POSERA

Consolidated Financial Statements of

Posera Ltd.

Years ended December 31, 2017 and 2016

Management’s Responsibility for the Consolidated Financial Statements

The management of Posera Ltd. is responsible for the preparation of all information included in the accompanying audited consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and necessarily include some amounts that are based on management’s best estimates and judgments. Financial information included elsewhere in this annual report is consistent with that in the consolidated financial statements.

Management maintains a system of internal accounting controls to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that the assets are safeguarded from loss or unauthorized use.

The Company’s external auditors, appointed by shareholders, have prepared their report, which outlines the scope of their examination and expresses their opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for assuring that management fulfills its financial reporting responsibilities. The Audit Committee is composed of independent directors who are not employees of the Company.

The Audit Committee meets periodically with management and with the auditors to review and to discuss accounting policy, auditing and financial reporting matters. The Committee reports its findings to the Board of Directors for their consideration in reviewing and approving the consolidated financial statements for issuance to shareholders.

Signed “Dan Poirier”
Dan Poirier – Chief Executive Officer

Signed “Kevin Mills”
Kevin Mills – Chief Financial Officer

March 28, 2018

March 28, 2018

Independent Auditor's Report

To the Shareholders of Posera Ltd.

We have audited the accompanying consolidated financial statements of Posera Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations and comprehensive income (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 Ltd. and its subsidiaries as at December 31, 2017 and December 31, 2016 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 Ltd.

Consolidated Statements of Financial Position

As at December 31, 2017 and December 31, 2016

(in Canadian dollars)

POSERA

		December 31, 2017		December 31, 2016
ASSETS (Notes 15, 19 and 20)				
CURRENT				
Cash and cash equivalents [Note 4 and 20 (b)]	$	11,766,994	$	407,044
Cash and cash equivalents - restricted cash (Note 4)		386,671		-
Accounts receivable [Note 18 and 20(a)]		1,580,659		2,781,761
Note receivable (Note 24)		-		480,000
Current portion of lease and other receivables (Note 5)		31,804		84,748
Inventory (Note 7)		638,847		1,166,612
Investment tax credits receivable - refundable (Note 6)		678,801		510,204
Prepaid expenses and deposits		141,776		232,782
		15,225,552		**5,663,151**
NON-CURRENT				
Property, plant and equipment (Note 8)		198,031		254,043
Deferred income tax assets (Note 16)		5,294		-
Deposit on leased premises		45,560		39,583
Lease and other receivables (Note 5)		3,011		46,927
Investment tax credits receivable - non-refundable (Note 6)		862,469		803,016
Intangible assets (Note 9)		835,343		1,456,606
Goodwill (Note 10)		3,934,613		4,189,233
	$	**21,109,873**	**$**	**12,452,559**
LIABILITIES (Note 11, 14, 19 and 20)				
CURRENT				
Accounts payable and accrued liabilities (Note 12 and 18)		2,575,926		3,094,678
Transaction payable (Note 4)		386,671		-
Provisions (Note 13)		-		669,841
Current portion of vehicle loans and capital leases (Note 15)		9,000		18,955
Income taxes payable (Note 16)		262,855		11,779
Deferred revenue		1,158,631		1,770,310
		4,393,083		**5,565,563**
NON-CURRENT				
Deferred income tax liability (Note 16)		-		19,360
Vehicle loans and capital leases (Note 15)		14,512		35,103
Notes payable (Note 14)		-		1,493,689
		4,407,595		**7,113,715**
EQUITY				
SHARE CAPITAL [Note 17(a)]		61,804,578		56,882,021
CONTRIBUTED SURPLUS [Note 17(b, c)]		7,946,279		7,494,531
WARRANTS [Note 17(d)]		-		80,133
DEFICIT		(53,665,746)		(59,845,314)
ACCUMULATED OTHER COMPREHENSIVE INCOME		617,167		727,473
		16,702,278		**5,338,844**
	$	**21,109,873**	**$**	**12,452,559**

APPROVED BY THE BOARD

Signed "Loudon Owen" Director

Signed "Michael Brown" Director

See accompanying notes to the consolidated financial statements

Commitments [Note 20(b)]

Posera Ltd.

Consolidated Statements of Operations and Comprehensive Income (Loss)

For the Years ended December 31, 2017 and 2016

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

		Year ended December 31,		
		2017		**2016**
REVENUE (Note 18, 24)				
Point of sale revenue	$	10,674,447	$	9,513,896
Payment processing revenue		-		8,237
TOTAL REVENUE	**$**	**10,674,447**		**9,522,133**
COST OF SALES (Note 18, 21)				
Cost of inventory (Note 7)		2,173,352		1,917,223
Technology (Note 6)		1,416,029		1,705,660
Operations and support		2,765,911		2,596,774
TOTAL COST OF SALES		**6,355,292**		**6,219,657**
GROSS PROFIT		**4,319,155**		**3,302,476**
OPERATING EXPENSES (Note 18, 21)				
Sales and marketing		2,350,951		2,007,548
General and administrative		5,077,611		4,858,030
Restructuring costs (Note 13)		(375,000)		887,398
TOTAL OPERATING EXPENSES		**7,053,562**		**7,752,976**
		(2,734,407)		**(4,450,501)**
OTHER EXPENSES (INCOME)				
Interest expense (Notes 11, 13, 14 and 15)		(142)		377,387
Realized and unrealized loss (gain) on foreign exchange		177,265		62,502
Interest and other income		(37,714)		(10,588)
Loss on revaluation of financial instruments (Note 24)		-		308,229
TOTAL OTHER EXPENSES		**139,409**		**737,530**
NET LOSS BEFORE INCOME TAXES FROM CONTINUING OPERATIONS		**(2,873,816)**		**(5,188,031)**
INCOME TAX EXPENSE (RECOVERY)				
Current (Note 16)		336,662		155,639
Deferred (Note 16)		(359,037)		(258,100)
NET LOSS FROM CONTINUING OPERATIONS	**$**	**(2,851,441)**	**$**	**(5,085,570)**
Gain on disposition of subsidiary (net of tax) (Note 24)		10,912,935		1,959,794
Loss from discontinued operations (net of tax) (Note 24)		(1,881,926)		(555,172)
NET INCOME (LOSS)	**$**	**6,179,568**	**$**	**(3,680,948)**
Items that may be reclassified subsequently to net income				
Other comprehensive loss on foreign translation		(110,306)		(188,677)
NET COMPREHENSIVE INCOME (LOSS)	**$**	**6,069,262**	**$**	**(3,869,625)**
BASIC AND DILUTED INCOME (LOSS) PER SHARE (Note 17(e))	$	0.06	$	(0.05)
BASIC AND DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS (Note 17(e))	$	(0.03)	$	(0.07)
BASIC WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)		103,333		75,838
DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)		112,120		75,838

See accompanying notes to the consolidated financial statements

Posera Ltd.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016
(in Canadian dollars)

	Year-ended December 31,			
		2017		2016
DEFICIT BEGINNING OF PERIOD	$	(59,845,314)	$	(56,164,366)
Net income (loss)		6,179,568		(3,680,948)
DEFICIT END OF PERIOD	**$**	**(53,665,746)**	**$**	**(59,845,314)**
ACCUMULATED OTHER COMPREHENSIVE INCOME BEGINNING OF PERIOD	$	727,473	$	916,150
Other comprehensive loss on foreign translation		(110,306)		(188,677)
ACCUMULATED OTHER COMPREHENSIVE INCOME END OF PERIOD	**$**	**617,167**	**$**	**727,473**
NET COMPREHENSIVE INCOME (LOSS)	**$**	**6,069,262**	**$**	**(3,869,625)**
SHARE CAPITAL BEGINNING OF PERIOD	$	56,882,021	$	56,882,021
Issued for cash consideration (Note 17a)		5,109,891		-
Issuance costs - Cash (Notes 17 a)		(216,189)		-
Issued for exercise of stock options (Note 17 a, b, c)		28,855		-
SHARE CAPITAL END OF PERIOD (Note 17a)	**$**	**61,804,578**	**$**	**56,882,021**
CONTRIBUTED SURPLUS BEGINNING OF PERIOD	$	7,494,531	$	7,196,429
Expiry of warrants (Note 17c, d)		80,133		-
Exercise of stock options (Note 17 b, c)		(10,543)		-
Stock based compensation (Note 17b, c)		382,158		298,102
CONTRIBUTED SURPLUS END OF PERIOD (Note 17b, c)	**$**	**7,946,279**	**$**	**7,494,531**
WARRANTS BEGINNING OF PERIOD	$	80,133	$	80,133
Expiry of warrants (Note 17d)		(80,133)		-
WARRANTS END OF PERIOD (Note 17d)	**$**	**-**	**$**	**80,133**

See accompanying notes to the consolidated financial statements

Posera Ltd.

