POSERA-HDX LTD.

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

FOR THE YEAR AND THREE-MONTHS ENDED DECEMBER 31, 2013

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, 2013 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, 2013 compared to December 31, 2012. Additionally, this MD&A discusses the three-months ended December 31, 2013, compared to September 30, 2013 and December 31, 2012. Please read this MD&A in conjunction with the MD&A for the three-months ended March 31, 2013, June 30, 2013 and September 30, 2013. The effective date of this MD&A is March 27, 2014.

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 27, 2014 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: 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".

Debt to Equity Ratio: Posera-HDX management defines Debt to Equity Ratio as Debt (i.e. notes payable, vehicle loans and bank indebtedness) as a percentage of shareholder's equity.

Gross Payment Processing Fees: Posera-HDX management defines gross payment processing fees as the total payment processing fees that are earned by Zomaron's third party processors, of which Zomaron receives a percentage of these fees.

Comparative Figures:

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

CEO's Overview

Posera-HDX Ltd. achieved record levels of revenue and EBITDA for the 2013 fiscal year and also for the three-months ending December 31st, 2013. On December 9th, 2013 the Company completed the acquisition of Zomaron Merchant Services Inc. (Zomaron). The acquisition of Zomaron, a rapidly growing company with a successful and accomplished management team and over 140 sales agents, will be instrumental in the Company's growth strategy and lays the groundwork for significant sales growth in 2014 and beyond. The Company achieved record revenue and EBITDA prior to the acquisition, when excluding revenues and EBITDA derived from the acquisition of Zomaron.

The Company's total revenue was $19,511,412 for the year-ended December 31, 2013, an increase of $3,065,306 (18.6%) from $16,446,106 for the year-ended December 31, 2012. EBITDA profit of $943,596, for the year-ended December 31, 2013 an increase of $2,065,961 from a loss of ($1,122,365) for the year-ended December 31, 2012.

The Company achieved revenue of $5,940,741 for the three-months ended December 31, 2013; an increase of $1,403,213 (30.9%) from $4,537,528 for the three-months ended December 31, 2012 and up $769,186 (14.9%) from $5,171,555 for the three-months ended September 30, 2013. EBITDA profit for the three-months ended December 31, 2013, was $854,771, an increase of $1,288,869 from a loss of ($434,098) for the three-months ended December 31, 2012, and an increase of $297,916 from an EBITDA profit of $556,855 for the three-months ended September 30, 2013.

In the twenty-two days subsequent to the date of acquisition of Zomaron during the remainder of fiscal 2013, Zomaron's merchant base processed credit and debit transactions totalling $41,816,054. The Company recorded $150,526 of payment processing revenue, which resulted from $710,068 of gross payment processing fees for the remaining twenty-two days of December 31, 2013.

For the year-ended December 31, 2013 Zomaron had 2,209 active merchants which compares to 1,299 active merchants as at December 31, 2012, which was prior to the date of acquisition of Zomaron by Posera-HDX Ltd.

There are over 20,000 merchants world-wide that operate Posera-HDX's software solutions. The Company anticipates that integration work between Posera-HDX's software solutions and Zomaron's payment solutions will be completed in 2014. Complimentary marketing and sales operations of intercompany products commenced during December of 2013 with a numerous clients contracting the Company to provide solutions from both divisions.

To take advantage of the convergence of retail technologies underway, and to enhance the Company's ability to deliver EMV solutions to United States merchants in time for the credit card fraud liability shift, the Company continues to pursue acquisitions within the point of sale and payments industries although none are specifically named at this time.

Overview

Three-months ended December 31, 2013 (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, 2013, December 31, 2012 and September 30, 2013".)

- Revenues and earnings for the combined entity for the three months-ended December 31, 2013 includes twenty-two days of operating results for the acquired entity Zomaron Inc. ("Zomaron") which was acquired on December 9, 2013, whereas revenues and earnings for the three-months ended December 31, 2012 and September 30, 2013 does not include the twenty-two days of operations for Zomaron;

- Net income (loss) for the three-months ended December 31, 2013 was income of $360,773, an increase of $3,257,662 from a loss of ($2,896,889), for the three-months ended December 31, 2012, and an increase of $40,725 from a loss of ($401,498) for the three-months ended September 30, 2013;

- EBITDA profit (loss) for the three-months ended December 31, 2013, was a profit of $854,771, an increase of $1,288,869 from a loss of ($434,098) for the three-months ended December 31, 2012, and an increase of $297,916 from an EBITDA profit of $556,855 for the three-months ended September 30, 2013;

- Normalized EBITDA profit (loss) for the three-months ended December 31, 2013 was $929,702, an increase of $1,102,075 from ($172,373) for the three-months ended December 31, 2012, and an increase of $647,006 from $282,696 for the three-months ended September 30, 2013;

- Total revenue was $5,940,741 for the three-months ended December 31, 2013, up $1,403,213 (30.9%) from $4,537,528 for the three-months ended December 31, 2012 and up $769,186 (14.9%) from $5,171,555 for the three-months ended September 30, 2013;

- Gross profit was $2,685,584 for the three-months ended December 31, 2013, up $1,046,885 (63.9%) from $1,638,699 for the three-months ended December 31, 2012, and up $638,560 (31.2%) from $2,047,024 for the three-months ended September 30, 2013;

- Operating expenses were $2,220,765 for the three-months ended December 31, 2013, down $2,602,006 (54.0%) from $4,822,771 for the three-months ended December 31, 2012, and down $77,563 (3.4%) from $2,298,328 for the three-months ended September 30, 2013;

- Included in cost of sales and operating expenses for the three-months ended December 31, 2013, December 31, 2012 and September 30, 2013 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 $260,795, $2,896,412 and $513,143 respectively;

- Posera-HDX's cash and cash equivalents totaled $2,954,115 as at December 31, 2013, an increase of $1,903,674 (181.2%) from $1,050,441 as at December 31, 2012, and an increase of $1,808,525 (157.9%) from $1,145,590 as at September 30, 2013. Bank indebtedness was $207,101 as at December 31, 2013, a decrease of $49,683 (19.3%) compared to $256,784 as at December 31, 2012, and an increase of $147,101 (245.2%) compared to $60,000 as at September 30, 2013.

- Posera-HDX's working capital totaled $595,493 as at December 31, 2013, an increase of $44,136 (8.0%) from $551,357 as at December 31, 2012, and an increase of $511,337 (607.6%) from $84,156 as at September 30, 2013.

