one of its subsidiaries, had an operating line of credit and financing for certain investment credits receivable, at the Canadian bank prime rate plus 2.50%, plus a stand-by fee at an annual rate of 0.5% on the unused portion of the credit facility. As at September 30, 2013, $60,000 (December 31, 2012 - $nil) was drawn, which is fully covered by a first ranking moveable hypothec of $1,000,000, and first priority on the financed investment credits. The bank can demand repayment and/or cancel the availability of the facility at any time.

As at December 31, 2012 the Company, through one of its subsidiaries, had a revolving line of credit, with interest at 6.59% over Bank of England base rate. The effective interest rate for the three and nine-months ending September 30, 2012 was 7.09%. The revolving line of credit is secured by a floating lien on assets, with a carrying value of $253,852 as at December 31, 2012. Under the terms of this line of credit, the subsidiary must satisfy two restrictive covenants, which are the debtor coverage ratio and interest coverage ratio. As at December 31, 2012, the Company did not comply with the interest coverage ratio, and as such, at its option, the bank could withdraw the credit facility and demand repayment.

Additionally, as at December 31, 2012 the Company, through one of its subsidiaries, had a facility to finance investment credits. As at December 31, 2012, the Company had utilized $191,000 of its credit facilities, of an available $191,000. These facilities bear interest at the Canadian bank prime rate plus 2.25%, with an effective interest rate of 5.25% for the three and nine-months ending September 30, 2012, and are payable in full upon receipt of the investment credit receivables and are secured by a floating lien on current and future investment credit receivables with a current carrying value of $1,087,707. This facility has been guaranteed up to 80% by Investissement Quebec.

(in Canadian dollars, except as noted)

8. NOTES PAYABLE

		Carrying Value		Fair Value	
#	Details	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
1	Loan from prior Posera shareholders, with a nominal interest rate of 5.00% and an effective interest rate of 9.50% which originally was due in full on April 30th 2013. On February 1, 2013, the loan was amended to defer payments commencing June 1, 2015 with monthly payments of USD $33,633 until fully paid. The debt is unsecured.	$ 231,209	$ 209,214	$ 212,855	$ 203,210
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 convertible debenture was convertible 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 with a carrying value of $617,045 (December 31, 2012 - $834,902).	726,943	764,770	785,244	825,457
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 as at September 30, 2013 (December 31, 2012 - $17,244,125).	-	5,535	-	5,313
	Total Notes Payable	**$ 958,152**	**$ 979,519**	**$ 998,099**	**$1,033,980**
	Current portion of the Notes Payable	401,129	487,677		
	Long-term portion of the Notes Payable	**$ 557,023**	**$ 491,842**		

(in Canadian dollars, except as noted)

9. ROYALTY PAYABLE

As part of the acquisition of certain hospitality assets of 2020, 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, which was determined utilizing a discount rate of 11.00%. The Royalty payable is accreted for interest utilizing the effective interest rate method, reduced for payments, and adjusted for changes in estimates. For the three and nine-months ending September 30, 2013 $1,670 and $6,512 respectively (2012 - $13,119 and $38,367 respectively) in accretion interest expense and a revaluation loss of $98,786 and $98,786 respectively (2012 - $nil and $nil respectively) was recorded in the consolidated statements of operations, due to a revision in the estimated cash-flows subject to royalty. On August 15, 2013, the Company entered into an agreement with the royalty owner to make a one-time payment and terminate the royalty agreement.

A reconciliation of the Royalty Payable is as follows:

	Carrying value
Balance – December 31, 2012	**$ 122,172**
Interest accretion	6,512
Loss on revaluation	98,786
Payment of royalties	(227,470)
Balance – September 30, 2013	**$ -**

10. INCOME TAXES

Income tax expense has been recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year for each taxable entity, less a valuation adjustment in instances where it was not probable that any future income tax assets would be realized. The estimated average annual rate used for the three and nine-months ended September 30, 2013 and September 30, 2012, by taxable entity, ranged from 0% to 34%. Certain investment tax credits were netted against the expenses which were incurred to earn the credits, see Note 3.

