POSERA-HDX LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE YEAR AND THREE-MONTHS ENDED DECEMBER 31, 2012

The following is the management discussion and analysis ("MD&A") of the consolidated statements of financial position, results of operations and cash flows of Posera-HDX Ltd. for the year and three-months ended December 31, 2012 and should be read in conjunction with the financial statements for such periods and the accompanying notes thereto. This MD&A discusses the year-ended December 31, 2012 compared to December 31, 2011. Additionally, this MD&A discusses the three-months ended December 31, 2012, compared to September 30, 2012 and December 31, 2011. Please read this MD&A in conjunction with the MD&A for the three-months ended March 31, 2012, June 30, 2012 and September 30, 2012. The effective date of this MD&A is March 28, 2013.

The management discussion and analysis is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure directly and through its audit committee comprised exclusively of independent directors. The audit committee reviews and prior to publication, approves, pursuant to the authority delegated to it by the Board of Directors, this disclosure.

The Company reports its financial results in Canadian dollars and under International Financial Reporting Standards ("IFRS"). References herein to "Posera-HDX", "HDX", "Hosted Data Transaction Solutions", "the Company", "we" and "our" mean Posera-HDX Ltd.

FORWARD LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts, but reflect the Company's current expectations regarding future results or events. These forward-looking statements are based on a number of estimates and assumptions, including those which are identified in the "Critical Accounting Estimates and Judgments" section herein, and are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under "Risks and Uncertainties" herein, as well as the risks and uncertainties detailed in our Annual Information Form which was filed on March 28, 2013 with the regulatory authorities.

NON-IFRS REPORTING MEASURES

Management reports on certain Non-IFRS measures to evaluate performance of the Company. Non-IFRS measures are also used to determine compliance with debt covenants and manage the capital structure. Because non-IFRS measures do not generally have a standardized meaning, securities regulations require that non-IFRS measures be clearly defined and qualified, and reconciled with their nearest IFRS measure. The Canadian Institute of Chartered Accountants (CICA) Canadian Performance Reporting Board has issued guidelines that define standardized earnings before interest, taxes, depreciation and amortization (EBITDA).

EBITDA, Normalized EBITDA, or Working Capital, are not calculations based on IFRS. EBITDA should not be considered an alternative to net income or comprehensive income in measuring the Company's performance, nor should it be used as an exclusive measure of cash flow. Posera-HDX reports EBITDA, Normalized EBITDA, and Working Capital because they are key measures that management uses to evaluate performance of the Company, and because the Company feels that these Non-IFRS measures provide important information about the Company. EBITDA is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. While EBITDA has been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and debt servicing ability relative to other companies, investors are cautioned that EBITDA as reported by Posera-HDX may not be comparable in all instances to EBITDA as reported by other companies.

Non-IFRS reporting definitions:

EBITDA: Posera-HDX's management defines EBITDA as Net Income before interest expense, interest income, income taxes (excluding certain investment tax credits and other government assistance), amortization of capital and intangible assets, realized and unrealized exchange gain or loss, impairments and gains or losses on held for trading financial instruments, and other gains or losses on disposition of assets or extinguishment of liabilities;

Normalized EBITDA: Posera-HDX's management defines Normalized EBITDA as EBITDA above less certain one-time non-recurring expenditures, and non-cash stock-based compensation expense;

Working Capital: Posera-HDX's management defines Working Capital as its current assets less current liabilities excluding the conversion option value.

Reconciliation to Net Loss Attributable to Owners of the Parent: There is a reconciliation for each of the Non-GAAP reporting measures to their nearest IFRS equivalent under the heading "Reconciliation of Non-IFRS measures to their Closest IFRS equivalent".

Comparative Figures:

Certain prior period comparative figures have been restated to conform to the consolidated financial statements presentation adopted under IFRS.

CEO's Overview

In 2012 the Posera-HDX Ltd. team focused on build-out and certification of our payment switch and ATM division, further developing of our Software as a Service ("SaaS") products in order to increase recurring revenue, and continued merger and acquisition discussions and negotiations. All projects in 2012 represent significant new revenue opportunities that are complimentary to the Company's current operational foundation and synergistic with the Company's intellectual property assets.

While fourth quarter business activity improved drastically, the first three quarters of 2012 was a difficult period. There were fewer new restaurants opened, fewer restaurant renovations, and technology refreshes. The lack of available third party lease funding for clients resulted in fewer restaurants being approved for technology financing and the Posera-HDX reseller community experienced lower than expected software sales. These factors have resulted in slower than expected sales activity in the third quarter of 2012. Sales and service revenues for the year-ended December 31, 2012 were $16,446,106 representing a decrease of 7.1% from $17,699,771 from the year-ended December 31, 2011.

Excluding the Company's one-time expenses and non-cash costs associated with the amortization of acquired intangible assets, property plant and equipment stock-based compensation and the impairment of goodwill and intangible assets, the Company would have recognized Normalized EBITDA loss of $525,935 for the year-ended December 31, 2012 compared to profit of $1,206,023 for the year-ended December 31, 2011.

For the HDX Payment Processing Ltd. ("HDXPP") business unit, the Company experienced an EBITDA loss for the year-ended December 31, 2012 of $475,822 which is due to the ongoing expenses related to the Company's investment strategy for our payment processing division compared to $16,124 for the year-ended December 31, 2011. Additionally, the Company incurred $353,448 of one-time expenditures during the year-ended December 31, 2012 compared to $84,103 for the year-ended December 31, 2011.

Company-wide non-cash amortization of intangible assets and property plant and equipment was $1,458,753 and non-cash stock-based compensation was $242,982, write-down of intangible assets and goodwill of $170,979 and $2,248,885 respectively for the year-ended December 31, 2012. HDX Payment Processing Ltd. ("HDXPP") (the acquired Cash N Go Ltd. payments processing division) experienced a loss of $586,318 and Posera-HDX Scheduler Inc. (the acquired assets of 2020 Hyperscheduler / Hypervison) experienced a loss of $130,275 for the year-ended December 31, 2012. The Company expects to continue to make significant investments in these divisions into the foreseeable future and will strive to increase revenue for these divisions and products as quickly as possible.

Following the acquisition of HDXPP in December 2011, and following the announcement on June 14th, 2012 that the Company has been approved for membership to the Interac Association as an Indirect Connector to perform the functions of an Acquirer in the Shared Cash Dispensing ("SCD") Service, Posera-HDX continues to make significant investments to enhance systems, facilities, and operating procedures in order to secure the necessary approvals to operate a payment processing switch and an ATM transaction processing switch. Through HDXPP, Posera - HDX owns and operates a Postillion payment switch developed by S1 Corporation. In addition, to the provision of SCD services, Posera-HDX plans to expand the payment switch to facilitate the processing of Point-of-Sale transactions for its merchant client base. HDXPP has retained team members and contractors with the appropriate industry expertise to allow the Company to further develop the payment processing division with an eye toward monetizing the Company's investment in this division as quickly as possible. To take advantage of the convergence in retail technologies currently underway, the Company continues to pursue merger and acquisition opportunities with complimentary organizations although none are specifically named at this time.

Overview

Three-months ended December 31, 2012 (Unaudited) - Highlights and Summary

(This section acts merely as a summary; the detailed analysis is discussed in the "Comparison of the Unaudited three-months ended December 31, 2012, December 31, 2011 and September 30, 2012".)

- Revenues and earnings for the combined entity for the year and three months-ended December 31, 2012 includes three full months of operating results for each of HDX Payment Processing Ltd. ("HDX-PP") and Posera-HDX Scheduler Inc. ("HDX-Scheduler") which were acquired on December 15, 2011 and December 30, 2011 in the respectively, whereas revenues and earnings for the three-months and year ended December 31, 2011 does not include a full three and twelve months of operations for HDX-PP or HDX-Scheduler;
- Net income (loss) for the three-months ended December 31, 2012 was a loss income of $(2,896,889), a decrease of 4,814,516 from income of $1,917,627 for the three-months ended December 31, 2011, and a decrease of $2,216,897 from a loss of $679,992 for the three-months ended September 30, 2012;
- EBITDA loss for the three-months ended December 31, 2012, was $(434,098), a decrease of $695,356 from $261,258 for the three-months ended December 31, 2011, and a decrease of $206,689 from a EBITDA of ($227,409) for the three-months ended September 30, 2012;
- Normalized EBITDA profit for the three-months ended December 31, 2012 was $(172,373), a decrease of $(458,788) from $286,415 for the three-months ended December 31, 2011, and a decrease of $(140,167) from ($32,206) for the three-months ended September 30, 2012;
- Total revenue was $4,537,528 for the three-months ended December 31, 2012, down $274,581 (5.7%) from $4,812,109 for the three-months ended December 31, 2011 and up $504,954 (12.5%) from $4,032,574 for the three-months ended September 30, 2012;
- Gross profit was $1,638,699 for the three-months ended December 31, 2012, down $461,244 (22.0%) from $2,099,943 for the three-months ended December 31, 2011, and up $135,339 (9.0%) from $1,503,360 for the three-months ended September 30, 2012;
- Operating expenses were $4,822,771 for the three-months ended December 31, 2012, up $2,672,765 (124.3%) from $2,150,006 for the three-months ended December 31, 2011, and up $2,726,532 (130.1%) from $2,096,239 for the three-months ended September 30, 2012;
- Included in cost of sales and operating expenses for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012 were certain one-time non-recurring expenditures, non-cash amortization of intangible assets and property plant and equipment, non-cash stock-based compensation expense and non-cash impairment to assets totaling $2,896,412, $273,647 and $362,890 respectively;
- Posera-HDX's cash and cash equivalents totaled $1,050,441 as at December 31, 2012, a decrease of $1,381,279 (56.8%) from $2,431,720 as at December 31, 2011, and an increase of $379,100 (56.5%) from $671,341 as at September 30, 2012. Bank indebtedness was $256,784 as at December 31, 2012, an increase of $75,038 (41.3%) compared to $181,746 as at December 31, 2011, and an increase of $20,724 (8.8%) compared to $236,060 as at September 30, 2012.