Year-ended December 31, 2013 - Highlights and Summary

(*This section acts merely as a summary; the detailed analysis is discussed in the "Comparison of the years ended December 31, 2013 and 2012".)*

- Revenues and earnings for the combined entity for the year-ended December 31, 2013 includes twenty-two days of operating results for Zomaron Inc. ("Zomaron") whom was acquired on December 9, 2013, whereas revenues and earnings for the year-ended December 31, 2012 does not include a full twelve months of operations for Zomaron;
- Net income (loss) for the year-ended December 31, 2013 was a loss of ($992,438), a decrease of ($3,800,786) from a loss of ($4,793,224) for the year-ended December 31, 2012;
- EBITDA profit (loss) for the year-ended December 31, 2013 was $943,596, an increase of ($2,065,961) from a loss of ($1,122,365) for the year-ended December 31, 2012;
- Normalized EBITDA profit (loss) for the year-ended December 31, 2013 was $818,301, an increase of $1,344,236 from ($525,935) for the year- ended December 31, 2012;
- Total revenue was $19,511,412 for the year-ended December 31, 2013, up $3,065,306 (18.6%) from $16,446,106 for the year-ended December 31, 2012;
- Total point of sale revenue was $19,350,796 for the year-ended December 31, 2013, up $2,916,421 (17.7%) from $16,434,375 for the year-ended December 31, 2012;
- Total payment processing revenue was $160,616 for the year-ended December 31, 2013, up $148,885 (1,269.2%) from $11,731 for the year-ended December 31, 2012;
- Total gross payment processing fees was $722,511 for the year-ended December 31, 2013, up $709,894 (5,626.5%) from $12,617 for the year-ended December 31, 2012;
- Gross profit was $7,933,552 for the year-ended December 31, 2013, up $1,926,856 (32.1%) from $6,006,696 for the year-ended December 31, 2012;
- Operating expenses were $8,666,064 for the year-ended December 31, 2013, down $2,341,614 (21.3%) from $11,007,678 for the year-ended December 31, 2012; and
- Operating expenses net of the impairment of assets were $8,403,789 for the year-ended December 31, 2013, down $184,025 (2.1%) from $8,587,814 for the year-ended December 31, 2012.

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 96 resellers in 25 countries with approximately 550 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.

Through the acquisition of Zomaron Inc. ("Zomaron") the Company acquired a registered reseller of Debit and Credit Card merchant services. Zomaron, an Ontario based sales organization, rounds out the Company's suite of services to include Debit and Credit Card merchant services. With each pin-pad sold, a percentage of each transaction, for the term of the agreement, is earned by Zomaron Inc. This share of Debit and Credit Card processing revenues, the Company expects, will become a significant recurring revenue stream in the future.

ATM products and services are a logical extension of the Company's core offerings. During the three-months ended December 31, 2013 the Company entered into an agreement to be an Independent Sales Organization ("ISO") with TNS Smart Network Inc. to provide ATM transactional services. Acting as an ISO, HDX is now positioned very well to efficiently grow an ATM business throughout Canada via its existing team of direct sales professionals, newly acquired Zomaron sales agents and its network of sub-ISO's and reseller distribution channels.

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.
- **Payments fees from merchants.** Merchants pay fees for the processing of debit and credit card payments transactions. The transaction fees are paid to a third party processor which remits residual income to the Company.

The Company has disclosed Gross Payment Processing Fees related to its Payment Processing Revenues. Gross Payment Processing Fees represent the total amount of Payment Processing Fees underlying the processing of debit and credit card payments transactions. The transaction fees are paid by merchants to a third party processor, who then remits a residual to the Company based upon certain metrics. The Company does not have a direct relationship with the merchant to process the transactions, and is not the primary obligator of the payment processing transaction. As a result, the Company records the residual received as revenue. Although the Company records the residual received as revenue, the Company has disclosed the Gross Payment Processing Fees underlying the transactions, as it may be relevant information to benchmark the Company against others in the payment processing industry who may have dissimilar contractual arrangements between the merchants and payment processors.

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, 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 relates 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 or as a result of a term promissory note. On the date of acquisition or issuance of the notes payable, 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 is being outsourced and this will give the Company the ability to provide payment processing alternatives to our customers.

On December 9th, 2013 the Company completed the acquisition of Zomaron Inc. ("Zomaron"). The acquisition of Zomaron, a rapidly growing company with a successful and accomplished management team and over 140 sales agents, will be instrumental in the Company's growth strategy and lays the groundwork for significant sales growth in 2014 and beyond.

Founded in 2008, Zomaron provides credit and debit card processing solutions to Canadian merchants nationwide. Based in London, Ontario, Zomaron has offices in Edmonton AB, Toronto ON, and Montreal QC. Through its nation-wide network of sales representatives and strategic partnerships, Zomaron has experienced rapid growth, doubling its sales annually. Zomaron's exponential growth led it to be ranked on PROFIT magazine's 13th and 14th annual PROFIT HOT 50 issues in October 2012 and 2013 respectively. Zomaron's solutions and services can also be marketed and deployed in the United States.

Posera-HDX continues to pursue selective acquisitions which the Company expects will be primarily focused on POS or Payment Processing services companies that can be acquired at attractive multiples, and whose products or customer base complements or extends that of the Company currently.

Acquisitions and Divestitures During the Year- Ended December 31, 2013

On December 9, 2013 Posera-HDX Ltd. completed the acquisition of all the issued and outstanding shares of Zomaron Inc. ("Zomaron") The purchase price was an aggregate of $2,640,000, comprised of $1,800,000 in cash and 4,000,000 Common Shares of Posera-HDX Ltd., having a hold-period that the shares are not freely tradable until December 9, 2015, with a fair-value of $840,000. The acquisition provides the Company with a complete line of payment processing offerings which are complementary to the Company's existing suite of hospitality industry software solutions and services.

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

The result of Zomaron's operations have been included in the consolidated financial statements since December 9, 2013. From the date of acquisition of December 9, 2013 to the Company's year-end of

December 31, 2013, Zomaron generated revenue of $150,526 (2012 - $nil), and net income of $818 (2012 - $nil). Presuming that the Company had acquired Zomaron as at January 1, 2013, Posera-HDX Ltd. would have recorded approximately $22,260,000 of consolidated revenue and a consolidated net loss of approximately $890,000 afor the year-ended December 31, 2013.

The acquisition of Zomaron is accounted for using the acquisition method whereby HDX is identified as the acquirer. The following table summarizes the fair value of the assets acquired and liabilities assumed and consideration paid at the date of the acquisition. Goodwill represents the excess earning capacity as a result of synergistic revenue opportunities, future growth, pre-assembled workforce and cost reductions. The consideration has yet to be finalized at the time of filing these financial statements as the final adjustments for closing have yet to be negotiated and agreed upon by the parties in relation to the working capital requirement as part of the share purchase agreement. The presentation of the Zomaron business acquisition is provisional as the Company expects a potential future adjustment to consideration, goodwill and working capital.

