Financial Statements
(Expressed in Canadian dollars)

NEXJ SYSTEMS INC.

Years ended December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of NexJ Systems Inc.

We have audited the accompanying financial statements of NexJ Systems Inc., which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NexJ Systems Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

March 8, 2012
Toronto, Canada

NEXJ SYSTEMS INC.

Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash and cash equivalents (note 5)	$ 56,218	$ 23,942	$ 34
Short-term investments (note 5)	4,068	5,070	3,597
Accounts receivable (note 6)	4,128	6,491	1,000
Investment and other tax credits receivable (note 14)	2,801	4,063	3,822
Prepaid expenses and other assets (note 7)	1,323	433	459
Total current assets	68,538	39,999	8,912
Non-current assets:			
Property and equipment (note 8)	4,596	1,858	631
Other assets (note 9)	260	307	260
Total non-current assets	4,856	2,165	891
Total assets	$ 73,394	$ 42,164	$ 9,803
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (note 10)	$ 4,805	$ 4,286	$ 1,787
Current portion of obligations under capital leases (note 11)	41	67	63
Deferred revenue	2,097	5,727	831
Total current liabilities	6,943	10,080	2,681
Non-current liabilities:			
Accrued liabilities (note 10)	1,053	1,513	1,414
Obligations under capital leases (note 11)	–	41	108
Total non-current liabilities	1,053	1,554	1,522
Total liabilities	7,996	11,634	4,203
Shareholders' equity:			
Share capital (note 12)	79,831	35,455	10,372
Share purchase loans (note 12)	(3,803)	–	–
Contributed surplus (note 13)	4,034	2,196	480
Deficit	(14,664)	(7,121)	(5,252)
Total shareholders' equity	65,398	30,530	5,600
Related party transactions (note 16)			
Contractual obligations (note 20)			
Guarantees (note 22)			
Total liabilities and shareholders' equity	$ 73,394	$ 42,164	$ 9,803

See accompanying notes to financial statements.

On behalf of the Board:

________________ Director ________________ Director

NEXJ SYSTEMS INC.

Statements of Comprehensive Loss
(Expressed in thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2011 and 2010

	2011	2010
Revenue:		
License fees	$ 8,542	$ 9,314
Professional services	18,259	11,179
Maintenance and support	3,448	2,038
	30,249	22,531
Expenses*:		
Professional service costs	10,007	4,975
Research and development, net	13,364	8,493
Sales and marketing	7,812	5,718
General and administrative	7,808	4,854
	38,991	24,040
Loss from operations	(8,742)	(1,509)
Foreign exchange gain (loss)	788	(483)
Finance income (note 17)	418	131
Finance costs	(7)	(8)
	1,199	(360)
Loss before income taxes	(7,543)	(1,869)
Income taxes (note 14)	–	–
Loss for the year and comprehensive loss	$ (7,543)	$ (1,869)
Loss per share (note 18):		
Basic and diluted	$ (0.42)	$ (0.14)
Weighted average number of common shares outstanding (note 18):		
Basic and diluted	17,751	13,123
*Share-based payment expense has been included in expenses as follows:		
Professional service costs	$ 293	$ 426
Research and development, net	535	412
Sales and marketing	595	261
General and administrative	589	275
	$ 2,012	$ 1,374

See accompanying notes to financial statements.

NEXJ SYSTEMS INC.

Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars and shares)

Years ended December 31, 2011 and 2010

	Common shares Number	Common shares Amount	Share purchase loans*	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2010	9,995	$ 10,372	$ –	$ 480	$ (5,252)	$ 5,600
Comprehensive loss	–	–	–	–	(1,869)	(1,869)
Share-based payment expense (note 13)	–	–	–	1,374	–	1,374
Exercise of stock options	8	29	–	(7)	–	22
Issuance of common shares to employees (note 12(b)(iv))	787	4,188	–	–	–	4,188
Issuance of common share units as part of private placement (note 12(b)(iii))	3,914	22,506	–	–	–	22,506
Financing costs incurred relating to the private placement (note 12(b)(iii))	–	(1,640)	–	349	–	(1,291)
Balance, December 31, 2010	14,704	35,455	–	2,196	(7,121)	30,530
Comprehensive loss	–	–	–	–	(7,543)	(7,543)
Share-based payment expense (note 13)	–	–	–	2,012	–	2,012
Exercise of stock options	13	44	–	(10)	–	34
Issuance of common shares as part of IPO (note 12(b)(ii))	4,850	43,650	–	–	–	43,650
Financing costs incurred relating to the IPO (note 12(b)(ii))	–	(3,888)	–	–	–	(3,888)
Issuance of common shares to employees (note 12(b)(i))	–	3,842	(3,842)	–	–	–
Repayment of share purchase loans by employees (note 12(b)(i))	10	–	39	–	–	39
Exercise of stock options by agents of private placement (note 13(a)(iv))	98	728	–	(164)	–	564
Balance, December 31, 2011	19,675	$ 79,831	$ (3,803)	$ 4,034	$ (14,664)	$ 65,398

*For accounting purposes, common shares issued pursuant to the share loan and pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At December 31, 2011, 989 common shares were legally issued and outstanding to employees in connection with these agreements and were included in the total outstanding common shares of 20,664.

See accompanying notes to financial statements.

NEXJ SYSTEMS INC.

Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

Years ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Loss for the year	$ (7,543)	$ (1,869)
Adjustments for:		
Depreciation and amortization	847	530
Share-based payment expense	2,012	1,374
Finance income	(418)	(131)
Finance costs	7	8
Foreign exchange loss (gain)	(714)	436
Change in non-cash operating working capital:		
Accounts receivable	2,363	(5,491)
Investment tax credits receivable	1,262	(241)
Prepaid expenses and other assets	(890)	26
Accounts payable and accrued liabilities	(334)	2,497
Deferred revenue	(3,630)	4,896
Net cash flows from (used in) operating activities	(7,038)	2,035
Cash flows from financing activities:		
Obligations under capital leases	(67)	(63)
Proceeds from exercise of employee stock options	34	22
Proceeds from exercise of agent stock options	564	–
Proceeds from repayment of share purchase loans	39	–
Issuance of common shares	43,650	26,694
Financing costs, net	(3,888)	(1,291)
Interest paid	(7)	(8)
Net cash flows from financing activities	40,325	25,354
Cash flows from investing activities:		
Purchase of property and equipment	(3,192)	(1,656)
Redemption (purchase) of short-term investments	1,136	(1,635)
Interest received	418	131
Decrease (increase) in other non-current assets	47	(47)
Net cash flows used in investing activities	(1,591)	(3,207)
Effects of exchange rates on cash and cash equivalents	580	(274)
Increase in cash and cash equivalents	32,276	23,908
Cash and cash equivalents, beginning of year	23,942	34
Cash and cash equivalents, end of year	$ 56,218	$ 23,942
Supplemental cash flow information:		
Acquisition of property and equipment not yet paid for	$ 393	$ 101

See accompanying notes to financial statements.