- Posera-HDX's working capital totaled $551,357 as at December 31, 2012, a decrease of $2,339,616 (80.9%) from $2,890,973 as at December 31, 2011, and a decrease of $955,344 (63.4%) from $1,506,701 as at September 30, 2012.

Year-ended December 31, 2012 - Highlights and Summary

(This section acts merely as a summary; the detailed analysis is discussed in the "Comparison of the years ended December 31, 2012 and 2011".)

- Revenues and earnings for the combined entity for the year and three months-ended December 31, 2012 includes three full months of operating results for each of HDX Payment Processing Ltd. ("HDX-PP") and Posera-HDX Scheduler Inc. ("HDX-Scheduler") whom were acquired on December 15, 2011 and December 30, 2011 in the respectively, whereas revenues and earnings for the three-months and year ended December 31, 2011 does not include a full three and twelve months of operations for HDX-PP or HDX-Scheduler;
- Net income (loss) for the year-ended December 31, 2012 was a loss of $(4,793,224), a decrease of $(6,279,120) from income of $1,485,896 for the year-ended December 31, 2011;
- EBITDA profit (loss) for the year-ended December 31, 2012 was $(1,122,365), a decrease of $(1,999,737) from a profit of $877,372 for the year-ended December 31, 2011;
- Normalized EBITDA profit for the year-ended December 31, 2012 was $(525,935), a decrease of $1,731,958 from $1,206,023 for the year- ended December 31, 2011;
- Total revenue was $16,446,106 for the year-ended December 31, 2012, down $1,253,665 (7.1%) from $17,699,771 for the year-ended December 31, 2011;
- Gross profit was $6,006,696 for the year-ended December 31, 2012, down $1,555,331 (20.6%) from $7,562,027 for the year-ended December 31, 2011;
- Operating expenses were $11,007,678 for the year-ended December 31, 2012, up $2,996,581 (37.4%) from $8,011,097 for the year-ended December 31, 2011; and
- Operating expenses net of the impairment of assets were $8,587,814 for the year-ended December 31, 2012, up $576,717 (7.2%) from $8,011,097 for the year-ended December 31, 2011.

Posera-HDX's Business

The Company is in the business of managing merchant transactions with consumers and facilitating payment 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, and post-sale software and hardware support services. Through the acquisition of Posera, the Company immediately acquired access to Posera's worldwide dealership network of approximately 103 resellers in 25 countries with approximately 600 representatives selling, supporting and installing its software. Posera's main software product, known as Maître 'D, has been deployed in over 20,000 locations worldwide in eight different languages.

Posera-HDX's has licensed a prepaid payment solutions allow customers to pay for items quickly and conveniently with either: RFID (radio frequency identification) tags, magnetic stripe cards, or UPC bar-coded cards. The solution can be private branded for a specific merchant. A private branded web interface further extends the offering to allow for convenient reload and other account management options. Posera-HDX payment solutions are especially well suited for corporate and institutional cafeteria environments where hundreds of customers purchase and pay for meals in compressed periods throughout the business day.

The Company's Common Shares are listed on the Toronto Stock Exchange under the symbol "HDX".

Revenues and Expenses

Posera-HDX's revenue model contemplates revenues primarily from the following sources:

- **Transaction fees from merchants.** Merchants pay fees for the processing and reporting of stored value payment transactions. The transaction fees are paid directly to HDX
- **Income from the sale of HDX POS equipment.** Merchant licensees may purchase POS equipment from HDX for installation at merchant.
- **Revenue from data and application hosting fees.** Merchants or other application service providers may contract with HDX for data and application hosting services.
- **Services revenue from the delivery of consulting and system integration services.** Merchant licensees and merchants may hire HDX to install and manage POS equipment, terminals and readers at merchant locations and provide other services as required.
- **Revenue from software license agreements.** POS Software licensees and resellers may contract with Posera-HDX for the use of proprietary POS software.

Posera-HDX's cost of sales consists primarily of the cost of POS system hardware, third party software and miscellaneous hardware and software which are purchased by Posera-HDX for resale, Technology costs and Operations and Support costs directly incurred to earn revenue, including amortization. Technology costs consist primarily of personnel and related costs associated with Posera-HDX technology development and maintenance, as well as external suppliers. Operations and support costs consist primarily of personnel and related costs associated with the ongoing operations and support of the Posera-HDX business, including the Dexit® Service, fixed hosting costs, merchant implementation costs and certain consumer and merchant support costs.

Posera-HDX operating costs are broken down into the following two categories: sales and marketing; and general and administrative. Sales and marketing costs consist primarily of personnel and related costs associated with the ongoing sales and marketing functions, as well as brand development fees, media placement fees, trade show fees, advertising and other promotional expenses. General and administrative fees consist primarily of personnel and related costs associated with Posera-HDX's senior management,

administrative, legal and finance functions, as well as professional fees and other general corporate expenses.

Stock-based compensation expense relates to charges for stock options granted to directors and employees.

Interest income on Posera-HDX corporate funds consists primarily of interest income related to its invested cash and short-term investments. Posera-HDX's policy is to invest its excess cash in short-term investment-grade interest bearing securities. Interest income fluctuates based upon the amount of funds available for investment and prevailing interest rates. In addition, the Company also earns interest income from investing the consumers' prepaid funds.

Interest expense primarily related to interest costs of vehicle loans and notes payable. The notes payable were either issued as a result of or acquired in the business combinations that Posera-HDX has completed. On the date of acquisition, Posera-HDX fair-valued the notes payable acquired or issued, and as a result part of the interest expense included accretion of the fair-value increment of the notes payable acquired or issued.

Growth Strategy and Future Outlook

Posera-HDX offers "turnkey" solutions including custom software development, integration of our software with appropriate industry specific hardware solutions, deployment and training of our integrated solutions, and providing the ongoing software support and hardware support of deployed solutions. Management's strategy is focused on growing the business organically by:

- Continuing to identify vertical market segments and specific customer groupings that are ideal customers for HDX's technology, assigning direct sales force personnel to communicate with prospective clients and client groupings.

- Marketing HDX products to merchant sites associated with restaurant chains that have pre-approved the deployment of HDX technology.

- Identifying jurisdictional technology and reporting requirements, developing tools to meet those requirements and marketing to businesses within said jurisdiction.

- Increasing incremental recurring revenue by developing new technology and enhancing existing technology features in order to increase existing HDX clients' return on investment resulting in existing HDX clients' purchasing additional HDX products, and Expanding the HDX reseller network and marketing additional related products and technology through this reseller network.

- The HDX Payment Processing platform will give the Company the ability to provide payment processing alternatives to our customers, and The Scheduler software will provide a product to the Company's customers to allow them to maintain a quality of service while managing a part-time workforce with a high turnover, which is an excellent addition to the Company's current POS Solutions.

Posera-HDX continues to pursue selective acquisitions which the Company expects will be primarily focused on POS services companies that can be acquired at attractive multiples, and whose products or customer base complements or extends that of the Company currently. In the Company's fourth quarter of 2012, the Company completed the acquisitions of HDX Payment Processing Ltd. (formerly Cash N Go Ltd.) and certain Hospitality assets of 2020 ITS Inc. ("2020").

Acquisitions and Divestitures During the Year- Ended December 31, 2012

There were no transactions completed by the Company's during fiscal 2012.

Acquisitions and Divestitures During the Year-Ended December 31, 2011

<u>Divestiture of Dexit Inc.(formerly Posera – HDX Inc.) ("Dexit")</u>

On October 28, 2011 Posera-HDX Ltd. completed the divestiture of all the issued and outstanding shares of Dexit which was formed as a result of the reorganization disclosed in Note 2 to the December 31, 2012 consolidated financial statements. The sale price was an aggregate of $2,031,571 in cash, subject to certain post-closing adjustments. Of the $2,031,571 sale price, $1,831,571 was received on closing, with a $200,000 holdback as disclosed in Note 5 to the December 31, 2012 consolidated financial statements.

The Company incurred net deal costs on the reorganization of Dexit and sale in the amount of 2011 - $93,981, net of a recovery from the purchaser of 2011 - $125,000, which were included in General and Administrative Operating Expenditures as incurred.

As part of the divestiture of Dexit the Company entered into a standard indemnification regarding the pre-closing liabilities of Dexit, under which the Company believes that an outflow of resources will be remote. The results of Dexit's operations have been included in the consolidated financial statements until the divestiture on October 28, 2011.

The carrying value of Dexit's net assets on October 28, 2011 were as follows :

Net Assets:	
Cash	$ 5,790
Restricted Cash	20,454
Other Current Assets	27,073
Deferred Income Tax Assets	2,000,000
Current liabilities	(21,746)
Net assets divested	**$ 2,031,571**

Consideration:	
Cash consideration	$ 1,831,571
Holdback receivable on the sale of Dexit Inc. (Note 6)	200,000
Total consideration	**$ 2,031,571**

(ii) Acquisition of HDX Payment Processing Ltd. (formerly Cash N Go Ltd.) ("Cash N Go")

On December 15, 2011 Posera-HDX completed the acquisition of all the issued and outstanding shares of Cash N Go. The purchase price was an aggregate of $397,571, comprised of $157,571 in cash and 1,000,000 common shares of Posera-HDX, with a hold-period that were not freely tradable until December 15, 2013, with a fair-value of $240,000. The acquisition provided the Company with a payment switch solution to market to its customer base.

The Company incurred deal costs on the transaction of 2011 - $33,434, which were included in General and Administrative Operating Expenditures as incurred.

The results of Cash N Go's operations have been included in the consolidated financial statements since December 15, 2011. During the year-ended December 31, 2012, Cash N Go has generated revenue of $11,731 (2011 - $58) and incurred a net loss of $555,928 (2011 - $19,389). The acquisition of Cash N Go is accounted for using the acquisition method. HDX is identified as the acquirer. The following table summarizes the fair value of the assets acquired and liabilities assumed and consideration paid at the date of the acquisition. The cost of the intangible assets acquired includes Computer Software of $224,481. Goodwill represented the excess earning capacity as a result of synergistic revenue opportunities and cost reductions.