Consolidated Statements of Cash Flows

For the year-ended December 31, 2017 and 2016

(in Canadian dollars)

	Year-ended December 31,			
		2017		2016
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net income (loss)	$	6,179,568	$	(3,680,948)
Items not affecting cash				
Amortization of property, plant & equipment (Note 8)		105,901		99,896
Amortization of intangible assets (Note 9)		524,520		742,080
Deferred income tax recovery (Note 16)		(359,037)		(258,100)
(Gain)loss on revaluation of financial instruments		-		320,000
Stock-based compensation expense [Note 17(b,c)]		382,158		298,102
Interest accretion (Note 14 and 15)		6,311		152,820
Reduction of notes payable principle (Note 8)		-		(11,771)
Gain on sale of Fingerprints assets (Note 24)		(10,912,935)		-
Gain on reversal of impairment		(88,527)		-
Gain on sale of capital assets		(8,250)		-
Gain on sale of Zomaron (Note 24)		-		(1,959,794)
Unrealized loss on foreign exchange		(2,129)		19,042
		(4,172,420)		**(4,278,673)**
Changes in working capital items (Note 23)		78,289		253,139
		(4,094,131)		**(4,025,534)**
FINANCING				
Proceeds from issuance of common shares[(Note 17(a)]		5,109,891		-
Issuance costs paid for common shares [Note 17(a)]		(216,189)		-
Repayment of vehicle loans and capital leases (Note 15)		(30,546)		(33,375)
Proceeds from vehicle loans (Note 15)		81,107		33,371
Proceeds from the exercise of stock options [Notes 17(a,b, c)]		28,856		-
Repayment of convertible debenture		(1,500,000)		-
Repayment of notes payable (Note 14)		-		(404,938)
		3,473,119		**(404,942)**
INVESTING				
Disposition of Zomaron, net of cash (Note 24)		-		3,412,689
Proceeds from Fingerprints disposition (Note 24)		12,089,529		-
Disposition of BizPro and Squirrel assets		(19,999)		-
Receipt of note receivable		480,000		-
Acquisition of property, plant and equipment (Note 8)		(141,106)		(248,399)
Acquisition of intangible assets (Note 9)		-		(3,190)
		12,408,424		**3,161,100**
Foreign exchange gain on net cash and cash equivalents held in a foreign currency		**(40,791)**		**(26,552)**
NET CASH AND CASH EQUIVALENTS INFLOW (OUTFLOW)	**$**	**11,746,621**	**$**	**(1,295,928)**
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		407,044		1,702,972
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**$**	**12,153,665**	**$**	**407,044**
FOR THE PURPOSE OF THIS STATEMENT, NET CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING				
Cash and cash equivalents (Note 4)	$	11,766,994	$	407,044
Cash and cash equivalents - restricted cash (Note 4)		386,671		-
Bank indebtedness (Note 7)		-		-
	$	**12,153,665**	**$**	**407,044**
SUPPLEMENTAL OPERATING CASH FLOW INFORMATION				
Interest paid	$	285,516	$	226,900
Interest received		37,714		10,588
Income taxes paid / (received)		(102,925)		78,358
Investment credits and investment tax credits receivable received		239,513		-

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF BUSINESS

Posera Ltd. (“Posera”, 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 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 also provides system hardware integration services, merchant staff training, system installation services, and post-sale software and hardware support services. Posera licenses, distributes and markets its hospitality POS software, known as Maitre’D, throughout the Americas, Europe & Asia. Finally, the Company offers agnostic POS and payments integration applications.

Posera was founded in 2001 and is headquartered at 1106 Dearness Drive, Unit #4, in London, Canada N6E 1N9. The Company’s common shares (“Common Shares”) are listed on the Toronto Stock Exchange under the symbol “PAY”.

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”). These consolidated financial statements were approved by the Board of Directors on March 26, 2018. These consolidated financial statements have been prepared on the historical cost basis.

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 Ltd. and its wholly owned subsidiaries. These subsidiaries are Posera Inc. and its subsidiaries: Posera France SAS; Posera Europe Ltd.; Posera Software Inc.; and Posera USA Inc. (collectively referred to as “Posera Inc.”); and HDX Payment Processing Ltd. (“HDX-PP”).

Century and Posera – HDX Scheduler were amalgamated with Posera Ltd. on January 1, 2016.
A&A was amalgamated with Posera Ltd. on January 1, 2017.

Zomaron Inc. (“Zomaron”) is included as a discontinued operation in the consolidated financial statements of the Company up until the date of its disposal on April 29, 2016.

The assets of the FingerPrints business and Posera-HDX Scheduler are included as discontinued operations in the consolidated financial statements of the Company up until the date of its disposal on September 14, 2017.

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 certain subsidiaries, which have functional currencies of the United States Dollar (“USD”) (Posera Inc. and Posera USA Inc.), the Great British Pound (“GBP”) (Posera Europe Ltd.), and the Euro (“EUR”) (Posera France SAS). 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 income(loss), in the period in which they arise.

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, except for gains and losses resulting from intercompany balances included in the net investment in foreign operations, for which foreign exchange gains and losses are recorded in accumulated other comprehensive income(loss).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recorded at fair value through profit and loss.

Financial liabilities held are classified into the following specified categories: other liabilities and recorded 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.

Cash and cash equivalents, restricted cash, accounts receivable, lease and other receivables and investment tax 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.

The note receivable that was captured in 2016 contained an embedded derivative as its cash flows had varied based on Posera's share price. The Company has designated the entire instrument as measured at fair value through the statement of operations.

Accounts payable and accrued liabilities, bank indebtedness, transaction payable, vehicle loans, capital leases 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 account 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 consolidated 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 Posera’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. Inventory also consists of software licenses which are held by the Company for resale.

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 credits, refundable and non-refundable, 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
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. 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.

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 year
Revenue Sharing Agreement	3 years
Trade Names	20 years
Customer Relationships	7.5 - 10 years
Development Backlog	0.5 years
Computer software	3 years

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

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 the Direct POS CGU; the Indirect POS CGU; the ATM CGU; the Payments CGU; and the Payments Middleware CGU. During fiscal 2016 the Company divested the ATM CGY and the Payments CGU, while in fiscal 2017 the Company divested the Direct POS CGU.

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. 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 in 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 licenses 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 arising from the Posera acquisition, into its two components, the; (a) Note payable and the (b) Conversion option that represents a derivative financial liability; whereas the Series I 2014 Convertible Debentures were bifurcated into (a) Note payable and the (b) Conversion option presented as equity. The Company allocated the total face value of the convertible debenture on the date of issuance by determining the fair value of the note payable, with the residual being allocated to the conversion option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity - Share-based payments

The Company's stock-based compensation plan is described in Note 17(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 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 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

deferred revenue at the time of sale. Revenue on the support services is then recognized in line with the customer support contract policy below.

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

c) Software development and hosting service revenue are accounted for as services. Revenue is recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Generally, unless a more accurate measure of the stage of completion is available, Software development and hosting service revenue is recognized on a straight-line basis over the term of the contract.

d) Services revenue relates to the delivery of consulting and system integration services with revenue recognized upon delivery and acceptance by the customer.

e) System integration services revenue are 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.

f) 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.