1. Reporting entity:

NexJ Systems Inc. (the "Company") is incorporated in Canada with its corporate headquarters located at 4101 Yonge Street, Suite 706, Toronto, Ontario, M2P 1N6.

The Company is a provider of private cloud-based enterprise customer relationship management solutions primarily for the financial services, insurance and healthcare industries.

2. Basis of preparation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as issued by the International Accounting Standards Board ("IASB").

These are the Company's first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), including IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). Previously, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). GAAP differs in some policies from IFRS and, in accordance with the transition rules, the Company retroactively applied IFRS to its comparative data for 2010.

The policies applied in these financial statements are based on IFRS issued and outstanding as of March 8, 2012, the date the Board of Directors approved the financial statements.

In note 4, the Company has presented reconciliations and descriptions of the effect of the change-over from GAAP to IFRS on shareholders' equity as of December 31, 2010 and January 1, 2010 and the loss for the year and comprehensive loss for the year ended December 31, 2010.

2. Basis of preparation (continued):

Reclassification of comparative financial information:

The Company has reclassified in its statements of financial position as at January 1, 2010 and December 31, 2010 in respect of certain amounts payable under its annual incentive compensation plan with senior executives from current liabilities to non-current liabilities based on the expected timing of settlement. The reclassification resulted in a decrease of accounts payable and accrued liabilities and a corresponding increase of non-current liabilities totalling $1,414 and $1,513 as at January 1, 2010 and December 31, 2010, respectively.

(b) Basis of measurement:

These financial statements have been prepared mainly under the historical cost basis. Other measurement bases used are described in the applicable notes.

Presentation of the statements of financial position differentiates between current and non-current assets and liabilities. The statements of comprehensive loss are presented using the function classification for expenses.

(c) Functional and presentation currency:

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates.

2. Basis of preparation (continued):

Key areas of estimation and judgment, where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, include:

(i) Valuation of accounts receivable:

Judgement is required when providing for doubtful accounts. Management bases its estimates on historical experience and other relevant factors (note 15(b)).

(ii) Estimation of useful lives of property and equipment:

Useful lives over which assets are depreciated or amortized are based on management's judgement of future use and performance. Expected useful lives and residual values are reviewed annually for any change to estimates and assumptions.

(iii) Valuation of investment tax credits receivable:

The Company has recorded cash refundable investment tax credits for the period prior to becoming a public company; judgement is required when estimating the amount of investment tax credits receivable with respect to qualifying research and development activities. Management bases its estimates on historical experience with similar claims with tax authorities.

(iv) Fair value of share-based payments:

Fair value is determined using the Black-Scholes option pricing model. Inputs to the model are subject to various estimates about volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors as well as internal estimates. Separate from the fair value calculation, the Company estimates the expected forfeiture rate of equity-settled share-based payments based on the historical experience (note 13).

(v) Revenue recognition:

In its determination of the amount and timing of revenue to be recognized, management relies on assumptions and estimates supporting its revenue recognition policy (note 3(a)). Estimates of the percentage of completion for customer projects are based upon current actual and updated information and contractual terms.

2. Basis of preparation (continued):

Significant changes in the assumptions, including those with respect to future business plans and cash flows, could materially change the recorded carrying amounts. Refer to significant accounting policies below for further information with respect to these significant estimates and assumptions.

3. Significant accounting policies:

(a) Revenue recognition:

Revenue represents the fair value of consideration received or receivable from customers for licenses and services provided by the Company, net of discounts and sales taxes. The Company's revenue is derived primarily from licensing of software products under non-cancellable license agreements and the provision of related professional services, including installation, integration and post-contract customer support ("PCS").

The Company's software license agreements are multiple-element arrangements as they may also include professional services and PCS. Multiple-element arrangements are recognized as the revenue for each unit of accounting is earned based on the relative fair value of each unit of accounting as determined by objective evidence of prices or by using the residual method, whereby the discount, if any, is allocated to the delivered item being the software license. A delivered element is considered a separate unit of accounting if it has value to the customer on a stand-alone basis, and delivery or performance of the undelivered elements is considered probable and substantially under the Company's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting.

Revenue from the license of software involving significant implementation or customization essential to the functionality of the software is recognized under contract accounting using the percentage-of-completion method to measure the progress to completion, with consideration for customer acceptance provisions, the timing of payments and the Company's history with similar arrangements. The Company uses the ratio of incurred labour hours to estimated total labour hours as the measure of its progress to completion on each contract. Revisions in estimates are included in earnings in the year in which changes occur in the circumstances on which the estimates were based or as a result of new information.

3. Significant accounting policies (continued):

License revenue, when services are not deemed essential to the functionality of the software, is recognized when the Company has an executed agreement, the software has been delivered, acceptance is probable, the amount of the fee to be paid by the customer can be reliably measured, and the collection of the related receivable is deemed probable from the outset of the arrangement.

Professional services revenue, including implementation and customization of software is recognized by the stage of completion of the transaction at the statements of financial position dates determined using the percentage-of-completion method noted above. Installation and integration services revenue, when not essential to the functionality of the software, is recognized as delivered to the customer, based on the prices charged when these services are sold separately to customers.

PCS revenue is recognized ratably over the term of the support agreement based on the price charged for the same or similar PCS when sold in stand-alone PCS renewals with customers, as substantiated by contractual renewal rates and the Company's PCS renewal experience. Revenue not recognized in profit or loss under this policy is classified as deferred revenue in the statements of financial position when amounts have been billed in advance.