The identifiable net assets of Zomaron that were acquired at fair value as at December 9, 2013 are as follows:

Net Assets:		
Cash	$	105,763
Current assets excluding cash		277,318
Property, plant and equipment		187,982
Intangible assets		405,000
Current liabilities		(258,045)
Long-term portion of capital lease obligation		(139,150)
Deferred Income Tax Liability		(100,681)
Goodwill acquired in business combination		2,161,813
Net assets acquired	**$**	**2,640,000**

Consideration:		
Cash consideration	$	1,800,000
Share consideration		840,000
Total consideration	**$**	**2,640,000**

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

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

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, 2013 and 2012, 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, 2013 and 2012 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, 2013 and 2012 in Note 2 for a complete listing of the Company’s critical accounting estimates.

a. *Intangible asset – December 31, 2013 - $3,825,790 (December 31, 2012 - $4,701,300) and Goodwill – December 31, 2013 - $6,600,883 (December 31, 2012 - $4,330,746), and related Goodwill and Intangible assets impairments for the periods ended December 31, 2013 - $76,334 and $162,278 respectively (December 31, 2012 - $2,248,885 and $170,979 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.

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

During the year ended December 31, 2013, the Company assessed an impairment of $262,275 related to the goodwill, intangible assets and property, plant and equipment allocated to the HDX Payment Processing CGU in the Payment Processing Segment, because of the deterioration in the higher of the value-in-use and fair-value less costs to sell. The impairments recorded reflect value-in-use as it was higher than the fair-value less costs to sell. This was primarily the result of a reduction in the Years 1 – 5 earnings growth rate, primarily as a result of the downward revision to the forecasted sales of certain payment processing products. The key assumptions utilized to calculate the higher of value-in-use and fair-value less costs to sell are detailed below. This impairment is included in the operating expenditures in the consolidated statements of operations.

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

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

(i) Earnings growth was projected based on past experience, actual operating results, and a market participant's expected view of the 5 year forecasts of the CGUs.
(ii) Earnings were extrapolated further using a constant growth rate, which does not exceed the long-term average growth rate for the industry.
(iii) The discount rate was estimated based upon industry average after-tax weighted cost of capital, adjusted for the specific risks of the CGU.
(iv) The fair-value less costs to sell was estimated based upon the marketability and condition of assets.

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

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

b. *Royalty payable – December 31, 2013 - $nil (December 31, 2012 - $122,172) and related gain on revaluation for the periods ended December 31, 2013 - $98,786 [December 31, 2012 – ($399,491)] in the POS Software segment*

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

c. *Investment Tax Credits Receivable – non-refundable – December 31, 2013 - $1,217,686 (December 31, 2012 - $1,262,692) and related investment tax recovery for the periods ended December 31, 2013 $327,757 (December 31, 2012 - $339,284) 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 6 to the December 31, 2013 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.

d. *Provision for income tax and information return penalties – December 31, 2013 - $210,000 (December 31, 2012 - $210,000) and related expenditures for the years ended December 31, 2013 - $nil (December 31, 2012 - $210,000) 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, 2013 and December 31, 2012, and certain unaudited Non-IFRS reporting measures.

Analysis of the Annual Results	**2013 $**	**2012 $**		**Variance $**	**Variance %**
Revenue					
Point of sale	19,350,796	16,434,375		2,916,421	17.7%
Payment processing	160,616	11,731		148,885	1,269.2%
Total Revenue	**19,511,412**	**16,446,106**		**3,065,306**	**18.6%**
Cost of Sales					
Cost of inventory	5,001,125	3,794,900		1,206,225	31.8%
Technology	1,791,176	1,888,403		(97,227)	(5.1)%
Operations and Support	4,785,559	4,756,107		29,452	0.6%
Total Cost of Sales	**11,577,860**	**10,439,410**		**1,138,450**	**10.9%**
Gross Profit	**7,933,552**	**6,006,696**		**1,926,856**	**32.1%**
Gross Profit Percentage	40.7%	36.5%			11.5%
Operating Expenditures					
Sales and marketing	3,337,638	3,314,850		22,788	0.7%
General and administrative	5,066,151	5,272,964		(206,813)	(3.9)%
Impairment of assets	262,275	2,419,864		(2,157,589	(89.2)%
Total Operating Expenditures	**8,666,064**	**11,007,678**		**(2,341,614)**	**(21.3)%**
	(732,512)	**(5,000,982)**		**4,268,470**	**(85.4)%**
Other expenses (income)					
Interest expense	228,514	300,677		(72,163)	(24.0)%
Realized and unrealized loss on foreign exchange	(198,586)	9,277		(207,863)	(2240.6)%
Interest and other income	(10,262)	(14,270)		4,008	(28.1)%
Gain on held for trading financial instruments	98,786	(435,047)		533,833	(122.7%)
	118,452	**(139,363)**		**257,815**	**(185.0%)**
Net loss before income taxes	**(850,964)**	**(4,861,619)**		**4,010,655**	**(82.5)%**
Current	542,666	364,043		178,623	49.1%
Future	(401,192)	(432,438)		31,246	(7.2)%
Net loss	**(992,438)**	**(4,793,224)**		**3,800,786**	**(79.3)%**
Other comprehensive income	36,193	(26,241)		62,434	(237.9)%
Net comprehensive loss	**(956,245)**	**(4,819,465)**		**3,863,220**	**(80.2)%**
Non-IFRS reporting measures (as outlined on Pages 27 – 28 of this MD&A):					
	(unaudited)	(unaudited)		(unaudited)	(unaudited)
EBITDA	**943,596)**	**(1,122,365)**		**2,065,961**	**184.1%**
Normalized EBITDA	**818,301**	**(525,935)**		**1,344,236**	**255.6%**

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	**2013**	**2012**	**2011**
Total revenue	$ 19,511,412	$ 16,446,106	$ 17,699,771
Point of sale revenue	19,350,796	16,343,375	17,699,771
Payment processing revenue	160,616	11,731	-
Net income (loss)	(956,245)	(4,819,465)	1,485,896
Income (loss) per share – basic and diluted	(0.02)	(0.10)	0.03
Weighted average number of shares outstanding (000's) - basic	48,962	48,434	45,951
Weighted average number of shares outstanding (000's) – diluted	48,962	48,434	45,981
Cash and cash equivalents	2,954,115	1,050,441	2,431,720
Bank indebtedness	207,101	256,784	181,746
Working capital (as outlined on Page 28 of this MD&A)	595,493	551,357	2,890,973
Total assets	20,433,953	17,244,125	22,278,473
Long-term liabilities	1,302,795	1,586,919	2,956,610
Total shareholders' equity	11,348,788	9,487,018	14,165,125

Comparison of the years ended December 31, 2013 and 2012

On December 9, 2013 the Company began reporting revenue relating to the acquired businesses of Zomaron Inc. As a result, the year ended December 31, 2013 results only includes twenty-two days of revenues and expenses for this acquisition, whereas the year-ended December 31, 2012 does not include any of both revenue and expenses for these acquisitions.