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

The Company has presented the revenues divided into POS Revenues and Payment Processing Revenues. POS Revenues are those revenues earned primarily from the sale and service of POS terminal hardware and software, and Payment Processing Hardware, such as Debit/Credit Card pin-pads; whereas Payment Processing Revenues are those revenues earned from primarily the associated payment processing transactions. Due to the divestitures of the businesses which generated Payment Processing Revenues, the Company prospectively will only disclose Total Revenues, being POS Revenues.

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 income (loss) of the Company by the weighted average number of Common Shares outstanding during the period. Additionally, the Company presents basic and diluted earnings (loss) per share for continuing operations, calculated by dividing the net income (loss) from continuing operations of the Company by the weighted average number of Common Shares outstanding during the period.

Assets and Disposal Groups Held for Sale or Distribution

Non-current assets, or significant disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Discontinued Operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Consolidated Statements of Operations and Comprehensive Income is re-presented in a format as if the operation had been discontinued from the start of the comparative period.

The Company presents the Results from Discontinued Operations as one net amount on the Consolidated Statements of Operations and Comprehensive Income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

c. Discontinued operations

The Company has multiple integrated business units and as a result of the disposal of the FingerPrints business, the Company re-presented the comparative Consolidated Statements of Operations and Comprehensive Income. The Company, on a best efforts basis, separated the revenues and costs directly attributable to the FingerPrints business to discontinued operations.

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, 2017 - $835,343 (December 31, 2016 - $1,456,606) and Goodwill – December 31, 2017 - $3,934,613 (December 31, 2016 - $4,189,233), and related Goodwill and Intangible assets impairments for the years ended December 31, 2017 - ($88,527) and ($17,548) respectively (December 31, 2016 - $Nil and $Nil 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 and disposals in Note 3, and sensitivities on impairment estimates in Note 10.

b. *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 expense in the year by $42,000 (2016 - $40,000)

c. *Investment Tax Credits Receivable – non-refundable – December 31, 2017 - $862,469 (December 31, 2016 - $803,016) and related investment tax (expense) recovery for the years ended December 31, 2017 – $27,902 [December 31, 2016 - $55,806]*

- 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.

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 determined not to early adopt any standards at this time.

i) In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Company does not expect a material impact on the loss allowance for trade creditors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

ii) In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which establishes a single comprehensive model of accounting for revenue arising from contracts with customers that an entity will apply to determine the measurement of revenue and timing of when it is recognized. IFRS 15 supersedes current revenue recognition guidance, which is found currently across several standards and interpretations including IAS 11, Construction Contracts and IAS 18, Revenue. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the amount an entity expects to be entitled in exchange for those goods and services. The new standard will also result in enhanced disclosures about revenue that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This amendment is applicable for annual periods beginning on January 1, 2018. The Company analyzed its significant customer relationship to determine the effects of IFRS 15. The Company expects to adopt IFRS 15 using the modified retrospective approach as of January 1, 2018. The modified retrospective approach allows the cumulative impact of the adoption to be recognized in retained

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

earnings as of January 1, 2018 and that comparatives will not be restated. Based on its assessment to date, the Company has tentatively concluded the adoption of IFRS 15 will not have a material impact on its consolidated financial statements and revenue recognition policy.

iii) On January 13, 2016 the IASB issued IFRS 16, Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

As the Company has significant contractual obligations in the form of operating leases under the existing standard, there will be a material increase in both assets and liabilities upon adoption of the new standard, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company is analyzing the new standard to determine its impact on the statement of financial position and statement of operations.

3. ACQUISITIONS AND DIVESTITURES

During the year ended December 31, 2017

During the fiscal year-ended December 31, 2017, the Company sold its FingerPrints business, which allowed the Company to focus its resources and capital investment on its Maitre’D, Kitchen Display Systems (“KDS”) and SecureTablePay product offerings.

On September 14, 2017, the Company completed the sale of FingerPrints, to SICOM Systems Canada Inc. (“SICOM”). Consideration for the sale of FingerPrints comprised of a cash payment of $12.2 million, which was adjusted by a working capital deficit of $110,471 post-closing. The gain on the FingerPrints transaction was $10,912,935, representing the purchase price less an adjustment for working capital $110,471, less the write down on all other non-current assets of $189,737 and less transaction costs of $986,857. The proceeds of sale exceeded the carrying amount of the related net assets, and, accordingly, no impairment losses were recognized on the reclassification of FingerPrints as held for sale. Further details of the FingerPrints divestiture was included in Note 24 of these Consolidated Financial Statements.

3. ACQUISITIONS AND DIVESTITURES (continued)

During the year ended December 31, 2016

During the fiscal year-ended December 31, 2016, the Company divested of its wholly owned subsidiary Zomaron Inc., which was within the Payments Segment following the decision to focus the Company's resources and capital towards the growth opportunities of the core products of the Company's Point-of-Sale and SecureTablePay platforms.

On April 29, 2016, the Company completed the divestiture of Zomaron Inc., to a company established by Zomaron's current operating management team, for an amount totalling $4.5 million. Consideration for the sale of Zomaron's shares comprised of a cash payment of $2.0 million on closing. Additionally, on closing Posera received a repayment of an existing intercompany debt in the amount of $1.3 million. Further, on closing the buyers have assumed a secured note payable with an estimated value on the date of disposition of $1.2 million, $0.4 million of which is unconditionally due on or before December 31, 2016, and $0.8 million of which is repayable at an amount that is dependent on certain variables, including Posera's share price.

The Company received payment for the secured note receivable of the full $0.4 million during fiscal 2016. The remaining $0.8 million has been revalued to $0.48 million with $0.32 million loss upon the revaluation being recorded on the Company's Consolidated Statements of Operations and Comprehensive Loss. Further details of the Zomaron divestiture is included in Note 24 of these Consolidated Financial Statements.

4. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and Cash equivalents is comprised of the following:

	December 31, 2017	December 31, 2016
Posera Ltd. cash and cash equivalents	$ 11,766,994	$ 407,044
Add: Restricted Cash	386,671	-
Total cash and cash equivalents and restricted cash	**$ 12,153,665**	**$ 407,044**

Upon the closing of the FingerPrints transaction in September, 2017 as disclosed in this note and Note 24, the Company entered into a transitional services agreement whereby the Company agreed to provide services to the buyer of FingerPrints, SICOM Systems Canada Inc. ("SICOM") in order to provide a seamless transition of the FingerPrints business. This relationship has resulted in the Company holding cash for the benefit of SICOM, which the Company has recorded as Restricted Cash on the Consolidated Statements of Financial Position, as at December 31, 2017 of $386,671 (2016 - $Nil). The Company has an equal and offsetting payable, separately presented as a transaction payable on the Consolidated Statements of Financial Position.

5. LEASE AND OTHER RECEIVABLES

During the year ending December 31, 2017, the Company recognized finance income of $5,352 (2016 - $13,689) in the consolidated financial statements. The Company's net lease receivable includes the following;

	December 31, 2017	December 31, 2016
Total minimum lease payments receivable	$ 35,941	$ 139,496
Unearned finance income	(1,127)	(7,821)
Total lease receivable	**$ 34,815**	**$ 131,675**
Short-term portion	31,804	84,748
Long-term portion	**$ 3,011**	**$ 46,927**

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

	December 31, 2017	December 31, 2016
2017	$ -	$ 97,394
2018	32,888	35,103
2019	3,053	4,599
2020	-	1,800
2021	-	600
Total	**$ 35,941**	**$ 139,496**

6. INVESTMENT TAX CREDITS REFUNDABLE AND NON-REFUNDABLE

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 $314,037 during the year ended December 31, 2017 (2016 - $413,288). As of December 31, 2017, a subsidiary of the Company has refundable investment tax credits receivable totaling $678,801 (December 31, 2016 - $510,204), and non-refundable investment credits receivable totaling $862,469 (December 31, 2016 - $803,016) which expire according to the schedule below:

	December 31, 2017	December 31, 2016
2030	$ 91,229	$ 91,229
2031	288,103	288,103
2032	327,736	327,736
2033	31,284	31,284
2034	23,135	23,135
2035	20,983	41,529
2036	24,232	-
2037	55,767	-
Total	**$ 862,469**	**$ 803,016**

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, 2017	December 31, 2016
Inventory held for resale	$ 635,572	$ 745,767
Inventory held as service stock	3,275	420,845
Total	**$ 638,847**	**$ 1,166,612**

For the year ended December 31, 2017, the Company expensed $2,173,352 (2016 - $1,917,223) 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 ended December 31, 2017 the Company wrote refurbished service stock down by $102,293 (2016 - $nil).

