Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

NEXJ SYSTEMS INC.

Three months ended March 31, 2014 and 2013
(Unaudited)

NEXJ SYSTEMS INC.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)
(Unaudited)

	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 27,412	$ 29,293
Accounts receivable	5,266	7,246
Prepaid expenses and other assets	1,105	1,727
Total current assets	33,783	38,266
Non-current assets:		
Property and equipment	2,800	3,014
Intangible assets	1,454	1,643
Goodwill	3,640	3,640
Other assets	260	260
Total non-current assets	8,154	8,557
Total assets	$ 41,937	$ 46,823
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,975	$ 4,677
Deferred revenue	3,878	5,021
Provisions (note 3)	178	572
Total current liabilities	8,031	10,270
Non-current liabilities:		
Accrued liabilities	450	596
Provisions (note 3)	323	742
Deferred revenue	–	212
Total non-current liabilities	773	1,550
Total liabilities	8,804	11,820
Shareholders' equity:		
Share capital (note 4)	82,903	83,018
Share purchase loans (note 4)	(3,622)	(3,622)
Contributed surplus (note 5)	5,646	5,515
Deficit	(51,794)	(49,908)
Total shareholders' equity	33,133	35,003
Related party transactions (note 9)		
Contractual obligations (note 10)		
Subsequent event (note 11)		
Total liabilities and shareholders' equity	$ 41,937	$ 46,823

See accompanying notes to the condensed interim consolidated financial statements.

NEXJ SYSTEMS INC.

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Revenue:		
License fees	$ 291	$ 433
Professional services	5,502	4,764
Maintenance and support	1,512	1,338
	7,305	6,535
Expenses*:		
Professional service costs	3,775	4,300
Research and development, net	2,675	3,871
Sales and marketing	1,560	2,662
General and administrative, net (note 3)	1,476	2,624
	9,486	13,457
Loss from operations	(2,181)	(6,922)
Foreign exchange gain	212	112
Finance income	83	136
	295	248
Loss before income taxes	(1,886)	(6,674)
Income taxes	–	–
Net loss and comprehensive loss	$ (1,886)	$ (6,674)
Loss per share (note 6):		
Basic and diluted	$ (0.09)	$ (0.33)
Weighted average number of common shares outstanding (note 6):		
Basic and diluted	20,280	20,368
*Share-based payment expense has been included in expenses as follows:		
Professional service costs	$ 45	$ 59
Research and development, net	50	61
Sales and marketing	14	39
General and administrative, net	22	63
	$ 131	$ 222

See accompanying notes to the condensed interim consolidated financial statements.

NEXJ SYSTEMS INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars and shares)
(Unaudited)

Three months ended March 31, 2014	Common shares Number*	Common shares Amount	Share purchase loans	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2014	20,330	$ 83,018	$ (3,622)	$ 5,515	$ (49,908)	$ 35,003
Comprehensive loss	–	–	–	–	(1,886)	(1,886)
Share-based payment expense (note 5(a)(i))	–	–	–	131	–	131
Repurchase of common shares (note 4(b))	(58)	(115)	–	–	–	(115)
Balance, March 31, 2014	20,272	$ 82,903	$ (3,622)	$ 5,646	$ (51,794)	$ 33,133

*For accounting purposes, common shares issued pursuant to the share purchase loan and pledge agreements (note 4) are not recognized as outstanding until such time as payments are received on the loan balances. At March 31, 2014, 950 common shares were legally issued and outstanding to employees in connection with these agreements and were included in the total outstanding common shares of 21,222.

Three months ended March 31, 2013	Common shares Number*	Common shares Amount	Share purchase loans	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2013	20,368	$ 83,061	$ (3,622)	$ 4,859	$ (31,099)	$ 53,199
Comprehensive loss	–	–	–	–	(6,674)	(6,674)
Share-based payment expense (note 5(a)(i))	–	–	–	222	–	222
Balance, March 31, 2013	20,368	$ 83,061	$ (3,622)	$ 5,081	$ (37,773)	$ 46,747

*For accounting purposes, common shares issued pursuant to the share purchase loan and pledge agreements (note 4) are not recognized as outstanding until such time as payments are received on the loan balances. At March 31, 2013, 950 common shares were legally issued and outstanding to employees in connection with these agreements and were included in the total outstanding common shares of 21,318.

See accompanying notes to the condensed interim consolidated financial statements.

