Condensed Consolidated Interim Financial Statements of

POSERA – HDX Ltd.
(formerly Posera – HDX Inc.)

(Unaudited)
Three and six-months ended June 30, 2012 and 2011

POSERA-HDX LTD. *(formerly POSERA-HDX INC.)*

Interim Consolidated Statements of Financial Position

As at June 30, 2012 and December 31, 2011

(unaudited)

(in Canadian dollars)

		June 30, 2012		December 31, 2011
ASSETS (Notes 7)				
CURRENT				
Cash and cash equivalents	$	1,452,212	$	2,431,720
Accounts receivable (Notes 11)		2,808,614		3,241,359
Holdback receivable on the sale of Dexit Inc.		200,000		200,000
Current portion of lease receivable		22,372		30,639
Inventory		1,229,902		1,209,621
Investment credits receivable - refundable (Note 3)		832,850		694,602
Prepaid expenses		243,538		204,214
		6,789,488		**8,012,155**
NON-CURRENT				
Property, plant and equipment (Note 4)		175,518		250,876
Deposit on leased premises		34,411		34,411
Lease receivable		28,776		35,469
Investment tax credits receivable - non-refundable (Note 3)		1,137,661		1,013,879
Deferred income tax assets (Note 9)		86,586		72,500
Intangible assets (Note 5)		5,580,663		6,220,150
Goodwill (Note 6)		6,644,678		6,639,033
	$	**20,477,781**	**$**	**22,278,473**
LIABILITIES				
CURRENT				
Bank indebtedness	$	235,659	$	181,746
Accounts payable and accrued liabilities (Note 11)		2,418,054		2,736,843
Current portion of vehicle loans		13,963		25,749
Current portion of royalty payable		10,264		4,078
Current portion of notes payable (Note 7)		480,772		300,493
Income taxes payable		22,556		32,917
Conversion option (Note 8)		-		35,556
Deferred revenue		1,684,257		1,839,356
		4,865,525		**5,156,738**
NON-CURRENT				
Deferred income tax liability (Note 9)		1,407,132		1,472,190
Vehicle loans		24,922		42,126
Royalty payable		486,183		467,231
Notes payable (Note 7)		649,901		975,063
		7,433,663		**8,113,348**
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
SHARE CAPITAL (Note 10(a))		50,790,093		50,790,093
CONTRIBUTED SURPLUS (Note 10(b, c))		6,499,924		5,620,947
WARRANTS (Note 10(d))		-		766,973
DEFICIT		(44,167,350)		(42,951,007)
ACCUMULATED OTHER COMPREHENSIVE LOSS		(78,549)		(61,881)
		13,044,118		**14,165,125**
	$	**20,477,781**	**$**	**22,278,473**

See accompanying notes to financial statements

POSERA-HDX LTD. ***(formerly POSERA-HDX INC.)***

Interim Consolidated Statements of Operation and Comprehensive Loss

For the three and six-months ended June 30, 2012 and 2011

(unaudited)