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

	Cost	Accumulated amortization and impairment	Net book value
Office furniture and fixtures	$ 165,699	$ 96,228	$ 69,471
Computer equipment	523,659	402,748	120,911
Vehicles	248,692	196,242	52,450
Leasehold improvements	66,313	55,102	11,211
Balance - December 31, 2016	**$ 1,004,363**	**$ 750,320**	**$ 254,043**
Office furniture and fixtures	$ 90,458	$ 38,920	$ 51,538
Computer equipment	541,334	459,750	81,584
Vehicles	54,568	34,721	19,847
Leasehold improvements	74,050	28,988	45,062
Balance - December 31, 2017	**$ 760,410**	**$ 562,379**	**$ 198,031**

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

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2015	**$ 1,095,100**	**$ 892,528**	**$ 202,572**
Acquisition of PP&E	248,399	-	248,399
Amortization of PP&E	-	99,896	(99,896)
Disposition of Zomaron (Note 24)	(218,172)	(123,023)	(95,149)
Disposition of PP&E	(94,402)	(94,402)	-
Translation adjustment	(26,562)	(24,679)	(1,883)
Balance - December 31, 2016	**$ 1,004,363**	**$ 750,320**	**$ 254,043**
Acquisition of PP&E	141,106	-	141,106
Amortization of PP&E	-	105,901	(105,901)
Disposition of FingerPrints (Note 24)	(173,741)	(90,859)	(82,882)
Disposition of PP&E	(213,511)	(204,889)	(8,622)
Translation adjustment	2,193	1,906	287
Balance - December 31, 2017	**$ 760,410**	**$ 562,379**	**$ 198,031**

9. INTANGIBLE ASSETS

	Cost	Accumulated amortization and impairment	Net book value
Technology assets	$ 5,048,920	$ 4,775,225	$ 273,695
Trade name	972,661	507,740	464,921
Customer relationships	6,897,934	6,181,026	716,908
Non-compete agreements	185,407	185,407	-
Revenue sharing agreement	743,666	743,666	-
Development backlog	50,000	50,000	-
Computer software	418,820	417,738	1,082
Balance - December 31, 2016	**$ 14,317,408**	**$ 12,860,802**	**$ 1,456,606**
Technology assets	$ 2,383,659	$ 2,189,373	$ 194,285
Trade name	641,406	245,872	395,534
Customer relationships	3,003,409	2,757,886	245,523
Non-compete agreements	185,407	185,407	-
Revenue sharing agreement	743,666	743,666	-
Development backlog	50,000	50,000	-
Computer software	24,590	24,590	-
Balance - December 31, 2017	**$ 7,032,137**	**$ 6,196,794**	**$ 835,343**

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

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2015	**$ 14,969,269**	**$ 12,493,263**	**$ 2,476,006**
Amortization	-	742,080	(742,080)
Acquisition	3,190	-	3,190
Disposition (Note 24)	(405,000)	(183,136)	(221,864)
Translation adjustment	(250,051)	(191,405)	(58,646)
Balance - December 31, 2016	**$ 14,317,408**	**$ 12,860,802**	**$ 1,456,606**
Amortization	-	524,520	(524,520)
Disposition (Note 24)	(7,064,315)	(6,894,578)	(169,737)
Reversal of Impairment (Note 24)	-	(88,527)	88,527
Translation adjustment	(220,955)	(205,422)	(15,533)
Balance - December 31, 2017	**$ 7,032,138**	**$ 6,196,795**	**$ 835,343**

10. GOODWILL

(a) Goodwill by CGU

	Net Book Value Before Impairment	Impairment Loss	Net Book Value
Direct POS CGU	$ 17,548	$ (17,548)	$ -
Indirect POS CGU	3,371,967	-	3,371,967
Payments Middleware CGU	562,646	-	562,646
Balance – December 31, 2017	**$ 3,952,161**	**$ (17,548)**	**$ 3,934,613**

	Net Book Value Before Impairment	Impairment Loss	Net Book Value
POS Segment **(1)**			
Direct POS CGU	$ 17,548	$ -	$ 17,548
Indirect POS CGU	3,609,039	-	3,609,039
Payments Middleware CGU	562,646	-	562,646
Balance – December 31, 2016	**$ 4,189,233**	**$ -**	**$ 4,189,233**

(1) During fiscal 2016 the Company was divided into two reportable segments: Point-of-Sale (“POS”) and Payments. On April 29, 2016, the Company divested the Zomaron Inc. entity as disclosed in the discontinued operations Note 24, which were excluded from segmented results throughout fiscal 2016 and the Company disposed of the assets for the ATM payment processing division during that same fiscal year. The disposal of these business units has resulted in the elimination of the Payments reporting segment and prospectively commencing in 2017, the Company only has the one reportable segment, being POS. The disposal of the FingerPrints and Posera-HDX Scheduler Inc. assets does not impact the Company’s assessment of segmented reporting.

(b) Reconciliation of Goodwill

	Net Book Value
Balance – December 31, 2015	**$ 6,462,056**
Disposition (Note 24)	(2,161,813)
Translation adjustment	(111,010)
Balance – December 31, 2016	**$ 4,189,233**
Disposition (Note 24)	-
Impairment [Note 10(c)]	(17,548)
Translation adjustment	(237,072)
Balance – December 31, 2017	**$ 3,934,613**

10. GOODWILL (*continued*)

(c) Impairment

During the year ended December 31, 2017, the Company assessed an impairment of $17,548 (2016 - $Nil) of the Goodwill allocated to the Direct POS CGU related to the Century Cash Register ("Century") business. The impairment transpired during the fiscal period as the Company decided to exit the cash register business, thus writing down the goodwill. These circumstances led to a downward revision in the CGU's revenue and earnings expectations. The recoverable amount as at December 31, 2017 for the Century CGU was assessed as $Nil. The impairment has been included in the operating expenditures in the Consolidated Statement of Operations and Comprehensive Loss.

(d) Key Assumptions

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, 2017, the date of the Company's impairment testing:

	Indirect POS CGU	Payments Middleware CGU
Terminal earnings growth rate (i)	0%	0%
After-tax discount rate (ii)	15%	15%
Residual multiple (iii)	N/A	N/A

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

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

For the Indirect POS CGU, the higher of value-in-use and fair value less costs to sell exceeded the carrying value by $4,600,000. For the Payments Middleware POS CGU, the higher of value-in-use and fair value less costs to sell exceeded the carrying value by $7,200,000. See below for the resulting impairment, by CGU, if any, as a result of the specified change to the key assumptions above, in isolation.

Change	Indirect POS CGU	Payments Middleware CGU
Reduction of 2% (i)	$Nil	$Nil
Increase of 1% (ii)	$Nil	$Nil

11. BANK INDEBTEDNESS

As at December 31, 2017, the Company through its subsidiary Posera Software, has a revolving line of credit of $Nil (2016 - $Nil), up to an available amount of $200,000 (2016 - $200,000). The available credit facilities relate to $200,000 (2016 - $200,000) as an operating line of credit and $Nil (2016 - $Nil) to finance investment tax credits. These facilities bear interest at the Canadian bank prime rate plus 2.00%, with an effective interest rate of 5.2% (2016 – 6.00%). 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 $618,064 (2016 - $510,214). Additionally, the facilities have a first ranking $1,000,000 (2016 - $1,000,000) moving hypothec on the assets of Posera Software. Posera Software must maintain minimum non-IFRS measures including Working Capital, EBITDA, Shareholders' Equity and Debt ratios. As at December 31, 2017 the Company is in full compliance with these covenants.

