



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

Third Quarter 2016 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 Changes in Equity</b>	<b>3</b>
<b>Condensed Interim Consolidated Statements of Cash Flows</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 December 31, 2015 and March 31, 2015

	<b>December 31 2015</b>	<b>March 31 2015</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	10,285,018	2,842,413
Accounts receivable (notes 7 and 12)	1,876,903	1,931,076
Other assets	373,830	145,304
	<u>12,535,751</u>	<u>4,918,793</u>
<b>Property and equipment</b>	283,175	168,418
<b>Intangible assets</b> (notes 4 and 8)	17,293,181	16,134,626
<b>Goodwill</b> (notes 4 and 8)	6,370,291	5,836,719
	<u>36,482,398</u>	<u>27,058,556</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,119,067	1,135,379
Holdback payable (note 4)	250,000	-
Contingent consideration payable (note 6)	-	2,320,000
Current portion of notes payable (note 10)	2,222,065	-
	<u>3,591,132</u>	<u>3,455,379</u>
<b>Notes payable</b> (note 10)	10,117,106	10,483,989
<b>Other non-current liabilities</b>	127,428	-
	<u>13,835,666</u>	<u>13,939,368</u>
<b>Shareholders' Equity</b>		
<b>Share capital</b> (note 9)	25,517,330	14,387,095
<b>Contributed surplus</b> (notes 9, 10 and 11)	1,952,958	1,626,593
<b>Deficit</b>	(4,823,556)	(2,894,500)
	<u>22,646,732</u>	<u>13,119,188</u>
	<u>36,482,398</u>	<u>27,058,556</u>
<b>Commitments</b> (note 13)		

**Approved by the Board of Directors**

\_\_\_\_\_(Signed) "Michael Franks"\_\_\_\_\_  
 Director \_\_\_\_\_(Signed) "James Eaton"\_\_\_\_\_  
 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 nine months ended December 31, 2015 and 2014

	Three months ended December 31		Nine months Ended December 31	
	2015	2014	2015	2014
<b>Revenue</b> (note 12)	3,678,236	1,690,552	10,969,933	1,690,552
<b>Gain on settlement of contingent consideration</b> (note 6)	-	-	1,111,342	-
	3,678,236	1,690,552	12,081,275	1,690,552
<b>Cost of sales</b> (note 14)	996,161	549,976	3,088,326	549,976
<b>Amortization of operating assets</b> (note 8)	708,368	394,093	2,077,351	394,093
<b>Gross profit</b>	1,973,707	746,483	6,915,598	746,483
<b>Operating expenses</b> (notes 11 and 14)	2,016,429	1,157,236	6,072,616	1,462,996
<b>Transaction costs</b> (note 14)	16,742	544,493	1,786,170	817,550
<b>Other amortization</b>	65,332	45,005	197,618	45,702
<b>Loss before financing expenses</b>	(124,796)	(1,000,251)	(1,140,806)	(1,579,765)
<b>Interest expense</b>	477,594	260,922	1,397,237	260,922
<b>Net loss</b>	(602,390)	(1,261,173)	(2,538,043)	(1,840,687)
<b>Unrealized non-cash gain on fair value of derivative financial liability</b> (notes 9 and 17)	(1,026)	-	(608,987)	-
<b>Net loss and comprehensive loss for the period</b>	(601,364)	(1,261,173)	(1,929,056)	(1,840,687)
<b>Net loss per share</b>				
Basic and diluted earnings per share	(0.03)	(0.08)	(0.11)	(0.26)
<b>Weighted average number of shares outstanding</b>				
Basic	19,643,635	10,995,141	18,291,004	7,118,738
Diluted	19,673,670	11,007,256	18,321,039	7,130,853

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 Changes in Equity**  
**For the nine months ended December 31, 2015 and 2014**

	Number of shares	Amount	Contributed surplus	Deficit	Total
<b>Balance - April 1, 2015</b>	14,247,135	\$ 14,387,095	\$ 1,626,593	\$ (2,894,500)	\$ 13,119,188
Issuance of Class B Series 2 preferred shares (note 9)	1,702,500	3,405,000	-	-	3,405,000
Forfeiture of common shares (note 9)	(90,000)	-	-	-	-
Issuance of private placement (note 9)	3,334,000	8,052,460	-	-	8,052,460
Derivative financial liability from private placement warrants (notes 9)	-	(608,987)	-	-	(608,987)
Issuance of common shares on conversion of LL Capital shares (note 5)	450,000	1,246,568	-	-	1,246,568
Share issuance costs (note 9)	-	(964,806)	-	-	(964,806)
Warrants issued (notes 9 and 10)	-	-	261,643	-	261,643
Share-based compensation and awards (note 11)	-	-	64,722	-	64,722
Net loss and comprehensive loss	-	-	-	(1,929,056)	(1,929,056)
<b>Balance – December 31, 2015</b>	<b>19,643,635</b>	<b>\$ 25,517,330</b>	<b>\$ 1,952,958</b>	<b>\$ (4,823,556)</b>	<b>\$ 22,646,732</b>