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

	Three-months ended June 30,		Six-months ended June 30,	
	2012	**2011**	**2012**	**2011**
REVENUE (Note 11)	$ 4,245,960	$ 4,215,178	$ 7,876,004	$ 8,346,326
COST OF SALES (Note 11)				
Cost of inventory	935,227	952,832	1,582,135	1,823,162
Technology (Note 3)	566,978	435,444	1,028,665	720,865
Operations and support	1,189,837	1,121,519	2,400,567	2,253,567
TOTAL COST OF SALES	**2,692,042**	**2,509,795**	**5,011,367**	**4,797,594**
GROSS PROFIT	**1,553,918**	**1,705,383**	**2,864,637**	**3,548,732**
OPERATING EXPENSES (Note 11)				
Sales and marketing	847,176	622,585	1,741,240	1,422,822
General and administrative	1,210,829	1,216,032	2,347,428	2,352,570
TOTAL OPERATING EXPENSES	**2,058,005**	**1,838,617**	**4,088,668**	**3,775,392**
	(504,087)	**(133,234)**	**(1,224,031)**	**(226,660)**
OTHER EXPENSES (INCOME)				
Interest expense	69,260	97,766	141,535	179,422
Realized and unrealized (gain) loss on foreign exchange	(104,417)	29,120	(71,905)	64,524
Interest and other income	(5,913)	(2,516)	(7,855)	(4,648)
Gain on financial instruments at fair value through profit and loss (Notes 8)	(1,027)	(6,001)	(35,556)	(62,309)
TOTAL OTHER EXPENSES (INCOME)	**(42,097)**	**118,369**	**26,219**	**176,989**
NET LOSS BEFORE INCOME TAXES	**(461,990)**	**(251,603)**	**(1,250,250)**	**(403,649)**
INCOME TAX EXPENSE (RECOVERY)				
Current (Note 9)	6,140	-	43,295	4,590
Deferred (Note 9)	(27,104)	(156,209)	(77,202)	(197,144)
NET LOSS, ATTRIBUTABLE TO OWNERS OF THE PARENT	**$ (441,026)**	**$ (95,394)**	**$ (1,216,343)**	**$ (211,095)**
Other comprehensive loss on foreign translation	11,716	(8,855)	(16,668)	(54,723)
NET COMPREHENSIVE LOSS, ATTRIBUTABLE TO OWNERS OF THE PARENT	**$ (429,310)**	**$ (104,249)**	**$ (1,233,011)**	**$ (265,818)**
BASIC AND DILUTED LOSS PER SHARE (Note 10(e))	$ (0.01)	$ -	$ (0.03)	$ -
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)	48,434	45,618	48,434	45,558

See accompanying notes to financial statements

POSERA-HDX LTD. *(formerly POSERA-HDX INC.)*

Interim Consolidated Statements of Changes in Equity

For the three and six-months ended June 30, 2012 and 2011

(unaudited)

(in Canadian dollars)

	Three-months ended June 30, 2012	Three-months ended June 30, 2011	Six-months ended June 30, 2012	Six-months ended June 30, 2011
DEFICIT BEGINNING OF PERIOD	$ (43,726,324)	$ (44,552,604)	$ (42,951,007)	$ (44,436,903)
Net loss, attributable to owners of the parent	(441,026)	(95,394)	(1,216,343)	(211,095)
DEFICIT END OF PERIOD	**$ (44,167,350)**	**$ (44,647,998)**	**$ (44,167,350)**	**$ (44,647,998)**
ACCUMULATED OTHER COMPREHENSIVE LOSS BEGINNING OF PERIOD	$ (90,265)	$ (117,264)	$ (61,881)	$ (71,396.00)
Other comprehensive loss on foreign translation	11,716	(8,855)	(16,668)	(54,723)
ACCUMULATED OTHER COMPREHENSIVE LOSS END OF PERIOD	**$ (78,549)**	**$ (126,119)**	**$ (78,549)**	**$ (126,119)**
NET COMPREHENSIVE LOSS, ATTRIBUTABLE TO OWNERS OF THE PARENT	**$ (429,310)**	**$ (104,249)**	**$ (1,233,011)**	**$ (265,818)**
SHARE CAPITAL BEGINNING OF PERIOD	$ 50,790,093	$ 49,928,563	$ 50,790,093	$ 49,882,776
Issued on exercise of stock options	-	91,575	-	137,362
SHARE CAPITAL END OF PERIOD (Note 10(a))	**$ 50,790,093**	**$ 50,020,138**	**$ 50,790,093**	**$ 50,020,138**
CONTRIBUTED SURPLUS BEGINNING OF PERIOD	$ 5,625,449	$ 5,734,114	$ 5,620,947	$ 5,752,901
Exercise of stock options	-	(66,575)	-	(99,862)
Stock based compensation	107,502	14,500	112,004	29,000
Expiry of Warrants	766,973	-	766,973	-
CONTRIBUTED SURPLUS END OF PERIOD (Note 10(c))	**$ 6,499,924**	**$ 5,682,039**	**$ 6,499,924**	**$ 5,682,039**
WARRANTS BEGINNING OF PERIOD	$ 766,973	$ 766,973	$ 766,973	$ 766,973
Expiry of Warrants	$ (766,973)	$ -	(766,973)	$ -
WARRANTS END OF PERIOD (Note 10(d))	**$ -**	**$ 766,973**	**$ -**	**$ 766,973**