Revenue:

On December 9, 2013 the Company began reporting revenue relating to the acquired businesses of Zomaron Inc. As a result, the year ended December 31, 2013 results only includes twenty-two days of revenues for the Zomaron acquisition, whereas the year-ended December 31, 2012 does not include Zomaron's revenues. Posera-HDX recognized total revenue of $19,511,412 for the year-ended 2013 compared to $16,446,106 for the year-ended ended December 31, 2012, an increase of $3,065,306 (18.6%). The total revenue is comprised of two separate components, point of sale revenue and payment processing revenue. Payment processing revenue for the year-ended December 31, 2013 was $160,616 compared to $11,731 for the year-ended December 31, 2012 an increase of $148,885 (1,269.2%). Point of sale revenue for the year-ended December 31, 2013 was $19,350,796, an increase of $2,916,421 (17.7%) compared to the point of sale revenue for the year-ended December 31, 202 of $16,434,375. Included in point of sale revenue during the year-ended December 31, 2013 was a one-time transaction resulting in $341,392 of point of sale revenue related to a sale of a software license to an external Company for which the Company previously had been receiving a recurring revenue stream. This one-time sale transaction did not occur in the year-ended December 31, 2012.

As a result of the Zomaron acquisition on December 9th, 2013, the Company recorded payment processing revenue of $150,526, which resulted from $710,068 of gross payment processing fees for the year-ended December 31, 2013. For Zomaron, gross payment processing fess represents the total payment processing fees that are earned by Zomaron's third party processors, of which Zomaron receives a percentage of these fees. The Company believes that gross payment processing fees is a relevant metric to disclose, in order to allow users of the financial statements to be able to benchmark Zomaron's payment processing portfolio against similar payments and processing companies which may have different processing relationship. Additionally, Zomaron's merchant base in the twenty-two days subsequent to the date of acquisition during the remainder of fiscal 2013, processed credit and debit transactions totalling $41,816,054 ($707,071,464 on an annualized basis). For the year-ended December 31, 2013 Zomaron had 2,209 active merchants which compares to 1,299 active merchants as at December 31, 2012, which was prior to the date of acquisition by the Company of Zomaron.

Cost of Sales:

As a result of the acquisition discussed above, the cost of sales for the year-ended December 31, 2013 includes only twenty-two days of expenses for Zomaron Inc.; whereas the year-ended December 31, 2012 includes no cost of sales related to the Zomaron acquisition.

Posera-HDX recognized cost of inventory of $5,001,125 (25.6% of revenues) for the year-ended December 31, 2013 compared to $3,794,900 (23.1% of revenues) for the year-ended December 31, 2012. The reason for the increase in the cost of inventory percentage as it relates to revenues from the year-ended December 31, 2013 to December 31, 2012 is due to the fact that there were a higher proportion of hardware sales in 2013 compared to 2012, which have a lower margin.

Technology expenses in the year-ended December 31, 2013 were $1,791,176 compared to $1,888,403 in the year-ended December 31, 2012, a decrease of $97,227 (5.1%). The increase in technology expense between the year-ended December 31, 2013 and December 31, 2012 is a result of a reduction in the technology headcount for the year-ended 2013 compared to that of 2012.

Technology Expense Reconciliation	**For the years ended**	
	December 31, 2013	**December 31, 2012**
Technology expense -	**$ 1,791,176**	**$ 1,888,403**
Less: Amortization of intangible assets and PP&E	660,250	548,436
Less: One-time expenditures	-	-
Adjusted Technology expense	**$ 1,130,926**	**$ 1,339,967**

For the year-ended December 31, 2013 operations and support expenses were $4,785,559 compared to $4,756,107 for the year-ended December 31, 2012, an increase of $29,452 (0.6%). The operations and support expenses increased from 2012 to 2013, as a result of the inclusion of operations and support expenses from the acquisition of Zomaron Inc., otherwise the operating and support expenses were relatively consistent year-over-year.

Operations and Support Expense Reconciliation	**For the years ended**	
	December 31, 2013	**December 31, 2012**
Operations and Support expense -	**$ 4,785,559**	**$ 4,756,107**
Less: One-time expenditures	65,038	14,080
Adjusted Operations and Support expense	**$ 4,720,521**	**$ 4,742,027**

Operating Expenses:

As a result of the fiscal 2013 acquisitions discussed previously, the operating expenses for the year-ended December 31, 2013 includes only twenty-two days of expenses for Zomaron Inc.; whereas the year-ended December 31, 2012 includes no operating expenses for this acquisition.

Included in operating expenses for the years ended December 31, 2013 and 2012 are one-time expenditures relating to the various acquisitions during 2013, a US tax assessment, legal expenses, which was offset by negotiated settlement with a vendor and during 2012 for an office move, legal expenses, US tax penalties and interest, $122,889 and $250,028 respectively. Excluding these one-time expenditures, Posera-HDX`s operating expenditures for the year-ended December 31, 2013 and 2012 would have been $8,543,175 and $10,757,650 respectively.

Included in the operating expenses for the year-ended December 31, 2013 and December 31, 2012, was non-cash stock compensation expense of $28,169 and $242,982 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, 2013 and 2012 would have been $8,515,006 and $10,514,668 respectively.

Finally, included in the operating expenses for the year-ended December 31, 2013 and December 31, 2012, was non-cash impairment of assets totaling $262,275 and $2,419,864 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, 2013 and 2012 would have been $8,252,731 and $8,094,804 respectively.

In the year-ended December 31, 2013, sales and marketing expenses were $3,337,638 compared to $3,314,850 in the year-ended December 31, 2012, an increase of $22,788 (0.7%). Excluding the amortization of intangible assets, the adjusted sales and marketing expenses were $2,708,862 compared to $2,547,064 in the year-ended December 31, 2012, an increase of $161,798 (6.4%). The sales and marketing expenses increased from 2012 to 2013, as a result of a modest increase in the headcount of the sales and marketing team during 2013 when compared to 2012 and due to the inclusion of Zomaron's sales and marketing expenses from the date of acquisition to December 31, 2013.

Sales and Marketing Expense Reconciliation	**For the years ended**	
	December 31, 2013	**December 31, 2012**
Sales and Marketing expense	**$ 3,337,638**	**$ 3,314,850**
Less: Amortization of intangible assets	628,776	767,786
Adjusted Sales and Marketing expense	**$ 2,708,862**	**$ 2,547,064**

During the year-ended December 31, 2013 and 2012, the general and administrative expenses, excluding one-time expenditures of $122,889 (2012 - $250,028), non-cash stock-based compensation of $28,169 (2012 - $242,982) and amortization of intangible assets and property plant and equipment of $124,807 (2012 - $142,531) were $4,790,286 and $4,637,423 for the years-ended December 31, 2013 and 2012 respectively, an increase of $152,863 (3.3%). The general and administrative expense increased from 2012 to 2013 as a result of standard cost increases year-over-year and due to the inclusion of the twenty-two days of Zomaron's general and administrative expenses for the year-ended December 31, 2013 where there was no Zomaron general and administrative expenses incurred for the year-ended December 31, 2012.