	Number of shares	Amount	Contributed surplus	Deficit	Total
<b>Balance - April 1, 2014</b>	3,000,000	\$ 3	\$ -	\$ -	\$ 3
Issuance of Class A preferred shares	3,500,000	3,500,000	-	-	3,500,000
Issuance of Class B preferred shares	7,684,635	12,181,442	-	-	12,181,442
Share issuance costs	-	(1,394,662)	-	-	(1,394,662)
Warrants and options issued	-	-	1,599,069	-	1,599,069
Share-based compensation and awards	-	-	13,498	-	13,498
Net loss and comprehensive loss	-	-	-	(1,840,687)	(1,840,687)
<b>Balance – December 31, 2014</b>	<b>14,184,635</b>	<b>14,286,783</b>	<b>1,612,567</b>	<b>(1,840,687)</b>	<b>\$ 14,058,663</b>

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 nine month periods ended December 31, 2015 and 2014

	Three months ended December 31		Nine months ended December 31	
	2015	2014	2015	2014
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net loss for the period	(601,364)	(1,261,173)	(1,929,056)	(1,840,687)
Items not affecting cash				
Gain on settlement of contingent consideration (note 6)	-	-	(1,111,342)	-
Reverse Takeover transaction costs (note 5)	-	-	1,068,920	-
(Gain)/loss on derivative liability (note 17)	(1,026)	-	(608,987)	-
Amortization	773,700	439,097	2,274,969	439,794
Non-cash interest on notes payable (note 10)	171,473	92,290	500,361	92,290
Share-based compensation and awards (note 11)	25,231	8,137	75,239	13,498
Changes in non-cash working capital items				
Accounts receivable	246,123	(483,881)	329,687	(483,881)
Other assets	(108,198)	(45,668)	(180,260)	(69,443)
Accounts payable and accrued liabilities	(274,184)	96,250	(338,205)	482,731
Other non-current liabilities	43,590	249,954	127,429	-
	<u>275,345</u>	<u>(1,001,244)</u>	<u>208,755</u>	<u>(1,365,698)</u>
<b>Investing activities</b>				
Purchase of property, equipment and intangible assets (note 8)	(34,966)	(12,713)	(158,496)	(30,753)
Acquisition of Health Services Integration	-	(21,413,474)	-	(21,413,474)
Acquisition of Paragon (note 4)	-	-	(3,479,929)	-
Settlement of Paragon holdback	-	-	(250,000)	-
Settlement of contingent consideration (note 6)	-	-	(1,208,658)	-
	<u>(34,966)</u>	<u>(21,426,187)</u>	<u>(5,097,083)</u>	<u>(21,444,227)</u>
<b>Financing activities</b>				
Issuance of Class A preferred shares	-	-	-	3,500,000
Issuance of Class B Series 2 preferred shares (note 9)	-	12,181,442	3,405,000	12,181,442
Issuance of private placement (note 9)	-	-	8,052,460	-
Cash consideration from issuance of Reverse Takeover shares (note 5)	-	-	402,605	-
Share issuance costs (note 9)	-	(829,685)	(831,560)	(867,344)
Proceeds from long-term notes (note 10)	-	12,000,000	1,332,388	12,000,000
Deferred financing costs (note 10)	-	(725,237)	(29,960)	(725,237)
	<u>-</u>	<u>22,688,200</u>	<u>12,330,933</u>	<u>26,088,861</u>
<b>Increase/(decrease) in cash and cash equivalents during the period</b>	<b>240,379</b>	<b>199,089</b>	<b>7,442,605</b>	<b>3,278,936</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>10,044,639</b>	<b>3,079,850</b>	<b>2,842,413</b>	<b>3</b>
<b>Cash and cash equivalents - End of period</b>	<b>10,285,018</b>	<b>3,278,939</b>	<b>10,285,018</b>	<b>3,278,939</b>
<b>Cash interest paid</b>	<b>307,616</b>	<b>168,658</b>	<b>899,816</b>	<b>168,658</b>

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 and nine month periods ended December 31, 2015 and 2014

---

## 1. ORGANIZATION

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. 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 4).

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 95 King Street East, Suite 303, Toronto, Ontario.

## 2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements (the “Financial Statements”) for the three and nine months ended December 31, 2015 were approved by Syncordia’s Board of Directors on February 11, 2016. The Financial Statements, which have been prepared by management, have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, International Accounting Standard 34, Interim Financial Reporting (“IAS 34”).