See accompanying notes to financial statements

POSERA-HDX LTD. ***(formerly POSERA-HDX INC.)***

Consolidated Statements of Cash Flow

For the three and six-months ended June 30, 2012 and 2011

(unaudited)
(in Canadian dollars)

	Three-months ended June 30, 2012	Three-months ended June 30, 2011	Six-months ended June 30, 2012	Six-months ended June 30, 2011
NET OUTFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net loss	$ (441,026)	$ (95,394)	$ (1,216,343)	$ (211,095)
Items not affecting cash				
Amortization of equipment (Note 4)	49,049	40,726	96,085	81,773
Amortization of intangible assets (Note 5)	320,795	292,408	641,202	615,479
Amortization of deferred lease	-	-	-	(8,461)
Deferred income tax recovery	(27,104)	(156,209)	(77,202)	(197,144)
Gain on financial instruments at fair value through profit and loss (Notes 8)	(1,027)	(6,001)	(35,556)	(62,309)
Stock-based compensation expense (Note 10(b,c))	107,502	14,500	112,004	29,000
Interest accretion	48,196	48,526	97,902	98,606
Unrealized (gain) loss on foreign exchange	(55,257)	(843)	(31,671)	11,403
	1,128	**137,713**	**(413,579)**	**357,252**
Changes in working capital items (Note 12)	(166,306)	(122,802)	(352,178)	(843,452)
	(165,178)	**14,911**	**(765,757)**	**(486,200)**
FINANCING				
Repayment of vehicle loans	(7,209)	(4,232)	(28,990)	(11,267)
Issuance of vehicle loans	-	21,530	-	21,530
Proceeds from the exercise of stock options (Notes 10(a,b, c))	-	25,000	-	37,500
Repayment of lease liability	-	-	-	(24,428)
Payment of royalties	(110)	-	(110)	-
Repayment of notes payable	(109,116)	(188,420)	(217,313)	(396,994)
	(116,435)	**(146,122)**	**(246,413)**	**(373,659)**
INVESTING				
Deposit on pending acquisitions	-	(10,000)	-	(35,000)
Acquisition of property, plant and equipment	(15,038)	(43,180)	(22,215)	(54,646)
Acquisition of intangible assets	-	-	(1,466)	-
	(15,038)	**(53,180)**	**(23,681)**	**(89,646)**
Foreign exchange gain on net cash and cash equivalents held in a foreign currency	**50**	**15,632**	**2,430**	**3,879**
NET CASH AND CASH EQUIVALENTS OUTFLOW	**$ (296,601)**	**$ (168,759)**	**$ (1,033,421)**	**$ (945,626)**
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,513,154	334,954	2,249,974	1,111,821
NET CASH AND CASH EQUIVALENTS END OF PERIOD	**$ 1,216,553**	**$ 166,195**	**$ 1,216,553**	**$ 166,195**
FOR THE PURPOSE OF THIS STATEMENT, NET CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING				
Cash and cash equivalents	$ 1,452,212	$ 524,709	$ 1,452,212	$ 524,709
Bank indebtedness	(235,659)	(358,514)	(235,659)	(358,514)
	$ 1,216,553	**$ 166,195**	**$ 1,216,553**	**$ 166,195**
SUPPLEMENTAL OPERATING CASH FLOW INFORMATION				
Interest paid	$ 20,791	$ 49,240	$ 43,167	$ 80,816
Interest received	5,913	2,516	7,855	4,648
Taxes paid	6,387	-	57,894	49,707
Investment tax credits received	-	-	-	-

See accompanying notes to financial statements

1. DESCRIPTION OF BUSINESS

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with IFRS. As such, these condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2011.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's annual consolidated financial statements for the year-ended December 31, 2011. The Company has consistently applied the same accounting policies throughout all periods presented. The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2012, as issued and outstanding as of the date the Board of Directors approved these statements.