General and Administrative Expense Reconciliation	For the years ended	
	December 31, 2013	December 31, 2012
General and administrative expense	**$ 5,066,151**	**$ 5,272,964**
Less: Stock-based compensation expense	28,169	242,982
Less: Amortization of intangible assets and PP&E	124,807	142,531
Less: One-time expenditures	122,889	250,028
Adjusted General and Administrative expense	**$ 4,790,286**	**$ 4,637,423**

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

During the year ended December 31, 2013, the Company assessed an impairment of $262,275 related to the goodwill, intangible assets and property, plant and equipment allocated to the HDX Payment Processing CGU in the Payment Processing Segment, because of the deterioration in the higher of the value-in-use and fair-value less costs to sell. The impairments recorded reflect value-in-use as it was higher than the fair-value less costs to sell. This was primarily the result of a reduction in the Years 1 – 5 earnings growth rate, primarily as a result of the downward revision to the forecasted sales of certain payment processing products. This impairment is included in the operating expenditures in the consolidated statements of operations.

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. Additionally, the interest expense relates to the term promissory note entered into by the company during the year-ended December 31, 2013, where there was no similar loan was outstanding during the year-ended December 31, 2012. Interest expense decreased as a result of a reduction in the principal amount of the convertible debenture for the year-ended December 31, 2013 when compared to the year-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 decrease 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, 2013. Additionally, the net assets denominated in foreign currencies incurred a gain during the year-ended December 31, 2013 as a result of a increase 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, 2013 and 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 lease receivables. The interest earned remained relatively consistent between the year-ended December 31, 2013 and 2012 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. During the year-ended December 31, 2013 the Company completed a transaction resulting in a one-time sale of a software license that was related to the previously discussed Royalty Payable. As a result during the year-ended December 31, 2013, the Company recorded a loss on the held for trading financial instruments as a result of the one-time sale. The gain on the conversion option was largely the result of the reduction in the time to expiry of the conversion option, which expired on May 5, 2012 of $nil and $35,556 for the years-ended December 31, 2013 and 2012, respectively.

Segment Analysis

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

(1) Operating profit (loss) 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, 2013 POS revenue and operating profit (loss) increased $2,916,421 (17.7%) and increased $1,760,100 (308.7%) respectively when compared to the year-ended December 31, 2012. POS revenue increased from the year-ended December 31, 2013 compared to 2012 as a result of additional direct system installations being completed as a result of organic growth. Additionally, the Company had a one-time software license sale for the year-ended December 31, 2013 totalling $341,392, (2012 - $nil). The increase in the operating profit for the year-ended December 31, 2013 compared to 2012 is directly attributable to the increase in POS revenue generation, and due to the fact that higher gross margins were able to be earned on POS sales whereas the Company's operating costs increased only marginally.

For the year-ended December 31, 2013 Payment Processing revenue and operating profit (loss) increased $148,885 (1,269.2%) and $46,697 (9.8%) respectively when compared to the year-ended December 31, 2012. The Payment Processing revenues increased during the year-ended December 31, 2013 compared to 2012 as a result of the Zomaron acquisition completed on December 9th, 2013 for which the Company recorded twenty-two days of revenue for the year-ended December 31, 2013 compared to $nil for the year-ended December 31, 2012. The operating loss improved as a result of a the increase in revenue and due to cost reductions through the Company's decision to outsource certain activities related to the Payment Processing segment during the year-ended December 31, 2013.

Comparison of the Unaudited Three-Months Ended

The table below sets out the unaudited statements of operations for the three-months ended December 31, 2013, December 31, 2012 and September 30, 2013.

Analysis of the Unaudited Quarterly Results	Q4-2013 (unaudited) $	Q4-2012 (unaudited) $	Q3-2013 (unaudited) $	Q4-2013 vs. Q4-2012 $	%	Q4-2013 vs. Q3-2013 $	%
Revenue							
Point of sale	5,787,056	4,532,592	5,169,459	1,254,464	27.7%	617,597	11.9%
Payment processing	153,685	4,936	2,096	148,749	3,013.6%	151,589	7,232.3%
Total Revenue	**5,940,741**	**4,537,528**	**5,171,555**	**1,403,213**	**30.9%**	**769,186**	**14.9%**
Cost of Sales							
Cost of inventory	1,773,444	1,307,746	1,331,301	465,698	35.6%	442,143	33.2%
Technology	240,091	376,976	583,040	(136,885)	(36.3)%	(342,949)	(58.8)%
Operations and Support	1,241,622	1,214,107	1,210,190	27,515	2.3%	31,432	2.6%
Total Cost of Sales	**3,255,157**	**2,898,829**	**3,124,531**	**356,328**	**12.3%**	**130,626**	**4.2%**
Gross Profit	2,685,584	1,638,699	2,047,024	1,046,885	63.9%	638,560	31.2%
Gross Profit Percentage	45.2%	36.1%	39.6%		25.2%		14.1%
Operating Expenditures							
Sales and marketing	857,442	823,781	751,705	33,661	4.1%	105,737	14.1%
General and administrative	1,432,107	1,579,126	1,215,564	(147,019)	(9.3)%	216,543	17.8%
Impairment of assets	(68,784)	2,419,864	331,059	(2,488,648	(102.8)%	(399,843)	(120.8)%
Total Operating Expenditures	**2,220,765**	**4,822,771**	**2,298,328**	**(2,602,006)**	**(54.0)%**	**(77,563)**	**(3.4)%**
	464,819	**(3,184,072)**	**(251.304)**	**3,648,891**	**(114.6)%**	**716,123**	**(285.0)%**
Other expenses (income)							
Interest expense	67,739	93,247	59,923	(25.508)	(27.4)%	7,816	13.0%
Realized and unrealized loss on foreign exchange	(124,982)	(21,239)	118,634	(103,743)	(488.5)%	(243,616)	(205.4)%
Interest and other income	(2,919)	(3,833)	(2,371)	914	(38.5)%	(548)	23.1%
Gain on held for trading financial instruments	-	(399,491)	98,786	399,491	(100)%	(98,786)	(100.0%)
	(60,162)	**(331,316)**	**274,972**	**271,154**	**(81.8)%**	**(335,134)**	**(121.9)%**
Net income (loss) before income taxes	**524,981**	**(2,852,756)**	**(526,276)**	**3,377,737**	**(118.4)%**	**1,051,257**	**199.8%**
Current	298,112	305,784	(10,625)	(7,672)	(2.5)%	308,737	(2,905.8)%
Future	(133,904)	(261,651)	(114,153)	127,747	(48.8)%	(19,751)	17.3%
Net loss	**360,773**	**(2,896,889)**	**(401,498)**	**(3,257,662)**	**112.5%**	**40,725**	**(10.1)%**
Other comprehensive income	2,767	35,730	73,161	(32,963)	(92.3)%	(70,394)	(96.2)%
Net comprehensive loss	**363,540**	**(2,861,159)**	**(328,337)**	**3,224,699**	**(112.7)%**	**691,877**	**(210.7)%**
Non-IFRS reporting measures(as outlined on Pages 27 – 28 of this MD&A):	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
EBITDA	**854,771**	**(434,098)**	**556,855**	**1,288,869**	**(296.91%)**	**297,916**	**53.5%**
Normalized EBITDA	**929,702**	**(172,373)**	**282,696**	**1,102,075**	**639.4%)**	**647,006**	**228.87%**