The identifiable net assets of Cash N Go that were acquired at fair value as at December 15, 2011 are as follows:

Net Assets:	
Cash	$ 9,846
Current assets excluding cash	9,243
Property, plant and equipment	67,091
Intangible assets	339,761
Current liabilities	(35,800)
Deferred Income Tax Liability	(68,904)
Goodwill acquired in business combination	76,334
Net assets acquired	**$ 397,571**

Consideration:	
Cash consideration	$ 157,571
Share consideration	240,000
Total consideration	**$ 397,571**

(iii) Acquisition of certain Hospitality assets of 2020 ITS Inc. ("2020")

On December 30, 2011, Posera-HDX completed the acquisition of certain hospitality assets of 2020, through a wholly owned subsidiary Posera – HDX Scheduler Inc. The purchase price was an aggregate of $999,385, comprised of $285,000 in cash, 1,045,488 common shares of Posera-HDX, which had a hold-period, and were not freely tradable until February 1, 2013, with a fair-value of $243,076, and a royalty payable on future sales of a certain technology acquired, whose fair-value was estimated at $471,309 on the date of acquisition. The acquisition of 2020 provided the Company with a complementary technology product suite to its existing products, and customer relationships to market the Company's products.

The Company incurred deal costs on the transaction in the amount of 2011 - $29,099, which was expensed in the Statement of Operations as incurred.

The results of 2020's operations have been included in the consolidated financial statements since December 30, 2011. During the year-ended December 31, 2012, 2020 has generated revenue of $268,304 (2011 - $nil) and incurred net income of $153,438, which includes the gain on revaluation of the royalty payable disclosed in note 15 of $399,491 (2011 - $nil). The acquisition of 2020 is accounted for using the acquisition method. Posera-HDX is identified as the acquirer. The following table summarizes the fair value of the assets acquired and liabilities assumed and consideration paid at the date of the acquisition. The cost of the intangible assets acquired includes Customer Relationships $164,000 and Technology $489,000. Goodwill represented the excess earning capacity as a result of synergistic revenue opportunities and cost reductions, and the assembled workforce.

The identifiable net hospitality assets of 2020 that were acquired at fair value as at December 30, 2011 are as follows:

Net Assets:	
Current assets excluding cash	$ 20,000
Current liabilities	(5,000)
Property, plant and equipment	10,000
Deferred tax assets	72,500
Intangible assets	653,000
Goodwill acquired in business combination	248,885
Net assets acquired	**$ 999,385**

Consideration:	
Cash consideration	$ 285,000
Share consideration	243,076
Royalty consideration (Note 15)	471,309
Total consideration	**$ 999,385**

Critical Accounting Estimates and Judgements

This MD&A should be read in conjunction with the Company's audited Consolidated Financial Statements for the years-ended December 31, 2012 and 2011, including the notes thereto, in particular Note 2. Posera-HDX's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The Consolidated Financial Statements for the years-ended December 31, 2012 and 2011 outline the accounting principles and policies used to prepare our financial statements. Accounting policies are critical if they rely on a substantial amount of judgment in their application or if they result from a choice between accounting alternatives and that choice has a material impact on the reported results or financial position.

The Company has considered in determining its critical accounting estimates, trends, commitments, events or uncertainties that it reasonably expects to materially affect the methodology or assumptions, subject to the items identified in the Caution regarding forward-looking statements section of this MD&A.

Critical accounting judgments

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

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.

Functional currency of consolidated entities.

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

Critical accounting estimates

The following are some of the estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year. Refer to the Annual Consolidated Financial Statement for the years-ended December 31, 2012 and 2011 in Note 2 for a complete listing of the Company's critical accounting estimates.

a. *Intangible asset – December 31, 2012 - $4,701,300 (December 31, 2010 - $6,220,150) and Goodwill – December 31, 2012 - $4,330,746 (December 31, 2011 - $6,639,033), and related Goodwill and Intangible assets impairments for the periods ended December 31, 2012 - $2,248,885 and $170,979 respectively (December 31, 2011 - $Nil and $Nil respectively) in the Direct POS and POS Software segments*

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. The valuation of each CGU utilized the discounted cash-flow model to calculate the higher of value-in-use and fair-value less costs to sell.

During the year ended December 31, 2012, the Company assessed an impairment of $2,000,000 related to the goodwill allocated to the QSR, Sabrepoint and Biz-Pro CGU in the Direct POS Segment, and an impairment of $419,864 related to the goodwill and intangible assets allocated to the Posera-HDX Scheduler CGU in the POS Software Segment, because of the deterioration in the higher of the value-in-use and fair-value less costs to sell. The impairments recorded reflect value-in-use as it was higher than the fair-value less costs to sell. For the QSR, Sabrepoint and Biz-Pro CGU, this was primarily the result of a reduction in the estimated terminal earnings growth rate as a result of a downward revision of long-term forecasts; whereas, for the Posera – HDX Scheduler CGU, this was primarily the result of a reduction in the Years 1 – 5 earnings growth rate, reflecting the downward revision to the forecasted sales of certain technology products. The key assumptions utilized to calculate the higher of value-in-use and fair-value less costs to sell are detailed below. These impairments are included in the operating expenditures in the consolidated statements of operations. Further impairments may become necessary in the future if certain key assumptions below are not met, or change.

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, 2012, the date of the Company's impairment testing:

	QSR, SabrePoint & Biz-Pro	Posera	Posera – HDX Scheduler	HDX Payment Processing
Years 1 – 5 earnings growth rate (i)	2 - 5%	2 - 5%	10 - 20%	10 - 20%
Terminal earnings growth rate (ii)	0%	3%	3%	2%
After-tax discount rate (iii)	14%	15%	13%	13%
Pre-tax discount rate (iii)	18%	N/A	17%	N/A
Probability of synergistic transaction (iv)	N/A	N/A	N/A	50%

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

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

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

(iv) The probability of a synergistic transaction was based upon management's assessment of market opportunities, availability of financing and other factors.

For the Posera CGU, the higher of value-in-use and fair-value less costs to sell exceeded the carrying value by $260,000. See below for the resultant impairment by CGU, if any, as a result of the specified change to the key assumptions above, in isolation.

Change	QSR, SabrePoint & Biz-Pro	Posera	Posera – HDX Scheduler	HDX Payment Processing
Reduction of 2.5% (i)	$320,000	$200,000	$40,000	$nil
Reduction of 1% (ii)	$110,000	$60,000	$10,000	$nil
Increase of 1% (iii)	$210,000	$170,000	$20,000	$nil
Decrease of 25% (iv)	N/A	N/A	N/A	$320,000

b. Royalty payable – December 31, 2012 - $122,172 (December 31, 2011 - $471,309) and related gain on revaluation for the periods ended December 31, 2012 - $399,491 (December 31, 2011 - $Nil) in the POS Software segment

As part of the acquisition of certain hospitality assets of 2020, as disclosed in Note 3 to the December 31, 2012 consolidated financial statements, the Company agreed to pay a royalty based on future sales to non-customers as of the date of acquisition, of a certain technology acquired, which was determined to be part of the purchase price. The fair-value of the royalty payable was estimated on the date of acquisition to be $471,309, utilizing the key assumptions of expected future royalty payments, and the discount rate. The fair-value of the royalty payable was determined utilizing a discount rate of 11.00%, and is accreted for interest utilizing the effective interest rate method, reduced for payments, and adjusted for changes in estimates. For the year ending December 31, 2012 $51,814 (2011 - $nil) in accretion interest expense and a revaluation gain of $399,491 (2011 - $nil) was recorded in the consolidated statements of operations, due to a revision in the estimated cash-flows subject to royalty. The royalty payable valuation sensitivity to +/- 5% in revenues applicable to royalties and +/- 1% to the discount rate is $14,000 (2011 - $26,000) and $6,000 (2011 - $51,000) respectively.

c. *Conversion option – December 31, 2012 - $Nil (December 31, 2011 - $35,556) and related gain on revaluation for the periods ended December 31, 2012- $35,556 (December 31, 2011 - $184,810) in the POS Software segment*

As part of the purchase price for the acquisition of Posera on May 1, 2010, the Company issued a convertible debenture, the terms of which are disclosed in Note 16 to the December 31, 2012 consolidated financial statements. The conversion option is required to be presented as a derivative liability under IAS 32, with changes to the fair-value recorded in the consolidated statements of operations. Fair-value was estimated utilizing the black-scholes option pricing model. The conversion option expired unexercised on May 5, 2012.

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

	December 31, 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
Sensitivity of +/- 5% volatility	N/A	$6,000

d. *Investment Tax Credits Receivable – non-refundable – December 31, 2012 - $1,262,692 (December 31, 2011 - $1,013,879) and related investment tax recovery for the periods ended December 31, 2012 $339,284 (December 31, 2011 - $131,525) in the POS Software segment*
    - 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 7 to the December 31, 2012 consolidated financial statements. The valuation of the Investment Tax Credits Receivable was determined based upon expected growth in earnings and the applicable discount rate. 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.

e. *Provision for income tax and information return penalties – December 31, 2012 - $210,000 (December 31, 2011 - $nil) and related expenditures for the years ended December 31, 2012 - $210,000 (December 31, 2011 - $nil) in the POS Software segment*

During the year ended December 31, 2012, the Company became aware that certain income tax and information returns were past-due, which may be subject to certain penalties provided by legislation, the amount and timing of which is not certain. The full amount or a portion of these penalties, and associated income tax balances may be recouped by the Company through an indemnification agreement, although the amount and timing of the inflow is uncertain, and as such an asset and recovery is not recorded in these consolidated financial statements.

Comparison of the Years Ended

The table below sets out the audited statements of operations for the years-ended December 31, 2012 and December 31, 2011, and certain unaudited Non-IFRS reporting measures.