11. SHARE CAPITAL

(a) Authorized and issued

Authorized

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

An unlimited number of Class B non-voting common shares ("Class B") – non-voting convertible into Common Shares at the option of the holder, on a share for share basis, with no par value. As at September 30, 2013 and December 31, 2012 there are nil Class B issued or outstanding.

(in Canadian dollars, except as noted)

11. SHARE CAPITAL *(continued)*

Common Shares Issued	Reference	Number of Common Shares	$
Balance, December 31, 2012		**48,434,422**	**50,790,093**
Cancellation of Common Shares	*(i)*	(250,000)	(262,159)
Balance, September 30, 2013		**48,184,422**	**50,527,934**

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

(b) Stock options and stock-based compensation

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

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

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

(in Canadian dollars, except as noted)

11. SHARE CAPITAL *(continued)*

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

	Number Outstanding	Weighted Average Exercise Price
Options outstanding – December 31, 2012	**4,631,584**	**$ 0.42**
Expiry of options	(774,646)	0.92
Options outstanding – September 30, 2013	**3,856,938**	**$ 0.32**
Options exercisable – September 30, 2013	**3,856,938**	**$ 0.32**

The following table summarizes information about options outstanding as at;

September 30, 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	1,784,337	3.42	0.25	1,784,337	0.25
0.28	250,000	3.75	0.28	250,000	0.28
0.30	483,333	1.81	0.30	483,333	0.30
0.34	637,564	2.95	0.34	637,564	0.34
0.40	290,304	2.16	0.40	290,304	0.40
0.50	400,000	2.16	0.50	400,000	0.50
2.70	11,400	1.33	2.70	11,400	2.70
	3,856,938	**2.93**	**$0.32**	**3,856,938**	**$0.32**

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	2.50	11,400	2.50
	4,631,584	**3.13**	**$0.42**	**4,266,584**	**$0.44**

The Company recognized an expense of $4,178 and $23,992 (2012 – $87,239 and $199,243) for the vesting of options issued to directors, officers, and employees for the three and nine-months ended September 30, 2013 respectively, which is included in Operating Expenditures.

(in Canadian dollars, except as noted)

11. SHARE CAPITAL *(continued)*

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

	Three-months September 30, 2013	Three-months September 30, 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.

(c) Contributed Surplus

The following is a continuity schedule of contributed surplus.

Balance December 31, 2012	**$ 6,529,278**
Stock-based compensation expense recognized during the period	23,992
Purchase of Common Shares for cancellation (Note 11(a)(i))	224,659
Balance September 30, 2013	**$ 6,777,929**

(d) 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 with dilutive impact
Stock options	Note 11(b)	Note 11(b)	3,856,938	-

(in Canadian dollars, except as noted)

12. RELATED PARTY TRANSACTIONS

The Company recognized revenue from a company controlled by the CEO, who is also a director of the Company, during the three and nine-months ended September 30, 2013, based on amounts agreed upon by the parties, in the amounts of $18,640 and $35,751 (2012 - $8,014 and $46,995) respectively. The Company recognized operating expenses and purchased products of $85,516 and $251,793 during the three and nine-months ended September 30, 2013 (2012 - $97,059 and $283,492) respectively, from a Company controlled by the CEO at the exchange amount. As at September 30, 2013, the Company has a receivable position of $26,858 (December 31, 2012 - $12,133), and a payable of $92,849 (December 31, 2012 - $173,254), which will be settled between the related parties in the normal course of business.

During the three and nine-months ended September 30, 2013, the company recognized stock-based compensation, included in Note 11(b), to certain directors and executives in the amount of $4,178 and $23,992 (2012 - $58,594 and $166,096).

During the three and nine-months ended September 30, 2013, the Company received legal fees and disbursement invoices totalling $31,693 and $85,812, (2012 - $12,964 and $39,023) to a law firm, a partner of which is a director of the Company. As at September 30, 2013, the Company has a payable position of $95,831 (December 31, 2012 - $55,159) which will be settled between the related parties in the normal course of business.