Comparison of the unaudited quarters ended December 31, 2013 and 2012 and September 30, 2013

Revenue:

Revenue Comparisons December 31, 2013, September 30, 2013 and December 31, 2012

Posera-HDX recognized total revenue of $5,940,741 for the three-months ended December 31, 2013 compared to $5,171,555 for the three-months ended September 30, 2013, an increase of $769,186 (14.9%). The increase in total revenue during the three-months ended December 31, 2013 is a result of the additional revenue recognized from the Zomaron acquisition, organic growth and seasonal results improve in the fourth quarter compared to that of the three-months ended September 30, 2013. The total revenue is comprised of two separate components, point of sale revenue and payment processing revenue. Payment processing revenue for the three-months ended December 31, 2013 was $153,685 compared to $2,096 for the three-months ended September 30, 2013 an increase of $151,589 (7,232.3%). Point of sale revenue for the three-months ended December 31, 2013 was $5,787,056, an increase of $617,597 (11.9%) compared to the point of sale revenue for the three-months ended September 30, 2013 of $5,169,459. Additionally, during the three-months ended September 30, 2013, the Company completed a transaction resulting in a one-time increase of total revenue of $341,392 for a software licence sale to an external Company for which the Company previously had been receiving a recurring revenue stream. This one-time sale transaction did not occur in the three-months ended December 31, 2013.

Posera-HDX recognized total revenue of $5,940,741 for the three-months ended December 31, 2013 compared to $4,537,528 for the three-months ended September 30, 2013, an increase of $1,403,213 (30.9%). The increase in revenue during the three-months ended December 31, 2013 compared to December 31, 2012 is a result of a strong organic growth in the three-months ended December 31, 2013 and partially a result of the increase in revenues as a result of the Zomaron acquisition completed on December 9, 2013. The total revenue is comprised of two separate components, point of sale revenue and payment processing revenue. Payment processing revenue for the three-months ended December 31, 2013 was $148,749 compared to $4,936 for the three-months ended December 31, 2012 an increase of $148,749 (3,013.6%). Point of sale revenue for the three-months ended December 31, 2013 was $5,787,056, an increase of $1,254,464 (27.7%) compared to the point of sale revenue for the three-months ended December 31, 2012 of $4,532,592.

Cost of Sales:

Cost of Sales Comparisons December 31, 2013, September 30, 2013 and December 31, 2012

Posera-HDX recognized cost of inventory of $1,773,444 (29.9% of revenues) for the three-months ended December 31, 2013, compared to $1,333,301 (25.7% of revenues) for the three-months ended September 30, 2013 and $1,307,746 (28.8% of revenues) for the three-months ended December 31, 2012. 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, 2013 were $240,091, a decrease of $136,885 (36.3%) from $376,976 in the three-months ended December 31, 2012 and a decrease of $342,949 (58.8%) from $583,040 in the three-months ended September 30, 2013.

Included in the technology expense for the three-months ended December 31, 2013, December 31, 2012 and September 30, 2013 are the non-cash amortization of technology intangible assets, totaling $90,403, $137,590 and $298,928 respectively. Excluding this non-cash intangible asset amortization, Posera-

HDX`s technology expenses for the three-months ended December 31, 2013, December 31, 2012 and September 30, 2013, would have been $149,688, $239,386, and $284,112 respectively.

The technology expense decreased during the three-months ended December 31, 2013 compared to the three-months ended December 31, 2012 and September 30, 103, as a result of an adjustment to the investment tax credits receivable and due to a negotiated settlement with a vendor both of which transpired during three-months ended December 31, 2013. Otherwise there were no significant other changes related to the technology expense between the various reporting periods.

Technology Expense Reconciliation	**For the quarters ended**		
	December 31, 2013	**December 31, 2012**	**September 30, 2013**
Technology expense	**$ 240,091**	**$ 376,976**	**$ 583,040**
Less: Amortization of intangible assets	90,403	137,590	298,928
Less: One-time expenditures	(72,232)	-	-
Adjusted Technology expense	**$ 221,920**	**$ 239,386**	**$ 284,112**

Operations and support expenses were $1,241,622 in the three-months ended December 31, 2013; an increase of $27,515 (2.3%) from $1,214,107 in the three-months ended December 31, 2012, and an increase of $31,432 (2.6%) from $1,210,190 in the three-months ended September 30, 2013. 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. The minor increase for the three-months ended December 31, 2013 is attributable to the Zomaron acquisition, whereby no operations and support expenses were incurred in the comparable periods.

Operations and Support Expense Reconciliation	**For the quarters ended**		
	December 31, 2013	**December 31, 2012**	**September 30, 2013**
Operations and Support Expense	**$ 1,241,622**	**$ 1,214,107**	**$ 1,210,190**
Less: One-time expenditures	33,676	14,080	31,362
Adjusted Operating and Support expense	**$ 1,207,946**	**$ 1,200,027**	**$ 1,178,828**

Operating Expenses:

Posera-HDX recognized operating expenditures of $2,220,765 for the three-months ended December 31, 2013 compared to $4,822,771 for the three-months ended December 31, 2012, and $2,298,328 for the three-months ended September 30, 2013.

Included in operating expenses for the three-months ended December 31, 2013, December 31, 2012 and September 30, 2013 are one-time expenditures relating to the various acquisitions during 2013, legal expenses, a US tax assessment, US tax penalties and interest, totaling $109,310, $203,906 and $31,693 respectively. Excluding these one-time expenditures, Posera-HDX`s operating expenditures for the three-months ended December 31, 2013, December 31, 2012 and September 30, 2013, would have been $2,111,455, $4,618,865, and $2,256,130 respectively.

Included in general and administrative expenses for the three-months ended December 31, 2013, December 31, 2012 and September 30, 2013 was non-cash stock-based compensation expense of $4,177, $43,739 and $4,178 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 $2,107,278, $4,575,126and $2,294,150 respectively.

Sales and marketing expenses were $857,442 in the three-months ended December 31, 2013 an increase of $33,661 (4.1%) from $823,781 in the three-months ended December 31, 2012, and an increase of $105,737 (14.1%) from $751,705 in the three-months ended September 30, 2013. The sales and marketing expenses adjusted below for the amortization of intangible assets has increased as a result of an increase in headcount from the Zomaron acquisition and due to bonuses that were earned as a result of exceeding sales quotas during the three-months ended December 31, 2013. These increases in sales and marketing expense for the three-months ended December 31, 2013 did not transpire during the three-months ended December 31, 2012 and September 30, 2013.

