



## **Syncordia Technologies and Healthcare Solutions, Corp.**

Second Quarter 2018 Revised Condensed Interim Consolidated Financial Statements  
(Unaudited)  
(Expressed in US dollars)

These statements have not been reviewed by an independent firm of Chartered Professional Accountants

**TABLE OF CONTENTS**

|                                                                                 | Page     |
|---------------------------------------------------------------------------------|----------|
| <b>Condensed Interim Consolidated Statements of Financial Position</b>          | <b>1</b> |
| <b>Condensed Interim Consolidated Statements of Loss and Comprehensive Loss</b> | <b>2</b> |
| <b>Condensed Interim Consolidated Statements of Cash Flows</b>                  | <b>3</b> |
| <b>Condensed Interim Changes in Shareholder Equity</b>                          | <b>4</b> |
| <b>Notes to Condensed Interim Consolidated Financial Statements</b>             | <b>5</b> |

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Condensed Interim Consolidated Statements of Financial Position**  
 As at September 30, 2017 and March 31, 2017  
 (Expressed in US dollars)  
 Revised (note 9)

|                                                         | September 30, 2017 | March 31, 2017    |
|---------------------------------------------------------|--------------------|-------------------|
| <b>ASSETS</b>                                           |                    |                   |
| Current Assets                                          |                    |                   |
| Cash and cash equivalents                               | 921,400            | 562,647           |
| Accounts receivable                                     | 2,052,012          | 627,663           |
| Uninvoiced AR                                           | 67,125             |                   |
| Assets Held by Discontinuing Operations                 |                    | 14,844,493        |
| Other Assets                                            | 1,027,205          | 176,934           |
| <b>Total Current Assets</b>                             | <b>4,067,742</b>   | <b>16,211,737</b> |
| <b>Total Non-Current Assets</b>                         | <b>19,075,496</b>  | <b>8,178,555</b>  |
| <b>TOTAL ASSETS</b>                                     | <b>23,143,238</b>  | <b>24,390,292</b> |
| <b>LIABILITIES &amp; EQUITY</b>                         |                    |                   |
| Current Liabilities                                     |                    |                   |
| A/P and Accrued Liabilities                             | 2,555,949          | 1,752,696         |
| Current portion of notes payable                        | 15,348,406         | 12,159,921        |
| Liabilities Held by discontinued operations             |                    | 3,109,268         |
| <b>Total Current Liabilities</b>                        | <b>17,904,354</b>  | <b>17,021,885</b> |
| <b>Total Non-Current Liabilities</b>                    | <b>2,113,430</b>   | <b>2,315,698</b>  |
| <b>Equity Attributable to Shareholders of Syncordia</b> | <b>2,321,079</b>   | <b>4,250,961</b>  |
| <b>Non Controlling Interests</b>                        | <b>804,375</b>     | <b>801,748</b>    |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                   | <b>23,143,238</b>  | <b>24,390,292</b> |

**Approved for issue by the Board of Directors on November 29, 2017**

*“Michael Franks”*

Michael Franks, Director

*“Andrew Blott”*

Andrew Blott, Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

## Syncordia Technologies and Healthcare Solutions, Corp.

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six month ended September 30, 2017 and September 30, 2016

(Expressed in US dollars)

Revised (note 9)