The Company also derives software license revenue from subscription-based arrangements. Subscription revenue is recognized rateably over the applicable customer contract term when delivery has occurred, the sales price is fixed and determinable and collection is reasonably assured.

Revenue from sales to resellers is recognized when the software license is sold to the end-user customer, and when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is reasonably assured. These customers generally do not have rights of return.

Amounts are generally billable upon reaching certain performance milestones, as defined by individual contracts. Billings rendered in advance of performance under contracts are recorded as deferred revenue.

3. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and highly liquid instruments with original maturities of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(c) Property and equipment:

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of property and equipment at January 1, 2010, the transition date to IFRS, was determined by reference to its carrying value under GAAP. Depreciation and amortization is recognized over the estimated useful lives of the assets using the following bases and annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Office equipment	Declining balance	30%
Computer hardware	Declining balance	30%
Computer software	Declining balance	100%
Leasehold improvements	Straight line	Over shorter of estimated useful life and lease term

Upon disposition, the cost and related accumulated depreciation and accumulated impairment losses, if any, are removed from the accounts and the resulting gain or loss is reflected in profit or loss. Expenditures for maintenance and repairs are charged to expense as incurred.

Assets under capital leases are initially recorded at the present value of the minimum lease payment at the inception of the lease.

3. Significant accounting policies (continued):

(d) Research and development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as an expense in the year in which they are incurred. Development costs that are expected to provide future benefits with reasonable certainty and meet all the criteria for deferral are capitalized. No development costs have been capitalized at December 31, 2011, December 31, 2010 or January 1, 2010.

(e) Investment tax credits:

The Company is entitled to certain refundable and non-refundable Canadian investment tax credits ("ITCs") for qualifying research and development activities performed in Canada. The ITCs are accounted for as a reduction of the related expenditures for items expensed in the statements of comprehensive loss or as a reduction of the related asset's cost for items capitalized in the statements of financial position when the amount is reliably estimable and realization is reasonably assured.

(f) Employee benefits:

(i) Termination benefits:

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(ii) Short-term benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as the related service is provided.

3. Significant accounting policies (continued):

(iii) Annual incentive compensation plan:

The Company has an annual incentive compensation plan (the "Plan") with senior executives under which certain amounts are payable over a three-year period. In such instances, the amounts payable more than 12 months after the reporting date are reported as a non-current liability and discounted to their present value. The costs of the Plan are recognized in the year in which the compensation is earned. The discount rate used is the yield at the reporting date on AA credit-rated bonds or similar instruments that have maturity dates approximating the payment terms of the Plan.

(g) Share-based payment transactions:

(i) Share-based payment plan:

The Company has a share-based payment plan under which the Company issues stock options. Stock options generally vest over a four-year vesting period with 25% of the options vested and exercisable after the first year and the remainder vested and exercisable in 12 equal quarterly instalments over the remaining three years. The Company applies a fair value method of accounting to each instalment of stock options granted to employees.

The grant date fair value of stock options granted to employees is recognized as compensation expense, with a corresponding increase to contributed surplus, over the period that the employees become unconditionally entitled to the options. The expense is adjusted to reflect the estimated number of options expected to vest at the end of the vesting period. When options are exercised, the proceeds as well as the related amount in contributed surplus are credited to share capital. The Company uses the Black-Scholes option pricing model to determine fair value of stock options at the grant date. Measurement inputs include the price of shares on the measurement date, exercise price of the option, expected volatility, weighted average expected life of the option (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate.

3. Significant accounting policies (continued):

(ii) Deferred share unit ("DSU") plan:

The Company has a DSU plan under which the Company issues DSUs for directors' annual remuneration which will be settled in cash. These DSUs meet the definition of a liability and, based on the expected timing of payment, are recorded as non-current liabilities. The initial measurement of the liability and compensation costs for these awards is based on the fair value of the award at the date of the grant. Subsequently, the awards are re-measured at each reporting date and the change in the Company's liability, due to changes in the fair value of the award prior to the settlement date, are recognized in profit or loss in the period incurred. The payment amount is established as of the exercise date of the award.

(h) Loss per share:

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by dividing the loss for the year by the sum of the weighted average number of common shares outstanding and the dilutive common share equivalents outstanding during the year. Common share equivalents consist of the shares issuable upon exercise of stock options and shares issuable upon exercise of common share unit options calculated using the treasury stock method. Common share equivalents are not included in the calculation of the weighted average number of shares outstanding for diluted loss per share when the effect would be anti-dilutive.

(i) Income taxes:

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income tax is the expected income tax payable or receivable on the taxable income or loss for the period using income tax rates enacted or substantively enacted at the reporting date, and any adjustments to income tax payable in respect of previous years.

3. Significant accounting policies (continued):

Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered and settled. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in profit or loss in the year that includes the enactment or substantive enactment date. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In determining the amount of current and deferred taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(j) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies at the reporting dates are translated to the functional currency at the exchange rates at those dates. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated at rates of exchange at each transaction date. Revenue and expenses are translated at rates of exchange in effect at the time of the transactions, except to the extent they relate to items translated at historical rates, in which case, historical rates are applied. Foreign exchange gains or losses on translation are recognized in profit or loss.

3. Significant accounting policies (continued):

(k) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(l) Financial instruments:

(i) Recognition, classification and measurement:

Financial assets are recognized in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial instruments are, for measurement purposes, grouped into classes. The classification depends on the purpose and is determined at initial recognition.

3. Significant accounting policies (continued):

(a) Held-for-trading:

The Company has classified its cash equivalents and short-term investments as held-for-trading. Held-for-trading financial investments are subsequently measured at fair value and all gains and losses are included in profit or loss in the year in which they arise. Short-term investments consist of instruments with original maturities greater than three months but less than one year when purchased.

(b) Loans and receivables:

Loans and receivables which comprise accounts receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses.

(c) Other financial liabilities:

The Company has classified its accounts payable and accrued liabilities and obligations under capital leases as other financial liabilities. Financial liabilities are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and liability simultaneously.

(ii) Impairment:

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively.

3. Significant accounting policies (continued):

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(iii) Share capital:

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from shareholders' equity, net of any tax effects.