The Financial Statements have been prepared in accordance with the accounting policies as set out in the Company’s consolidated financial statements for the year ended March 31, 2015, prepared in accordance with IFRS. The presentation of these Financial Statements is consistent with those annual financial statements. The Company’s consolidated financial statements for the year ended March 31, 2015 are available on [www.sedar.com](http://www.sedar.com) under the company “Syncordia Technologies and Healthcare Solutions, Corp.”

The preparation of interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving higher degrees of judgment or complexity, or areas where assumptions and estimates

---

**Syncordia Technologies and Healthcare Solutions, Corp.**  
Notes to Condensed Interim Consolidated Financial Statements  
For the three and nine month periods ended December 31, 2015 and 2014

---

are significant to the financial statements are consistent with those disclosed in the notes to the consolidated financial statements for the year ended March 31, 2015.

The Financial Statements are prepared on a going concern basis and have been presented in United States dollars, the Company's functional currency. 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, Revenue Cycle Management ("RCM"), Syncordia Cloud and Corporate. The Syncordia Cloud supports the Company's intellectual property assets and conducts research and development activities. The corporate and administration support is reported as Corporate costs.

The Financial Statements are prepared on a consolidated basis and include Syncordia and its wholly owned 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, and Paragon Billing LLC. All intercompany balances and transactions have been eliminated.

### 3. STANDARD 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, 2014 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 2014. 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, 2017 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.

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. ACQUISITION OF PARAGON

Effective April 24, 2015, the Company acquired 100% of the shares of Paragon, a company previously controlled by two directors and employees of the Company, namely, the Chief Executive Officer and Chief Strategy Officer.



**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
 For the three and nine month periods ended December 31, 2015 and 2014

Paragon is based in Minnesota and operates in the revenue cycle management industry, focused on behavioural mental health billing services. The purchase price allocation for Paragon is not final as the Company is in the process of concluding on the valuation of intangible assets obtained and other items from this acquisition. The following table summarizes the total consideration paid and payable, the fair value of assets acquired and liabilities assumed at the date of acquisition:

Base purchase price	\$ 3,500,000
Holdback payable	500,000
<b>Total purchase price</b>	<b>\$ 4,000,000</b>

Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	\$ 20,071
Accounts receivable	275,514
Other current assets	10,400
Accounts payable and accrued liabilities	(39,557)
Customer relationships	300,000
Intellectual property	2,900,000
	3,466,428
Goodwill	533,572
	<b>\$ 4,000,000</b>

Syncordia funded the Paragon acquisition through a combination of equity and external debt financing as follows, whereby equity financing proceeds exceeded the minimum required portion of the financing:

Private placement of Syncordia Class B preferred shares series 2	\$ 3,405,000
Additional notes payable issued	500,000
Holdback payable	500,000
<b>Total</b>	<b>\$ 4,405,000</b>

Total consideration	\$ 4,000,000
Less: cash acquired	(20,071)
Less: holdback payable	(500,000)
<b>Total</b>	<b>\$ 3,479,929</b>

Acquisition related costs of \$196,036 were charged to transaction costs in the condensed interim consolidated statement of loss and comprehensive loss for the nine-month period ended December 31, 2015. The total amount of goodwill of \$533,572 is calculated as the difference between the fair value of consideration transferred and the preliminary fair value of the assets acquired and liabilities assumed. Goodwill is primarily attributable to expected synergies and the corresponding projected future cash flows. Goodwill is not amortized for accounting purposes, however it is expected to be deductible for income tax purposes.

The holdback payable will require the Company to pay to the former owners of Paragon, two payments of \$250,000 in cash. The first holdback payment was due upon agreement between the Company and the former owners in respect of final closing accounts payable and accrued liabilities which was settled during the second quarter of the year. The second holdback payment is due on April 24, 2016, the one-year anniversary of the acquisition.

Revenues and cost of sales recorded in the condensed interim consolidated statement of loss and comprehensive loss represent Paragon's operations since its acquisition on April 24, 2015. Paragon's revenues of \$1,327,880 and net loss of \$25,324 are included in the condensed interim consolidated statement of loss and comprehensive loss since April 25, 2015. Syncordia's consolidated revenues would have been higher by approximately \$166,473 and net loss reduced by approximately \$7,917 for the nine-month period ended December 31, 2015, had the Paragon acquisition occurred on April 1, 2015.