|                                                      | Three months ending<br>September 30, 2017 | Three months ending<br>September 30, 2016 | Six months ending<br>September 30, 2017 | Six months ending<br>September 30, 2016 |
|------------------------------------------------------|-------------------------------------------|-------------------------------------------|-----------------------------------------|-----------------------------------------|
| Revenue                                              | 3,053,770                                 | 3,624,604                                 | 6,264,638                               | 7,734,186                               |
| COS                                                  | 1,043,012                                 | 1,518,859                                 | 2,180,123                               | 3,200,079                               |
| <b>Gross Margin</b>                                  | <b>2,010,758</b>                          | <b>2,105,745</b>                          | <b>4,084,515</b>                        | <b>4,534,107</b>                        |
| Other Operating Expenses                             | 1,742,272                                 | 2,290,820                                 | 3,423,883                               | 4,870,675                               |
| Depreciation & Amortization                          | 855,268                                   | 938,710                                   | 1,616,819                               | 1,868,777                               |
| Deferred Tax Expense                                 | -60,040                                   | -60,024                                   | -119,427                                | -88,448                                 |
| <b>Net Operating Income</b>                          | <b>-526,742</b>                           | <b>-1,063,761</b>                         | <b>-836,761</b>                         | <b>-2,116,897</b>                       |
| Interest                                             | 404,758                                   | 530,131                                   | 899,932                                 | 1,052,799                               |
| <b>Net Income</b>                                    | <b>-931,500</b>                           | <b>-1,593,892</b>                         | <b>-1,736,693</b>                       | <b>-3,169,696</b>                       |
| <b>Net Loss per Share</b>                            |                                           |                                           |                                         |                                         |
| Basic                                                | (0.05)                                    | (0.08)                                    | (0.09)                                  | (0.19)                                  |
| Fully-diluted (if anti-dilutive, same as basic)      | (0.05)                                    | (0.08)                                    | (0.09)                                  | (0.19)                                  |
| <b>Weighted Average Number of Shares Outstanding</b> |                                           |                                           |                                         |                                         |
| Basic                                                | 19,681,135                                | 19,650,564                                | 19,681,135                              | 16,647,119                              |
| Fully-diluted                                        | 19,681,135                                | 19,650,564                                | 19,681,135                              | 16,647,119                              |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

## Syncordia Technologies and Healthcare Solutions, Corp.

### Condensed Interim Consolidated Statements of Cash Flows

For the three and six month period ended September 30, 2017 and September 30, 2016

(Expressed in US dollars)

Revised (note 9)

|                                            | Three months ending<br>September 30, 2017 | Three months ending<br>September 30, 2016 | Six months ending<br>September 30, 2017 | Six months ending<br>September 30, 2016 |
|--------------------------------------------|-------------------------------------------|-------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>Net Income</b>                          | <b>(931,500)</b>                          | <b>(1,593,892)</b>                        | <b>(1,740,702)</b>                      | <b>(3,169,696)</b>                      |
| <b>Operating activities</b>                |                                           |                                           |                                         |                                         |
| Depreciation and amortization              | 855,268                                   | 938,710                                   | 1,441,596                               | 1,868,777                               |
| Decrease (increase) in accounts receivable | (3,779)                                   | (92,020)                                  | (298,691)                               | (115,746)                               |
| Increase (decrease) in AP                  | 205                                       | (52,704)                                  | 209,672                                 | (145,285)                               |
| Increase (decrease) in taxes payable       | (60,040)                                  | (60,023)                                  | (60,040)                                | (125,954)                               |
| Increase (decrease) other                  | 78,161                                    | 230,575                                   | 524,798                                 | 556,366                                 |
| <b>Investing activities</b>                |                                           |                                           |                                         |                                         |
| Capital expenditures                       | (118,705)                                 | (82,783)                                  | (118,705)                               | (104,067)                               |
| Investments                                |                                           |                                           |                                         |                                         |
| Other                                      |                                           | 22,773                                    | (9,740)                                 | (227,227)                               |
| <b>Financing activities</b>                |                                           |                                           |                                         |                                         |
| Dividends paid                             |                                           |                                           |                                         |                                         |
| Sale (repurchase) of stock                 |                                           |                                           |                                         |                                         |
| Increase (decrease) in debt                |                                           |                                           |                                         |                                         |
| Other                                      |                                           |                                           |                                         |                                         |
| <b>Change in Cash</b>                      | <b>(180,390)</b>                          | <b>(689,364)</b>                          | <b>(51,812)</b>                         | <b>(1,462,832)</b>                      |
| Begin Cash balance                         | 1,101,790                                 | 3,663,376                                 | 973,212                                 | 4,436,844                               |
| End Cash balance                           | 921,400                                   | 2,974,012                                 | 921,400                                 | 2,974,012                               |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# **Syncordia Technologies and Healthcare Solutions, Corp.**

## **Condensed Interim Changes in Shareholder Equity**

For the six month period ended September 30, 2017 and September 30, 2016

(Expressed in US dollars)