NEXJ SYSTEMS INC.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended March 31, 2014	Three months ended March 31, 2013
Cash flows from (used in) operating activities:		
Loss for the period	$ (1,886)	$ (6,674)
Adjustments for:		
Depreciation and amortization	404	452
Share-based payment expense	131	222
Finance income	(83)	(136)
Foreign exchange loss (gain)	(67)	42
Change in non-cash operating working capital:		
Accounts receivable	1,980	1,894
Prepaid expenses and other assets	622	(609)
Accounts payable and accrued liabilities and provisions	(1,661)	(1,376)
Deferred revenue	(1,355)	(938)
Net cash flows used in operating activities	(1,915)	(7,123)
Cash flows from (used in) financing activities:		
Repurchase of common shares	(115)	–
Net cash flows used in financing activities	(115)	–
Cash flows from (used in) investing activities:		
Purchase of property and equipment	(1)	(10)
Interest received	83	136
Net cash flows from investing activities	82	126
Effects of exchange rate on cash and cash equivalents	67	(42)
Decrease in cash and cash equivalents	(1,881)	(7,039)
Cash and cash equivalents, beginning of period	29,293	46,263
Cash and cash equivalents, end of period	$ 27,412	$ 39,224
Supplemental cash flow information:		
Acquisition of property and equipment not yet paid for	$ –	$ 47

See accompanying notes to the condensed interim consolidated financial statements.

1. Reporting entity:

NexJ Systems Inc. (the "Company") is incorporated in Canada with its corporate headquarters located at 10 York Mills Road, Suite 700, Toronto, Ontario, M2P 2G4.

The Company is a provider of cloud-based software, delivering enterprise solutions primarily for the financial services, insurance and health care industries, as well as offers data governance and master data management, data conversion and integration, data analytics and business intelligence, and mobile solution development services.

In 2014, the Company undertook and finalized an internal re-organization and management of its operating activities and as a result, the Company now evaluates operational performance and reports its results of operations based on two reportable segments, Enterprise Software and Healthcare. The Enterprise Software segment includes enterprise solutions for finance and insurance industries with industry-specific capabilities. This segment also includes the Company's data analytics, business intelligence and mobile solutions. The Healthcare segment includes solutions for patient activation designed to empower patients to proactively manage their own health and wellness. Refer to note 8 for the changes in the Company's reportable segments.

2. Basis of preparation:

(a) Statement of compliance:

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements as at and for the years ended December 31, 2013 and 2012, with the exception of those new accounting standards that were adopted on January 1, 2014 as more fully described in note 2(c).

2. Basis of preparation (continued):

The notes presented in these condensed interim consolidated financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the years ended December 31, 2013 and 2012.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 6, 2014.

(b) Basis of presentation:

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned foreign subsidiary, Broadstreet Data Solutions America, Inc. (together referred to as the "Company"). Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed interim consolidated financial statements. These condensed interim consolidated financial statements have been prepared mainly under the historical cost basis, except for cash-settled deferred share units, which are measured at fair value. Other measurement bases used are described in the applicable notes.

(c) Recently adopted accounting pronouncements:

These condensed interim consolidated financial statements have been prepared on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements as at and for the years ended December 31, 2013 and 2012, with the exception of the following new accounting standard which the Company adopted and is effective commencing January 1, 2014:

- IAS 32, Financial Instruments - Offsetting Financial Assets and Financial Liabilities

Refer to the annual audited consolidated financial statements for the years ended December 31, 2013 and 2012 for a brief description of this accounting pronouncement. The adoption of this accounting standard did not have any impact on the condensed interim consolidated financial statements for the three months ended March 31, 2014.

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

3. Provisions:

Three months ended March 31, 2014	Earn-out obligation	Lease-exit charges	Other	Total
Balance, January 1, 2014	$ –	$ 1,211	$ 103	$ 1,314
Provisions used	–	(85)	(103)	(188)
Provisions reversed	–	(625)	–	(625)
Balance, March 31, 2014	$ –	$ 501	$ –	$ 501

Three months ended March 31, 2013	Earn-out obligation	Lease-exit charges	Other	Total
Balance, January 1, 2013	$ 384	$ –	$ 44	$ 428
Provisions recorded	384	–	66	450
Provisions used	–	–	(3)	(3)
Balance, March 31, 2013	$ 768	$ –	$ 107	$ 875

(a) Earn-out obligation:

As part of the acquisition of Broadstreet Data Solutions Inc. ("Broadstreet"), a portion of the total consideration up to a maximum of $2,192, payable in 54% cash and 46% common shares, was subject to an earn-out arrangement over the earn-out period ending December 31, 2013. The earn-out was determined based on multiple post-acquisition period revenue targets as specified in the share purchase agreement. In addition to the revenue targets, the earn-out arrangement was contingent upon the continued employment of the selling shareholders of Broadstreet during the earn-out period. In the event of resignation or termination of the selling shareholders of Broadstreet with cause from the Company during the earn-out period, the proportionate earn-out amounts were automatically considered forfeited.