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
 For the three and nine month periods ended December 31, 2015 and 2014

**5. REVERSE TAKEOVER**

On June 29, 2015, the Company completed the Qualifying Transaction by way of a “three-cornered” amalgamation among LL Capital, a wholly owned subsidiary of LL Capital, and Syncordia Inc. The Reverse Takeover purchase accounting equation is inverted from a traditional business combination, where the consideration is the fair value of the amount Syncordia is deemed to pay for its interest in LL Capital. The consideration paid by Syncordia is measured using the trading price of LL Capital’s common shares. The fair value of LL Capital’s common shares and options were determined in accordance with the amalgamation agreement (the “Amalgamation Agreement”) resulting in a 20:1 exchange ratio. Each Syncordia Inc. shareholder received one post-consolidation common share in the capital of Syncordia. Each LL Capital shareholder received one Syncordia share for every 20 LL Capital shares held.

Outstanding options to acquire the shares of LL Capital were also exchanged for options to acquire the shares of the Company. The LL Capital options were converted on a basis of one option to acquire the Company’s shares for every 20 options existing immediately before the consolidation. The LL Capital options were fully vested at the time of completion of the Qualifying Transaction.

The purchase price has been allocated as follows:

Cash	\$ 402,605
Other current assets	37,866
Accrued expenses and other current liabilities	(262,823)
Expensed as transaction costs	1,068,920
<b>Total purchase price</b>	<b>\$ 1,246,568</b>

Consideration comprised of:

Conversion of LL Capital shares to common stock of Syncordia	\$ 1,246,568
--	--------------

**6. SETTLEMENT OF CONTINGENT CONSIDERATION**

On June 10, 2015, the contingent consideration associated with the HSI acquisition was settled based on various factors including actual annualized revenues earned by HSI during the period from January 1, 2015 to March 31, 2015 in accordance with the terms of the HSI purchase agreement (the “HSI Purchase Agreement”). While the actual annualized revenue of HSI for the purposes of determining the contingent consideration fell below the Company’s estimate used in determining the initial fair value of the contingent consideration, such timing differences were considered by the HSI Purchase Agreement and required additional consideration to determine the final payment. After detailed review and assessment, the amount payable to the HSI former owners was finalized and agreed between the parties to be \$1,208,658. After additional adjustments for amounts due from the HSI former owners to the Company under the terms of the HSI Purchase Agreement, the net payment to the HSI former owners was \$832,388. The Company financed the settlement of the earn-out through an additional note payable as described in note 10.

Settlement of the acquisition earn-out resulted in a gain of \$1,111,342 recorded in the condensed interim consolidated statement of loss and comprehensive loss.

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
 For the three and nine month periods ended December 31, 2015 and 2014

**7. ACCOUNTS RECEIVABLE**

The Company assesses the collectability of trade and other receivables on an ongoing basis. A provision for the impairment of receivables involves management review of accounts receivable balances considering individual customer creditworthiness, current economic trends and analysis of historical bad debts. The movement in the provision for impairment against trade and other receivables was as follows:

	<b>Amount</b>
Provision, April 1, 2015	\$ 22,238
Increases to the allowance	154,158
<b>Provision, December 31, 2015</b>	<b>\$ 176,396</b>

**8. GOODWILL AND INTANGIBLE ASSETS**

	<b>Intellectual property</b>	<b>Customer relationships</b>	<b>Computer software</b>	<b>Total Intangible assets</b>	<b>Goodwill</b>
<b>Cost</b>					
As at April 1, 2015	\$ 14,000,000	\$ 3,032,906	\$ 43,747	\$ 17,076,653	\$ 5,836,719
Paragon assets acquired, identified and valued	2,900,000	300,000	-	3,200,000	533,572
Other additions	-	-	5,898	5,898	-
<b>As at December 31, 2015</b>	<b>\$ 16,900,000</b>	<b>\$ 3,332,906</b>	<b>\$ 49,645</b>	<b>\$ 20,282,551</b>	<b>\$ 6,370,291</b>
<b>Accumulated amortization</b>					
As at April 1, 2015	\$ 804,849	\$ 125,471	\$ 11,707	\$ 942,027	-
Amortization expense	1,786,938	244,769	15,636	2,047,343	-
<b>As at December 31, 2015</b>	<b>\$ 2,591,787</b>	<b>\$ 370,240</b>	<b>\$ 27,343</b>	<b>2,989,370</b>	<b>-</b>
<b>Net carrying amount</b>					
As at December 31, 2015	\$ 14,308,213	\$ 2,962,666	\$ 22,302	\$ 17,293,181	\$ 6,370,291

During the three month period ended September 30, 2015, the Company identified an indicator of impairment as a result of a significant customer loss in the HSI cash generating unit (“CGU”). On September 1, 2015, the Company received notice of termination from one of its two significant customer groups (note 12). This indicator of impairment triggered an impairment assessment for the HSI CGU. After completion of this assessment, management concluded that there was no impairment as at September 30, 2015. No additional indicators of impairment were identified during the third quarter.