Revised (note 9)

|                                            | Common<br>Shares  | Amount               | Contributed<br>Surplus | Deficit                | Non-<br>controlling<br>interest | Total                |
|--------------------------------------------|-------------------|----------------------|------------------------|------------------------|---------------------------------|----------------------|
| <b>Balance April 1, 2017</b>               | 19,681,135        | \$ 25,529,338        | \$ 2,011,659           | \$ (23,290,036)        | \$ 801,748                      | \$ 5,052,709         |
| Share-based compensation and awards        |                   |                      |                        |                        |                                 | -                    |
| Exercise of RSUs                           |                   |                      |                        |                        |                                 | -                    |
| Distributions to non-controlling interests |                   |                      |                        |                        | (201,250)                       | (201,250)            |
| Net loss and comprehensive loss            |                   |                      |                        | (1,843,804.84)         | 107,112                         | (1,736,693)          |
| <b>Balance - September 30, 2017</b>        | <u>19,681,135</u> | <u>\$ 25,529,338</u> | <u>\$ 2,011,659</u>    | <u>\$ (25,133,841)</u> | <u>\$ 707,610</u>               | <u>\$ 3,114,766</u>  |
| <b>Balance April 1, 2016</b>               | 19,643,635        | \$ 25,517,330        | \$ 1,963,529           | \$ (6,010,506)         | \$ 912,791                      | \$ 22,383,144        |
| Share-based compensation and awards        | -                 | -                    | 34,682                 | -                      | -                               | 34,682               |
| Exercise of RSUs                           | 37,500            | 12,008               | (12,008)               |                        |                                 | -                    |
| Distributions to non-controlling interests | -                 | -                    | -                      | -                      | (40,000)                        | (40,000)             |
| Net loss and comprehensive loss            | -                 | -                    | -                      | (3,307,224)            | 137,528                         | (3,169,696)          |
| <b>Balance - September 30, 2016</b>        | <u>19,681,135</u> | <u>\$ 25,529,338</u> | <u>\$ 1,986,203</u>    | <u>\$ (9,317,730)</u>  | <u>\$ 1,010,319</u>             | <u>\$ 19,208,130</u> |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
For the three month periods ended September 30, 2017  
(Expressed in US dollars)

**1. ORGANIZATION AND GOING CONCERN**

Syncordia Technologies and Healthcare Solutions, Corp. (“Syncordia” or the “Company”), formerly LL Capital Corp. (“LL Capital”), was formed through the amalgamation and reverse takeover of LL Capital, a capital pool company listed on the TSX Venture Exchange, by Syncordia Technologies and Healthcare Solutions, Inc. (“Syncordia Inc.”) on June 29, 2015. Syncordia Inc. was incorporated under the Canada Business Act on January 14, 2014. The Company since inception has been engaged in the process of identification, evaluation and negotiation of business acquisition opportunities in the healthcare revenue cycle management industry.

On June 29, 2015, the Company completed its qualifying transaction (the “Qualifying Transaction”) by way of a three-cornered amalgamation among LL Capital, a wholly owned subsidiary of LL Capital, and Syncordia Inc. LL Capital changed its name to Syncordia Technologies and Healthcare Solutions, Corp. and at this time completed a consolidation of its share capital on a basis of one post-consolidation common share for every 20 common shares existing immediately before the consolidation. The Qualifying Transaction resulted in a reverse takeover of LL Capital by the shareholders of Syncordia Inc. (the “Reverse Takeover”).

After the Qualifying Transaction, the shareholders of Syncordia Inc. held 97.7% of the shares of the amalgamated corporation, and for accounting purposes Syncordia Inc. was deemed to be the acquirer. The Qualifying Transaction constitutes a reverse takeover but does not meet the definition of a business combination under International Financial Reporting Standards (“IFRS”) 3, Business Combinations; accordingly, the Company has accounted for the transaction in accordance with IFRS 2, Share-based Payments. The assets and liabilities of LL Capital have been included in the Company’s consolidated balance sheet at fair value, which approximate their pre-combination carrying values.

Syncordia Technologies and Healthcare Solutions, Corp.’s shares were listed for trading on the TSX Venture Exchange under the symbol “SYN” on July 8, 2015.

The Company’s principal business consists of revenue cycle management software solutions and transaction processing services to air and ground emergency medical services industries and the behavioural health industry. Effective October 31, 2014, the Company acquired 100% of the shares of Health Services Integration, Inc. (“HSI”), through Syncordia HSI Acquisition, LLC, an entity wholly-owned by Syncordia Technologies and Healthcare Solutions US Inc (note 5). Effective April 24, 2015, the Company acquired 100% of the shares of Paragon Billing LLC (“Paragon”) through Syncordia Paragon Acquisition, LLC, an entity wholly owned by Syncordia Technologies and Healthcare Solutions US, Inc. (note 5). Effective March 22, 2016, the Company acquired 80% of the shares of Billing Solutions LLC (“Billing Solutions”) through Syncordia Billing Solutions Acquisition, LLC, an entity wholly owned by Syncordia Technologies and Healthcare Solutions US Inc. (note 5).