Sales and Marketing Expense Reconciliation			
	December 31, 2013	**December 31, 2012**	**September 30, 2013**
Sales and marketing expense	**$ 857,442**	**$ 823,781**	**$ 751,705**
Less: Amortization of intangible assets	134,764	191,734	153,127
Adjusted sales and marketing expense	**$ 722,678**	**$ 632,047**	**$ 598,578**

General and administrative expenses were $1,432,107 in the three-months ended December 31, 2013; a decrease of $147,019 (9.3%) from $1,579,126 in the three-months ended December 31, 2012, and an increase of $216,543 (17.8%) from $1,215,564 in the three-months ended September 30, 2013. Included in general and administrative expenses for the three-months ended December 31, 2013, December 31, 2012 and September 30, 2013 is stock-based compensation expense of $4,177, $43,739 and $4,178 respectively. Additionally, included in general and administrative expenses for the three-months ended December 31, 2013, December 31, 2012 and September 30, 2013 are one-time expenditures of $109,310, $203,906 and $31,693 respectively. Finally, included in general and administrative expenses for the three-months ended December 31, 2013, December 31, 2012 and September 30, 2013 is amortization of intangible assets and property, plant and equipment of $29,480, $37,169 and $25,045 respectively.

After factoring these amounts, the adjusted general and administrative expenditures remained relatively consistent between the three-months ended December 31, 2013 and December 31, 2012. The fluctuation between the three-months ended December 31, 2013 and September 30, 2013 is a result of seasonal expenses that were higher in the three-months ended December 31, 2013 which were not incurred for the three-months ended September 30, 2013. See the table below for a summary:

General and Administrative Expense Reconciliation			
	December 31, 2013	**December 31, 2012**	**September 30, 2013**
General and administrative expense	**$ 1,432,107**	**$ 1,579,126**	**$ 1,215,564**
Less: Stock-based compensation expense	4,177	43,739	4,178
Less: Amortization of intangible assets and PP&E	29,480	37,169	25,045
Less: One-time expenditures	109,310	203,906	31,693
Adjusted general and administrative expense	**$ 1,289,140**	**$ 1,294,312**	**$ 1,154,648**

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. Additionally, the interest expense relates to the term promissory note entered into by the company during the three-months ended December

31, 2013, where there was no similar loan was outstanding during the three-months ended December 31, 2012 and September 30, 2013 respectively. Interest expense for the three-months ended December 31, 2013 of $67,739 decreased $25,508 and increased $7,816 from $93,247 and $59,923 for the three-months ended December 31, 2012 and September 30, 2013. The decrease for the three-months ended December 31, 2013 compared to the three-months ended December 31, 2012 is a result of a reduction in the principal amount of the convertible debenture, whereas the increase for the three-months ended December 31, 2013 compared to September 30, 2013 is a result of the addition of the promissory note.

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 decrease 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, 2013. Additionally, the net assets denominated in foreign currencies incurred a loss during the three-months ended December 31, 2013 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, 2013, December 31, 2012 and September 30, 2013. 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 lease receivables. The interest earned remained relatively consistent between the three-months ended December 31, 2013, December 31, 2012 and September 30, 2013, as the interest rates earned, and balances deposited remained relatively consistent.

For the three-months ended December 31, 2013, the gain on the held of trading financial instruments was $nil compared to ($399,491) and $98,786 for the three-months ended December 31, 2012 and September 30, 2013. The gain on the held of trading financial instruments is a result of the revaluation of the Royalty Payable. For the three-months ended December 31, 2012, the $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. During the three-months ended September 30, 2013 the Company completed a transaction resulting in a one-time sale of a software license that was related to the previously discussed Royalty Payable. As a result during the three-months ended September 30, 2013, the Company recorded a loss on the held for trading financial instruments as a result of the one-time sale.

Segment Analysis

Operating Segments			
	Revenue for the three-months ended		
	December 31, 2013	September 30, 2013	December 31, 2012
Point of sale	$ 5,787,056	$ 5,169,015	$ 4,532,592
Payment processing	153,685	2,540	4,936
Total revenue	**$ 5,940,741**	**$ 5,171,555**	**$4,537,528**
	Operating profit for the three-months ended (1)		
	December 31, 2013	September 30, 2013	December 31, 2012
Point of sale	$ 997,653	$ 902,885	$ 67,661
Payment processing	15,337	(157,176)	(70,628)
Total profit	**$ 1,012,990**	**$ 745,709**	**$ (2,967)**

(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.

Revenue

For the three-months ended December 31, 2013, point of sale revenue increased $617,597 (11.9%) and increased $1,254,464 (27.7%) when compared to the three-months ended September 30, 2013 and December 31, 2012 respectively. Point of sale revenues increased compared to the three-months ended September 30, 2013 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, 2013, payment processing revenue increased $151,589 (7,232.3%) and increased $148,749 (3,013.6%) when compared to the three-months ended September 30, 2013 and December 31, 2012 respectively. Payment processing revenues increased compared to the three-months ended September 30, 2013 and December 31, 2012, as a result of the Zomaron acquisition that was completed by the Company on December 9th, 2013. There were no Zomaron payment processing revenues recorded in the three-months ended September 30, 2013 or December 31, 2012 respectively.

Operating Profit

For the three-months ended December 31, 2013, point of sale operating profit increased $94,768 (10.5%) and increased $929,992 (1,375.5 %) when compared to the three-months ended September 30, 2013 and December 31, 2012 respectively. For the three-months ended December 31, 2013, payment processing operating profit increased $172,513 (109.8%) and $85,965 (121.7%) compared to the three months ended September 30, 2013 and December 31, 2012.

Summary of Unaudited Quarterly Results ,

The following table sets forth unaudited statements of operations data for the eight most recent quarters ended December 31, 2013 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, 2013 and 2012 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.

			2013		
	Fiscal 2013	Q4	Q3	Q2	Q1
Total revenues	$ 19,511,412	$ 5,940,741,	$ 5,171,555	$ 4,305,530	$ 4,093,586
Point of sale revenue	$ 19,350,796	$ 5,787,056	$ 5,169,459	$ 4,302,974	$ 4,091,285
Payment processing revenue	$ 160,616	$ 153,685	$ 2,096	$ 2,556	$ 2,301
Gross payment processing fees	$ 722,511	$ 713,805	$ 2,673	$ 3,127	$ 2,906
EBITDA	$ 943,596	$ 854,771	$ 556,855	$ (171,110)	$ (296,920)
Normalized EBITDA	$ 818,301	$ 929,702	$ 282,696	$ (117,695)	$ (276,402)
Net Income (Loss)	$ (992,438)	$ 360,773	$ (401,498)	$ (350,989)	$ (600,724)
Comprehensive Income (Loss)	$ (956,245)	$ 363,540	$ (328,337)	$ (390,315)	$ (601,133)
Earnings (Loss) Per Share Basic	$ (0.02)	$ 0.01	$ (0.01)	$ (0.01)	$ (0.01)
Earnings (Loss) Per Share Diluted	$ (0.02)	$ 0.01	$ (0.01)	$ (0.01)	$ (0.01)
			2012		
	Fiscal 2012	Q4	Q3	Q2	Q1
Total revenues	$ 16,446,106	$ 4,537,528	$ 4,032,574	$ 4,245,960	$ 3,630,044
Point of sale revenue	$ 16,434,375	$ 4,532,592	$ 4,026,266	$ 4,245,960	$ 3,629,577
Payment processing revenue	$ 11,731	$ 4,936	$ 6,308	$ -	$ 487
Gross payment processing fees	$ 12,617	$ 5,592	$ 6,538	$ -	$ 487
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	$ (4,793,224)	$ (2,896,889)	$ (679,992)	$ (441,026)	$ (775,317)
Comprehensive Loss	$ (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)