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

The results for the three and six months ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year. The condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 9, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reorganization

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

Consolidation

These condensed consolidated interim financial statements include the accounts of Posera – HDX Ltd. and its wholly owned subsidiaries. These subsidiaries are A&A Point of Sale Solutions Inc. ("A&A"); Posera Inc. and its subsidiaries: Posera France SAS; Posera Europe Ltd.; Posera Software Inc.; Posera Singapore and Posera USA Inc. ("Posera"); Century Cash Register Inc. ("Century"); HDX Payment Processing Ltd. ("HDX Payment Processing"); and Posera – HDX Scheduler Inc. ("Posera – HDX Scheduler"), which have been included in the consolidated financial statements from April 5, 2010, May 5, 2010, June 1, 2010, December 15, 2011 and December 30, 2011 respectively. The subsidiary of Dexit Inc. (formerly Posera – HDX Inc.) ("Dexit"), which was formed as a result of the reorganization as disclosed above, was included in the consolidated financial statements until Dexit was disposed of on October 28, 2011.

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

Presentation Currency

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

Foreign Currency Translation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of operations

Segments

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

Business Combinations

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the gross inflow of economic benefits during the period, arising in the ordinary course of the Company's activities. The Company derives revenues from the following sources:

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

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

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

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

(in Canadian dollars, except as noted)

3. INVESTMENT CREDITS RECEIVABLE

Investment credits related to Scientific Research and Experimental Design and Electronic Business, were recorded in the Statements of Operations as a reduction in technology expenses in the amount of $85,518 and $257,419 during the three and six-months ended June 30, 2012 respectively (2011 - $51,277 and $236,154).

As of June 30, 2012, a subsidiary of the Company has refundable investment credits receivable totaling $832,850 (December 31, 2011 - $694,602) which is fully pledged for bank indebtedness, and non-refundable investment tax credits receivable totaling $1,137,661 (December 31, 2011 - $1,013,879) which expire according to the schedule below:

	June 30, 2012	December 31, 2011
2027	$ 191,307	$ 191,307
2028	243,660	243,660
2029	170,772	170,772
2030	161,198	161,198
2031	246,942	246,942
2032	123,782	-
Total	**$ 1,137,661**	**$ 1,013,879**

In order to receive the Investment Tax Credits the Company must file its tax returns no later than 18 months after the period to which the claim relates.

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

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

	Cost	Accumulated Amortization	Net book value
Balance – December 31, 2011	**$ 663,826**	**$ 412,950**	**$ 250,876**
Acquisition of PP&E	22,215	-	22,215
Amortization of PP&E	-	96,085	(96,085)
Translation adjustment	(3,937)	(2,449)	(1,488)
Balance - June 30, 2012	**$ 682,104**	**$ 506,586**	**$ 175,518**

5. INTANGIBLE ASSETS

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

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2011	**$ 12,469,734**	**$ 6,249,584**	**$ 6,220,150**
Amortization	-	641,202	(641,202)
Acquisition	1,466	-	1,466
Translation adjustment	499	250	249
Balance - June 30, 2012	**$ 12,471,699**	**$ 6,891,036**	**$ 5,580,663**

(in Canadian dollars, except as noted)

6. GOODWILL

Reconciliation of Goodwill	
	Net book value
Balance - December 31, 2011	**$ 6,639,033**
Translation adjustment	5,645
Balance - June 30, 2012	**$ 6,644,678**

The market capitalization of the Company was less that the carrying amount of the Company's net assets as at June 30, 2012. Based on information available to the Company's management up to the date of approval of the financial statements, the Company believes its fair value less cost to sell to be in excess of the carrying amount of net assets.