The consolidated financial statements also reflect the consolidated financial position of Syncordia Technologies and Healthcare Solutions US, Inc., and Syncordia Technologies and Healthcare Solutions Ireland Limited, both wholly-owned subsidiaries of Syncordia.

Syncordia has a fiscal year-end of March 31. The head office of Syncordia is located at 100 Broadview Avenue, Suite 300, Toronto, Ontario, M4M 3H3.

**Going Concern**

These unaudited interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classification that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could be material.

The Company manages its capital structure based on the funds available to it in order to support the continuation and expansion of its operations. As the Company has negative cash flow from operations, it relies on debt and equity financing to execute its stated business strategy. In order to maintain or adjust its capital structure, the Company anticipates seeking additional financing through the issuance of securities such as equity, convertible debt, or by replacing existing debt with debt on terms more consistent with the Company’s needs.

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
For the three month periods ended September 30, 2017  
(Expressed in US dollars)

As at September 30, 2017, the Company had cash and cash equivalents of \$921,400, a decrease of \$180,390, from September 30, 2017.

In addition to funding its ongoing operating requirements, capital expenditures and future acquisitions, the Company was required to make two principal repayments on the secured notes of \$2,222,509 each on November 5, 2016 and May 5, 2017. The secured notes are due on November 5, 2017 and the Billing Solutions note payable of \$2,000,000 plus accrued interest is due in the first quarter of fiscal 2019, assuming the full acquisition earn-out targets are achieved.

Effective November 4, 2016, the Company obtained a waiver (the “November 2016 Waiver”) from the secured noteholder consortium (the “Consortium”) to modify the timing of principal repayments. The Company paid \$1,313,239 instead of \$2,222,065 toward the November 5, 2016 principal payment. The shortfall of \$875,493 was required to be paid along with principal repayment amount of \$2,222,065 (together, the “Amended Principal Repayment”) on or before May 5, 2017. The Company incurred a fee of 2.5% of the remaining original principal, or \$299,645 which has been recorded as finance costs on the consolidated statements of loss.

Effective May 5, 2017, the Company obtained a second waiver (the “May 2017 Waiver”) from the Consortium that modified certain terms of the November 2016 Waiver, including the timing of the repayment of the Amended Principal Repayment. The May 2017 Waiver, provided that the Company is permitted to settle the Amended Principal Repayment plus a disposition fee equal to 1.5% of the total outstanding principal amounts due on the notes payable (notes 6 and 13) (the “Disposition Fee”) together with all outstanding principal plus any outstanding accrued interest thereon, from the proceeds of disposition of Paragon (the “Paragon Disposition”) and/or Billing Solutions (the “Billing Solutions Disposition”) (together, the “Dispositions”). The Paragon Disposition was to be completed on or before May 19, 2017 and the Billing Solutions Disposition was to be completed on or before June 30, 2017. As of the date of filing of these consolidated financial statements, the Dispositions have not been completed.

On July 14, 2017, the Company entered into a forbearance agreement (the “Forbearance Agreement”) with the Consortium. Pursuant to the terms of the Forbearance Agreement, the noteholders have agreed to forbear from exercising their enforcement rights and remedies in respect of the secured notes to enable the Company to continue its ongoing divestiture process of its interest in Billing Solutions, for a period of approximately three and one-half months, subject to the terms of the Forbearance Agreement. Also under the terms of the Forbearance Agreement, the Company will continue its process to divest of Paragon. The Company has agreed to engage an advisor to conduct the divestiture process and proceeds received by Syncordia from any divestiture will be used to forthwith pay down the indebtedness owing to the noteholders. The Forbearance Agreement provides for an escrow account of approximately \$283,000 that the Company can access to pay for certain agreed upon payments pursuant to the terms of an escrow agreement.