Analysis of the Annual Results	2012 $	2011 $		Variance $	Variance %
Revenue	16,446,106	17,699,771		(1,253,665)	(7.1%)
Cost of Sales					
Cost of inventory	3,794,900	4,327,856		(532,956)	(12.3 %)
Technology	1,888,403	1,347,088		541,315	40.2%
Operations and Support	4,756,107	4,462,800		293,307	6.6 %
Total Cost of Sales	**10,439,410**	**10,137,744**		**301,666**	**3.0%**
Gross Profit	**6,006,696**	**7,562,027**		**(1,555,331)**	**(20.6%)**
Gross Profit Percentage	36.5%	42.7%			(6.2%)
Operating Expenditures					
Sales and marketing	3,314,850	2,981,107		333,743	11.2%
General and administrative	5,272,964	5,029,990		242,974	4.8%
Impairment of assets	2,419,864	-		2,419,864	100.0%
Total Operating Expenditures	**11,007,678**	**8,011,097**		**2,996,581**	**37.4%**
	(5,000,982)	**(449,070)**		**(4,551,912)**	**1,013.6%**
Other expenses (income)					
Interest expense	300,677	344,423		(43,746)	(12.7%)
Realized and unrealized loss on foreign exchange	9,277	(5,019)		14,296	(284.8%)
Interest and other income	(14,270)	(10,938)		(3,332)	30.5%
Gain on held for trading financial instruments	(435,047)	(184,810)		(250,237)	135.4%
	(139,363)	**143,656**		**(283,019)**	**(197.0%)**
Net loss before income taxes	**(4,861,619)**	**(592,726)**		**(4,268,893)**	**720.2%**
Current	364,043	73,243		290,800	397.0%
Future	(432,438)	(2,151,865)		1,719,427	(79.9%)
Net income (loss) attributable to owners of the parent	**(4,793,224)**	**1,485,896**		**(6,279,120)**	**(422.6)%**
Other comprehensive income	(26,241)	9,515		(35,756)	(375.8)%
Comprehensive income (loss), attributable to owners of the parent	**(4,819,465)**	**1,495,411**		**(6,314,876)**	**(422.3)%**
Non-IFRS reporting measures (as outlined on Pages 27 – 29 of this MD&A):					
	(unaudited)	(unaudited)		(unaudited)	(unaudited)
EBITDA	**(1,122,365)**	**877,372**		**(1,999,737)**	**(227.9)%**
Normalized EBITDA	**(525,935)**	**1,206,023**		**(1,731,958)**	**(143.6)%**

The presentation of the below of Selected Financial Data is for the purposes of this management discussion and analysis. The financial data below have been prepared and presented in accordance with International Financial Reporting Standards.

Selected Financial Data for the three-years ended	**2012**	**2011**	**2010**
Revenue	$ 16,446,106	$ 17,699,771	$ 15,059,267
Net income (loss), attributable to the owners of the parent	(4,819,465)	1,485,896	(958,697)
Income (loss) per share – basic and diluted	(0.10)	0.03	(0.03)
Weighted average number of shares outstanding (000's) - basic	48,434	45,951	34,426
Weighted average number of shares outstanding (000's) – diluted	48,434	45,981	34,426
Cash and cash equivalents	1,050,441	2,431,720	1,234,160
Bank indebtedness	256,784	181,746	122,341
Working capital (as outlined on Page 30 of this MD&A)	551,357	2,890,973	1,159,447
Total assets	17,244,125	22,278,473	20,191,900
Long-term liabilities	1,586,919	2,956,610	2,856,193
Total shareholders' equity	9,487,018	14,165,125	11,894,351

Comparison of the years ended December 31, 2012 and 2011

On December 15, 2011 and December 30, 2011 the Company began reporting revenue relating to the acquired businesses of HDX Payment Processing Ltd. (formerly Cash N Go Ltd.) and Posera-HDX Scheduler Inc. (formerly the Hospitality assets of 2020 ITS Inc.) respectively. As a result, the year ended December 31, 2011 results only includes sixteen and one day respectively of revenues and expenses for these acquisitions, whereas the year-ended December 31, 2012 includes the full year of both revenue and expenses for these acquisitions.

Revenue:

On December 15, 2011 and December 30, 2011 the Company began reporting revenue relating to the acquired businesses of HDX Payment Processing Ltd. (formerly Cash N Go Ltd.) and Posera-HDX Scheduler Inc. (formerly the Hospitality assets of 2020 ITS Inc.) respectively. As a result, the year ended December 31, 2011 results only includes sixteen and one day respectively of revenues for these acquisitions, whereas the year-ended December 31, 2012 includes the full year of revenue. Posera-HDX recognized revenue of $16,446,106 for the year-ended 2012 compared to $17,699,771 for the year-ended ended December 31, 2011, a decrease of $1,253,665 (7.1%). These revenues for the year-ended December 31, 2012 include $11,731 (2011 - $58) of revenue for HDX Payment Processing Ltd. and $268,304 (2011 - $nil) for Posera-HDX Scheduler Inc.

As per Note 27 in the accompanying annual Consolidated Financial Statements for the years-ended December 31, 2012 and 2011, the Direct POS segment generated revenue of $8,765,669 for the year-ended 2012 compared to $9,411,033 for the year-ended December 31, 2011. Additionally, the POS Software segment generated revenue of $7,760,500 for the year-ended 2012 compared to $8,358,616 for the year-ended December 31, 2011.

Cost of Sales:

As a result of the acquisitions discussed above, the cost of sales for the year-ended December 31, 2011 includes only sixteen days and one day of expenses for HDX Payment Processing Ltd. and Posera-HDX Scheduler Inc. respectively; whereas the year-ended December 31, 2012 includes a full year of cost of sales for these acquisitions.

Posera-HDX recognized cost of inventory of $3,794,900 (23.1% of revenues) for the year-ended December 31, 2012 compared to $4,327,856 (24.4% of revenues) for the year-ended December 31, 2011. The reason for the decrease in the cost of inventory percentage as it relates to revenues from the year-ended December 31, 2012 to December 31, 2011 is due to the fact that there were a higher proportion of software sales in 2012 compared to 2011, which have a higher margin.

Technology expenses in the year-ended December 31, 2012 were $1,888,403 compared to $1,347,088 in the year-ended December 31, 2011, an increase of $541,315 (40.2%). The increase in technology expense between the year-ended December 31, 2012 and December 31, 2011 is a result of the inclusion of technology expenses from the acquisitions of HDX Payment Processing Ltd. and Posera-HDX Scheduler Inc., which both closed in the fourth quarter of 2011.

Technology Expense Reconciliation	**For the years ended**	
	December 31, 2012	**December 31, 2011**
Technology expense -	**$ 1,888,403**	**$ 1,347,088**
Less: Amortization of intangible assets and PP&E	548,436	328,222
Less: One-time expenditures	-	68,079
Adjusted Technology expense	**$ 1,339,967**	**$ 950,787**

For the year-ended December 31, 2012 operations and support expenses were $4,756,107 compared to $4,462,800 for the year-ended December 31, 2011, an increase of $293,307 (6.6%). The operations and support expenses increased from 2011 to 2012, as a result of the inclusion of operations and support expenses from the acquisitions of HDX Payment Processing Ltd. and Posera-HDX Scheduler Inc., which both closed in the fourth quarter of 2011.

Operations and Support Expense Reconciliation	**For the years ended**	
	December 31, 2012	**December 31, 2011**
Operations and Support expense -	**$ 4,756,107**	**$ 4,462,800**
Less: One-time expenditures	14,080	-
Adjusted Operations and Support expense	**$ 4,742,027**	**$ 4,462,800**

Operating Expenses:

As a result of the fiscal 2011 acquisitions discussed previously, the operating expenses for the year-ended December 31, 2011 includes only sixteen days and one day of expenses for HDX Payment Processing Ltd. and Posera-HDX Scheduler Inc. respectively; whereas the year-ended December 31, 2012 includes a full year of operating expenses for these acquisitions.

Included in operating expenses for the years ended December 31, 2012 and 2011 are one-time expenditures relating to the various acquisitions during 2011, an office move, legal expenses, US tax penalties and interest, out of period expenditures and the 2011 corporate reorganization, $250,028 and $84,103 respectively. Excluding these one-time expenditures, Posera-HDX`s operating expenditures for the year-ended December 31, 2012 and 2011 would have been $10,757,650 and $7,926,994 respectively.

Included in the operating expenses for the year-ended December 31, 2012 and December 31, 2011, was non-cash stock compensation expense of $242,982 and $176,469 respectively. Excluding the non-cash stock compensation expenses, and the one-time expenditures above, Posera-HDX`s operating expenditures for the year-ended December 31, 2012 and 2011 would have been $10,514,668 and $7,750,525 respectively.

Finally, included in the operating expenses for the year-ended December 31, 2012 and December 31, 2011, was non-cash impairment of assets totaling $2,419,864 and $nil respectively. Excluding the non-cash impairment of assets, stock-based compensation and the one-time expenditures above, Posera-HDX`s operating expenditures for the year-ended December 31, 2012 and 2011 would have been $8,094,804 and $7,750,525 respectively.

In the year-ended December 31, 2012, sales and marketing expenses were $3,314,850 compared to $2,981,107 in the year-ended December 31, 2011, an increase of $333,743 (11.2%). Included in the sales and marketing expense in the year-ended 2011 is a one-time gain of $180,628 from the revaluation of Customer Liabilities, which resulted from a comprehensive review of the Customer Liabilities account. The Company did not incur a similar gain or loss relating to Customer Liabilities during the year-ended December 31, 2012. Excluding the one-time gain from the Customer Liability in 2011 and the amortization of intangible assets, the adjusted sales and marketing expenses were $2,547,064 compared to $2,411,776 in the year-ended December 31, 2011, an increase of $135,288 (5.6%). The sales and marketing expenses increased from 2011 to 2012, as a result of a modest increase in the headcount of the sales and marketing team during 2012 when compared to 2011.