On November 11, 2016, the Company negotiated a $1,500,000 stand-by operating facility, which was terminated by the Company on September 15, 2017. The Company could draw upon the stand-by operating facility at any time with 5 business days' notice to the accredited lender. The interest rate on any funds drawn was 10% per annum and the stand-by charge is 2.5%. The stand-by operating facility would have expired on December 31, 2018 and could be cancelled by the Company at any time with 90-days notice to the lender. During the year-ended December 31, 2017 the Company paid $Nil (2016 - $10,000) for a set-up fee and $37,500 (2016 - $5,104) in stand-by fees in relation to the stand-by operating facility. As at December 31, 2017 and 2016 respectively, no amount had been drawn upon for this facility.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Trade payables (Note 18)	$ 832,152	$ 1,947,799
Accrued charges	1,743,774	1,146,879
Total accounts payable and accrued liabilities	**$ 2,575,926**	**$ 3,094,678**

13. PROVISIONS

	Provision for income tax and information return penalties	Provision for restructuring obligations	**Total**
Balance – January 1, 2016	**$ 247,218**	**$ 375,000**	**$ 622,218**
Addition (i)	55,000	-	55,000
Translation	(7,377)	-	(7,377)
Balance – December 31, 2016	**$ 294,841**	**$ 375,000**	**$ 669,841**
Addition	-	-	-
Payment rendered (ii)	(23,725)	-	(23,725)
Reduction (ii)	(269,653)	(375,000)	(644,653)
Translation	(1,463)	-	(1,463)
Balance – December 31, 2017	**$ -**	**$ -**	**$ -**

(i) During the years-ended December 31, 2012 and December 31, 2016, 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 was not certain. The Company, during the year-ended December 31, 2017 received a ruling regarding the income tax penalties and interest included as a provision. The tax authorities ruled to abate $269,653 in interest and penalties previously assessed and included as a provision by the Company. Additionally, the Company rendered payment to the tax authorities in the amount of $23,725 resulting in a $nil and $294,841 balance owing as at December 31, 2017 and 2016 respectively.

(ii) During the year-ended December 31, 2015, the Company assessed a provision in relation to certain restructuring obligations, the amount and timing of which was not certain. During the year-ended December 31, 2017, the Company assessed that there was no further obligation related to this provision and it was reversed on the Consolidated Statement of Operations and Comprehensive Loss.

14. NOTES PAYABLE

#	Details	Carrying Value December 31, 2017	 December 31, 2016
1	Series I 2014 Unsecured Convertible Subordinated Debentures, with a principal amount of $1,500,000, issued with a discount of $150,000, with a nominal interest rate of 10.25%, and an effective interest rate of 20.77%, due on January 15, 2017, and convertible at $0.45 until January 15, 2016 and $0.60 until January 15, 2017. On November 11, 2016, the Company entered into an agreement to extend the payment terms for the Unsecured Convertible Subordinated Debentures totalling $1,500,000 to January 15, 2019 from January 15, 2017. The nominal interest rate remains at 10.25% and there was no change in the terms relating to the conversion aspect of the Unsecured Convertible Subordinated Debentures. On October 4, 2017, the Company issued notice to redeem the outstanding Series I 2014 Unsecured Convertible Subordinated Debentures, with a principal amount of $1,500,000. The redemption stipulated a 15-day notice period, therefore all Series I 2014 Unsecured Convertible Subordinated Debentures were redeemed by the Company on October 19th, 2017.	$ -	$ 1,493,689
	Total Notes Payable	**-**	**1,493,689**
	Current portion of the Notes Payable	-	-
	Long-term portion of the Notes Payable	**$ -**	**$ 1,493,689**

#	Fair Value (Note 19) December 31, 2017	 December 31, 2016
1	-	1,525,313
Total	$ -	**$ 1,525,313**

14. NOTES PAYABLE (*continued*)

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

	December 31, 2017	December 31, 2016
2016	$ -	$ -
2017	-	153,750
2018	-	153,750
2019 and thereafter	-	1,519,012
Sub-total	**-**	**1,826,512**
Less: Interest	-	(332,823)
Total	$ -	**$ 1,493,689**

For the year ended December 31, 2017, interest expense of $130,258 (2016 - $324,345) was recorded in the Consolidated Statements of Operations in relation to notes payable. The note payable was repaid in full by the Company on October 19th, 2017.

15. VEHICLE LOANS AND CAPITAL LEASES

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

Year	December 31, 2017	December 31, 2016
2017	$ -	$ 19,844
2018	9,542	16,557
2019	7,194	11,870
2020	7,194	7,194
2021	599	600
2022	-	-
	24,529	56,065
Less: Interest	(1,017)	(2,007)
	$ 23,512	**$ 54,058**
Short-Term Portion	9,000	18,955
Long-Term Portion	**$ 14,512**	**$ 35,103**

The Company makes monthly loan and capital lease payments of $1,069 (2016 - $1,654), 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 $1,807 (2016 - $1,097) related to vehicle loans and capital leases was recorded in the Consolidated Statements of Operations.

16. 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, 2017	December 31, 2016
Deferred tax recovery originated in current year	$ (162,272)	$ (115,100)
Recognition of previously unrecognized deferred taxes	(196,765)	(144,000)
Total	**$ (359,037)**	**$ (258,100)**

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

	Tax losses & SRED expenditure	Investment tax credits	Intangible assets	Convertible Debenture	Other	Total
Balance – January 1, 2015	**$ 718,285**	**$ (550,000)**	**$ (731,000)**	**$ (48,000)**	**$ 36,000**	**$ (574,715)**
Deferred income tax recovery (expense)	(146,389)	165,000	416,000	39,000	30,000	503,611
Exchange differences	57,215	-	(103,000)	-	1,000	(44,785)
Balance – December 31, 2015	**$ 629,111**	**$ (385,000)**	**$ (418,000)**	**$ (9,000)**	**$ 67,000**	**$ (115,889)**
Deferred income tax recovery (expense)	153,100	(32,000)	188,000	7,000	(58,000)	258,100
Zomaron disposition (Note 24)	(226,000)	-	58,000	-	(7,000)	(175,000)
Exchange differences	38,429	-	(26,000)	-	1,000	13,429
Balance – December 31, 2016	**$ 594,640**	**$ (417,000)**	**$ (198,000)**	**$ (2,000)**	**$ 3,000**	**$ (19,360)**
Deferred income tax recovery (expense)	583,990	3,000	(651,200)	2,000	94,240	32,030
FingerPrints disposition (Note 24)	(755,000)	-	765,000	-	(10,000)	-
Exchange differences	22,664	-	(30,800)	-	760	(7,376)
Balance – December 31, 2017	**$ 446,294**	**$ (414,000)**	**$ (115,000)**	**$ -**	**$ 88,000**	**$ 5,294**

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

	December 31, 2017	December 31, 2016
Deferred income tax liabilities to be settled after the next fiscal year	$ -	$ (19,360)
Deferred income tax assets to be settled after the next fiscal year	5,294	-
Total	**$ 5,294**	**$ (19,360)**

16. INCOME TAXES (*continued*)

A reconciliation between the Company's statutory and effective tax rate for the years-ended December 31, 2017 and 2016 is as follows:

	2017	2016
Tax recovery at statutory rate of parent	26.50%	26.50%
Effect of foreign operations	(0.47)	3.05
Weighted average statutory tax rate	**26.03**	**29.52**
Permanent differences	(48.50)	1.29
Effect on deferred tax expense from changes in tax rates	(0.04)	0.01
Filing adjustments	(0.11)	(0.44)
Current year losses and deductible temporary differences for which no deferred tax asset was recognized	16.79	(28.28)
Recognition of previously unrecognized deferred tax assets	1.81	-
Gain on expired warrant charged directly to equity	-	(0.00)
Estimated effect of US tax reform	3.60	-
Other	-	0.61
	(0.41)%	**2.71%**

The weighted average statutory tax rate was 26.03% (2016 – 29.52%) which reflects the lower tax rate in jurisdictions outside of Canada.