Due to ongoing negative operating cash flows from continuing operations, the Company’s operating plan anticipates that it will not generate positive cash flow from operations to fulfill its debt obligations. Existing cash resources will continue to be utilized to fund operating activities, capital expenditures, transaction costs and, where possible, senior note interest payments prior to settlement of the senior notes. Until the operational improvements, as described below, are in place, it is unlikely that the Company will generate sufficient cash flow from operations or have sufficient cash resources to fund the senior note principal repayments. In such a circumstance, further revisions to the senior notes repayment terms will be required.

In these circumstances, the Company has undertaken a strategic review, and determined that some combination of each of the following initiatives is required to adequately deal with the funding and senior note obligation: (i) sale of one or more operating companies; (ii) strategic alliances or combinations with HSI to improve overall results; (iii) licensing or sale of certain intellectual property; (iv) other cash-generating strategic initiatives. The Company has received interest from potential buyers for its Revenue Cycle Management (“RCM”) operating companies, and the Company is working with the potential buyers to finalize terms and reach an agreement. In the event that the Company is not able to complete a transaction to settle its debt obligations, the Company will seek to obtain further waivers or revise the lending agreement to facilitate the completion of the outstanding payments to the expected time-table associated with the planned divestitures. There can be no assurance that the lenders will agree to such provisions and that the timing of the disposal will be consistent with the obligations to the lenders and their expectations.

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
For the three month periods ended September 30, 2017  
(Expressed in US dollars)

To improve operating cash flows of the Company, the following initiatives are in place at HSI: (i) continuing to secure new business to replace a significant customer which terminated in 2016 (there is a ten-to-twelve-month delay before new customers generate significant revenues); (ii) reducing costs per encounter through introduction of technological enhancements and optimization of staffing complement; (iii) restructuring of HSI's dispatch services; (iv) reducing general and administrative staff headcounts.

In addition, the Company continues to assess its rate of investment in Corporate and Platform Syncordia initiatives and is evaluating several cost containment initiatives such as, reduced corporate headcounts, salaries and reducing discretionary software development. These cost containment initiatives have begun and will be accelerated depending on the results of other operation changes to improve cash flow. Assuming the Company completes a divestiture, it will consider further changes to its Corporate and Platform Syncordia staff and overhead costs.

The quantum and timing of cash flow from operations will be significantly influenced by the operating performance of the Company's RCM businesses, particularly in the short term as a result of: (i) HSI securing new business and Billing Solutions achieving its acquisition earning targets; (ii) introducing several technology enhancements to improve operating efficiency; and (iii) continuing to implement several cost containment initiatives, particularly reducing costs per encounter within the RCM business.

There are significant risks associated with each of these plans and strategies and there can be no assurance that the steps management is taking will be successful, if not successful in many of them, cash flows will be reduced and the Company may not have sufficient cash flow or resources to make debt principal payments on its senior notes or in the worst case, cover its operating costs. Missing a debt payment, should the appropriate waivers not be obtained, may result in an event of default on the senior notes, which the Company may not be able to rectify with renegotiated terms or alternative financing.

These circumstances cast significant doubt as to the Company's ability to continue as a going concern, and the ultimate appropriateness of the use of accounting principles applicable to a going concern.

## 2. BASIS OF PRESENTATION

### STATEMENT OF COMPLIANCE

These unaudited interim consolidated financial statements (the "Financial Statements") as at and for the 3 months ended September 30, 2017, were approved by Syncordia's Board of Directors on November 29, 2017. The Financial Statements, which have been prepared by management, have been prepared in accordance with *International Accounting Standards ("IAS") 34 'Interim Financial Reporting'* using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") with an effective date of September 30, 2017.

### BASIS OF PRESENTATION

The Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in note 9. The Financial Statements are prepared using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency and presentation currency of the Company and its subsidiaries is the United States dollar.

The Company has organized its operations based on the services it offers, which is consistent with how the chief operating decision maker evaluates results of the business. The Company reports its result in three business segments, namely, RCM, Platform Syncordia and Corporate. The Platform Syncordia supports the Company's intellectual property assets and conducts research and development activities. The corporate and administration support is reported as a Corporate cost.

Beginning in fiscal 2018, Company begin reporting on an accrual basis, affecting revenue, AR and income. Prior periods were not restated.

Certain comparative amounts have been reclassified to conform with the current year's presentation (note 4).