(m) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions also include onerous contracts, which are recognized when the expected benefits to be derived by the Company from a contract are lower than unavoidable cost of meeting its obligations under the contract. Provisions are measured at the estimated future cash flows required to settle the present obligation, based on the most reliable evidence available at the reporting date. The estimated cash flows are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as finance cost. The Company does not have any provisions recorded in the statements of financial position at December 31, 2011, December 31, 2010 or January 1, 2010.

3. Significant accounting policies (continued):

(n) Finance income and finance costs:

Finance income comprises interest income on cash equivalents and short-term investments recognized in profit or loss as it accrues, using the effective interest method. Finance costs comprise interest expense on borrowings that are recognized in profit or loss.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(o) Recent accounting pronouncements:

(i) IFRS 9, Financial Instruments (("IFRS 9"):

In October 2010, the IASB issued IFRS 9 which replaces International Accounting Standard ("IAS") 39, Financial Instruments - Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its financial statements.

(ii) IFRS 13, Fair Value Measurement ("IFRS 13"):

In May 2011, the IASB issued IFRS 13 which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. This new standard is effective for the Company's interim and annual financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its financial statements.

3. Significant accounting policies (continued):

(iii) IAS 1, Presentation of Financial Statements ("IAS 1"):

In June 2011, the IASB issued amendments to IAS 1. The amendments enhance the presentation of other comprehensive income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of comprehensive loss from those that remain in shareholders' equity. The amendments are effective for the Company's interim financial statements commencing in the first quarter of fiscal 2013. The Company is assessing the impact of the amendments on its financial statements.

4. Explanation of transition to IFRS:

As stated in note 2(a), the financial statements have been prepared in accordance with IFRS. These are the Company's first annual financial statements that comply with IFRS, and as such IFRS 1 is applicable.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's transition date to IFRS).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. The estimates previously made by the Company under GAAP were not revised for IFRS except where necessary to reflect differences in accounting policies.

(a) Summary of exceptions and exemptions:

IFRS 1 sets out the requirements that the Company must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. To assist companies in the transition process, the standard permits a number of specified exemptions from the general principle of retrospective restatement.

(Expressed in thousands of Canadian dollars, except per share amounts)

4. Explanation of transition to IFRS (continued):

The Company has considered the following specified exemptions from the general principle of retrospective application as follows:

(i) Stock-based compensation:

For equity-settled stock-based compensation transactions, IFRS 1 provides for an exemption to the retrospective application of IFRS 2, Share-based Payment, for previously issued equity instruments that are fully vested prior to the date of transition. The Company has elected to utilize this exemption.

(ii) Deemed cost exemption:

The Company has elected to use the historical cost basis of accounting at transition to value the property and equipment, instead of remeasuring to deemed cost. Since the Company has applied the carrying value under GAAP at the IFRS date of transition, it is not required to re-value these assets in subsequent periods.

The following tables set forth, for the periods indicated, a reconciliation from GAAP to IFRS, of the Company's shareholders' equity, loss for the year and comprehensive loss:

Reconciliation of shareholders' equity:

	Note	December 31, 2010	January 1, 2010
Shareholders' equity in accordance with GAAP		$ 30,530	$ 5,600
Share-based payment expense - increase in deficit	(b)	(1,243)	(314)
Increase in contributed surplus	(b)	1,238	314
Increase in share capital	(b)	5	–
Shareholders' equity in accordance with IFRS		$ 30,530	$ 5,600

(Expressed in thousands of Canadian dollars, except per share amounts)

4. Explanation of transition to IFRS (continued):

Reconciliation of loss and comprehensive loss for the year:

	Note	December 31, 2010
Loss and comprehensive loss for the year in accordance with GAAP		$ (626)
Share-based payment expense	(b)	(1,243)
Loss and comprehensive loss for the year in accordance with IFRS		$ (1,869)

(b) Transitional adjustment:

Share-based payment transactions:

Under GAAP, each grant was treated as a single composite arrangement and compensation expense was determined at the time of grant and amortized over the vesting period, generally four years, on a straight-line basis. In addition, under GAAP, the Company used the minimum value method to measure the share-based payment expense for awards to employees and accounted for forfeitures as they occurred. IFRS requires a separate calculation of compensation expense for awards that vest in instalments. Under IFRS, compensation expense differs from GAAP based on the changing fair values used for each instalment and the timing of recognizing compensation expense. Generally, this results in accelerated expense recognition under IFRS. In addition, under IFRS, the Company is required to include expected volatility of the underlying shares in the calculation of grant date fair values as well as an estimated forfeiture rate as part of the computation of the share-based payment expense. Since the Company was operating as a private company and the shares were not traded, an implied volatility was calculated based on actual experience of similar companies with traded equity instruments. The Company applied an implied weighted average annual volatility of 36% to account for the transition adjustment as at January 1, 2010. On the transition date to IFRS, the Company recognized additional compensation expense of $314, which increased the deficit with a corresponding increase to contributed surplus. Total shareholders' equity was not affected. The Company applied an implied weighted average annual volatility of 48% for the year ended December 31, 2010. As a result, under IFRS as compared to GAAP, stock-based compensation expense for the year ended December 31, 2010 increased by $1,243.

(Expressed in thousands of Canadian dollars, except per share amounts)

4. Explanation of transition to IFRS (continued):

(c) Adjustments to the statement of cash flows for 2010:

Under GAAP, interest received and interest paid were included as part of operating activities, whereas under IFRS, interest received is included within investing activities and interest paid has been included within financing activities. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous GAAP.

5. Cash and cash equivalents and short-term investments:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents:			
Bank balances	$ 1,205	$ 348	$ 34
Call deposits	55,013	23,594	–
	$ 56,218	$ 23,942	$ 34
Short-term investments:			
Bank deposit notes	$ 4,068	$ 5,070	$ 3,597

The Company's exposure to interest rate risk is discussed in note 15(e).

6. Accounts receivable:

	December 31, 2011	December 31, 2010	January 1, 2010
Accounts receivable, gross	$ 4,251	$ 6,513	$ 1,012
Allowance for doubtful accounts	(123)	(22)	(12)
	$ 4,128	$ 6,491	$ 1,000

The accounts receivable are regularly reviewed for objective evidence of impairment. For the year ended December 31, 2011, general and administrative expenses include bad debt expense of $101 (2010 - $10).