As at the acquisition date, Management determined these earn-out payments represent compensation for post-combination services to be recognized over the earn-out period and accordingly, excluded this amount from the purchase consideration for the purposes of acquisition accounting. Accordingly, the estimated earn-out obligation was accreted up to its expected amount with any changes in such estimate accounted for during the period prior to settlement.

3. Provisions (continued):

At the end of the earn-out period, being December 31, 2013, the earn-out provisions were nil as the earn-out targets were not met. Based on the probability of achieving such targets in connection with an assessment of revenue estimates and forecasts at that time, the Company had recorded $384 in profit or loss for the period ended March 31, 2013.

(b) Lease-exit charges:

In November 2013, the Company vacated a portion of its leased office premises and recognized a liability for discounted future lease payments related to the vacated office facility that no longer had any operating business activities. The Company recognized a liability for the discounted future lease payments to which the Company is committed to, less expected future sublease income, in the amount of $1,211 which was recorded as a provision as at December 31, 2013 and the charge was recognized as a general and administrative expense in profit of loss. During the three months ended March 31, 2014, the Company commenced negotiating a sub-lease arrangement with a third party and executed an offer to sublease in April, 2014, with the legal agreements to be executed subsequently. As a result, the Company revised its estimates with respect to the vacated office facility and reversed a component of the provision in the amount of $625 under general and administrative in profit or loss.

(c) Other:

Other provisions included retention bonuses to certain Broadstreet employees and cash to be paid to the former Broadstreet employees who completed a cashless exercise of their unvested Broadstreet stock options into Broadstreet common shares prior to the Acquisition Date. During the three months ended March 31, 2014, the balance of $103 was paid in accordance with the Broadstreet acquisition agreement.

4. Share capital:

(a) On March 28, 2011, the Company entered into loan and share pledge agreements with certain employees and officers ("Exercise Persons"). The participating employees were given an interest-free share purchase loan to exercise all of their stock options held 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.

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 similar to the grant of an 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 March 31, 2014, 950,272 common shares (2013 - 950,272) for proceeds of $3,622 (2013 - $3,622) were held as security by the Company with respect to the share loan and pledge agreements.

In addition, the Company and the Exercise Persons entered into a non-binding retention bonus agreement dated March 28, 2011, 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. For the three months ended March 31, 2014, the Company expensed $146 (2013 - $182) relating to these retention bonuses for certain Exercise Persons. The amounts paid to the Exercise Persons under these bonus arrangements are not required to be used to repay the share purchase loans.

4. Share capital (continued):

(b) In December, 2013, the Company applied to the Toronto Stock Exchange ("TSX") to make a Normal Course Issuer Bid ("NCIB"), which was accepted by the TSX on December 12, 2013, for purchases of its common shares through all available markets and/or alternative trading systems, including the facilities of the TSX. The maximum number of common shares which may be purchased until December 15, 2014 pursuant to the NCIB, aggregate to 1,000,000 common shares, representing approximately 4.7% of the number of common shares issued and outstanding as of December 10, 2013.

The actual number of common shares purchased and the timing of such purchases will be determined by NexJ considering market conditions, stock prices, its cash position, and other factors. During the three months ended March 31, 2014, the Company repurchased and cancelled 57,900 of its common shares through trades on TSX for an aggregate purchase price of $115, which was recorded as a reduction of share capital.

5. Share-based payment arrangements:

At March 31, 2014, the Company had the following share-based payment arrangements:

(a) Stock option plan:

(i) The total share-based payment expense and the amount credited to contributed surplus for the three months ended March 31, 2014 was $131 (2013 - $222).

5. Share-based payment arrangements (continued):

The following table outlines the activity for stock options for the three months ended March 31, 2014 and 2013:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	(000s)		(000s)	
Outstanding, beginning of period	1,568	$ 5.46	1,420	$ 6.08
Granted	282	2.54	445	3.70
Cancelled	(78)	4.83	(64)	5.62
Outstanding, end of period	1,772	5.02	1,801	5.62
Exercisable	929	$ 5.84	651	$ 5.79

At March 31, 2014, 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)
$2.00 - 3.00	409	6.55
$3.01 - 4.00	394	5.86
$4.01 - 5.00	22	5.43
$5.01 - 6.00	586	6.27
$6.01 - 7.00	20	5.07
$7.01 - 8.00	143	4.89
$8.01 - 9.00	198	4.22
	1,772	5.88

5. Share-based payment arrangements (continued):

(b) Deferred share units ("DSUs"):

The Company grants DSUs 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 can only be settled in cash and will be paid 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 in the profit or loss using the Company's share price as at March 31, 2014. 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.