The Company measured the recoverable amount of the CGU based on the value in use to HSI. The Company used a discounted cash flow approach which involves an estimate of the after-tax cash flows from operations based on management’s operating budgets. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates.

The Company projected normalized revenue, operating margins, and cash flows and applied a perpetual long-term growth rate. In arriving at its forecasts, the Company considered past experience, economic trends and inflation as well as industry and market trends.

The Company assumed a discount rate in order to calculate the discounted value of its cash flows. The discount rate represents a weighted average cost of capital (“WACC”) for comparable companies operating in similar industries as the HSI CGU, based on publically available information. The WACC is an estimate of the overall required rate on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of the CGU. Assumptions used by the Company in the goodwill impairment test include a terminal growth rate of 3% and a discount rate of 13.5%.

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
 For the three and nine month periods ended December 31, 2015 and 2014

**9. SHARE CAPITAL**

	Number	Amount
Balance at April 1, 2015	14,247,135	\$ 14,387,095
Share offerings	5,396,500	12,095,041
Share issuance expenses	-	(964,806)
Balance at December 31, 2015	19,643,635	\$ 25,517,330

Between April 24, 2015 and May 6, 2015, the Company issued 1,702,500 Class B Series 2 preferred shares at \$2.00 per share for gross proceeds of \$3,405,000. Class B Series 2 preferred shares were convertible to common shares on a one for one basis. In connection with the Class B Series 2 preferred share offering, the Company incurred \$326,276 of share issuance costs of which \$40,113 related to the fair value of 52,100 warrants issued to brokers as determined using the Black-Scholes valuation model. Each warrant entitles the holder to purchase one share at a price of \$2.00 per share at any time on or before November 5, 2016. The significant inputs into the model were: the exercise price of \$2.00, volatility of 100%, an expected dividend yield of nil%, an expected option life of one year and a risk-free interest rate of 0.66%.

On May 15, 2015, an officer left the Company and voluntarily forfeited 90,000 common shares.

In connection with the Amalgamation Agreement as described in note 5, Syncordia completed a private placement agreement on June 29, 2015 to issue 2,667,000 subscription receipts from treasury at a price of Canadian \$3.00 per subscription receipt for gross proceeds of Canadian \$8,001,000. Additionally, an overallotment option at the same price per subscription receipt was fully exercised by the underwriters, resulting in an additional 667,000 subscription receipts and total gross proceeds of Canadian \$10,002,000 or \$8,052,460. Each subscription receipt was comprised of one common share and one-half warrant. Each warrant is exercisable for a period of 24 months following the closing of the offering at an exercise price of Canadian \$3.30. If at any time following the four-month anniversary of the closing and prior to the expiry date of the warrants, the volume-weighted average trading price of the common shares is greater than Canadian \$4.00 for any 20 consecutive trading days, then the Company will have the option to accelerate the expiry date of the warrants. The closing of the subscription receipts was conditional on the completion of the Qualifying Transaction, which was effective June 29, 2015.

Each full warrant entitles the holder to acquire one additional common share in the capital of the Company at a price of Canadian \$3.30 per common share up to the date that is the two-year anniversary of closing, subject to certain acceleration provisions noted above. The fair value of the warrants on the date of issuance was \$608,987. These warrants are classified as a derivative financial liability.

The change in fair value of the warrants issued as part of the subscription receipts in the private placement is recorded as a gain or loss on derivative financial liability in the consolidated statement of loss and comprehensive loss.

The warrants included in the private placement are denominated in Canadian dollars which is different from the US dollar functional currency of the Company. The conversion feature is treated as a derivative financial liability and the fair value changes in each prospective period will be recognized in the consolidated statement of loss and comprehensive loss.

Fair value changes incorporate movement in the fair value of inputs and as the warrants are exercised or expire, these changes will be reflected in the consolidated statement of financial position and consolidated statement of loss and comprehensive loss. The fair value on the grant date of June 29, 2015 was determined to equal the fair value on June 30, 2015.

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
 For the three and nine month periods ended December 31, 2015 and 2014

<b>Value of warrants classified as derivative financial liability</b>	<b>Grant date and at June 30, 2015</b>
Exercise price (Canadian dollars)	\$3.30
Share price (Canadian dollars)	\$3.00
Risk-free interest rate	0.56%
Expected volatility	36%
Term	2 years
Expected life	1 year
Expected dividend yield	Nil
Value (US dollars)	\$608,987

In connection with the private placement subscription receipt offering, the Company incurred \$638,530 of share issuance costs of which \$93,134 related to the fair value of 200,040 warrants issued to brokers as determined using the binomial valuation model. The significant inputs into the model were: the exercise price of Canadian \$3.00, volatility of 36%, an expected dividend yield of nil%, an expected option life of one year and a risk-free interest rate of 0.56%. If at any time following the four-month anniversary of the closing and prior to the expiry date of the warrants, the volume-weighted average trading price of the common shares is greater than Canadian \$4.00 for any 20 consecutive trading days, then the Company has the option to accelerate the expiry date of the warrants.

