Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

NEXJ SYSTEMS INC.

Three and six months ended June 30, 2014 and 2013
(Unaudited)

NEXJ SYSTEMS INC.

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

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 22,588	$ 29,293
Accounts receivable	6,231	7,246
Prepaid expenses and other assets	1,562	1,727
Total current assets	30,381	38,266
Non-current assets:		
Property and equipment	2,848	3,014
Intangible assets	2,218	1,643
Goodwill	4,504	3,640
Other assets	260	260
Total non-current assets	9,830	8,557
Total assets	$ 40,211	$ 46,823
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,312	$ 4,677
Deferred revenue	3,347	5,021
Provisions (note 4)	122	572
Contingent consideration (note 5)	592	–
Total current liabilities	8,373	10,270
Non-current liabilities:		
Accrued liabilities	482	596
Provisions (note 4)	293	742
Deferred revenue	–	212
Deferred tax liability	16	–
Total non-current liabilities	791	1,550
Total liabilities	9,164	11,820
Shareholders' equity:		
Share capital (note 6)	83,300	83,018
Share purchase loans (note 6)	(3,622)	(3,622)
Contributed surplus (note 7)	5,689	5,515
Deficit	(54,320)	(49,908)
Total shareholders' equity	31,047	35,003
Related party transactions (note 11)		
Contractual obligations (note 12)		
Total liabilities and shareholders' equity	$ 40,211	$ 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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Revenue:				
License and subscription fees	$ 1,277	$ 192	$ 1,568	$ 625
Professional services	4,211	4,993	9,713	9,757
Maintenance and support	1,487	1,592	2,999	2,930
	6,975	6,777	14,280	13,312
Expenses*:				
Professional service costs	3,082	4,020	6,857	8,320
Research and development, net	2,469	3,559	5,144	7,430
Sales and marketing	1,731	2,445	3,291	5,107
General and administrative, net (note 4)	2,093	2,291	3,569	4,916
	9,375	12,315	18,861	25,773
Loss from operations	(2,400)	(5,538)	(4,581)	(12,461)
Foreign exchange gain (loss)	(155)	216	57	328
Finance income	68	109	151	246
Finance cost	39	–	39	–
	(126)	325	169	574
Loss before income taxes	(2,526)	(5,213)	(4,412)	(11,887)
Income taxes	–	–	–	–
Net loss and comprehensive loss	$ (2,526)	$ (5,213)	$ (4,412)	$ (11,887)
Loss per share (note 8):				
Basic and diluted	$ (0.12)	$ (0.26)	$ (0.22)	$ (0.58)
Weighted average number of common shares outstanding (note 8):				
Basic and diluted	20,415	20,369	20,348	20,368
*Share-based payment expense has been included in expenses as follows:				
Professional service costs	$ 36	$ 68	$ 81	$ 126
Research and development, net	(33)	73	17	134
Sales and marketing	23	50	37	90
General and administrative, net	17	32	39	95
	$ 43	$ 223	$ 174	$ 445

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)

Six months ended June 30, 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	–	–	–	–	(4,412)	(4,412)
Share-based payment expense (note 7(a))	–	–	–	174	–	174
Issuance of common shares on acquisition of Liberate (note 3)	237	500	–	–	–	500
Repurchase of common shares (note 6(b))	(109)	(218)	–	–	–	(218)
Balance, June 30, 2014	20,458	$ 83,300	$ (3,622)	$ 5,689	$ (54,320)	$ 31,047

*For accounting purposes, common shares issued pursuant to the share loan and pledge agreements (note 6) are not recognized as outstanding until such time as payments are received on the loan balances. At June 30, 2014, 950 common shares were legally issued and outstanding to employees in connection with these agreements and were included in the total number of outstanding common shares of 21,408.

Six months ended June 30, 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	–	–	–	–	(11,887)	(11,887)
Share-based payment expense (note 7(a))	–	–	–	445	–	445
Exercise of stock options	10	38	–	(13)	–	25
Balance, June 30, 2013	20,378	$ 83,099	$ (3,622)	$ 5,291	$ (42,986)	$ 41,782

*For accounting purposes, common shares issued pursuant to the share loan and pledge agreements (note 6) are not recognized as outstanding until such time as payments are received on the loan balances. At June 30, 2013, 950 common shares were legally issued and outstanding to employees in connection with these agreements and were included in the total number of outstanding common shares of 21,328.