(Expressed in thousands of Canadian dollars, except per share amounts)

6. Accounts receivable (continued):

The aging of the gross accounts receivables at each reporting date was as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Current	$ 2,828	$ 5,549	$ 746
Past due 1 - 90 days	662	630	211
Past due > 91 days	761	334	55
	$ 4,251	$ 6,513	$ 1,012

The change in the allowance for doubtful accounts was as follows:

	December 31, 2011	December 31, 2010
Balance, beginning of year	$ 22	$ 12
Charges	101	10
Write-offs	–	–
Balance, end of year	$ 123	$ 22

The Company's exposure to credit risk is discussed in note 15(b).

7. Prepaid expenses and other assets:

	December 31, 2011	December 31, 2010	January 1, 2010
Prepaid expenses	$ 249	$ 104	$ 242
Indirect taxes receivable	712	209	26
Deposits	110	54	–
Other	252	66	191
	$ 1,323	$ 433	$ 459

(Expressed in thousands of Canadian dollars, except per share amounts)

8. Property and equipment:

(a) Cost:

	Furniture and fixtures	Computer hardware	Office equipment	Computer software	Leasehold improvements	Total
Balance, January 1, 2010	$ 84	$ 806	$ –	$ 131	$ –	$ 1,021
Additions	328	605	68	59	697	1,757
Balance, December 31, 2010	412	1,411	68	190	697	2,778
Additions	528	606	51	207	2,193	3,585
Balance, December 31, 2011	$ 940	$ 2,017	$ 119	$ 397	$ 2,890	$ 6,363

(b) Accumulated depreciation and amortization:

	Furniture and fixtures	Computer hardware	Office equipment	Computer software	Leasehold improvements	Total
Balance, January 1, 2010	$ 27	$ 273	$ –	$ 90	$ –	$ 390
Depreciation and amortization for the year	44	251	10	70	155	530
Balance, December 31, 2010	71	524	10	160	155	920
Depreciation and amortization for the year	94	348	22	93	290	847
Balance, December 31, 2011	$ 165	$ 872	$ 32	$ 253	$ 445	$ 1,767

(c) Net book values:

	Furniture and fixtures	Computer hardware	Office equipment	Computer software	Leasehold improvements	Total
Balance, January 1, 2010	$ 57	$ 533	$ –	$ 41	$ –	$ 631
Balance, December 31, 2010	341	887	58	30	542	1,858
Balance, December 31, 2011	775	1,145	87	144	2,445	4,596

At December 31, 2011, the Company had assets under capital lease with a cost of $283 (December 31, 2010 - $283; January 1, 2010 - $283) and accumulated depreciation of $185 (December 31, 2010 - $150; January 1, 2010 - $92). Interest on capital lease obligations was $3 (2010 - $8).

(Expressed in thousands of Canadian dollars, except per share amounts)

9. Other non-current assets:

Other non-current assets include rental deposits of $260 (2010 - $206) for the leased office premises which are collectible at specified dates during the lease term which expires in 2017.

10. Accounts payable and accrued liabilities:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ 717	$ 588	$ 137
Employee and director compensation payable*	4,243	4,760	2,877
Accrued expenses	898	451	187
	$ 5,858	$ 5,799	$ 3,201

*Includes non-current liabilities of $1,053 (December 31, 2010 - $1,513; January 1, 2010 - $1,414).

11. Obligations under capital leases:

During 2009, the Company entered into a capital lease for computer hardware. This lease is repayable in blended monthly payments of $6 with imputed interest at 5.78% maturing in 2012. Annual payments pursuant to the lease agreements are as follows:

2012	$ 42
Less imputed interest	1
	41
Current portion	(41)
	$ –

As part of this capital lease agreement, the Company was required to maintain $2,000 in cash on deposit, which included short-term investments, with the lessor. This requirement was waived by the lessor in the current year.

12. Share capital:

(a) Authorized:

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. No preferred shares have been issued.

Each common share of the Company entitles its holder to one vote at all meetings of shareholders subject to certain restrictions with respect to the voting rights.

Each common share of the Company is also entitled to receive dividends if, as and when declared by the Board of Directors. Holders of common shares will participate in any distribution of net assets of the Company upon liquidation, dissolution or winding up of the Company on an equal basis per share, but subject to the rights of the holders of the preferred shares.

(b) Issued:

20,664,079 common shares (December 31, 2010 - 14,704,034; January 1, 2010 - 9,995,000)

(i) On March 28, 2011, in preparation of its initial public offering ("IPO"), the Company entered into loan and share pledge agreements with certain employees and officers ("Exercise Persons") in order to reduce the amount of the Company's outstanding option pool. The participating employees were given an interest-free share purchase loan to exercise all of their options as of March 28, 2011, which were originally scheduled to vest on or prior to December 31, 2011. The Company provided $3,745 in share purchase loans to facilitate the issuance of 970,898 common shares as a result of the acceleration involving the exercise of the applicable employee stock options. On May 2, 2011, as part of the March 28, 2011 agreements, the Company provided an additional $97 in share purchase loans to facilitate the issuance of 28,123 common shares as a result of the acceleration involving the exercise of the applicable employee stock options.

12. Share capital (continued):

These shares acquired upon exercise of the employee stock options are pledged as security against the share purchase loans and are held as security by the Company until such time as the individual loans are repaid. The share purchase loans are immediately due and payable to the Company upon the sale of the common shares or upon the termination of employment, subject to certain conditions being met. Despite their legal form, the share purchase loans are accounted for on the same basis as a grant of a stock option under IFRS. As such, for accounting purposes, the common shares issued and the share purchase loans granted under the loan and share pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At December 31, 2011, 989,334 common shares for proceeds of $3,803 based on the grant-date value of the loans were held as security by the Company with respect to the share purchase loan and pledge agreements.

In addition, the Company and the Exercise Persons entered into non-binding retention bonus agreements, pursuant to which each Exercise Person was allocated a retention bonus in the amount of their respective share purchase loan, which could vest in a future period at the sole discretion of the Company and may be paid in instalments over a three-year period. As of December 31, 2011, the Company had not made a decision with respect to the vesting conditions of the retention bonus, thus no expense has been recognized in the year.