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
For the three month periods ended September 30, 2017  
(Expressed in US dollars)

**BASIS OF CONSOLIDATION**

The Financial Statements are prepared on a consolidated basis and include: (i) Syncordia and its wholly-owned and controlled subsidiaries, Syncordia Inc., Syncordia Technologies and Healthcare Solutions Ireland Limited, Syncordia Technologies and Healthcare Solutions US Inc., Syncordia HSI Acquisition LLC, Health Service Integration Inc., Syncordia Paragon Acquisition LLC, Paragon Billing LLC, and Syncordia Billing Solutions Acquisition, LLC, and (ii) its 80% owned subsidiary, Billing Solutions, LLC. Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The existence and effect of potential or actual voting rights that are presently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date on which control ceases. All intercompany balances and transactions have been eliminated.

On April 1, 2016, the Company and Syncordia Inc. were amalgamated.

**3. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017 (for the Company, effective with fiscal periods beginning after April 1, 2017) and have not been applied in preparing these Financial Statements. Those which may be relevant to the Company are set out below.

IFRS 9, *Financial instruments*, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2016. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has not assessed the full impact of IFRS 9 and is in the process of considering its implications and the Company’s planned date of adoption.

IFRS 15, *Revenue from contracts with customers*, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, *Revenue*, and IAS 11, *Construction contracts*, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Company has not assessed the full impact of IFRS 15 and is in the process of considering its implications and the Company’s planned date of adoption.

IFRS 16, *Leases*, introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases for leases with terms more than twelve months, unless the underlying asset is of low value. Lessor accounting for leases as finance or operating leases will remain substantially unchanged. The IASB issued the standard in 2016, replacing IAS 17 *Leases* and related interpretations. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
For the three month periods ended September 30, 2017  
(Expressed in US dollars)

In December 2014, the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, and the structure and disclosure of accounting policies. The amendments are effective from January 1, 2016.

**4. NOTES PAYABLE**

|                                                                | <b>As of September 30, 2017</b> |
|----------------------------------------------------------------|---------------------------------|
| Notes payable                                                  | 12,051,630                      |
| Paid-in-kind interest capitalized                              | 757,837                         |
| Interest payable                                               | 294,048                         |
| Deferred financing costs                                       | 499,631                         |
| Subordinate promissory note from Billing Solutions acquisition | 2,000,000                       |
| Accrued interest payable on subordinate note                   | 274,685                         |
| <b>Total Notes payable</b>                                     | <b>15,877,831</b>               |

The Billing Solutions acquisition was funded in part through a \$2,000,000 promissory note payable held by the former owner. The note has a two-year term, bears interest at 9% per annum, and is subordinated to the Company's senior notes payable. Interest is payable on maturity of the notes payable.

The promissory note is subject to claw back provisions if a minimum earnings threshold is not reached during either of the first two years under control of the Company. The amount of \$2,000,000 represents the estimated fair value of the promissory note payable to the seller. This amount was determined based on management's estimate of Billing Solutions achieving certain performance targets in accordance with the membership interest purchase agreement. The subordinated promissory note has a fair value of \$2,274,685 as at September 30, 2017, and is included within notes payable.

**5. FINANCIAL INSTRUMENTS**

**FAIR VALUE**

The Company's financial instruments consist of accounts receivable, other assets and accounts payable and accrued liabilities, the fair value of which approximates carrying value due to the short-term nature of these instruments. Notes payable are initially recorded at fair value and subsequently at amortized cost. As the notes are repayable at any time at the option of the Company without penalty, the carrying value of the principal approximates the fair value. The fair value of contingent consideration is determined at each reporting period.

**LIQUIDITY RISK**

Liquidity risk is the risk the Company will not have the financial resources required to meet its financial obligations as they come due. The Company manages this risk by ensuring it has sufficient cash on hand to meet obligations as they come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. As at September 30, 2016, the Company had cash and cash equivalents of \$921,400.

**INTEREST RATE RISK**

Interest rate risk is the risk the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash balances, other assets, accounts payable, accrued liabilities, contingent consideration and notes payable have fixed interest rates and are not directly impacted by variable interest rates.

**CREDIT RISK**

Credit risk is the risk one party to a financial instrument will cause a loss to another party by failing to pay for its obligations. The Company is subject to credit risk with respect to its cash balances and accounts receivable. The Company mitigates credit risk by depositing cash with a Canadian schedule I chartered bank in Canada and large financial institutions outside of Canada and monitors their credit ratings.