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)

	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash flows from (used in) operating activities:		
Loss for the period	$ (4,412)	$ (11,887)
Adjustments for:		
Depreciation and amortization	847	896
Share-based payment expense	174	445
Finance income	(151)	(246)
Finance cost	39	–
Foreign exchange loss (gain)	11	(238)
Change in non-cash operating working capital:		
Accounts receivable	1,058	2,882
Prepaid expenses and other assets	319	(621)
Accounts payable and accrued liabilities and provisions	(1,818)	(3,062)
Deferred revenue	(2,066)	(585)
Net cash flows used in operating activities	(5,999)	(12,416)
Cash flows from (used in) financing activities:		
Repurchase of common shares	(218)	–
Repayment of bank indebtedness	(66)	–
Repayment of loan	(496)	–
Exercise of employee stock options	–	25
Interest paid	(3)	–
Net cash flows from (used in) financing activities	(783)	25
Cash flows from (used in) investing activities:		
Purchase of property and equipment	(63)	(74)
Interest received	151	246
Net cash flows from investing activities	88	172
Effects of exchange rates on cash and cash equivalents	(11)	238
Decrease in cash and cash equivalents	(6,705)	(11,981)
Cash and cash equivalents, beginning of period	29,293	46,263
Cash and cash equivalents, end of period	$ 22,588	$ 34,282
Supplemental cash flow information:		
Acquisition of property and equipment not yet paid for	$ 193	$ 247

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 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 10 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 ("IAS") 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 July 31, 2014.

(b) Basis of presentation:

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (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 and six months ended June 30, 2014.

3. Business combination:

On April 23, 2014 ("Acquisition Date"), the Company, under a share purchase agreement ("Agreement), acquired all of the outstanding common shares of Liberate Ideas Inc. ("Liberate"), a privately held company based in Toronto, Ontario. 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.

Under the terms of the Agreement, the Company will pay total consideration of up to $2,000, in a combination of cash and common shares which includes certain earn-out provisions, to be settled in combination of 50% in cash, and 50% in common shares of the Company.

The components of the total consideration are as follows:

(a) On the Acquisition Date, the Company assumed the Liberate's selling shareholder's loan and paid cash of $500 to repay that liability. Management has considered this as a post-acquisition transaction and therefore, has excluded this amount from the purchase consideration for the purposes of acquisition accounting.

(b) On closing, the Company issued 237,192 common shares at a price of $2.11 per common share, aggregating to $500, which represented the 20 trading day average closing price of NexJ's common shares on the Toronto Stock Exchange ("TSX") for the period ending on April 21, 2014. As set forth in the Agreement, the common shares issued are held in escrow for a period of one year from the Acquisition Date.

(c) A portion of the total consideration up to a maximum of $1,000, payable in 50% cash and 50% common shares, is contingent consideration subject to an earn-out arrangement over the earn-out period ending April 23, 2015. The earn-out is determined based on post-acquisition customer bookings target as specified in the Agreement. For purposes of acquisition accounting, the Company has estimated the fair value of the contingent consideration to be $556 as at April 23, 2014. The fair value of the contingent consideration was calculated by using probabilities-based outcomes. Accordingly, the estimated contingent consideration liability will be trued up to its expected amount with any changes in such estimates will be recorded in the statement of comprehensive loss. The fair value of the contingent consideration liability was $592 as at June 30, 2014.

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

3. Business combination (continued):

The following table summarizes the estimated fair values of the identifiable assets acquired and liabilities assumed as part of the Liberate acquisition:

Assets acquired:	
Accounts receivable	$ 43
Prepaid expenses and other assets	154
Intangible assets	1,000
	1,197
Liabilities assumed:	
Bank indebtedness	66
Accounts payable and accrued liabilities	247
Deferred revenue	180
Loan	496
Deferred income tax liability	16
	1,005
Identified net assets acquired	192
Goodwill	864
	$ 1,056
Common Shares of NexJ	500
Contingent consideration (note 5)	556
Total purchase consideration	$ 1,056

The Company applied estimates and assumptions in accounting for the acquisition of Liberate relating to the allocation of the purchase consideration, valuation of identifiable intangible assets, valuation of contingent consideration and other valuations used in the business acquisition, such as deferred revenue.