(ii) On May 18, 2011, the Company completed its IPO on the Toronto Stock Exchange ("TSX"). The Company issued 4,850,000 common shares from treasury at a price of $9 per share for gross proceeds of $43,650. The Company incurred expenses, including underwriters' fees, of $3,888 relating to the IPO, which have been included within shareholders' equity as a reduction of share capital.

(iii) In April 2010, the Company completed a private placement with external parties. The Company issued 3,914,000 units, being non-separable and consisting of one common share in the capital of the Company and one right, for proceeds of $22,506. The right attached to the units included a provision whereby the unitholders were entitled to an additional 0.1 common share of the Company for every unit purchased through private placement if the Company did not obtain a listing on a recognized stock exchange by May 31, 2011. Since the Company obtained a listing on the TSX before the exercise date, the rights of the unitholders expired and did not result in issuance of any additional common shares. The Company incurred financing costs of $1,640 relating to this private placement, which included $349 in share-based payments relating to stock options issued to the agents of the private placement transaction.

(Expressed in thousands of Canadian dollars, except per share amounts)

12. Share capital (continued):

(iv) In February 2010, the Company completed a round of financing involving employees of the Company. The Company issued 212,573 shares at $3.50 per share to employees for proceeds of $744. In December 2010, the Company completed another round of financing involving employees of the Company. The Company issued 574,025 shares at $6.00 per share to employees for proceeds of $3,444.

13. Share-based payment arrangements:

At December 31, 2011, the Company had the following share-based payment arrangements:

(a) Stock option plan:

(i) On April 21, 2011, the Board of Directors approved an amended stock option plan (the "2011 Option Plan"), effective upon closing of the IPO, for the purpose of recognizing contributions made by employees, officers and others by granting to them options to purchase common shares of the Company. All options granted under the previous option plan and all new options granted under the 2011 Option Plan are now governed by the 2011 Option Plan. The 2011 Option Plan reduces the contractual life of the options to seven years for new options issued; the options issued prior to the 2011 Option Plan will continue to have a contractual life of 10 years. The 2011 Option Plan also mandates that the maximum aggregate number of outstanding options shall not exceed 10% of the outstanding common shares at the relevant grant date.

The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions at the measurement date:

	2011	2010
Risk-free interest rates	2%	3%
Expected life (years)	4.6	6.3
Volatility	29%	48%
Forfeiture rate	5%	3%
Dividend yield	–	–

(Expressed in thousands of Canadian dollars, except per share amounts)

13. Share-based payment arrangements (continued):

The weighted average grant date fair value of options granted during the year was $2.39 (2010 - $2.44). The grant-date fair value of the options granted during the year ended December 31, 2011, net of forfeitures, was $803 (2010 - $4,002), which will be recognized over the vesting period ranging up to four years.

(ii) The total share-based payment expense and the amount credited to contributed surplus, including the adjustments relating to the acceleration of the employee stock options, as discussed below, for the year ended December 31, 2011 was $2,012 (2010 - $1,374).

(iii) The Company accelerated the vesting of certain employee stock options enabling them to be exercised as of March 28, 2011 (note 12(b)(i)). As a result, the Company recorded additional share-based payment expense of $343, included in the share-based payment expense for the year ended December 31, 2011.

(iv) In April, 2010, the Company issued 208,696 stock options to the agents of the private placement transaction that took place in 2010. These options were issued at a strike price of $5.75 and expire on March 31, 2012. In October 2011, the agents of the private placement exercised 98,087 options for gross proceeds of $564.

The fair value of these options granted to the agents in 2010 has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions at the measurement date:

Risk-free interest rate	1.97%
Expected life	2 years
Volatility	50%
Dividend yield	–

The grant-date fair value of these options granted was $349, which was recorded as a financing cost in 2010 as part of shareholders' equity with the offset recorded to contributed surplus as the cost of these options was directly related to the private placement undertaken by the Company.

13. Share-based payment arrangements (continued):

The following table outlines the activity for stock options for the year ended December 31, 2011 and 2010:

	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	(000s)		(000s)	
Outstanding, beginning of year	2,174	$ 4.60	783	$ 2.65
Granted	398	8.51	1,439	5.61
Exercised	(1,012)	3.83	(8)	2.50
Cancelled	(169)	6.20	(40)	3.22
Outstanding, end of year	1,391	6.08	2,174	4.60
Exercisable	139	$ 4.04	544	$ 2.58

At December 31, 2011, the following table provides the outstanding options at their respective exercise prices and the related weighted average remaining contractual life:

Exercise price	Number outstanding	Weighted average remaining contractual life
	(000s)	(years)
$2.50	75	6.48
3.50	155	7.75
5.75	624	8.42
6.00	170	8.96
6.85	7	6.97
7.65	56	6.85
8.11	95	6.59
8.25	10	6.46
9.00	199	6.37
	1,391	7.81

(Expressed in thousands of Canadian dollars, except per share amounts)

13. Share-based payment arrangements (continued):

(b) Deferred share units:

On November 5, 2011, the Company has granted 29,412 DSUs amounting to $225 (2010 - nil) to the independent members of the Board of Directors as their annual remuneration for the services rendered on the Company's Board. These DSUs vest immediately and, accordingly, $225 was expensed in profit or loss during the year. The DSUs will only be settled in cash and will be paid out when the Board member is no longer rendering service to the Company. Accordingly, the Company has treated these arrangements as cash-settled awards and has recorded the changes in the fair value of the award of $15 (2010 - nil) in the profit or loss using the Company's share price as at December 31, 2011. The amount of the award payable is based on the number of units outstanding multiplied by the share price of the Company at the date of the payout.

As at December 31, 2011, the total accrual for these DSUs was $210 (2010 - nil) which was included in non-current liabilities.

14. Income taxes:

(a) Recognized and unrecognized deferred income taxes:

Deferred income taxes reflect the net income tax effects of temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and the amounts used for income tax purposes.