A summary of the DSUs outstanding is as follows:

	2014		2013	
	Number (000s)	Amount	Number (000s)	Amount
Outstanding, beginning of period	182	$ 362	86	$ 355
Changes in fair value of the award	–	31	–	(66)
Outstanding, end of period	182	$ 393	86	$ 289

As at March 31, 2014, the total liability for these DSUs including accrued directors fees for the current period, was $450 (2013 - $358) which was included in non-current liabilities on the consolidated statements of financial position.

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

6. Loss per share:

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Numerator:		
Loss for the period	$ (1,886)	$ (6,674)
Denominator:		
Weighted average number of shares:		
Basic	20,280	20,368
Loss per share:		
Basic and diluted	$ (0.09)	$ (0.33)

During the three months ended March 31, 2014, there were nil (2013 - 211) weighted average outstanding stock options excluded from the computation of diluted loss per share as they were anti-dilutive.

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

7. 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 March 31, 2014 and December 31, 2013:

	March 31, 2014		December 31, 2013	
Classification	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Held-for-trading:				
Cash equivalents	$ 23,705	$ 23,705	$ 22,720	$ 22,720
Loans and receivables:				
Accounts receivable	5,266	5,266	7,246	7,246
Financial liabilities:				
Other financial liabilities:				
Accounts payable and accrued liabilities	4,425	4,425	5,273	5,273
Provisions	501	501	1,314	1,314

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

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; and
- Level 3 - inputs are not based on observable market data.

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

7. Financial instruments and capital management (continued):

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. Financial assets measured at fair value as at March 31, 2014 and December 31, 2012 in the condensed interim consolidated financial statements are summarized below:

March 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	$ 23,705	$ –	$ –	$ 23,705
Financial liabilities:				
Provisions	$ –	$ –	$ 501	$ 501

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	$ 22,720	$ –	$ –	$ 22,720
Financial liabilities:				
Provisions	$ –	$ –	$ 1,314	$ 1,314

There were no transfers of financial assets during the periods 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 March 31, 2014:

(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.

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

7. Financial instruments and capital management (continued):

The Company's credit risk is primarily attributable to its accounts receivable. 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
Three months ended March 31, 2014	3	46
Three months ended March 31, 2013	3	40

	Accounts receivable	
	Number of customers	% of total
As at March 31, 2014	5	63
As at December 31, 2013	3	50

(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 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.

7. Financial instruments and capital management (continued):

The majority of the Company's financial liabilities comprise accounts payable and accrued liabilities. 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 foreign currency exposure with respect to cash equivalents, 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 three months ended March 31, 2014, the Company recorded a foreign exchange gain of $212 (2013 - $112). At March 31, 2014, U.S. dollar-denominated net monetary assets totalled approximately U.S. $2,811 (2013 - U.S. $6,400).

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 $311 due to the fluctuation and this would be recorded in profit or 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. The impact of change in interest rates is not expected to be significant.

(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.

7. Financial instruments and capital management (continued):

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 shareholders' equity.

The Company does not have any externally imposed capital requirements.

8. Segment reporting:

The Company evaluates operational performance based on two reportable segments, Enterprise Software and Healthcare. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Corporate costs include costs associated with business activities which are not directly attributable to the Company's reportable segments. The Company has presented the segment disclosures for the comparative period in conformity with the segment disclosures presented for the three months ended March 31, 2014.

The Company's Chief Executive Officer, the chief operating decision maker (CODM), evaluates performance, makes operating decisions, and allocates resources based on financial data consistent with the segment reporting in these condensed interim consolidated financial statements. The accounting policies of the segments are the same as those described in note 2.

The CODM reviews Adjusted EBITDA as a key measure of performance for each segment and to make decisions about the allocation of resources. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. The Adjusted EBITDA refers to net income (loss) before share-based payment expense, depreciation and amortization, lease-exit charges, earn-out expense (recovery), foreign exchange gain (loss), finance income, finance costs and income taxes. This measure of segment operating results is different from operating loss as reported in the consolidated statements of comprehensive loss.