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 a deferred tax asset relating to a temporary difference related to intangible assets. 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:

	December 31, 2017		
	Canada	United States	France
2026	$ 2,000	$ -	$ -
2029	8,000	-	-
2030	99,000	-	-
2031	-	-	-
2032	545,000	-	-
2033	637,000	-	-
2034	550,000	-	73,000
2035	1,950,000	-	30,000
2036	3,106,000	-	53,000
2037	5,117,000	-	58,000
	$ 12,014,000	**$ -**	**$ 214,000**

16. INCOME TAXES (*continued*)

	December 31, 2016		
	Canada	United States	France
2026	$ 2,000	$ -	$ -
2029	42,000	-	-
2030	31,000	-	-
2031	1,000	-	-
2032	380,000	240,000	-
2033	668,000	15,000	-
2034	706,000	-	69,000
2035	2,053,000	100,000	28,000
2036	3,999,000	385,000	47,000
	$ 7,882,000	**$ 740,000**	**$ 144,000**

US Tax Reform

On December 22, 2017, the United States (“US”) enacted the Tax Cuts and Jobs Act (the “Act”). The Act, which is also commonly referred to as “US tax reform”, significantly changes US corporate income tax laws by, among other things, creating a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of US subsidiaries. As a result, the Company recorded a current tax expense of $293,444 with a future tax expense recovery of $98,356 during the fourth quarter of 2017.

Although the aggregate tax expense $195,088 represents what the Company believes is a reasonable estimate of the impact of the income tax effects of the Act on the Company's Consolidated Financial Statements as of December 31, 2017, it should be considered provisional. Once the Company finalizes certain tax positions when it files its 2017 US tax return, it will be able to conclude whether any further adjustments are required to the liability associated with the one-time mandatory tax. Any adjustments to these provisional amounts will be reported as a component of Tax expense in the reporting period in which any such adjustments are determined. The Company believes there is a possibility to defer the payment of the transitional income tax liability over an eight-year period.

17. SHARE CAPITAL

(a) Authorized and issued

Authorized

An unlimited number of voting common shares with no par value.

Common Shares Issued		Number of Common Shares	$
Balance – January 1, 2016 and December 31, 2016		**75,837,705**	**56,882,021**
Issued for cash consideration	(i, ii)	42,582,423	5,109,891
Issuance costs – cash	(i, ii)	-	(216,189)
Exercise of options		126,250	28,855
Balance – December 31, 2017		**118,546,378**	**61,804,578**

(i) On January 20, 2017, the Company issued a total of 18,899,997 Common Shares at a price of $0.12 per Common Share for gross proceeds of $2,268,000 (the “Offering”). Posera paid finder’s fees in the aggregated amount of $71,098 in connection with certain subscriptions for Common Shares, representing 6.0% of the gross proceeds of such subscriptions.

(ii) On August 4, 2017 and August 9, 2017, the Company issued 19,932,426 and 3,750,000 respectively for a total of 23,682,426 Common Shares at a price of $0.12 per Common Share for gross proceeds of $2,841,891 (the “Offering”). Posera paid finder’s fees in the aggregated amount of $35,729 in connection with certain subscriptions for Common Shares, representing 6.0% of the gross proceeds of such subscriptions.

17. SHARE CAPITAL (*continued*)

On September 20, 2011, the shareholders of the Company approved a its 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 15% of the issued and outstanding Common Shares at the time of grant as approved at the June 29th, 2016 annual general meeting of shareholders. Prior to the amendment to the plan approved on June 29th, 2016, the rolling maximum number of Common Share shall not have exceeded 10% of the issued and outstanding Common Shares. 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, reapproved on June 18, 2014 and June 29, 2016. The Plan was enacted to encourage ownership of the Company's Common Shares by its key officers and directors, employees and consultants.

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

	December 31, 2017		December 31, 2016	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Options outstanding, beginning of the year	**6,842,156**	**$ 0.21**	**3,407,720**	**$ 0.29**
Granted	5,712,000	0.16	3,963,000	0.15
Exercised	(126,250)	0.16	-	-
Forfeited and expired	(2,651,156)	0.23	(528,564)	0.31
Options outstanding, end of the year	**9,776,750**	**$ 0.17**	**6,842,156**	**$ 0.21**
Options exercisable, end of the year	**6,179,010**	**$ 0.19**	**5,602,281**	**$ 0.23**

17. SHARE CAPITAL (*continued*)

The following table summarizes information about options outstanding as at:

December 31, 2017

	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
0.125	936,000	3.50	0.125	351,000	0.125
0.15	3,375,750	4.32	0.15	1,600,510	0.15
0.17	4,325,000	3.84	0.17	3,087,500	0.17
0.20	150,000	3.86	0.20	150,000	0.20
0.32	990,000	1.30	0.32	990,000	0.32
	9,776,750	**3.72**	**$0.17**	**6,179,010**	**$0.19**

December 31, 2016

	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
0.125	1,417,000	4.58	0.125	177,125	0.125
0.17	2,375,000	4.45	0.17	2,375,000	0.17
0.20	150,000	4.86	0.20	150,000	0.20
0.25	1,484,656	0.46	0.25	1,484,656	0.25
0.28	250,000	0.50	0.28	250,000	0.28
0.32	1,165,500	2.30	0.32	1,165,500	0.32
	6,842,156	**3.12**	**$0.21**	**5,602,281**	**$0.23**

17. SHARE CAPITAL (*continued*)

Of the options outstanding as at December 31, 2017, 2,975,000 (2016 – 1,625,000) options with an exercise price ranging from $0.15 to $0.17 (2016 – $0.17 to $0.28), are consultant compensation options.

For the year ended December 31, 2017, the Company recognized an expense of $382,158 (2016 – $298,102) for the vesting of options issued to directors, officers, and employees, which is included in Operating Expenses.

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, 2017	Year ended December 31, 2016
Risk-free rate of return	1.50%	0.87%
Expected volatility(*i*)	71%	78%
Dividend yield	-%	-%
Weighted average expected life	5 years	5 years
Estimated forfeiture rate	0 - 10%	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 January 1, 2016	**$ 7,196,429**
Stock based compensation	298,102
Balance December 31, 2016	**$ 7,494,531**
Stock based compensation	382,158
Warrant expiry [Note 17(d)]	80,133
Exercise of options	(10,543)
Balance December 31, 2017	**$ 7,946,279**

(d) Warrants

The warrants outstanding are as follows:

	December 31, 2017		December 31, 2016	
	Number of Warrants	Carrying value	Number of Warrants	Carrying value
Outstanding share purchase warrants to purchase Common Shares at $0.40 per share. The warrants expired on April 27, 2017(i)	-	-	893,480	80,133
Total	**-**	**$ -**	**893,480**	**$ 80,133**

(i) The value of the warrants was estimated utilizing an expected volatility of 69.37%, an expected life of 2 years, and a discount rate of 1.65%.

17. SHARE CAPITAL (*continued*)

(e) Earnings (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, consultant compensation options, warrants and convertible debentures 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 out-of-the money
Stock and consultant compensation options	Note 17(b)	Note 17(b)	9,776,750	8,786,750	990,000
Convertible Debenture	Note 14	Note 14	-	-	-
Warrants	Note 17(d)	Note 17(d)	-	-	-

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

(in 000's)	December 31, 2017	December 31, 2016
Basic weighted average number of shares	103,333	75,838
Dilutive impact of in-the-money options	8,787	177
Dilutive weighted average number of shares	**112,120**	**76,015**

POSERA

18. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Company received legal fees and disbursement invoices totaling $251,148 (2016 - $12,306), from a law firm, which a director of Posera is a partner. As at December 31, 2017, the Company has a payable position of $11,046 (December 31, 2016 - $613) which will be settled between the related parties in the normal course of business.

Posera conducted business with a Company controlled by the Executive Chairman of Posera. During the year-ended December 31, 2017, the Company incurred transaction costs related to the sale of the FingerPrints business in the amount of $660,000 (2016 - $nil). The transaction costs that were charged to the Corporation comprised of services including, counterparty identification, negotiation, structuring, financial analytics, facility costs, management oversight and administrative related services. All transactions have been recorded at the exchange amount. As at December 31, 2017, the Company is in a payable position of $603,500 (December 31, 2016 - $nil) which will be settled between the related parties in the normal course of business.