The movements of deferred income tax assets and liabilities for the years indicated are as follows:

	SR&ED pool carryforward	Refundable investment tax credits	Property and equipment	Total
Deferred income tax asset/(liability) balance, January 1, 2010	$ 364	$ (285)	$ (79)	$ –
Recognized in profit or loss	155	(68)	(87)	–
Deferred income tax asset/(liability) balance, December 31, 2010	519	(353)	(166)	–
Recognized in profit or loss	(519)	353	166	–
Deferred income tax asset/(liability) balance, December 31, 2011	$ –	$ –	$ –	$ –

(Expressed in thousands of Canadian dollars, except per share amounts)

14. Income taxes (continued):

The amount of deductible temporary differences and unused tax losses for which no deferred income tax assets have been recognized are as follows:

	2011	2010
Non-capital loss and SR&ED carryforwards	$ 9,728	$ 3,097
Financing costs	3,861	1,073
Other deductible temporary differences	1,158	1,967
	$ 14,747	$ 6,137

Non-capital loss carryforwards will expire in 2031, while SR&ED pool carryforward and other temporary deductible differences have an unlimited carryforward pursuant to current tax laws.

In assessing deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible.

Management considers the scheduled reversals of deferred income tax liabilities, the character of the deferred income tax assets and available tax planning strategies in making this assessment.

(Expressed in thousands of Canadian dollars, except per share amounts)

14. Income taxes (continued):

(b) Income tax rate reconciliation:

The effective income tax rate differs from the statutory rate that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to loss before income taxes. These differences result from the following items:

	2011	2010
Loss before income taxes	$ (7,543)	$ (1,869)
Combined basic federal and provincial income tax rates	28.3%	31.0%
Computed expected tax recovery	$ (2,135)	$ (579)
Increase resulting from:		
Impact due to change in future tax rates	251	9
Benefit of Canadian investment tax credits	–	43
Current year loss and other differences not recognized	1,371	104
Non-deductible items	513	423
Income tax expense	$ –	$ –

The statutory income tax rate was 28.3% for 2011 compared to 31.0% for 2010. The decrease in the statutory rate was a result of reductions in the federal and provincial Canadian income tax rates.

(c) Investment tax credits:

The Company claims research and development deductions and related ITCs for income tax purposes based on management's interpretation of the applicable legislation in the Income Tax Act (Canada). These claims are subject to a technical and expenditure review by Canada Revenue Agency ("CRA"). Any differences between the amounts approved by CRA and the amount recorded in the financial statements are recognized in the year of determination. Although the Company has used its best judgment and understanding of the related income tax legislation in determining the amounts and timing of ITCs receipts, it is possible that the amounts could change by a material amount in the near term depending on review and audit by CRA.

(Expressed in thousands of Canadian dollars, except per share amounts)

14. Income taxes (continued):

The total amount of ITCs recognized with respect to current year expenditures were $972 (2010 - $2,030), which were recorded as a reduction of research and development expenses.

The Company has $4,046 of federal non-refundable ITCs that can be carried forward to reduce federal income tax otherwise payable. Those credits expire between 2026 and 2031.

15. Financial instruments and capital management:

(a) Classification and fair values of financial instruments:

The following table sets out the Company's classification and carrying amount, together with the fair value, for each type of financial asset and financial liability as at December 31, 2011, December 31, 2010 and January 1, 2010:

	December 31, 2011		December 31, 2010		January 1, 2010	
Classification	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets:						
Held-for-trading:						
Cash equivalents	$ 55,013	$ 55,013	$ 23,594	$ 23,594	$ –	$ –
Short-term investments	4,068	4,068	5,070	5,070	3,597	3,597
Loans and receivables:						
Accounts receivable	4,128	4,128	6,491	6,491	1,000	1,000
Financial liabilities:						
Other financial liabilities:						
Accounts payable and accrued liabilities	5,858	5,858	5,799	5,799	3,201	3,201
Obligations under capital leases	41	41	108	108	171	171

The carrying values of cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial instruments.

The carrying value of the obligations under capital leases approximates its fair value based on the borrowing rates currently available to the Company.

(Expressed in thousands of Canadian dollars, except per share amounts)

15. Financial instruments and capital management (continued):

Fair value measurements:

The Company provides disclosure of the three level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - Inputs are quoted prices in active markets for identical assets and liabilities.
- Level 2 - Inputs are based on observable market data, either directly or indirectly other than quoted prices.
- Level 3 - Inputs are not based on observable market data.

In the tables below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date. The Company has no financial assets or financial liabilities measured using Level 2 or Level 3 inputs.

Financial assets measured at fair value as at December 31, 2011, December 31, 2010 and January 1, 2010 in the financial statements are summarized below. The Company has no financial liabilities measured at fair value.

December 31, 2011	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	$ 55,013	$ –	$ –	$ 55,013
Short-term investments	4,068	–	–	4,068
	$ 59,081	$ –	$ –	$ 59,081

December 31, 2010	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	$ 23,594	$ –	$ –	$ 23,594
Short-term investments	5,070	–	–	5,070
	$ 28,664	$ –	$ –	$ 28,664

(Expressed in thousands of Canadian dollars, except per share amounts)

15. Financial instruments and capital management (continued):

January 1, 2010	Level 1	Level 2	Level 3	Total
Financial assets:				
Short-term investments	$ 3,597	$ –	$ –	$ 3,597

There were no transfers of financial assets during the years between any of the levels.

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of these risks as at December 31, 2011:

(b) Credit risk:

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company.

The Company's credit risk is primarily attributable to its accounts receivable and short-term investments. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally large financially established organizations which limits the credit risk relating to the customers. In addition, credit reviews by the Company take into account the counterparty's financial position, past experience and other factors.

The following table summarizes the number of customers that individually comprise greater than 10% of total revenue or total accounts receivable and their aggregate percentage of the Company's total revenue and accounts receivable:

	Revenue	
	Number of customers	% of total
Year ended December 31, 2011	3	82
Year ended December 31, 2010	3	86

(Expressed in thousands of Canadian dollars, except per share amounts)

15. Financial instruments and capital management (continued):

	Accounts receivable	
	Number of customers	% of total
As at December 31, 2011	3	65
As at December 31, 2010	2	84
As at January 1, 2010	3	86

(c) Liquidity risk:

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and the issuance of shareholders' equity. One of management's primary goals is to manage liquidity risk by continuously monitoring actual and projected cash flows to ensure that the Company has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The majority of the Company's financial liabilities comprise accounts payable and accrued liabilities. On May 11, 2011, the Company filed its final prospectus with the securities regulatory authorities in Canada relating to the IPO of 4,850,000 common shares for gross proceeds of $43,650. Given the Company's available cash and other liquid resources as compared to its liabilities, management assesses the Company's liquidity risk to be low.