7. NOTES PAYABLE

#	Details	Carrying Value June 30, 2012	Carrying Value December 31, 2011
1	Bank loan with a nominal and effective interest rate at the Bank of Scotland base rate plus 2.5%, repayable in monthly principal installments of £500, secured by a letter of guarantee from the directors of Posera Europe Ltd. totaling £35,000 and is unsecured.	803	5,530
2	Loan from prior Posera shareholders, with a nominal interest rate of 5.00% and an effective interest rate of 9.50% due in full on April 30th 2013 and is unsecured.	188,854	187,771
3	Convertible Debenture with a nominal interest rate of 3.95% and an effective interest rate of 9.50%, due in April, 2015, with monthly installments of USD $33,633 including interest. The debenture is convertible into common shares until May 5, 2012, at $0.645 per Common Share. The debenture is convertible into nil and 2,035,838 Common Shares as at June 30, 2012 and December 31, 2011 respectively. The convertible debenture is secured with the Posera assets source code, all recodes, accounts, money and proceeds derived from the source code and any part thereof with a carrying value of $1,006,130 (December 31, 2011 - $1,154,665).	902,791	1,012,215
4	Note payable with a nominal and effective interest at a rate of 5.50%, with monthly payments of $5,560 including interest, ending January 1, 2013. A General Security agreement of the Company has been pledged as security for the note payable. As at June 30, 2012, the assets under the General Security Agreement have a carrying value of $20,477,781 (December 31, 2011 - $22,278,473).	38,225	70,040
	Total Notes Payable	**$ 1,130,673**	**$ 1,275,556**
	Current portion of the Notes Payable	480,772	300,493
	Long-term portion of the Notes Payable	**$ 649,901**	**$ 975,063**

(in Canadian dollars, except as noted)

8. CONVERSION OPTION

As part of the purchase price for the acquisition of Posera on May 5, 2010, the Company issued a convertible debenture, the terms of which are disclosed in Note 7. The conversion option is required to be presented as a derivative liability under IAS 32, with changes to the fair-value recorded in the Statements of Operations. The conversion option expired un-exercised on May 5, 2012.

The following key assumptions were used in determining the fair-value at the respective dates:

	June 30, 2012	December 31, 2011
Fair value of Common Shares	N/A	$ 0.33
Volatility	N/A	104.86%
Risk free rate	N/A	0.95%
Carrying Value	N/A	$35,556

9. INCOME TAXES

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

10. SHARE CAPITAL

(a) Authorized and issued

Authorized

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

An unlimited number of Class B non-voting common shares (“Class B”) – non-voting convertible into Common Shares at the option of the holder, on a share for share basis, with no par value. As at June 30, 2012 and December 31, 2011 there are nil Class B issued or outstanding.

(in Canadian dollars, except as noted)

10. SHARE CAPITAL *(continued)*

Common Shares Issued	Number of Common Shares	$
Balance, December 31, 2011 and June 30, 2012	**48,434,422**	**50,790,093**

(b) Stock options and stock-based compensation

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

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

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

(in Canadian dollars, except as noted)

10. SHARE CAPITAL *(continued)*

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

	Number Outstanding	Weighted Average Exercise Price
Options outstanding – December 31, 2011	**3,344,593**	**$ 0.52**
Granted – employees and directors	1,604,656	0.25
Expired – employees and directors	(15,000)	0.83
Expired – broker compensation	(552,665)	0.45
Options outstanding – June 30, 2012	**4,381,584**	**$ 0.43**
Options exercisable – June 30, 2012	**3,465,848**	**$ 0.47**

The following table summarizes information about options outstanding as at;