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
For the three month periods ended September 30, 2017  
(Expressed in US dollars)

**6. COMMITMENTS**

As at September 30, 2017, the Company had various operating leases, primarily for office rent and equipment, with remaining terms of more than one year. These leases have minimum annual aggregate commitments as follows:

|                       |                  |
|-----------------------|------------------|
| FY2018                | 260,455          |
| FY2019                | 531,507          |
| FY2020                | 542,409          |
| FY2021                | 527,355          |
| FY2022                | 200,601          |
| FY2023 and thereafter | 0                |
| <b>Total</b>          | <b>2,062,327</b> |

**7. SEGMENT INFORMATION**

The Company's Chief Executive Officer ("CEO") has been identified as the chief operating decision maker. The CEO evaluates the performance of the Company and allocates resources based on information provided by the Company's internal management system. The Company has determined that it has three operating segments: RCM, Platform Syncordia and Corporate.

As at September 30, 2017 the RCM business segment is comprised of HSI, located in Santa Rosa, California, Paragon, located in Edina, Minnesota and Billing Solutions, located in Prescott, Arizona. The Platform Syncordia business segment is located in Mullingar, Ireland and acts as a centre supporting the Company's intellectual property and where research and development activities are conducted. The business objectives of the Platform Syncordia include supporting the deployment and operation of acquired intellectual property, and to enhance and further develop the Cloud technology platform.

The Corporate business segment is comprised of executive management offices based in Toronto, Ontario and Wilmington, North Carolina and oversees corporate development, investor relations and corporate finance activities. Below are the results by segment for the 3-month periods ended September 30, 2017 and June 30, 2017.

Three Months ending September 30, 2017  
*(net of intercompany eliminations)*

|                             | RCM       | Syncordia Cloud | Corporate   | Total            |
|-----------------------------|-----------|-----------------|-------------|------------------|
| Revenue                     | 3,053,770 |                 |             | 3,053,770        |
| COS and Operating expenses  | 1,978,299 | 295,459         | 511,526     | 2,785,284        |
| Depreciation & Amortization | 199,333   | 505,946         | 149,989     | 855,268          |
| Interest Expense            |           |                 | 404,758     | 404,758          |
| Deferred Tax expense        | (60,040)  |                 |             | (60,040)         |
| Income (loss)               | 936,178   | (801,404)       | (1,066,273) | <b>(931,500)</b> |

Three Months ending June 30, 2017  
*(net of intercompany eliminations)*

|                             | RCM       | Syncordia Cloud | Corporate   | Total            |
|-----------------------------|-----------|-----------------|-------------|------------------|
| Revenue                     | 3,210,868 |                 |             | 3,210,868        |
| COS and Operating expenses  | 2,138,418 | 91,482          | 588,822     | 2,818,722        |
| Depreciation & Amortization | 197,231   | 500,448         | 63,873      | 761,552          |
| Interest Expense            |           |                 | 495,174     | 495,174          |
| Deferred Tax expense        | (59,387)  |                 |             | (59,387)         |
| Income (loss)               | 934,606   | (591,930)       | (1,147,869) | <b>(805,193)</b> |

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
For the three month periods ended September 30, 2017  
(Expressed in US dollars)

Revenue from external customers is assigned to geographic areas based on the location of the customers. For the three months ended September 30, 2017 and June 30, 2017, all revenue earned was from customers located in the United States.

## **8. NATURE OF RCM OPERATING EXPENSES**

The nature of expenses included in cost of sales, operating expenses and transaction costs at the RCM operating entities are as follows:

|                        | <b>September 30, 2017</b> | <b>June 30, 2017</b> |
|------------------------|---------------------------|----------------------|
| COS                    | 1,043,012                 | 1,137,111            |
| SG&A wages             | 393,752                   | 533,367              |
| Professional fees      | 28,624                    | 19,629               |
| Transaction costs      | 65,199                    | 7,110                |
| Rent                   | 158,458                   | 162,623              |
| Information technology | 100,788                   | 120,475              |
| Travel                 | 21,288                    | 25,389               |
| Marketing              | 47,391                    | 26,488               |
| Other                  | 119,788                   | 106,227              |
| <b>Total</b>           | <b>1,978,299</b>          | <b>2,138,418</b>     |

## **9. REVISIONS**

Note 9: Financial statements were revised to present the proper historical comparative period. No changes were made to the current period ending September 30, 2017