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

8. Segment reporting (continued):

The following segmented information is regularly reported to our CODM:

Three months ended March 31, 2014	Enterprise software	Healthcare	Corporate	Total
Revenue:				
License fees	$ 100	$ 191	$ –	$ 291
Professional services	4,054	1,448	–	5,502
Maintenance and support	1,414	98	–	1,512
	5,568	1,737	–	7,305
Expenses:				
Professional service costs	3,206	524	–	3,730
Research and development	1,506	1,119	–	2,625
Sales and marketing	924	622	–	1,546
General and administrative	1,014	415	246	1,675
	6,650	2,680	246	9,576
Adjusted EBITDA	(1,082)	(943)	(246)	(2,271)
Share-based payment expense				131
Depreciation and amortization				404
Lease-exit charges, net				(625)
Earn-out expense (recovery)				–
Loss from operations				(2,181)
Foreign exchange gain				212
Finance income				83
Loss before income taxes				(1,886)
Income taxes				–
Net loss and comprehensive loss				$ (1,886)

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

8. Segment reporting (continued):

Three months ended March 31, 2013	Enterprise software	Healthcare	Corporate	Total
Revenue:				
License fees	$ 242	$ 191	$ –	$ 433
Professional services	4,723	41	–	4,764
Maintenance and support	1,232	106	–	1,338
	6,197	338	–	6,535
Expenses:				
Professional service costs	3,904	258	–	4,162
Research and development	2,207	1,603	–	3,810
Sales and marketing	2,019	299	–	2,318
General and administrative	1,559	422	128	2,109
	9,689	2,582	128	12,399
Adjusted EBITDA	(3,492)	(2,244)	(128)	(5,864)
Share-based payment expense				222
Depreciation and amortization				452
Lease-exit charges, net				–
Earn-out expense (recovery)				384
Loss from operations				(6,922)
Foreign exchange gain				112
Finance income				136
Loss before income taxes				(6,674)
Income taxes				–
Net loss and comprehensive loss				$ (6,674)

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

8. Segment reporting (continued):

The following information provides the required enterprise-wide disclosures:

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

	Three months ended March 31, 2014	2013
United States of America	$ 2,615	$ 3,647
Canada	3,832	2,848
Europe	858	40
	$ 7,305	$ 6,535

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

9. Related party transactions:

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 three months ended March 31, 2014, the Company expensed cash contributions of $34 (2013 - $34), which is included in sales and marketing, to support the activities of CAPCH.

10. Contractual obligations:

(a) In March 2012, the Company entered into agreements to participate in a two-year Canadian health care initiative with other parties that ended March 31, 2014, which, in part, resulted in the recognition of revenue from software licenses, services and maintenance over eight quarters commencing in the second quarter of 2012. As part of this initiative, the Company committed to a cash contribution of $1,431, which was paid in the third quarter of 2012, and to provide in-kind contributions through the duration of the agreements, relating to project strategy, planning and management. The majority of these in-kind contributions were funded through the Company's existing cost structure.

10. Contractual obligations (continued):

(b) In March 2012, the Company entered into an agreement with Beth Israel Deaconess Medical Center to digitize the Passport to TRUST program. The agreement was for a period of two years that ended March 31, 2014 and the Company was committed to make financial contributions of U.S. $1,056 over the term of the agreement and were expensed as research and development expenses, as incurred, in profit or loss. For the three months ended March 31, 2014, the Company incurred $107 (2013 - $134) of research and development expenses relating to this agreement.

11. Subsequent event:

On April 23, 2014, the Company acquired all of the outstanding shares of Liberate Ideas Inc. ("Liberate"), a privately held company based in Toronto, Ontario, Canada. Liberate is the developer of Liberate Health, a point-of-care patient education application used by healthcare professionals to educate patients at the point-of-care using a portfolio of infographic teaching presentations, designed to make condition and/or treatment conversations highly engaging, memorable and actionable. The total purchase consideration is up to $2,000. On closing, the Company paid cash of $500 and issued 237,192 common shares at a price of $2.11 per share, based on the 20 trading day average closing price of NexJ's common shares preceding the date of the acquisition. A portion of the total consideration as above includes up to $1,000 which is representative of contingent consideration that is subject to an earn-out arrangement, payable in cash and common shares, based on certain post-acquisition period financial targets ending on April 23, 2015. The Company is in the process of preparing the provisional assessment related to the estimated fair value measurements and recognition of the identifiable assets acquired and the liabilities assumed as part of this acquisition which will be included in the condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2014.