Posera conducted business with a Company controlled by former Chief Executive Officer ("CEO") Paul K. Howell, who stepped down from that role on September 25, 2015 and then subsequently resigned from his directorship on May 24, 2016 and ceased to be a related party at that time. During the period that the director was still a related party, until May 24, 2016, the Company recognized revenue in the amount of $31,761 on sales to the related party. Additionally, the Company recognized operating expenses for purchased products of $25,544 for the period that the direct was still a related party until May 24, 2016. All transactions were agreed upon by the parties and were completed at the exchange amount.

Compensation of key management

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

	Year ended December 31, 2017	Year ended December 31, 2016
Salaries and short-term employee benefits – continuing operations[(i)]	$ 1,110,970	$ 1,238,932
Share-based payments	214,729	135,197
Total	**$ 1,315,699**	**$ 1,374,129**
Salaries and short-term employee benefits – gain on disposition of subsidiary[(i)]	95,000	-
Salaries and short-term employee benefits – discontinued operations[(ii)]	110,000	-
Total Presented in Continuing Operations	**$ 1,110,699**	**$ 1,374,129**

(i) Of the $95,000 included in salaries and short-term employee benefits – gain on disposition of subsidiary, $95,000 was paid to the executives during the year-ended December 31, 2017.

(ii) Of the $110,000 included in salaries and short-term employee benefits – discontinued operations, the entire amount was accrued to be paid during fiscal 2018.

The salaries and short-term employee benefits are expensed as incurred, whereas the share-based payments are recorded at the date of grant and expensed over the vesting period to the Consolidated Statements of Operations and Comprehensive Loss.

19. FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities, excluding the notes payable approximate their carrying value at December 31, 2017 and December 31, 2016.

The fair value of the notes payable as disclosed in Note 14, were determined using level 3 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 10.00% as at December 31, 2017 (December 31, 2016 – 10.00%). Changes in assumptions could materially affect estimates.

The Company's financial instruments have been summarized below:

	December 31, 2017	December 31, 2016
Financial assets		
Loans and receivables	$ 15,310,409	$ 5,523,700
Financial liabilities		
Other financial liabilities	2,986,109	4,642,425

The following provides the fair value hierarchy for the financial instruments measurement subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has not reclassified financial instruments between levels of the fair value hierarchy in fiscal 2017 and 2016.

20. FINANCIAL RISK FACTORS

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

a) Credit risk

Credit risk is the risk of loss associated with a 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 $13,734,324 as at December 31, 2017 (2016 $3,188,805). Cash and cash equivalents are held with certain Canadian, US 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, 2017, trade receivables of $1,109,779 (December 31, 2016 - $1,372,921) were current and not impaired, $362,660 (December 31, 2016 - $1,408,840) were past due but not impaired and $108,220 (December 31, 2016 - $140,825) were impaired.

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

	December 31, 2017	December 31, 2016
Balance – Beginning of year	**$ 140,825**	**$ 97,151**
Receivables written off as uncollectible	(129,355)	(50,391)
Net provision for impairment	96,872	95,390
Translation adjustment	(122)	(1,325)
Balance – End of year	**$ 108,220**	**$ 140,825**
Accounts receivable – gross	**1,688,879**	**2,922,586**
Accounts receivable – net	**$ 1,580,659**	**$ 2,781,761**

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.

20. FINANCIAL RISK FACTORS (*continued*)

As at December 31, 2017, the Company had a cash balance, inclusive of restricted cash, of $12,153,665 (2016 - $407,044), and other current assets of $3,028,792 (2016 - $5,256,107) to settle current liabilities of $4,393,083 (2016 - $5,565,563). All 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 14 and Note 15 respectively. The following are the commitments to be settled in cash. The amounts presented represent the future undiscounted principal and interest cash flows, and therefore do not equate to the carrying amounts on the consolidated statement of financial position.

	2018	2019	2020	2021	2022 and thereafter	Total
Accounts payable and accrued liabilities (Note 12)	2,575,926	-	-	-	-	2,575,926
Transactional payable (Note 4)	386,671	-	-	-	-	386,671
Vehicle loans and capital leases (Note 15)	9,000	6,853	7,061	598	-	23,512
Income taxes payable (Note 16)	262,855	-	-	-	-	262,855
Operating leases	356,561	306,239	-	-	-	662,800
Total	**$ 3,591,013**	**$ 313,092**	**$ 7,061**	**$ 598**	**$ -**	**$ 3,911,764**

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, US and European financial institutions. The Company also holds notes payable, with largely fixed interest rates. The Corporation is sensitive to changes in the prevailing 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 cash balances, and notes payable are largely fixed. The interest rates and maturity dates for the notes payable are disclosed in Note 14.

ii) Foreign currency risk

The Company operates internationally 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 CAD dollar compared to the USD, holding all other variables constant, would decrease net income by $30,000 (December 31, 2016 - $64,000 decrease), and increase comprehensive income by $147,000 (December 31, 2016 - $147,000 increase). The Company has elected to not actively manage this exposure at this time.

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20. FINANCIAL RISK FACTORS (*continued*)

A $0.05 strengthening of the CAD dollar compared to the GBP pound, holding all other variables constant, would decrease net income by $7,000 (December 31, 2016 - $1,000 increase), and decrease comprehensive income by $18,000 (December 31, 2016 - $8,000 decrease). The Company has elected to not actively manage this exposure at this time.

A $0.05 strengthening of the CAD dollar compared to the EUR euro, holding all other variables constant, would increase net income by $4,000 (December 31, 2016 - $3,000 increase), and decrease comprehensive income by $3,000 (December 31, 2016 - $7,000 decrease). The Company has elected to not actively manage this exposure at this time.

21. EXPENDITURES BY NATURE FOR CONTINUING OPERATIONS

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

Presentation by Nature	December 31, 2017	December 31, 2016
Salaries, wages and other employee benefits (Note 6)	$ 6,923,839	$ 6,779,741
Changes in inventories of finished goods (Note 7)	2,173,352	1,917,223
Impairment of assets (Note 10)	-	-
Amortization (Notes 8 and 9)	630,421	587,207
Professional and regulatory fees	1,360,152	2,127,226
Travel, vehicle and meals and entertainment	600,767	351,680
Rent	586,607	582,128
Office and utilities	511,913	506,752
Advertising and promotion	174,295	318,503
Outside service	23,452	180,690
Insurance	91,865	95,186
Bad debt	134,910	88,067
Stock-based compensation [Note 17(b,c)]	382,158	213,655
Other expenditures	(184,877)	224,575
Total	**$ 13,408,854**	**$ 13,972,633**
Presentation by Function		
Cost of inventory	$ 2,173,352	$ 1,917,223
Technology	1,416,029	1,705,660
Operations and support	2,765,911	2,596,774
Sales and marketing	2,350,951	2,007,548
General and administrative	5,077,611	4,858,030
Restructuring costs	(375,000)	887,398
Total	**$ 13,408,854**	**$ 13,972,633**

Certain 2016 comparative figures have been revised to exclude the discontinued operation as disclosed in Note 24 to these financial statements.

22. 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, 2017 and December 31, 2016 were as follows:

	December 31, 2017	December 31, 2016
Total Debt		
Notes payable	$ -	$ 1,493,689
Vehicle loans and capital leases	23,512	54,058
Total Debt	**$ 23,512**	**$ 1,547,747**
Equity		
Equity	$ 16,702,278	$ 5,338,844
Total Equity	**$ 16,702,278**	**$ 5,338,844**
Debt to Equity Ratio	**0.1%**	**29.0%**

23. CHANGES IN WORKING CAPITAL ITEMS

	December 31, 2017	December 31, 2016
Accounts receivable	$ 310,718	$ 193,624
Investment tax credits and investment credits receivable (Note 6)	(172,130)	(306,118)
Income taxes receivable	-	35,272
Income taxes (Note 16)	587,218	(33,566)
Lease receivable (Note 5)	393	15,352
Inventory (Note 7)	(126,678)	(206,948)
Prepaid expenses and deposits	79,977	(2,602)
Accounts payable and accrued liabilities (Note 12)	(1,320,118)	514,996
Transaction payable	386,671	-
Provisions (Note 13)	(375,000)	55,000
Deferred revenue	707,238	(11,871)
Total	**$ 78,289**	**$ 253,139**

24. DISPOSITION OF ZOMARON AND FINGERPRINTS AND DISCONTINUED OPERATIONS

During the year ended December 31, 2016, the Company divested of its wholly owned subsidiary Zomaron Inc., which was within the Payments Segment following a decision by management to focus Company resources and capital investment in targeted growth opportunities in the Company's identified core markets; 1) Point-of-Sale and 2) SecureTablePay platforms.