Sales and Marketing Expense Reconciliation	**For the years ended**	
	December 31, 2012	**December 31, 2011**
Sales and Marketing expense -	**$ 3,314,850**	**$ 2,981,107**
Less: Amortization of intangible assets	767,786	749,959
Add: Gain on revaluation of customer liability	-	180,628
Adjusted Sales and Marketing expense	**$ 2,547,064**	**$ 2,411,776**

During the year-ended December 31, 2012 and 2011, the general and administrative expenses, excluding one-time expenditures of $250,028 (2011 - $84,103), non-cash stock-based compensation of $242,982 (2011 - $176,469) and amortization of intangible assets and property plant and equipment of $142,531 (2011 - $396,601) were $4,637,423 and $4,372,817 for the years-ended December 31, 2012 and 2011 respectively, an increase of $264,606 (6.1%) . The general and administrative expense increased from 2011 to 2012 as a result of the full year of inclusion of the expenses for the acquisitions of HDX Payment Processing Ltd. and Posera-HDX Scheduler Inc., which both closed in the fourth quarter of 2011.

General and Administrative Expense Reconciliation	For the years ended	
	December 31, 2012	December 31, 2011
General and administrative expense	**$ 5,272,964**	**$ 5,029,990**
Less: Stock-based compensation expense	242,982	176,469
Less: Amortization of intangible assets and PP&E	142,531	396,601
Less: One-time expenditures	250,028	84,103
Adjusted General and Administrative expense	**$ 4,637,423**	**$ 4,372,817**

For the year-ended December 31, 2012 the Company had an Impairment of Assets of $2,419,864 (2011 - $nil) as a result of a reduction in the future cash flows for the specific Cash Generating Unit ("CGU") during fiscal 2012. The breakdown of the Impairment of Assets is as follows;

i) Impairment of Goodwill for the Posera-HDX Ltd. CGU, of $2,000,000 (2011 - $nil). The write-down stems from the poor operating performance of this CGU during fiscal 2012. As a result the expected future cash flows for this segment have declined leading to the impairment during the three and twelve months ended December 31, 2012.

ii) Impairment of Goodwill of $248,885 (2011 - $nil), Impairment of Intangible Assets relating to Technology of $127,371 (2011 - $nil) and Impairment of Intangible Assets relating to Sales and Marketing of $43,608 (2011 - $nil) for the Posera-HDX Scheduler Inc. CGU. As at December 31, 2012 and throughout fiscal 2012, the Company evaluated the expected future cash flows for this CGU and its complement of products. The Company determined that a write-down of the Goodwill, Intangible Assets - Technology, and Intangible Assets - Sales and Marketing was required during the three and twelve months ended December 31, 2012, as in the third quarter of 2012, the Company completed the integration of the Scheduler product with the MaitreD' software package. With the completion of the integration the Company has experienced challenges in both direct and indirect sales of Scheduler product. This evaluation has led to a reduction in the expected cash-flows and resulting impairment of assets.

Other Expense and Income:

Interest expense is comprised primarily of interest expense incurred on long-term obligations, including the Convertible Debenture issued as a result of the Posera acquisition, as well as the debt acquired in the Posera acquisition. Interest expense decreased as a result of a reduction in the principal amount of the convertible debenture for the year-ended December 31, 2012 when compared to the year-ended December 31, 2011.

Realized and unrealized (gain) loss on foreign exchange is comprised primarily of the (gain) loss on the foreign denominated convertible debenture and net assets denominated in foreign currencies. As a result of the increase in the CAD, relative to the USD, the carrying amount of the convertible debenture liability (in CAD) has decreased, resulting in a gain during the year-ended December 31, 2012. Additionally, the net assets denominated in foreign currencies incurred a loss during the year-ended December 31, 2012 as a result of a decrease of the value of the source currency when translated into the functional currency. The fluctuations in the realized and unrealized (gain) loss on foreign exchange has impacted the year-ended December 31, 2012 and 2011. The impact to income is predicated on the foreign exchange movements in

net assets denominated in a currency other than the functional currency and the revaluation of the convertible debenture from USD to CAD.

Interest and other income is comprised primarily of interest earned from the investing of HDX's corporate funds, interest earned on lease receivables and interest earned on consumers' prepaid funds. The interest earned remained relatively consistent between the year-ended December 31, 2012 and 2011 as the interest rates earned, and balances deposited remained relatively consistent.

The (gain) loss on held for trading financial instruments is comprised primarily of the (gain) loss on the revaluation of the royalty payable and the conversion option of the convertible debenture. For the year – ended December 31, 2012, a $399,491 gain is a result of the revaluation of the Royalty Payable. In the third quarter of 2012, the Company completed the integration of the Scheduler product with the MaitreD' software package. With the completion of the integration the Company has experienced challenges in both direct and indirect sales of Scheduler product. This evaluation has led to reduced expected royalty payments and the resulting gain on revaluation. The gain on the conversion option was largely the result of the reduction in the time to expiry of the conversion option, which expires on May 5, 2012 of $35,556 and $184,810 for the years-ended December 31, 2012 and 2011, respectively.

Segment Analysis

Operating Segments	Revenue for the year ended		Operating profit for the year ended [1]	
	December 31 2012	December 31 2011	December 31 2012	December 31 2011
Direct POS	$ 8,765,669	$ 9,411,033	$ 504,118	$ 680,737
POS Software	7,760,500	8,358,616	65,955	1,166,366
All other segments	11,731	58	(475,822)	(16,124)
Intersegment	(91,794)	(69,936)	-	-
Total	**$ 16,446,106**	**$ 17,699,771**	**$ 94,251**	**$ 1,830,979**

(1) 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.

For the year-ended December 31, 2012 Direct POS revenue and operating profit (loss) decreased $645,364 (6.8%) and decreased $176,619 (25.9%) respectively when compared to the year-ended December 31, 2011. Direct POS revenue decreased from the year-ended December 31, 2012 compared to 2011 as a result of fewer direct system installations being completed due to a continually competitive market place for POS hardware and software solutions and due to the one-time sales recording module opportunity for the Province of Quebec during 2011 which did not reoccur in 2012. The decrease in the operating profit for the year-ended December 31, 2012 compared to 2011 primarily result from the decline in Direct POS revenue generation, lower gross margin being earned on Direct POS sales and operating costs increased marginally.

For the year-ended December 31, 2012 POS Software revenue and operating profit (loss) decreased $598,116 (7.2%) and $1,100,411 (94.3%) respectively when compared to the year-ended December 31, 2011. POS Software revenues and operating profit for the year-ended December 31, 2012 includes Posera-HDX Scheduler Inc. which was acquired in December, 2011. The POS Software revenues decreased during the year-ended December 31, 2012 compared to 2011 as a result in fewer software license sales being generated through the dealer network and in 2011 the Indirect POS division benefited immensely from the one-time sales recording module opportunity for the Province of Quebec. The sales recording module project did not generate any further revenues for the POS Software segment in 2012. The operating profit decreased as a result of a change in the product mix for the Indirect POS segment during the year-ended December 31, 2012 compared to 2011. During fiscal 2012 the Indirect POS segment had a higher proportion of sales that had corresponding inventory comingled with the sale partially as a result of the inclusion of the results of Posera-HDX Scheduler Inc. and due to more direct sales for the remainder of this business segment. As a result the margins for sales in fiscal 2012 were less than in 2011 which is the primary reason for the decline in the operating profit year over year.

Comparison of the Unaudited Three-Months Ended

The table below sets out the unaudited statements of operations for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012.

Analysis of the Unaudited Quarterly Results	Q4-2012 (unaudited) $	Q4-2011 (unaudited) $	Q3-2012 (unaudited) $	Q4-2012 vs. Q4-2011 $	%	Q4-2012 vs. Q3-2012 $	%
Revenue	4,537,528	4,812,109	4,032,574	(274,581)	(5.7%)	504,954	12.5%
Cost of Sales							
Cost of inventory	1,307,746	1,250,740	905,019	57,006	4.6%	402,727	44.5%
Technology	376,976	346,110	482,762	30,866	8.9%	(105,786)	(21.9%)
Operations and Support	1,214,107	1,115,316	1,141,433	98,791	8.9%	72,674	6.4%
Total Cost of Sales	**2,898,829**	**2,712,166**	**2,529,214**	**186,663**	**6.9%**	**369,615**	**14.6%**
Gross Profit	1,638,699	2,099,943	1,503,360	(461,244)	(22.0%)	135,339	9.0%
Gross Profit Percentage	36.1%	43.6%	37.3%		(7.5%)		(1.2%)
Operating Expenditures							
Sales and marketing	823,781	804,070	749,829	19,711	2.5%	73,952	9.9%
General and administrative	1,579,126	1,345,936	1,346,410	233,190	17.3%	232,716	17.3%
Impairment of assets	2,419,864	-	-	2,419,864	100.0%	2,419,864	100.0%
Total Operating Expenditures	**4,822,771**	**2,150,006**	**2,096,239**	**2,672,765**	**124.4%**	**2,726,532**	**130.1%**
	(3,184,072)	**(50,063)**	**(592,879)**	**(3,134,009)**	**(6,260.1%)**	**(2,591,193)**	**437.1%**
Other expenses (income)							
Interest expense	93,247	79,431	65,895	13,816	17.4%	27,352	41.5%
Realized and unrealized loss on foreign exchange	(21,239)	37,792	102,421	(59,031)	(156.2%)	(123,660)	(120.7%)
Interest and other income	(3,833)	(3,960)	(2,582)	127	(3.2%)	(1,251)	48.5%
Gain on held for trading financial instruments	(399,491)	(21,235)	-	(378,256)	1,781.3%	(399,491)	(100.0%)
	(331,316)	**92,028**	**165,734**	**(423,344)**	**(460.0%)**	**(497,050)**	**(299.9%)**
Net loss before income taxes	**(2,852,756)**	**(142,091)**	**(758,613)**	**(2,710,665)**	**1,907.7%**	**(2,094,143)**	**276.0%**
Current	305,784	(45,955)	14,964	351,739	(765.4%)	290,820	1,943.5%
Future	(261,651)	(2,013,763)	(93,585)	1,752,112	(87.0%)	(168,066)	179.6%
Net income (loss) attributable to owners of the parent	**(2,896,889)**	**1,917,627**	**(679,992)**	**(4,814,516)**	**(251.1%)**	**(2,216,897)**	**326.0%**
Other comprehensive income	35,730	(60,722)	(45,303)	96,452	(158.8%)	81,033	(178.9%)
Comprehensive income (loss), attributable to owners of the parent	**(2,861,159)**	**1,856,905**	**(725,295)**	**(4,718,064)**	**(254.1)%**	**(2,135,864)**	**(294.5%)**
Non-IFRS reporting measures **(as outlined on Pages 27 – 29 of this MD&A):**	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
EBITDA	**(434,098)**	**261,258**	**(227,409)**	**(695,356)**	**(266.2%)**	**(206,689)**	**(90.9%)**
Normalized EBITDA	**(172,373)**	**286,415**	**(32,206)**	**(458,788)**	**(160.2%)**	**(140,167)**	**435.2%**