As described in note 1, on June 29, 2015 the Company completed the Qualifying Transaction by way of a “three-cornered” amalgamation among LL Capital, a wholly owned subsidiary of LL Capital, and Syncordia Inc. Upon completion of the Qualifying Transaction, LL Capital changed its name to Syncordia Technologies and Healthcare Solutions, Corp. and completed a consolidation of its share capital resulting on a basis of one post-consolidation common share for every 20 common shares existing immediately before the consolidation. This resulted in the former shareholders of LL Capital owning 450,000 shares of the resulting issuer.

Upon closing of the Qualifying Transaction, all classes of Syncordia shares existing immediately preceding the closing were exchanged on a one for one basis for common shares in the resulting issuer.

As at December 31, 2015, issued and outstanding warrants are summarized as described below.

	<b>Expiry</b>	<b>Number of warrants</b>	<b>Strike price</b>	<b>Currency</b>
Class A Preferred Shares	May 2016	245,000	\$1.60	USD
Class B, Series 1 Preferred Shares	November 2016	273,561	\$1.60	USD
Class B, Series 2 Preferred Shares	April 2017	44,900	\$2.00	USD
Class B, Series 2 Preferred Shares	May 2017	7,200	\$2.00	USD
Private Placement Shares Broker warrants**	June 2017	200,040	\$3.00	CAD
Private Placement Shares**	June 2017	1,667,000	\$3.30	CAD
Debt issuance cost**	November 2019	<u>1,666,548</u>	\$2.00	USD
		<b><u>4,104,249</u></b>		

\*\*The above noted warrants have features which may impact the term of the warrants at the option of the Company, as described above and in Note 10.

---

**Syncordia Technologies and Healthcare Solutions, Corp.**  
Notes to Condensed Interim Consolidated Financial Statements  
For the three and nine month periods ended December 31, 2015 and 2014

---

## 10. NOTES PAYABLE

During the nine-month period ended December 31, 2015, the Company issued the following notes payable:

On April 24, 2015, in connection with the Paragon acquisition, the Company issued \$500,000 of long-term notes payable with a term and maturity date of November 5, 2017. The notes bear interest at 11% per annum, whereby 9% interest is payable in cash at the end of each calendar quarter and the remaining 2% interest is capitalized with the loan principal on the subsequent day to the end of each calendar quarter. Principal repayments of \$83,333 are due on November 5, 2016 and May 5, 2017, with the remaining principal repayment due on maturity of the notes. The notes are secured by the assets of Syncordia and the notes are repayable without penalty at any time at the option of the Company; therefore, the carrying value approximates the fair value.

On June 10, 2015, in connection with the settlement of the HSI acquisition earn-out payment, the Company issued \$832,388 of long-term notes payable with a term and maturity date of November 5, 2017. The notes bear interest at 11% per annum, whereby 9% interest is payable in cash at the end of each calendar quarter and the remaining 2% interest is capitalized with the loan principal on the subsequent day to the end of each calendar quarter. Principal repayments of \$138,731 are due on November 5, 2016 and May 5, 2017, with the remaining principal repayment due on maturity of the notes. The notes are secured by the assets of HSI and of Syncordia and the notes are repayable without penalty at any time at the option of the Company; therefore, the carrying value approximates the fair value.

In connection with the April 24, 2015 issuance, a total of 62,500 warrants with an accelerated expiry date feature were issued with the notes at an exercise price of \$2.00 and an expiration date of November 5, 2019. If the current market price of a common share reaches \$5.00 for five consecutive trading days, the term of warrants can be accelerated at the option of the Company to require early redemption within a time period from the date the notice is provided. The fair value of the warrants determined using a binomial valuation model was \$54,676. The significant inputs into the model were: the exercise price of \$2.00, an exercise price cap of approximately \$5.00, volatility of 100%, an expected dividend yield of nil%, an expected option life of 2.5 years and a risk-free interest rate of 0.66%. The fair value of the warrants has reduced the carrying value of the notes and accretion is recorded using the effective interest rate method over the term of the debt.

In connection with the June 10, 2015 issuance, a total of 104,048 warrants with an accelerated expiry date feature were issued with the notes at an exercise price of \$2.00 and an expiration date of November 5, 2019. If the current market price of a common share reaches \$5.00 for five consecutive trading days, the term of warrants can be accelerated at the option of the Company to require early redemption within a time period from the date the notice is provided. The fair value of the warrants determined using a binomial valuation model was \$73,720. The significant inputs into the model were: the exercise price of \$2.00, an exercise price cap of approximately \$5.00, volatility of 36%, an expected dividend yield of nil%, an expected option life of 2.5 years and a risk-free interest rate of 0.68%. The fair value of the warrants has reduced the carrying value of the notes and accretion is recorded using the effective interest rate method over the term of the debt.