June 30, 2012

	Options outstanding			Options exercisable	
Exercise Price	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.25	1,784,337	4.67	0.25	968,601	0.25
0.30	483,333	3.06	0.30	483,333	0.30
0.34	637,564	4.20	0.34	637,564	0.34
0.40	290,304	3.41	0.40	290,304	0.40
0.50	400,000	3.41	0.50	300,000	0.50
0.94	762,596	0.89	0.94	762,596	0.94
2.00	12,050	0.99	2.00	12,050	2.00
2.70	11,400	2.58	2.50	11,400	2.50
	4,381,584	**3.55**	**$0.43**	**3,465,848**	**$0.47**

December 31, 2011

	Options outstanding			Options exercisable	
Exercise Price	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.25	179,682	3.38	0.25	179,682	0.25
0.30	483,333	3.56	0.30	483,333	0.30
0.34	637,563	4.71	0.34	637,563	0.34
0.40	290,304	3.91	0.40	290,304	0.40
0.45	552,665	0.32	0.45	552,665	0.45
0.50	400,000	3.86	0.50	200,000	0.50
0.83	15,000	0.20	0.83	15,000	0.83
0.94	762,596	1.39	0.94	762,596	0.94
2.00	12,050	1.48	2.00	12,050	2.00
2.70	11,400	3.03	2.50	11,400	2.50
	3,344,593	**2.78**	**$0.52**	**3,144,593**	**$0.53**

(in Canadian dollars, except as noted)

10. SHARE CAPITAL *(continued)*

Of the options outstanding and exercisable as at June 30, 2012 Nil (December 31, 2011 – 552,665) options with an exercise price of $0.45 are broker compensation options, and as such are not factored into the 10% threshold as per the Plan discussed above. These broker compensation options expired on April 27, 2012.

The Company recognized an expense of $107,502 and $112,004 (2011 – $14,500 and $29,000) for the vesting of options issued to directors, officers, and employees for the three and six-months ended June 30, 2012 respectively, which is included in Operating Expenditures.

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

	Three-months June 30, 2012	Three-months June 30, 2011
Risk-free rate of return	1.19%	2.56%
Expected volatility (i)	107%	102%
Dividend yield	-%	-%
Weighted average expected life	5 years	5 years
Estimated forfeiture rate	0 - 5%	0 - 5%

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

(c) Contributed Surplus

The following is a continuity schedule of contributed surplus.

Balance December 31, 2011	**$ 5,620,947**
Stock-based compensation expense recognized during the period	112,004
Warrants expired during the period	766,973
Balance June 30, 2012	**$ 6,499,924**

(d) Warrants

The warrants outstanding are as follows:

	June 30, 2012		December 31, 2011	
	Number of Warrants	Carrying value	Number of Warrants	Carrying value
Outstanding share purchase warrants to purchase Common Shares at $0.65 per share expiring April 27, 2012	-	$ -	5,526,546	$ 766,973
Total	**-**	**$ -**	**5,526,546**	**$ 766,973**

(in Canadian dollars, except as noted)

10. SHARE CAPITAL (continued)

(e) Loss per share

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

	Exercise price	Expiry	Number issued and outstanding
Stock options	Note 10(b)	Note 10(b)	4,381,584
Convertible debenture	$0.65	May 5, 2012	nil
Broker options	$0.45	April 27, 2012	nil
Warrants	$0.65	April 27, 2012	nil

11. RELATED PARTY TRANSACTIONS

The Company recognized revenue from a company controlled by the CEO, who is also a director of the company, during the three and six-months ended June 30, 2012, based on amounts agreed upon by the parties, in the amounts of $22,857 and $38,981 (2011 - $20,114 and $35,562) respectively. The Company recognized operating expenses and purchased products of $84,826 and $186,432 during the three-months ended June 30, 2012 (2011 - $107,113 and $257,082) from a Company controlled by the CEO at the exchange amount. As at June 30, 2012, the Company has a receivable position of $18,475 (December 31, 2011 - $21,066), and a payable of $60,632 (December 31, 2011 - $44,255), which will be settled between the related parties in the normal course of business.