Comparison of the unaudited quarters ended December 31, 2012 and 2011 and September 30, 2012

Revenue:

Revenue Comparisons December 31, 2012, September 30, 2012 and December 31, 2011

Posera-HDX recognized revenue of $4,537,528 for the three-months ended December 31, 2012 compared to $4,032,574 for the three-months ended September 30, 2012, an increase of $504,954 (12.5%) and $4,812,109 for the three-months ended December 31, 2011, a decrease of $274,581 (5.7%). The increase in revenue during the three-months ended December 31, 2012 compared to September 30, 2012 is a result of organic growth and seasonal results improve in the fourth quarter compared to that of the third quarter. The decrease in revenue during the three-months ended December 31, 2012 compared to December 31, 2011 is a result of a strong performance in the fourth quarter of 2011.

Cost of Sales:

Cost of Sales Comparisons December 31, 2012, September 30, 2012 and December 31, 2011

Posera-HDX recognized cost of inventory of $1,307,746 (28.8% of revenues) for the three-months ended December 31, 2012, compared to $905,019 (22.4% of revenues) for the three-months ended September 30, 2012 and $1,250,740 (26.0% of revenues) for the three-months ended December 31, 2011. The changes in the cost of inventory as a percentage of revenue is a result of a small change in product mix between the respective periods.

Technology expenses in the three-months ended December 31, 2012 were $376,976, an increase of $30,866 (8.9%) from $346,110 in the three-months ended December 31, 2011 and a decrease of $105,786 (21.9%) from $482,762 in the three-months ended September 30, 2012.

Included in the technology expense for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012 are the non-cash amortization of technology intangible assets, totaling $137,590, $89,185 and $127,285 respectively. Excluding this non-cash intangible asset amortization, Posera-HDX`s technology expenses for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012, would have been $39,386, $256,925, and $355,477 respectively.

The technology expense remained relatively consistent during the three-months ended December 31, 2011 compared to the three-months ended December 31, 2011, as a result of no significant changes in head-out or other drivers. Technology expenses in the three-months ended December 31, 2012 decreased compared to the three-months ended September 30, 2012 adjustments posted during the various quarters relating to investment tax credits receivable. Otherwise the standard technology expenses have remained relatively consistent for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012.

Technology Expense Reconciliation	**For the quarters ended**		
	December 31, 2012	**December 31, 2011**	**September 30, 2012**
Technology expense	**$ 376,976**	**$ 346,110**	**$ 482,762**
Less: Amortization of intangible assets	137,590	89,185	127,285
Less: One-time expenditures	-	-	-
Adjusted Technology expense	**$ 239,386**	**$ 256,925**	**$ 355,477**

Operations and support expenses were $1,214,107 in the three-months ended December 31, 2012; an increase of $98,791 (8.9%) from $1,115,316 in the three-months ended December 31, 2011, and an increase of $72,674 (6.4%) from $1,141,433 in the three-months ended September 30, 2012. The operations and support expenses remained relatively consistent as the employee headcount and other operations and support expenses remained relatively consistent between all of the comparable quarters.

Operations and Support Expense Reconciliation	**For the quarters ended**		
	December 31, 2012	**December 31, 2011**	**September 30, 2012**
Operations and Support Expense	**$ 1,214,107**	**$ 1,115,316**	**$ 1,141,433**
Less: One-time expenditures	14,080	-	-
Adjusted Operating and Support expense	**$ 1,200,027**	**$ 1,115,316**	**$ 1,141,433**

Operating Expenses:

Posera-HDX recognized operating expenditures of $4,822,771 for the three-months ended December 31, 2012 compared to $2,150,006 for the three-months ended December 31, 2012, and $2,96,239 for the three-months ended September 30, 2012.

Included in operating expenses for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012 are one-time expenditures relating to the various acquisitions during 2011, an office move, legal expenses, US tax penalties and interest, out of period expenditures and the 2011 corporate reorganization, totaling $203.906, $25,201 and $47,964 respectively. Excluding these one-time expenditures, Posera-HDX`s operating expenditures for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012, would have been $4,618,865, $2,124,805, and $2,048,275 respectively.

Included in general and administrative expenses for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012 was non-cash stock-based compensation expense of $43,739, ($44) and $87,239 respectively. Excluding these non-cash stock compensation expenses, and the one-time expenditures above, Posera-HDX's operating expenditures for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012, would have been $4,575,126, $2,124,849 and $1,961,036 respectively.

Sales and marketing expenses were $823,781 in the three-months ended December 31, 2012 an increase of $19,711 (2.5%) from $804,070 in the three-months ended December 31, 2011, and an increase of $73,952 (9.9%) from $749,829 in the three-months ended September 30, 2012. The sales and marketing expenses adjusted below for the amortization of intangible assets has increased as a result of an increase in headcount and an increase in the quarterly advertising expenditures during the three-months ended December 31, 2012 when compared to the three-months ended December 31, 2011 and September 30, 2012.

Sales and Marketing Expense Reconciliation			
	December 31, 2012	**December 31, 2011**	**September 30, 2012**
Sales and marketing expense	**$ 823,781**	**$ 804,070**	**$ 749,829**
Less: Amortization of intangible assets	191,734	189,566	191,344
Adjusted sales and marketing expense	**$ 632,047**	**$ 614,504**	**$ 558,485**

General and administrative expenses were $1,579,126 in the three-months ended December 31, 2012; an increase of $233,190 (17.3%) from $1,345,936 in the three-months ended December 31, 2011, and an increase of $232,716 (17.3%) from $1,346,410 in the three-months ended September 30, 2012. Included in general and administrative expenses for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012 is stock-based compensation expense of $43,739, ($44) and $87,239 respectively. Additionally, included in general and administrative expenses for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012 are one-time expenditures of $203,906, $25,201 and $107,964 respectively. Finally, included in general and administrative expenses for the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012 is amortization of intangible assets and property, plant and equipment of $37,169, $58,924 and $36,343 respectively.

After factoring these amounts, the adjusted general and administrative expenditures remained relatively consistent between the three-months ended December 31, 2012 and December 31, 2011. The fluctuation between the three-months ended December 31, 2012 and September 30, 2012 is a result of seasonal expenses that were higher in the three-months ended December 31, 2012 which were not incurred for the three-months ended September 30, 2012. See the table below for a summary:

General and Administrative Expense Reconciliation			
	December 31, 2012	**December 31, 2011**	**September 30, 2012**
General and administrative expense	**$ 1,579,126**	**$ 1,345,936**	**$ 1,346,410**
Less: Stock-based compensation expense	43,739	(44)	87,239
Less: Amortization of intangible assets and PP&E	37,169	58,924	36,343
Less: One-time expenditures	203,906	25,201	107,964
Adjusted general and administrative expense	**$ 1,294,312**	**$ 1,261,855**	**$ 1,114,864**

Other Expense and Income:

Interest expense is comprised primarily of interest expense incurred on long-term obligations, including the convertible debenture issued as a result of the Posera acquisition. Interest expense for the three-months ended December 31, 2012 of $93,247 increased $16,816 and $27,352 from $79,431 and $65,895 for the three-months ended December 31, 2011 and September 30, 2012 respectively as a result of additional interest expense being incurred by the Company during the three-months ended December 31, 2012.

Realized and unrealized (gain) loss on foreign exchange is comprised primarily of the (gain) loss on the foreign denominated convertible debenture and net assets denominated in foreign currencies. As a result of the increase in the CAD, relative to the USD, the carrying amount of the convertible debenture liability (in CAD) has decreased, resulting in a gain during the three-months ended December 31, 2012. Additionally, the net assets denominated in foreign currencies incurred a loss during the three-months ended December 31, 2012 as a result of a decrease of the value of the source currency when translated into the functional currency. The fluctuations in the realized and unrealized (gain) loss on foreign exchange has impacted the three comparable reporting periods, December 31, 2012, December 31, 2011 and September 30, 2012. The impact to income is predicated on the foreign exchange movements in net assets denominated in a currency other than the functional currency and the revaluation of the convertible debenture from USD to CAD.

Interest and other income is comprised primarily of interest earned from the investing of HDX's corporate funds, and interest earned on consumers' prepaid funds. The interest earned remained relatively consistent between the three-months ended December 31, 2012, December 31, 2011 and September 30, 2012, as the interest rates earned, and balances deposited remained relatively consistent.

For the three-months ended December 31, 2012, the $399,491 gain on the held of trading financial instruments is a result of the revaluation of the Royalty Payable. For the thre-months ended December 31, 2012, a $399,491 gain is a result of the revaluation of the Royalty Payable. In the third quarter of 2012, the Company completed the integration of the Scheduler product with the MaitreD' software package. With the completion of the integration the Company has experienced challenges in both direct and indirect sales of Scheduler product. This evaluation has led to reduced expected royalty payments and the resulting gain on revaluation. The $21,235 gain on the held for trading financial instruments for the three-months ended December 31, 2011 is comprised entirely of the gain on the conversion option of the convertible debenture and revaluation of closing consideration. The gain during three-months ended December 31, 2011 resulted from the change in the fair-value of the conversion option, largely the result of the reduction in the time to expiry of the conversion option, which expired on May 1, 2012. There was no (gain) loss of held for trading financial instruments during the three-months ended September 30, 2012.