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

	Three-months September 30, 2013	Three-months September 30, 2012	Nine-months September 30, 2013	Nine-months September 30, 2012
Salaries and short-term employee benefits	$ 255,409	$ 232,287	$ 740,786	$ 737,302
Share-based payments	4,178	58,594	12,533	156,848
Total	**$ 259,587**	**$ 290,881**	**$ 753,319**	**$ 894,150**

(in Canadian dollars, except as noted)

13. CHANGES IN WORKING CAPITAL ITEMS

	Three-months September 30, 2013	Three-months September 30, 2012	Nine-months September 30, 2013	Nine-months September 30, 2012
Accounts receivable	$ (160,351)	$ 179,780	$ 383,105	616,119
Investment tax credit receivable	(172,341)	(173,659)	404,887	(435,632)
Income taxes payable	(59,680)	4,122	(115,946)	(5,928)
Lease receivable	2,532	2,398	(10,049)	17,357
Inventory	(96,983)	(25,243)	96,006	(44,074)
Prepaid expenses	(63,297)	(145,645)	(89,229)	(183,905)
Accounts payable and accrued charges	141,187	(109,472)	397,208	(429,327)
Deferred revenue	(50,881)	(47,438)	(320,755)	(201,945)
Total	**$ (459,814)**	**$ (315,157)**	**$ 745,227**	**$ (667,335)**

14. FINANCIAL INSTRUMENTS

The fair value of the financial assets and liabilities, excluding notes payable, approximate their carrying value as at September 30, 2013 and December 31, 2012. The fair value of the note payables is disclosed in Note 8. 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 9.50% as at September 30, 2013 (December 31, 2012 – 9.50%). Changes in assumptions could materially affect estimates.

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

	September 30, 2013	December 31, 2012
Financial assets		
Loans and receivables	$ 5,895,795	$ 6,561,011
Financial liabilities		
Fair value through profit and loss	-	-
Other financial liabilities	4,259,399	4,177,369

(in Canadian dollars, except as noted)

15. SEGMENTED INFORMATION

The Company is divided into two reportable segments: Direct POS; POS Software, with other segments not meeting the aggregation criteria being grouped into other. The Direct POS segment focuses primarily on selling, installing and servicing POS hardware and software directly to end-users. The POS Software segment focuses primarily on developing, licensing, distributing and marketing POS software both directly to end-users, and indirectly through a dealer network. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on the profit and loss from operations before income taxes, amortization, interest, realized and unrealized foreign exchange gains or losses, other gains or losses and other comprehensive income. The Company manages each segment separately and management at the time of the acquisitions were retained.

Disclosure by Segment

	Revenue for the three-months ended		Operating profit (loss)for the three-months ended (i)	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Direct POS	$ 3,112,597	$ 2,083,702	$ 569,214	$ 235,944
POS Software	2,094,889	1,962,977	333,671	49,612
Other	2,540	6,308	(157,176)	(172,607)
Intersegment - POS Software	(38,471)	(20,413)	-	-
Total	**$ 5,171,555**	**$ 4,032,574**	**$ 745,709**	**$ 112,949**

	Revenue for the nine-months ended		Operating profit (loss)for the nine-months ended (i)	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Direct POS	$ 7,265,228	$ 5,952,659	$ 651,243	$ 325,149
POS Software	6,386,271	6,012,432	731,277	177,263
Other	7,398	6,795	(444,462)	(405,194)
Intersegment - POS Software	(88,226)	(63,308)	-	-
Total	**$ 13,570,671**	**$ 11,908,578**	**$ 938,058**	**$ 97,218**

(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:

	Three-months September 30, 2013	Three-months September 30, 2012	Nine-months September 30, 2013	Nine-months September 30, 2012
Total segmented operating loss	$ 745,709	$ 112,949	$ 938,058	$ 97,218
Corporate headquarter operating expenditures	(188,854)	(350,856)	(645,145)	(821,869)
Other non-operating expenditures	(958,353)	(442,085)	(1,646,124)	(1,171,684)
Net Loss	**$ (401,498)**	**$ (679,992)**	**$ (1,353,211)**	**$ (1,896,335)**