During the three and six-months ended June 30, 2011, the company recognized stock-based compensation expense, included in Note 10(b), to certain directors and executives in the amount of $107,502 and $102,004 (2011 - $14,500 and $29,000) respectively.

During the three and six-months ended June 30, 2012, the Company received legal fees and disbursement invoices totalling $26,059 and $26,059, (2011 - $75,489 and $104,343) respectively, from a law firm, a partner of which is a director of the Company. As at June 30, 2012, the Company has a payable position of $26,059 (December 31, 2011 - $277,747) which will be settled between the related parties in the normal course of business.

(in Canadian dollars, except as noted)

11. RELATED PARTY TRANSACTIONS (continued)

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

	Three-months June 30, 2012	Three-months June 30, 2011	Six-months June 30, 2012	Six-months June 30, 2011
Salaries and short-term employee benefits	$ 250,297	$ 214,815	$ 505,015	$ 430,856
Share-based payments	93,752	14,500	98,254	29,000
Total	**$ 344,049**	**$ 229,315**	**$ 603,269**	**$ 459,856**

12. CHANGES IN WORKING CAPITAL ITEMS

	Three-months June 30, 2012	Three-months June 30, 2011	Six-months June 30, 2012	Six-months June 30, 2011
Restricted cash	$ -	$ 204,530	$ -	$ 208,938
Accounts receivable	(442,618)	(360,720)	437,339	(135,992)
Investment credits receivable	(90,044)	(51,279)	(261,973)	(226,557)
Income taxes payable	241	(634)	(10,050)	(46,909)
Lease receivable	7,582	7,125	14,959	(27,569)
Inventory	(59,910)	16,282	(19,831)	(277,952)
Prepaid expenses	(36,980)	(39,517)	(38,260)	(69,327)
Accounts payable and accrued charges	465,833	153,954	(319,855)	(187,296)
Customer liabilities	-	(181,164)	-	(179,936)
Deferred revenue	(10,410)	128,621	(154,507)	99,148
Total	**$ (166,306)**	**$ (122,802)**	**$ (352,178)**	**$ (843,452)**

(in Canadian dollars, except as noted)

13. SEGMENTED INFORMATION

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

Disclosure by Segment

	Revenue for the three-months ended		Operating profit (loss)for the three-months ended (i)	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Direct POS	$ 2,137,883	$ 2,201,467	$ 102,557	$ 109,237
POS Software	2,137,389	2,032,337	145,536	190,899
Other	-	-	(111,844)	-
Intersegment - POS Software	(29,312)	(18,626)	-	-
Total	**$ 4,245,960**	**$ 4,215,178**	**$ 136,249**	**$ 300,136**

	Revenue for the six-months ended		Operating profit (loss)for the six-months ended (i)	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Direct POS	$ 3,868,957	$ 4,421,483	$ (10,795)	$ 244,116
POS Software	4,049,455	3,963,668	227,651	533,256
Other	487	-	(232,587)	-
Intersegment - POS Software	(42,895)	(38,825)	-	-
Total	**$ 7,876,004**	**$ 8,346,326**	**$ (15,731)**	**$ 777,372**

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

(in Canadian dollars, except as noted)

13. SEGMENTED INFORMATION (continued)

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

	Three-months June 30, 2012	Three-months June 30, 2011	Six-months June 30, 2012	Six-months June 30, 2011
Total segmented operating (loss) profit	$ 136,249	$ 300,136	$ (15,731)	$ 777,372
Corporate headquarter operating expenditures	(270,492)	(280,864)	(471,013)	(487,403)
Other non-operating expenditures	(306,783)	(114,666)	(729,599)	(501,064)
Net Loss	**$ (441,026)**	**$ (95,394)**	**$ (1,216,343)**	**$ (211,095)**

14. COMPARATIVE FIGURES

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