Reconciliation of Unaudited Non-IFRS measures to Closest IFRS Equivalent

Net Loss to EBITDA and Normalized EBITDA		**2013**			
	Fiscal 2013	Q4	Q3	Q2	Q1
Net Loss	**$ (992,438)**	**$ 360,773**	**$ (401,498)**	**$ (350,989)**	**$ (600,724)**
Interest expense	228,514	67,739	59,923	54,159	46,693
Exchange loss (gain)	(198,586)	(124,982)	118,634	(156,026)	(36,212)
Interest and other income	(10,262)	(2,919)	(2,371)	(2,712)	(2,260)
Gain on held for trading financial instruments	98,786	-	98,786	-	-
Amortization of equipment	111,097	17,581	24,058	32,537	36,921
Amortization of intangible assets	1,302,736	237,067	453,042	286,562	326,065
Tax provision (recovery)	141,474	368,296	(124,778)	(34,641)	(67,403)
Impairment of assets	262,275	(68,784)	331,059	-	-
EBITDA	**$ 943,596**	**$ 854,771**	**$ 556,855**	**$ (171,110)**	**$ (296,920)**
One-time non-recurring expenditures and (recoveries)	(153,464)	70,754	(278,337)	45,800	8,319
Stock-based compensation expense	28,169	4,177	4,178	7,615	12,199
Normalized EBITDA	**$ 818,301**	**$ 929,702**	**$ 282,696**	**$ (117,695)**	**$ (276,402)**

Net Loss to EBITDA and Normalized EBITDA		**2012**			
	Fiscal 2012	Q4	Q3	Q2	Q1
Net Loss	**$ (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)

Equity to Working Capital			
	December 31, 2013	September 30, 2013	December 31, 2012
Equity	**$ 11,348,788**	**$ 8,153,725**	**$ 9,487,018**
Add: Long-term portion of notes payable	396,697	557,023	491,842
Add: Long-term portion of vehicle Loans	165,824	33,802	20,991
Add: Long-term portion of royalty payable	-	-	119,242
Add: Future income tax liability	740,274	766,085	954,844
Less: Goodwill	(6,600,883)	(4,344,725)	(4,330,746)
Less: Intangible assets	(3,825,790)	(3,582,115)	(4,701,300)
Less: Long-term portion of investment tax credits receivable	(1,217,686)	(1,245,114)	(1,262,692)
Less: Long-term portion of lease receivable	(36,916)	(39,692)	(28,881)
Less: Deposit on leased premises	(39,581)	(39,582)	(34,409)
Less: Equipment	(290,312)	(118,756)	(164,552)
Less: Deferred income tax asset	(44,922)	(56,495)	-
Less: Deposit on pending acquisitions	-	-	-
Working Capital	**$ 595,493**	**$ 84,156**	**$ 551,357**

Liquidity and Financial Resources

As at December 31, 2013, HDX had cash and cash equivalents totaling $2,954,115 (December 31, 2012 - $1,050,441).

For the years-ended December 31, 2013 and 2012, cash provided by / (used by) operating activities was $600,365 and ($894,622) 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, 2013 resulted from a net loss and a deferred tax recovery, which was more than offset by items not affective cash such as amortization and stock-based compensation, an impairment of assets and an changes in non-cash operating items.

For the years-ended December 31, 2013 and 2012, cash provided by / (used in) financing activities were $3,105,085 and ($469,390) 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 provided by financing activities for the year-ended December 31, 2013 resulted primarily from the proceeds from the issuance of shares, the issuance of a note payable which was offset by issuance costs paid for shares, repayments of the notes payable and royalty payable. 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, 2013 and 2012, cash provided by / (used in) investing activities was ($1,783,272) and ($87,576) 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 used in investing activities during the year-ended December 31, 2013 relates to the acquisition of Zomaron Inc. and property plant and equipment.

Working capital at December 31, 2013 and 2012 was $595,493 and $551,357 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, which is a non-IFRS measure. This ratio is calculated as total debt divided by total equity. Total debt is calculated as the sum of bank indebtedness, and current and long-term notes payable and vehicle loans as shown in the consolidated statements of financial position. Total equity is the equity of the Company in the consolidated statements of financial position. As disclosed in Note 11 of the accompanying audited financial statements, the Company is subject to certain externally imposed capital covenants related to bank indebtedness.

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

	December 31, 2013	December 31, 2012
Total Debt		
Notes payable	$ 2,574,860	$ 979,519
Vehicle loans	217,145	31,206
Bank indebtedness	207,101	256,784
Total Debt	**$ 2,999,106**	**$ 1,267,509**
Total Equity	**$ 11,348,788**	**$ 9,487,018**
Debt to Equity Ratio	**26.43%**	**13.36%**

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, 2013 was $500,000 (2012 - $191,000), of which the Company had utilized $207,101 (2012 - $191,000). 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	2014	2015 – 2016	2017 - 2018	2019 and beyond
Operating Leases	$ 1,080,476	$ 472,702	$ 533,791	$ 73,983	$ -
Long-Term Debt	2,711,581	2,268,906	442,675	-	-
Vehicle Loans	249,381	65,084	110,552	73,745	-
Total Contractual Obligations	$ 4,041,438	$ 2,806,692	$ 1,087,018	$ 147,728	$ -

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

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

Compensation of key management

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

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

The salaries and short-term employee benefits are expensed as occurred, whereas the share-based payments are recorded at the date of grant and expensed over the vesting period to the Consolidated Statement of Operations and Comprehensive Loss. The Company did not grant any options during the year-ended December 31, 2013 (2012 – 1,499,339) to key management.

Share Capital

As at December 31, 2013, Posera-HDX had issued and outstanding 59,343,087 Class A voting common shares, and 3,773,605 options, of which 3,653,605 were exercisable at an exercise price to purchase common shares ranging from $0.25 to $2.70. As at March 27, 2014 Posera-HDX had issued and outstanding 59,343,087 Class A voting common shares and 3,773,605 options, of which 3,653,605 were exercisable at an exercise price to purchase common shares ranging from $0.25 to $2.70. As at December 31, 2013 and March 27, 2014 the convertible debenture could have been converted into nil and 3,333,333 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, 2013 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, 2013 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. Throughout 2014, 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 completed the acquistion of Zomaron Inc. ("Zomaron") on December 9th, 2013. During fiscal 2014 the Company anticipates the completion of integrating this business under the Company's current report processes, procedures and consolidated accounting system;

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

No other changes were identified through management's evaluation of the controls over financial reporting. Throughout the remainder of 2014 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, 2013.

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 27, 2014, 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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