Segment Analysis

Operating Segments			
	Revenue for the three-months ended		
	December 31, 2012	September 30, 2012	December 31, 2011
Direct POS	$2,813,010	$ 2,083,702	$2,601,236
POS Software	1,748,068	1,962,977	2,225,943
Other	4,936	6,308	-
Intersegment - POS Software	(28,486)	(20,413)	(15,070)
Total	**$4,537,528**	**$ 4,4,032,574**	**$4,812,109**
	Operating profit for the three-months ended (1)		
	December 31, 2012	September 30, 2012	December 31, 2011
Direct POS	$ 328,969	$ 185,944	$340,004
POS Software	(261,308)	99,612	207,915
Other	(70,628)	(172,607)	-
Total	**$ (2,967)**	**$ 112,949**	**$547,919**

(1) 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.

<u>Revenue</u>

For the three-months ended December 31, 2012, Direct POS revenue increased $729,308 (35.0%) and increased $211,774 (8.1%) when compared to the three-months ended September 30, 2012 and December 31, 2011 respectively. Direct POS revenues increased compared to the three-months ended September 30, 2012 and December 31, 2012, as a result of organic growth, largely due to the increase in the number of new system installations completed and an increase in the number of service contracts.

For the three-months ended December 31, 2012, POS Software revenue decreased $214,909 (10.9%) and decreased $477,875 (21.5%) when compared to the three-months ended September 30, 2012 and December 31, 2011 respectively. POS revenues decreased compared to the three-months ended September 30, 2012 and December 31, 2011, as a result of a slower quarter for dealer channel sales in the fourth quarter of 2012 when compared to the two other comparable periods.

<u>Operating Profit</u>

For the three-months ended December 31, 2012, Direct POS operating profit increased $143,025 (76.9%) and decreased $11,035 (3.2 %) when compared to the three-months ended September 30, 2012 and December 31, 2011 respectively. For the three-months ended December 31, 2012, POS Software operating profit decreased $360,920 (362.3%) and $469,223 (225.7%) compared to the three months ended September 30, 2012 and December 31, 2011.

Summary of Unaudited Quarterly Results

The following table sets forth unaudited statements of operations data for the eight most recent quarters ended December 31, 2012 as prepared in accordance with IFRS and certain Non-IFRS measurements. The information has been derived from our unaudited quarterly financial statements that, in management's opinion, have been prepared on a basis consistent with the audited financial statements for the years ended December 31, 2012 and 2011 and include all adjustments necessary for a fair presentation of information presented. The Earnings (Loss) Per Share – Basic and Diluted per quarter may not aggregate to the Earnings (Loss) Per Share – Basic and Diluted in the annual financial statements due to rounding. The following numbers differ from those previously reported as a result of certain IFRS adjustments discussed previously.

		2012			
	Fiscal 2012	Q4	Q3	Q2	Q1
Revenues	$ 16,446,106	$ 4,537,528	$ 4,032,574	$ 4,245,960	$ 3,630,044
EBITDA	$ (1,122,365)	$ (434,098)	$ (227,409)	$ (134,243)	$ (326,615)
Normalized EBITDA	$ (525,935)	$ (172,373)	$ (32,206)	$ 757	$ (322,113)
Net Loss Attributable to the Owners of the Parent	$ (4,793,224)	$ (2,896,889)	$ (679,992)	$ (441,026)	$ (775,317)
Comprehensive Loss, Attributable to the Owners of the Parent	$ (4,819,465)	$ (2,861,159)	$ (725,295)	$ (429,310)	$ (803,701)
Earnings (Loss) Per Share Basic	$ (0.10)	$ (0.06)	$ (0.01)	$ (0.01)	$ (0.02)
Earnings (Loss) Per Share Diluted	$ (0.10)	$ (0.06)	$ (0.01)	$ (0.01)	$ (0.02)
		2011			
	Fiscal 2011	Q4	Q3	Q2	Q1
Revenues	$ 17,699,771	$ 4,812,109	$ 4,541,336	$ 4,215,178	$ 4,131,148
EBITDA	$ 877,372	$ 261,258	$ 145,517	$ 199,900	$ 270,697
Normalized EBITDA	$ 1,206,023	$ 286,415	$ 384,414	$ 233,513	$ 301,681
Net Income (Loss), Attributable to Owners of the Parent	$ 1,485,896	$ 1,917,627	$ (220,636)	$ (95,394)	$ (115,701)
Comprehensive Loss, Attributable to Owners of the Parent	$ 1,495,411	$ 1,856,905	$ (95,676)	$ (104,249)	$ (161,569)
Earnings (Loss) Per Share Basic	$ 0.03	$ 0.03	$ (0.00)	$ (0.00)	$ (0.00)
Earnings (Loss) Per Share Diluted	$ 0.03	$ 0.03	$ (0.00)	$ (0.00)	$ (0.00)

Reconciliation of Unaudited Non-IFRS measures to Closest IFRS Equivalent

Net Loss Attributable to Owners of the Parent to EBITDA and Normalized EBITDA		**2012**			
	Fiscal 2012	Q4	Q3	Q2	Q1
Net Loss Attributable to the Owners of the Parent	**$ (4,793,224)**	**$ (2,896,889)**	**$ (679,992)**	**$ (441,026)**	**$ (775,317)**
Interest expense	300,677	93,247	65,895	69,260	72,275
Exchange loss (gain)	9,277	(21,239)	102,421	(104,417)	32,512
Interest and other income	(14,270)	(3,833)	(2,582)	(5,913)	(1,942)
Gain on held for trading financial instruments	(435,047)	(399,491)	-	(1,027)	(34,529)
Amortization of equipment	142,466	38,690	7,691	49,049	47,036
Amortization of intangible assets	1,316,287	317,306	357,779	320,795	320,407
Tax provision (recovery)	(68,395)	18,247	(78,621)	(20,964)	12,943
Impairment of assets	2,419,864	2,419,864	-	-	-
EBITDA	**$ (1,122,365)**	**$ (434,098)**	**$ (227,409)**	**$ (134,243)**	**$ (326,615)**
One-time non-recurring expenditures and (recoveries)	353,448	217,986	107,964	27,498	-
Stock-based compensation expense	242,982	43,739	87,239	107,502	4,502
Normalized EBITDA	**$ (525,935)**	**$ (172,373)**	**$ (32,206)**	**$ 757**	**$ (322,113)**

Reconciliation of Unaudited Non-IFRS measures to Closest IFRS Equivalent (continued)

Net Loss Attributable to Owners of the Parent to EBITDA and Normalized EBITDA		2011			
	Fiscal 2012	Q4	Q3	Q2	Q1
Net Loss Attributable to the Owners of the Parent	**$ 1,485,896**	**$ 1,917,627**	**$ (220,636)**	**$ (95,394)**	**$ (115,701)**
Interest expense	344,423	79,431	85,570	97,766	81,656
Exchange loss (gain)	(5,019)	37,792	(107,335)	29,120	35,404
Interest and other income	(10,938)	(3,960)	(2,330)	(2,516)	(2,132)
Gain on held for trading financial instruments	(184,810)	(21,235)	(101,266)	(6,001)	(56,308)
Amortization of equipment	148,340	26,354	40,208	40,726	41,052
Amortization of intangible assets	1,178,097	284,967	277,656	292,408	323,066
Tax provision (recovery)	(2,078,627)	(2,059,718)	173,650	(156,209)	(36,350)
EBITDA	**$ 877,372**	**$ 261,258**	**$ 145,517**	**$ 199,900**	**$ 270,697**
One-time non-recurring expenditures and (recoveries)	84,103	25,201	125,784	(102,691)	35,809
Stock-based compensation expense	176,469	(44)	147,513	14,500	14,500
SR&ED technology expense reduction relating to prior years	(34,400)	-	(34,400)	-	-
Investment tax reassessment by tax authorities(1)	102,479	-	-	121,804	(19,325)
Normalized EBITDA	**$ 1,206,023**	**$ 286,415**	**$ 384,414**	**$ 233,513**	**$ 301,681**

(1) The Company incurred a one-time change in estimate of the Company's investment tax credits receivable, which transpired as a result of a review performed by the relevant income tax authorities during the three-months ended June 30, 2011. The change in estimate resulted in an increased one-time expenditure to the technology expense of $121,804 for the three- months ended June 30, 2011. Of the $121,804 adjustment, $50,943 relates to a date of acquisition revaluation and $70,861 relates to investment tax credits receivable booked post acquisition. The Company applied the $70,861 ratably to quarters post-acquisition to calculate the Normalized EBITDA.

Reconciliation of Unaudited Non-IFRS measures to Closest IFRS Equivalent (continued)

Equity Attributable to Owners of the Parent to Working Capital			
	December 31, 2012	September 30, 2012	December 31, 2011
Equity Attributable To Owners of the Parent	**$ 9,487,018**	**$ 12,406,062**	**$ 14,165,125**
Add: Long-term portion of notes payable	491,842	558,625	975,063
Add: Long-term portion of vehicle Loans	20,991	22,342	42,126
Add: Long-term portion of royalty payable	119,242	496,090	467,231
Add: Conversion option	-	-	35,556
Add: Future income tax liability	954,844	1,300,710	1,472,190
Less: Goodwill	(4,330,746)	(6,549,526)	(6,711,533)
Less: Intangible assets	(4,701,300)	(5,156,840)	(6,220,150)
Less: Long-term portion of investment tax credits receivable	(1,262,692)	(1,199,523)	(1,013,879)
Less: Long-term portion of lease receivable	(28,881)	(31,658)	(35,469)
Less: Deposit on leased premises	(34,409)	(34,411)	(34,411)
Less: Equipment	(164,552)	(205,170)	(250,876)
Less: Deposit on pending acquisitions	-	(100,000)	-
Working Capital	**$ 551,357**	**$ 1,506,701**	**$ 2,890,973**

Liquidity and Financial Resources

As at December 31, 2012, HDX had cash and cash equivalents totaling $1,050,441 (December 31, 2011 - $2,431,720).