The notes are subject to certain non-financial covenants related to continuous reporting requirements of financial results of the Company. The Company is in compliance with all non-financial covenants as at December 31, 2015.

The Company incurred \$29,960 of financing costs associated with the note issuances that have been capitalized and are amortized using the effective interest rate method over the term of the debt.

The notes payable have an aggregate principal amount of \$13,560,386 including \$227,998 of capitalized interest as at December 31, 2015. Net of amortized deferred financing fees and discounts, the notes payable balance was \$12,339,171 at December 31, 2015.

## 11. SHARE-BASED COMPENSATION

The Company adopted a share option plan on June 19, 2014 for certain employees, officers, directors and non-employees.

During the three month period ended June 30, 2015, the Company granted a total of 103,501 stock options to certain employees, officers, charities and in connection with the Reverse Takeover. No options or warrants were granted during the three month period ended September 30, 2015 or three month period ended December 31, 2015. Options



**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
 For the three and nine month periods ended December 31, 2015 and 2014

granted under the plan vest one third after the first anniversary of the grant date and the remaining two thirds vest quarterly over the following two years. Upon vesting, each option entitles the holder to purchase one common share at the option strike price at any time on or before the expiry date of the option. The Company has no legal or contractual obligation to repurchase or settle the options in cash. Charitable options issued by the Company are fully vested upon issuance.

The Company's outstanding and exercisable options as at December 31 are as follows:

Common share options	2015		2014	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance - April 1	473,850	1.49	-	-
Options granted	39,000	2.10	161,850	1.19
Reverse Takeover options	64,501	1.58	-	-
Options exercised	-	-	-	-
Options expired	-	-	-	-
Options cancelled/forfeited	(80,580)	1.60	-	-
Balance – December 31	496,771	1.52	161,850	1.19

The weighted average remaining contractual life and exercise price of options outstanding as at December 31, 2015 are as follows:

Exercise price	Number Outstanding	Weighted average contractual life (years)	Number Exercisable
1.00 - 1.49	111,270	8.6	37,090
1.50 - 1.99	321,501	8.9	64,501
2.00 - 2.49	64,000	9.3	9,000
	496,771	8.9	110,591

The fair value of the 30,000 options granted at \$2.00 during the period determined using Black-Scholes valuation model was estimated to be \$1.49 per share. The fair value of 9,000 charitable options granted at Canadian \$3.00 (US\$2.44) during the period using the Black-Scholes valuation model was estimated to be \$0.80 per share. The significant inputs into the model were: exercise price, volatility in the range of 36% - 100%, an expected dividend yield of nil%, an expected option life of five years and risk-free interest rates in the range of 0.90% - 1.08% based on the date of grant. The contractual life of the options is ten years.

In connection with the Reverse Takeover, options issued by LL Capital to its directors, agents, and charities were exchanged for 64,501 options in the Company. These options are fully-vested and have remaining terms ranging from 0.8 to 9.4 years. The Reverse Takeover options were taken into consideration in the transaction costs expense related to the Reverse Takeover (note 5).

An expense of \$25,231 and \$75,239 for share options and cash-settled restricted stock units granted to certain officers, employees, and charities is recognized in operating expenses in the condensed interim consolidated statement of loss and comprehensive loss for the three and nine month period ended December 31, 2015, respectively.

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
 For the three and nine month periods ended December 31, 2015 and 2014

**12. ECONOMIC DEPENDENCE**

The Company earns a significant portion of its revenue from two customer groups. Revenue recognized from these customer groups for the three and nine month periods ended December 31, 2015 and the associated accounts receivable outstanding are as follows:

	<b>Three months ended December 31, 2015</b>		<b>Nine months ended December 31, 2015</b>	
Revenue	\$ 2,395,913	65.1%	\$ 7,671,784	69.9%
	<b>As at December 31, 2015</b>		<b>As at March 31, 2015</b>	
Accounts receivable	\$ 1,158,260	61.7%	\$ 1,530,196	79.2%

On September 1, 2015, the Company received notice of termination from one of these customer groups. Pursuant to the notice, HSI continued to process new claims until November 30, 2015, after which HSI will only process the billing and collection of the then-existing claims until May 30, 2016.