The Company allocated $1,000 to intangible assets, including customer relationships and acquired technology based on their estimated fair values at the Acquisition Date. These intangible assets will be amortized over their estimated useful lives, expected to be four years for customer relationships and acquired technology. The useful lives of the intangible assets are determined using the period of time over which the assets are anticipated to contribute to the Company's expected future cash flows.

3. Business combination (continued):

The acquisition was accounted for using the acquisition method in accordance with IFRS 3 with the results of operations consolidated with those of the Company in the Healthcare segment effective April 23, 2014. Subsequent to the acquisition, a notice of claim has been filed against the Company. The Company has indemnification rights under the Agreement. The Company will determine and finalize the working capital and other adjustments, if any, as specified in the share purchase agreement as it obtains the information necessary to complete the measurement process.

Goodwill is calculated as the difference between the Acquisition Date fair value of the consideration transferred and the provisional fair values assigned to the assets acquired and liabilities assumed. The goodwill recorded on the business combination is attributable to the intangible assets that do not qualify for separate recognition (for instance, the assembled workforce); and operating synergies and other benefits expected to result from combining the operations of the Company and Liberate. Goodwill was allocated to the Liberate cash generating unit within the Healthcare segment. None of the goodwill is expected to be deductible for tax purposes.

The Company incurred acquisition-related costs of $50 relating to professional fees and due diligence costs. These have been included in general and administrative expenses in the condensed interim consolidated statements of comprehensive loss.

Pro forma disclosure:

The acquisition of Liberate contributed revenue of $60 and net loss of $133 for the six months ended June 30, 2014. If the acquisition would have occurred on January 1, 2014, management estimates that the pro forma consolidated revenue for the six months ended June 30, 2014 would have been $14,310 and consolidated loss for the six months ended June 30, 2014 would have been $4,661 as compared to the amounts reported in the condensed interim consolidated statements of comprehensive loss. This unaudited pro forma financial information is for information purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the period presented or the results that may be realized in the future.

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

4. Provisions:

Six months ended June 30, 2014	Earn-out obligations	Lease-exit charges	Other	Total
Balance, January 1, 2014	$ –	$ 1,211	$ 103	$ 1,314
Provisions used	–	(171)	(103)	(274)
Provisions reversed	–	(625)	–	(625)
Balance, June 30, 2014	$ –	$ 415	$ –	$ 415

Six months ended June 30, 2013	Earn-out obligations	Lease-exit charges	Other	Total
Balance, January 1, 2013	$ 384	$ –	$ 44	$ 428
Provisions recorded	436	–	126	562
Provisions used	–	–	(3)	(3)
Balance, June 30, 2013	$ 820	$ –	$ 167	$ 987

(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.

At the end of the Broadstreet 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 a $52 and $436 in profit or loss for the three and six months ended June 30, 2013.

4. Provisions (continued):

(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 or 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 executed in June, 2014. 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 expense in profit or loss. During the three and six months ended June 30, 2014, the Company applied $85 and $171 of rent paid relating to the vacated portion of its leased office premises against the provision recorded in the prior year.

(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 of Broadstreet. During the three and six months ended June 30, 2014, the balance of $103 was paid in accordance with the Broadstreet acquisition agreement.

5. Contingent consideration:

As part of the acquisition of Liberate, a portion of the total consideration up to a maximum of $1,000, payable in 50% cash and 50% common shares, is contingent consideration subject to an earn-out arrangement over the earn-out period ending April 23, 2015. The earn-out is determined based on post-acquisition customer bookings target as specified in the Agreement. As at April 23, 2014 and June 30, 2014, the Company reviewed and assessed the probability of achieving such targets and, based on estimates or forecasts, the Company recorded $556 as the contingent consideration liability. Refer to business combination (note 3). For the period ended June 30, 2014, the Company has recorded a finance expense of $36 under finance costs on this liability, resulting in an aggregated balance of contingent consideration liability of $592.

6. Share capital:

(a) The Company entered into a non-binding retention bonus agreement dated March 28, 2011 with certain employees and officers ("Exercise Persons"), 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 and six months ended June 30, 2014, the Company expensed $94 and $240 (2013 - $176 and $358) 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.

(b) In December, 2013, the Company applied to the 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.