For the years-ended December 31, 2012 and 2011, cash provided by / (used by) operating activities was ($894,622) and $275,543 respectively. Cash used by operations for the year-ended December 31, 2012 resulted from a net loss, revaluation of the royalty payable and a deferred income tax recovery, which was offset by items not affective cash such as amortization, stock-based compensation and impairments of goodwill and intangible assets. Cash provided by operations for the year-ended December 31, 2011 resulted from net income, items not affective cash such as amortization and stock-based compensation, which were offset primarily by future income taxes and an changes in non-cash operating items.

For the years-ended December 31, 2012 and 2011, cash provided by / (used in) financing activities were ($469,389) and ($663,745) respectively. Cash used by financing activities for the year-ended December 31, 2012 resulted primarily from the repayments of the notes payable and vehicle loans. Cash used by financing activities for the year-ended December 31, 2011 resulted primarily from the repayments of the notes payable, which was offset by the proceeds received from the exercise of stock options. HDX expects to continue to make acquisitions in the future and therefore may complete additional financings in the equity markets.

In the years-ended December 31, 2012 and 2011, cash provided by / (used in) investing activities was ($87,576) and $1,529,412 respectively. The cash used in investing activities during the year-ended December 31, 2012 related to the acquisition of property plant and equipment and intangible assets,

which was offset by the disposition of property plant and equipment. The cash provided by investing activities during the year-ended December 31, 2011 relates to the disposition of the Dexit assets, which was offset by the acquisitions of HDX Payments Processing Inc. and the Hospitality Assets of 2020 ITS.

Working capital at December 31, 2012 and 2011 was $551,357 and $2,890,973 respectively.

Capital Structure

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. 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 Statement of Financial Position. Total equity is the equity attributable to owners of the Company plus the conversion option in the Consolidated Statement of Financial Position.

The debt to equity ratios as at December 31, 2012 and December 31, 2011were as follows:

	December 31, 2012	December 31, 2011
Total Debt		
Notes payable	$ 979,519	$ 1,275,556
Vehicle loans	31,206	67,875
Bank indebtedness	256,784	181,746
Total Debt	**$ 1,267,509**	**$ 1,525,177**
Equity		
Equity attributable to owners of the Company	$ 9,487,018	$ 14,165,125
Conversion Option	-	35,556
Total Equity	**$ 9,487,018**	**$ 14,200,681**
Debt to Equity Ratio	**13.35%**	**10.74%**

The Company has arrangements in place that allow us to access the additional debt financing for funding when required through various lines of credit. The Company’s credit capacity as at December 31, 2012 was $191,000 (2011 - $152,802), of which the Company had utilized $191,000 (2011 - $152,802). The Company feels that it is adequately capitalized in order to meeting its obligations going forward.

Summary of Contractual Obligations

	Payments Due by Period				
Contractual Obligations	Total	2013	2014 – 2015	2015 - 2016	2017 and beyond
Operating Leases	$ 805,899	$ 359,458	$ 418,891	$ 27,549	$ -
Long-Term Debt	1,143,054	590,429	552,625	-	-
Vehicle Loans	33,122	11,144	19,586	2,392	-
Total Contractual Obligations	$ 1,982,075	$ 961,031	$ 991,102	$ 29,941	$ -

Capital Resources

Except as otherwise disclosed, the Company does not expect to make significant capital expenditures in the near future. HDX has invested in and developed an information systems infrastructure that will scale to meet the majority its anticipated market requirements. Posera-HDX continues to pursue selective acquisitions which the Company expects will be primarily focused on POS services companies that can be acquired at attractive multiples.

Financial arrangements not presented in the consolidated statements of financial position

The Company does not have any financial arrangements not presented in the consolidated statements of financial position arrangements that would ordinarily be considered 'off balance sheet' financing.

Transactions with Related Parties

The Company recognized revenue from a company controlled by the CEO, who is also a director of the company, during the year ended December 31, 2012, based on amounts agreed upon by the parties, in the amounts of $60,025 (2011 - $56,614). The Company recognized operating expenses related to shared office space and employees and purchased products of $471,764 during the year ended December 31, 2012 (2011 - $382,805) from a Company controlled by the CEO at the exchange amount. As at December 31, 2012, the Company has a receivable position of $12,133 (December 31, 2011 - $21,066), and a payable of $173,254 (December 31, 2011 - $60,632), which will be settled between the related parties in the normal course of business.

During the year ended December 31, 2012, the Company received legal fees and disbursement invoices totaling $63,589 (2011 - $381,685) to a law firm, a partner of which is a director of the Company. As at December 31, 2012, the Company has a payable position of $55,159 (December 31, 2011 - $277,747) which will be settled between the related parties in the normal course of business.

Compensation of key management

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

	Year ended December 31, 2012	Year ended December 31, 2011
Salaries and short-term employee benefits	$ 922,381	$ 864,414
Share-based payments	185,691	170,469
Total	**$ 1,108,072**	**$ 1,034,883**

Share Capital

As at December 31, 2012, Posera-HDX had issued and outstanding 48,434,422 Class A voting common shares, and 4,631,584 options, of which 4,266,584 were exercisable at an exercise price to purchase common shares ranging from $0.25 to $2.70. As at March 28, 2013 Posera-HDX had issued and outstanding 48,434,422 Class A voting common shares and 4,631,584 options, of which 4,266,584 were exercisable at an exercise price to purchase common shares ranging from $0.25 to $2.70. As at December 31, 2012 and March 28, 2013 the convertible debenture could have been converted into nil and nil Common Shares respectively.

Disclosure Controls and Procedures (DC&P) and Internal Controls Over Financial Reporting

The Company's management, including the Chief Executive Office ("CEO") and the Chief Financial Officer ("CFO"), are responsible for establishing and maintaining disclosure controls and procedures for the Company. As such, the Company maintains a set of disclosure controls and procedures designed to ensure that the information required to be disclosed in filings is recorded, process, summarized and reported with the time periods specified in the Canadian Securities Administrators rules and forms. An evaluation of the design of and operating effectiveness of the Company's disclosure controls and procedures was conducted during the fiscal year-ended December 31, 2012 under the supervision of the CEO and CFO as required by Canadian Securities Administrators Multilateral National Instrument 52-109, *Certification of Disclosure in Issues' Annual and Interim Filings.* The evaluation included review, enquiries and other procedures considered appropriate in the circumstances. Based on that evaluation, the CEO and CFO have concluded that such disclosure controls and procedures are effective.

The CEO and CFO are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management, under the supervision of the CEO and CFO have evaluated whether there were changes to the Company's internal controls over financial reporting during the year-ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. Throughout 2013, the Company aims to continue to improve process documentation to highlight the controls in place which are addressing the key risks, in addition to developing more formal documentation surrounding management's analysis of monthly and quarterly financial reports.

Recent changes identified relate to the following;

i) The Company completed the acquisitions of HDX Payment Processing Ltd. (formerly Cash N Go Ltd.) and Posera-HDX Scheduler Inc. (formerly the Hospitality assets of 2020 ITS Inc.) late in the fourth quarter of 2011. During fiscal 2012 the Company completed the integration of this businesses under the Company's current reporting processes, procedures and consolidated accounting system;

ii) The Company hired a Corporate Controller during the third quarter of 2010, whom has completed their Chartered Accountancy designation, which allowed for the CFO to complete a more independent review of financial information and manage the transition to IFRS;

iii) The Company completed the acquisition of Posera in the second quarter of 2010. The addition of Posera brought along a seasoned accounting team. The Company completed a reporting structure and guidelines and procedures for Posera to insure that they were able to adhere to the DC&P and ICFR required by HDX; and

iv) The Company completed the acquisition of A&A Point of Sale Inc. in the second quarter of 2010. During 2010 and 2011 the Company was able to integrate these businesses under the Company's current reporting processes and procedures and in 2012 integrated the A&A subsidiary with the Company's current consolidated accounting system.

No other changes were identified through management's evaluation of the controls over financial reporting. Throughout the remainder of 2013 the Company aims to improve;

- process documentation to highlight the controls in place which are addressing the key risks;
- developing more formal documentation surrounding management's analysis of monthly and quarterly financial reports;
- formalize a process for foreign tax reporting and
- integrating all of the acquired entities onto one accounting system platform.

Management of the Company believes in and are committed to establishing rigorous DC&P and ICFR. Our management team will continue to evaluate the effectiveness of our overall control environment and will continue to refine existing controls as they, in conjunction with the Audit Committee, Board of Directors, CEO and CFO, deem necessary. It should be noted that the control deficiencies identified by the Company did not result in adjustment to our annual audited Consolidated Financial Statements for the year ended December 31, 2012.

Period-end Financial Reporting Process

The Company did not maintain consistently and effective controls over the period-end financial reporting process throughout the year, specifically:

- Although controls are performed, adequate evidence does not always exist demonstrating the performance of controls such as review of account reconciliations, spreadsheets and significant account balances requiring the use of accounting estimates.

Limitation of Control Procedures

Management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can only provide reasonable, not absolute assurance that the control system objectives will be met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Risks and Uncertainties

The Company is exposed to a variety of risks in the normal course of operations. In the Annual Information Form of the Company which was filed on March 28, 2013, it provided a detailed review of the risks that could affect its financial condition, results of operation or business that could cause actual results to differ materially from those expressed in our forward-looking statements. In management's opinion, there has been no material change in the nature or magnitude of the risks faced by the Company.

Additional Information

Additional information related to the Company can be found on SEDAR at www.sedar.com.

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