(d) Foreign exchange risk:

The Company transacts business in multiple currencies, the most significant of which is the U.S. dollar. Currently, the Company does not enter into foreign exchange contracts to manage this exposure, but may do so in the future. The Company has an unused foreign exchange credit line in the amount of $500. The Company has foreign currency exposure with respect to cash equivalents, short-term investments, accounts receivable and accounts payable denominated in U.S. dollars. It is also exposed to foreign currency risk on revenue and expenses where it invoices or procures in U.S. dollars. During the year ended December 31, 2011, the Company recorded a foreign exchange loss (gain) of ($788) (2010 - $483). At December 31, 2011, U.S. dollar denominated net monetary assets totalled approximately U.S. $8,754 (December 31, 2010 - U.S. $18,245; January 1, 2010 - U.S. $695).

15. Financial instruments and capital management (continued):

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately $901 due to the fluctuation and this would be recorded in the statements of comprehensive loss.

(e) Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its cash equivalents, short-term investments and obligations under capital leases. The impact of change in interest rates would not be material.

(f) Capital management:

The Company defines capital that it manages as the aggregate of its shareholders' equity, which comprises issued capital, contributed surplus and deficit.

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy, fund research and development to enhance existing product offerings as well as develop new ones, undertake selective acquisitions and providing sufficient resources to meet day-to-day operating requirements, while at the same time taking a conservative approach towards financial leverage and management of financial risk. In managing its capital structure, the Company takes into consideration various factors, including the growth of its business and related infrastructure and the up-front cost of taking on new customers. The Company's officers and senior management are responsible for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process. The Company manages its capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the cash flows from operations and equity balance.

The Company does not have any externally imposed capital requirements.

(Expressed in thousands of Canadian dollars, except per share amounts)

16. Related party transactions:

(a) Key management personnel compensation:

The key management personnel are defined as executive officers, as well as the Board of Directors, as they have the collective authority and responsibility for planning, directing and controlling the activities of the Company. The following table outlines the total compensation for key management personnel for the year:

	2011	2010
Salaries and other short-term employee benefits	$ 1,556	$ 1,178
Share-based payments	440	2,194
Long-term incentive plans	747	1,486
	$ 2,743	$ 4,858

The Company has entered into arrangements with certain executive officers for termination and change of control benefits. Upon termination without cause by the Company, these officers are entitled to termination benefits of up to two years' base salary, annual bonus and lump sum cash payment in respect of any unvested stock options. All of the foregoing payments are subject to applicable statutory deductions.

(b) Loan and share pledge agreements:

The Company issued interest-free share purchase loans in the amount of $1,478 (2010 - nil) to its executive officers to exercise all of the stock options that were originally scheduled to vest on or prior to December 31, 2011 and issued 276,250 common shares. These shares are pledged as security against the share purchase loans and are held as security by the Company until such time as the individual loans are repaid.

(c) Transactions with other related parties:

The Company's Chief Executive Officer is a director of Canadian Association for People-Centred Health ("CAPCH"), a not-for-profit organization, and is actively involved in planning, directing and controlling the activities of CAPCH. During the year ended December 31, 2011, the Company expensed cash contributions of $36 (2010 - $158), which is included in sales and marketing, to support the activities of CAPCH.

(Expressed in thousands of Canadian dollars, except per share amounts)

17. Finance income:

	2011	2010
Interest on cash and cash equivalents	$ 418	$ 131

18. Loss per share:

The following table sets forth the calculation of basic and diluted loss per share:

	2011	2010
Numerator:		
Loss for the year	$ (7,543)	$ (1,869)
Denominator:		
Weighted average number of shares:		
Basic	17,751	13,123
Loss per share:		
Basic	$ (0.42)	$ (0.14)
Diluted	(0.42)	(0.14)

During the year ended December 31, 2011, there were 721 (2010 - 1,822) weighted average outstanding stock options and common share unit options, as applicable, excluded from the computation of diluted loss per share as they were anti-dilutive.

(Expressed in thousands of Canadian dollars, except per share amounts)

19. Expenses by nature:

The components of the Company's expenses include the following:

	2011	2010
Salaries and other short-term employee benefits	$ 28,728	$ 17,740
Equity-settled share-based payments	2,012	1,374
Cash-settled share-based payments	210	–
Total personnel costs	30,950	19,114
Sales and marketing expense	842	459
Office rent expense	1,379	819
Professional, consulting and recruiting costs	1,505	923
Technology and communication expenses	1,043	543
Depreciation and amortization expense	847	530
Other*	2,425	1,652
Total operating expenses	$ 38,991	$ 24,040

*Includes office expenses, travel and entertainment expenses and other general and administrative costs.

20. Contractual obligations:

During the year ended December 31, 2011, the Company entered into an amended lease agreement with its landlord for additional office space to be assumed in 2011 through an operating lease. The remaining lease term as at December 31, 2011 is approximately six years.

Total approximate future minimum annual lease payments for the leased office premises as at December 31, 2011 are as follows:

Less than 1 year	$ 812
Between 1 and 5 years	5,841
More than 5 years	–
	$ 6,653

In addition, the Company is responsible for additional taxes, maintenance and other direct charges with respect to its leased office premises. The additional amount is expected to be approximately $1,180 for 2012.

(Expressed in thousands of Canadian dollars, except per share amounts)

21. Segment reporting:

The Company is organized and operates as one operating segment for purposes of making operating decisions and assessing performance. The chief operating decision makers evaluate performance, make operating decisions and allocate resources based on financial data consistent with the presentation in these financial statements.

The following information provides the required enterprise-wide disclosures:

The Company's revenue by geographic areas is as follows:

	2011	2010
United States of America	$ 23,033	$ 17,339
Canada	5,168	5,192
Europe	2,048	–
	$ 30,249	$ 22,531

All of the Company's assets are located in Canada and virtually all of the Company's expenses are incurred in Canada.

22. Guarantees:

The Company has provided routine indemnifications to its customers against liability if the Company's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated but is typically limited to the proceeds from sales contracts. Historically, the Company has made no payments relating to these indemnifications, and the Company is not subject to any pending litigation on this matter.