6. Share capital (continued):

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 and six months ended June 30, 2014, the Company repurchased and cancelled 51,800 and 109,700 of its common shares through trades on the TSX for an aggregate purchase price of $102 and $218, which was recorded as a reduction of share capital.

7. Share-based payment arrangements:

At June 30, 2014, the Company had the following share-based payment arrangements:

(a) Stock option plan:

The total share-based payment expense and the amount credited to contributed surplus for the three and six months ended June 30, 2014 was $43 and $174 (2013 - $223 and $445).

The following table outlines the activity for stock options for the six months ended June 30, 2014 and 2013:

	2014		2013	
	Number of options (000s)	Weighted average exercise price	Number of options (000s)	Weighted average exercise price
Outstanding, beginning of period	1,568	$ 5.46	1,420	$ 6.22
Granted	312	2.48	478	3.63
Exercised	–	–	(10)	2.51
Cancelled	(233)	5.55	(144)	5.38
Outstanding, end of period	1,647	4.88	1,744	5.60
Exercisable, end of period	939	$ 5.79	712	$ 5.93

7. Share-based payment arrangements (continued):

At June 30, 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)
$1.50 - 3.00	424	6.37
$3.01 - 4.50	346	5.60
$4.51 - 6.00	595	6.00
$6.01 - 7.50	20	4.82
$7.51 - 9.00	262	4.30
	1,647	5.73

(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 June 30, 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.

	2014		2013	
	Number	Amount	Number	Amount
	(000s)		(000s)	
Outstanding, beginning of period	182	$ 362	86	$ 355
Exercised	(51)	(104)	–	–
Changes in fair value of the award	–	9	–	(103)
Outstanding, end of period	131	$ 267	86	$ 252

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

7. Share-based payment arrangements (continued):

As at June 30, 2014, the total liability for these DSUs, including accrued directors fees for the current period, was $380 (2013 - $390), which was included in non-current liabilities on the condensed interim consolidated statements of financial position.

8. Loss per share:

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Numerator:				
Loss for the period	$ (2,526)	$ (5,213)	$ (4,412)	$ (11,887)
Denominator:				
Weighted average number of shares:				
Basic and diluted	20,415	20,369	20,348	20,368
Loss per share:				
Basic and diluted	$ (0.12)	$ (0.26)	$ (0.22)	$ (0.58)

During the three and six months ended June 30, 2014, there were nil and nil (2013 - 10 and 26) 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)

9. 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 June 30, 2014 and December 31, 2013:

	June 30, 2014		December 31, 2013	
Classification	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Held-for-trading:				
Cash equivalents	$ 17,422	$ 17,422	$ 22,720	$ 22,720
Loans and receivables:				
Accounts receivable	6,231	6,231	7,246	7,246
Financial liabilities:				
Other financial liabilities:				
Accounts payable and accrued liabilities	4,794	4,794	5,273	5,273
Provisions	415	415	1,314	1,314
Contingent consideration	592	592	–	–

The carrying values of cash and cash equivalents, accounts receivable, 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)

9. 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 June 30, 2014 and December 31, 2013 in the condensed interim consolidated financial statements are summarized below:

June 30, 2014	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents	$ 17,422	$ –	$ –	$ 17,422
Financial liabilities:				
Provisions	$ –	$ –	$ 415	$ 415
Contingent consideration	–	–	592	592

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 June 30, 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)

9. 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 June 30, 2014	3	61
Six months ended June 30, 2014	3	48
Three months ended June 30, 2013	4	56
Six months ended June 30, 2013	4	56

	Accounts receivable	
	Number of customers	% of total
As at June 30, 2014	3	54
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.

9. 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 and six months ended June 30, 2014, the Company recorded a foreign exchange gain (loss) of $(155) and $57 (2013 - $216 and $328), respectively. At June 30, 2014, U.S. dollar-denominated net monetary assets totalled approximately U.S. $7,410 (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 $791 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.

9. 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.

10. 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 and six months ended June 30, 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.

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

10. Segment reporting (continued):

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 condensed interim consolidated statements of comprehensive loss.