**13. COMMITMENTS**

As at December 31, 2015, 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:

2016	411,094
2017	364,013
2018	332,405
2019	341,847
2020	345,671
2021 and thereafter	272,244
<b>Total</b>	<b>2,067,274</b>

**14. NATURE OF EXPENSES**

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

	<b>Nine months ended December 31, 2015</b>
Salaries and benefits	6,684,647
Transaction costs	1,786,170
Professional fees	332,113
Rent and facilities	505,069
Information technology	393,444
Travel costs	202,103
Other	1,043,566
<b>Total</b>	<b>10,947,112</b>



**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
 For the three and nine month periods ended December 31, 2015 and 2014

**15. RELATED PARTY TRANSACTIONS**

For the nine month period ended December 31, 2015, the Company paid compensation to key management personnel which are recognized as an expense during the reporting period.

	<b>Three months ended December 31, 2015</b>	<b>Nine months ended December 31, 2015</b>
Salaries and benefits	273,976	711,728
Share based compensation	15,508	31,147

Of the \$500,000 long-term notes payable and related warrants issued on April 24, 2015 in connection with the Paragon acquisition, \$250,000 of the notes payable and 31,250 warrants are held by a company controlled by a member of the Board of Directors of Syncordia (note 10).

Refer to note 4 for details of the Paragon acquisition with related parties.

**16. 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 business segments: RCM, Syncordia Cloud and Corporate.

As at December 31, 2015, the RCM business segment is comprised of HSI, located in Santa Rosa, California and Paragon, located in Edina, Minnesota. The operating results reflected below represent approximately five months of Paragon's operations subsequent to acquisition by the Company effective April 24, 2015.

The Syncordia Cloud 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 Syncordia Cloud 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 three and nine months ended December 31, 2015.

**Three months ended and as at December 31, 2015**

	<b>RCM</b>	<b>Syncordia Cloud</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Total</b>
Revenue	3,678,235	1,022,407	-	(1,022,407)	3,678,235
Gain on settlement of contingent consideration	-	-	-	-	-
Amortization	93,878	610,767	69,055	-	773,700
Interest expense	515	214,247	477,079	(214,247)	477,594
Income (loss) before interest and transaction costs	(574,223)	7,869	458,300	-	(108,054)
Goodwill	6,370,291	-	-	-	6,370,291
Non-current assets	9,146,375	14,728,978	37,425,427	(37,354,132)	23,946,648
Total assets	13,874,489	16,104,346	43,857,695	(37,354,132)	36,482,398
Total liabilities	744,281	10,091,262	13,000,123	(10,000,000)	13,835,666

**Syncordia Technologies and Healthcare Solutions, Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
 For the three and nine month periods ended December 31, 2015 and 2014

**Nine months ended and as at December 31, 2015**

	RCM	Syncordia Cloud	Corporate	Eliminations	Total
Revenue	10,969,933	3,041,111	-	(3,041,111)	10,969,933
Gain on settlement of contingent consideration	1,111,342	-	-	-	1,111,342
Amortization	279,325	1,792,793	202,851	-	2,274,969
Interest expense	1,689	640,411	1,395,548	(640,411)	1,397,237
Income (loss) before interest and transaction costs	1,628,427	137,703	(1,120,766)	-	645,364
Goodwill	6,370,291	-	-	-	6,370,291
Non-current assets	9,146,375	14,728,978	37,425,427	(37,354,132)	23,946,648
Total assets	13,874,489	16,104,346	43,857,695	(37,354,132)	36,482,398
Total liabilities	744,281	10,091,262	13,000,123	(10,000,000)	13,835,666

Revenue from external customers is assigned to geographic areas based on the location of the customers. For the three and nine months ending December 31, 2015, all revenue earned was from customers located in the United States.

**17. DERIVATIVE FINANCIAL LIABILITY**

The change in value of the warrants totaling \$608,987 has been recorded as a gain on derivative financial liability in the Consolidated Interim Statements of Loss and Comprehensive Loss. The warrants are denominated in Canadian dollars which is different than the functional currency of the Company (US dollars). Under IFRS, the conversion feature is treated as a derivative financial liability and the fair value movement during the period is recognized in the Statement of Loss and Comprehensive Loss.

Fair value changes incorporate movement in the fair value of inputs and as the warrants are exercised or expire, these changes will be reflected in the consolidated statement of financial position and consolidated statement of loss and comprehensive loss. The fair value of the warrants was determined using a binomial model with inputs as described below.

<b>Value of warrants classified as derivative financial liability</b>	Grant date and at June 30, 2015	As at December 31, 2015
Exercise price (Canadian dollars)	\$3.30	\$3.30
Share price (Canadian dollars)	\$3.00	\$0.42
Risk-free interest rate	0.56%	0.48%
Expected volatility	36%	36%
Term	2 years	1.5 years
Expected life	1 year	1 year
Expected dividend yield	Nil	Nil
Value (US dollars)	\$608,987	\$0