On April 29, 2016, the Company completed the sale of Zomaron Inc., to a company established by Zomaron's current operating management team, for an amount totalling $4.5 million. Consideration for the sale of Zomaron shares comprised of a cash payment of $2.0 million on closing. Additionally, on closing Posera received a repayment of an existing intercompany debt in the amount of $1.3 million. Further, the buyers assumed a secured note payable with an estimated value on the date of disposition of $1.2 million, $0.4 million of which was unconditionally due on or before December 31, 2016, and $0.8 million of which was repayable at an amount that is dependent on certain variables, including Posera's share price. The note receivable was received by the Company during the year-ended December 31, 2017.

See below for a reconciliation of the Note Receivable Balance issued as part of the Zomaron Disposition:

		Note Receivable
Balance – January 1, 2016	$	Nil
Zomaron Disposition		1,200,000
Payments received		(400,000)
Revaluation		(320,000)
Balance – December 31, 2016	**$**	**480,000**
Payments received		(480,000)
Balance – December 31, 2017	**$**	**-**

As at April 29th, 2016, the date of disposition, the disposal group comprised $2,365,207 of Net Assets, as detailed below:

	Assets		Liabilities
Cash and cash equivalents	$ 287,311		
Accounts receivable	472,691		
Prepaid expenses and deposits	10,815	Accounts payable	
Property, plant and equipment	95,149	and other accrued charges	$ 796,816
Intangible assets	221,864	Vehicle loans	
Goodwill	2,161,813	and capital leases	87,620
Total assets disposed	**$ 3,249,643**	**Total liabilities disposed**	**$ 884,436**

The Company recorded a gain on the disposal of Zomaron of $1,959,794, being a gain of $2,134,794 less tax of $175,000. The Company incurred transaction costs related to the disposition of Zomaron of $nil during the year-ended December 31, 2017 (2016 - $79,229), which has been recorded in General and Administrative in the Statement of Operations.

Zomaron has been presented as a discontinued operation, separate from continuing operations, in the Consolidated Statements of Operations and Comprehensive Loss during the period, and has been re-presented in a format as such in the comparative period.

24. DISPOSITION OF ZOMARON AND FINGERPRINTS AND DISCONTINUED OPERATIONS *(continued)*

The results of the discontinued operation, which are presented as one net amount on the Consolidated Statements of Operations and Comprehensive Loss during the periods are summarized below:

	Year-ended December 31, 2017	Year-ended December 31, 2016(i)
Revenue	$ -	$ 1,279,183
Cost of inventory	-	254,075
Operations and support	-	124,375
Total Cost of Sales	**-**	**378,450**
Gross Profit	**-**	**900,733**
Sales and marketing	-	779,259
General and administrative	-	189,438
Total Operating expenses	**-**	**968,697**
Interest expense	-	2,334
Interest and other income	-	-
Net Income(loss) before income taxes from discontinued operations	**-**	**(70,298)**
Deferred tax recovery	-	-
Net Income(loss) from discontinued operations	**$ -**	**$ (70,298)**

(i) Year-ended December 31, 2016 includes results until the date of disposition, being April 29, 2016.

Cash flows from (used in) Discontinued Operations included in the Consolidated Statements of Cash Flows are detailed below:

	Year-ended December 31, 2017	Year-ended December 31, 2016
Cash flow from Operations	$ -	$ 139,141
Cash flow used in Financing	-	(12,835)
Total Cash flow from (used in) Discontinued Operations	**$ -**	**$ 126,306**

24. DISPOSITION OF ZOMARON AND FINGERPRINTS AND DISCONTINUED OPERATIONS *(continued)*

During the year-ended December 31, 2017, the Company sold its FingerPrints business, which allows the Company to focus its resources and capital investment on its Maitre'D, Kitchen Display Systems ("KDS") and SecureTablePay product offerings.

As at August 10, 2017 the FingerPrints assets were recorded as a discontinued operation being held for sale. On September 14, 2017, the Company completed the sale of FingerPrints, to SICOM Systems Canada Inc. ("SICOM"). Consideration for the sale of FingerPrints comprised of a cash payment of $12.2 million, which was adjusted by a working capital deficit adjustment of $110,471 post-closing. The gain on the FingerPrints transaction was $10,912,935, representing the purchase price less an adjustment for working capital $110,471, less the write down on all other non-current assets of $189,737 and less transaction costs of $986,857. The proceeds of sale exceeded the carrying amount of the related net assets, and, accordingly, no impairment losses were recognized on the reclassification of FingerPrints as held for sale.

As at September 14, 2017, the date of disposition, the disposal group comprised $192,192 of Net Assets, as detailed below:

	Assets		Liabilities
Accounts receivable	1,028,319		
Other receivables	13,163		
Inventory	648,196	Accounts payable and	
Deposits on leased premises	11,870	accrued liabilities	390,051
Property plant and equipment	82,882	Deferred revenue	1,289,061
Intangible assets	168,969	Vehicle loans	82,095
Total assets disposed	**$ 1,953,399**	**Total liabilities disposed**	**$ 1,761,207**

During the year-ended December 31, 2017, the Company recorded a gain on the disposal of FingerPrints of $10,912,935. The gain on the disposal is net of tax of $nil (2016 - $nil) and net of costs related to the transaction of $986,857 (2016 - $nil). FingerPrints has been presented as a discontinued operation, separate from continuing operations, in the Consolidated Statements of Operations and Comprehensive Loss during the years-ended December 31, 2017 and 2016 respective comparative period.

During the year-ended December 31, 2017, the Company assessed a reversal of impairment of $88,527 (2016 - $nil) related to Intangible assets of the FingerPrints business. The reversal occurred as the assets had previously been impaired due to downward revisions to the recoverable amount of these assets. As the Company disposed of the assets of the FingerPrints business for a gain, a revision to the recoverable amount was applied to reverse the impairment of FingerPrints intangible assets that was previously recognized. The reversal of the impairment was limited to the carrying amount for the assets that would have been recorded had no impairment previously been recognized.

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24. DISPOSITION OF ZOMARON AND FINGERPRINTS AND DISCONTINUED OPERATIONS *(continued)*

The results of the discontinued operation, which are presented as one net amount on the Consolidated Statements of Operations and Comprehensive Loss during the periods are summarized below:

	Year-Ended December 31, 2017[i]	Year-Ended December 31, 2016[ii]
Revenue	$ 4,664,022	$ 7,282,581
Cost of inventory	1,856,651	2,434,039
Technology	447,061	252,699
Operations and support	2,530,634	3,032,456
Total Cost of Sales	**4,834,346**	**5,719,194**
Gross Profit	**(170,324)**	**1,563,387**
Sales and marketing	906,894	1,039,678
General and administrative	893,236	717,390
Restructuring costs	-	291,195
Total Operating expenses	**1,800,129**	**2,048,263**
Interest expense	-	-
Net Income / (loss) before income taxes from discontinued operations	**(1,970,453)**	**(484,875)**
Gain on reversal of impairment	88,527	-
Deferred tax recovery	-	-
Net Income / (loss) from discontinued operations	**(1,881,926)**	**(484,875)**

(i) FingerPrints Statement of Operations and Comprehensive Loss results from January 1, 2017 until the date of disposition, being September 14, 2017.

(ii) FingerPrints Statement of Operations and Comprehensive Loss results from January 1, 2016 to December 31, 2016.