The following segmented information is regularly reported to the CODM:

Three months ended June 30, 2014	Enterprise Software	Healthcare	Corporate	Total
Revenue:				
License and subscription fees	$ 1,252	$ 25	$ –	$ 1,277
Professional services	4,176	35	–	4,211
Maintenance and support	1,466	21	–	1,487
	6,894	81	–	6,975
Expenses:				
Professional service costs	2,791	255	–	3,046
Research and development	1,597	905	–	2,502
Sales and marketing	1,154	554	–	1,708
General and administrative	1,085	336	212	1,633
	6,627	2,050	212	8,889
Adjusted EBITDA	267	(1,969)	(212)	(1,914)
Share-based payment expense				43
Depreciation and amortization				443
Loss from operations				(2,400)
Foreign exchange loss				(155)
Finance income				68
Finance cost				39
Loss before income taxes				(2,526)
Income taxes				–
Net loss and comprehensive loss				$ (2,526)

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

10. Segment reporting (continued):

Six months ended June 30, 2014	Enterprise Software	Healthcare	Corporate	Total
Revenue:				
License and subscription fees	$ 1,352	$ 216	$ –	$ 1,568
Professional services	8,230	1,483	–	9,713
Maintenance and support	2,880	119	–	2,999
	12,462	1,818	–	14,280
Expenses:				
Professional service costs	5,997	779	–	6,776
Research and development	3,103	2,024	–	5,127
Sales and marketing	2,078	1,176	–	3,254
General and administrative	2,099	751	458	3,308
	13,277	4,730	458	18,465
Adjusted EBITDA	(815)	(2,912)	(458)	(4,185)
Share-based payment expense				174
Depreciation and amortization				847
Lease-exit charges, net				(625)
Loss from operations				(4,581)
Foreign exchange gain				57
Finance income				151
Finance cost				39
Loss before income taxes				(4,412)
Income taxes				–
Net loss and comprehensive loss				$ (4,412)

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

10. Segment reporting (continued):

Three months ended June 30, 2013	Enterprise Software	Healthcare	Corporate	Total
Revenue:				
License and subscription fees	$ –	$ 192	$ –	$ 192
Professional services	4,943	50	–	4,993
Maintenance and support	1,486	106	–	1,592
	6,429	348	–	6,777
Expenses:				
Professional service costs	3,723	220	–	3,943
Research and development	1,984	1,501	–	3,485
Sales and marketing	1,843	510	–	2,353
General and administrative	1,264	428	123	1,815
	8,814	2,659	123	11,596
Adjusted EBITDA	(2,385)	(2,311)	(123)	(4,819)
Share-based payment expense				223
Depreciation and amortization				444
Earn-out expense				52
Loss from operations				(5,538)
Foreign exchange gain				216
Finance income				109
Loss before income taxes				(5,213)
Income taxes				–
Net loss and comprehensive loss				$ (5,213)

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

10. Segment reporting (continued):

Six months ended June 30, 2013	Enterprise Software	Healthcare	Corporate	Total
Revenue:				
License and subscription fees	$ 242	$ 383	$ –	$ 625
Professional services	9,670	87	–	9,757
Maintenance and support	2,718	212	–	2,930
	12,630	682	–	13,312
Expenses:				
Professional service costs	7,628	478	–	8,106
Research and development	4,191	3,104	–	7,295
Sales and marketing	3,862	809	–	4,671
General and administrative	2,823	850	251	3,924
	18,504	5,241	251	23,996
Adjusted EBITDA	(5,874)	(4,559)	(251)	(10,684)
Share-based payment expense				445
Depreciation and amortization				896
Earn-out expense				436
Loss from operations				(12,461)
Foreign exchange gain				328
Finance income				246
Loss before income taxes				(11,887)
Income taxes				–
Net loss and comprehensive loss				$ (11,887)

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

10. 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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
United States of America	$ 4,402	$ 3,971	$ 7,017	$ 7,851
Canada	1,243	2,565	5,075	5,180
Europe	1,070	241	1,928	281
Asia Pacific	260	–	260	–
	$ 6,975	$ 6,777	$ 14,280	$ 13,312

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

11. 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 and six months ended June 30, 2014, the Company expensed cash contributions of nil and $34 (2013 - $34 and $68), respectively, which is included in sales and marketing, to support the activities of CAPCH.

12. Contractual obligations:

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 ending March 31, 2014 and the Company committed to making financial contributions of U.S. $1,056 over the term of the agreement and these were being expensed as research and development expenses, as incurred, in profit or loss. For the three and six months ended June 30, 2014, the Company incurred nil and $107 (2013 - $136 and $270) of research and development expenses relating to this agreement.