Condensed Consolidated Interim Financial Statements of

Kinaxis Inc.

Three and nine months ended September 30, 2014

(Unaudited)

Kinaxis Inc.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in thousands of U.S. dollars)
(Unaudited)

	September 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 55,928	$ 13,804
Trade and other receivables (note 4)	7,636	12,449
Investment tax credits receivable	1,811	1,330
Prepaid expenses	1,567	1,207
	66,942	28,790
Non-current assets:		
Property and equipment (note 5)	4,662	2,408
Investment tax credits recoverable	2,980	2,108
Deferred tax assets	7,210	8,166
	$ 81,794	$ 41,472
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 4,274	$ 11,062
Deferred revenue	32,283	24,700
Current portion of long-term debt (note 7)	–	4,167
	36,557	39,929
Non-current liabilities:		
Lease inducement	120	155
Long-term debt (note 7)	–	20,833
Redeemable preferred shares	–	54,135
	120	75,123
Shareholders' Equity (Deficiency)		
Share capital (note 10)	86,667	9,902
Contributed surplus	5,700	3,948
Accumulated other comprehensive loss	(385)	(360)
Deficit	(46,865)	(87,070)
	45,117	(73,580)
	$ 81,794	$ 41,472

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(Expressed in thousands of U.S. dollars, except share and per share data)
(Unaudited)

	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
Revenue (note 12)	$ 17,681	$ 15,451	$ 51,234	$ 44,497
Cost of revenue	4,855	4,556	15,312	13,413
Gross profit	12,826	10,895	35,922	31,084
Operating expenses:				
Selling and marketing	3,014	3,413	10,021	11,528
Research and development (note 13)	3,545	1,732	10,067	5,724
General and administrative	2,138	1,723	6,188	4,571
	8,697	6,868	26,276	21,823
	4,129	4,027	9,646	9,261
Other income (expense):				
Loss due to change in fair value of redeemable preferred shares	–	(5,683)	(6,760)	(15,219)
Foreign exchange (loss) gain	(262)	103	(134)	(160)
Net finance income (expense)	3	16	(507)	44
	(259)	(5,564)	(7,401)	(15,335)
Profit (Loss) before income taxes	3,870	(1,537)	2,245	(6,074)
Income tax expense:				
Current	232	173	626	519
Deferred	1,126	1,071	2,424	2,287
	1,358	1,244	3,050	2,806
Profit (Loss)	2,512	(2,781)	(805)	(8,880)
Other comprehensive income (loss)				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operations	(49)	40	(25)	(24)
Total comprehensive income (loss)	$ 2,463	$ (2,741)	$ (830)	$ (8,904)
Basic earnings (loss) per share	$ 0.11	$ (0.16)	$ (0.05)	$ (0.53)
Weighted average number of basic Common Shares (note 11)	23,594,556	16,891,970	17,530,210	16,838,280
Diluted earnings (loss) per share	$ 0.10	$ (0.16)	$ (0.05)	$ (0.53)
Weighted average number of diluted Common Shares (note 11)	24,758,532	16,891,970	17,530,210	16,838,280

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in thousands of U.S. dollars)
(Unaudited)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity (deficiency)
Balance, December 31, 2012	$ 11,176	$ 2,923	$ (297)	$ (29,508)	$ (15,706)
Loss	–	–	–	(8,880)	(8,880)
Other comprehensive loss	–	–	(24)	–	(24)
Total comprehensive loss	–	–	(24)	(8,880)	(8,904)
Share purchase plan subscriptions	228	–	–	–	228
Share options exercised	41	–	–	–	41
Share based payments	–	658	–	–	658
Interest on receivable for share sale	5	17	–	–	22
Total shareholder transactions	274	675	–	–	949
Balance, September 30, 2013	$ 11,450	$ 3,598	$ (321)	$ (38,388)	$ (23,661)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity (deficiency)
Balance, December 31, 2013	$ 9,902	$ 3,948	$ (360)	$ (87,070)	$ (73,580)
Loss	–	–	–	(805)	(805)
Other comprehensive loss	–	–	(25)	–	(25)
Total comprehensive loss	–	–	(25)	(805)	(830)
Conversion of Class A preferred shares to Common Shares (note 8 and 9)	60,895	–	–	–	60,895
Shares issued per offering (note 8)	59,562	–	–	–	59,562
Share issuance costs (note 8)	(3,837)	–	–	–	(3,837)
Reduction of share capital (note 8)	(41,010)	–	–	41,010	–
Shares issued for cash	585	–	–	–	585
Share options exercised	570	(61)	–	–	509
Share based payments	–	1,813	–	–	1,813
Total shareholder transactions	76,765	1,752	–	41,010	119,527
Balance, September 30, 2014	$ 86,667	$ 5,700	$ (385)	$ (46,865)	$ 45,117

See accompanying notes to condensed consolidated interim financial statements.

Kinaxis Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in thousands of U.S. dollars)
(Unaudited)

For the nine months ended September 30,	2014	2013
Cash flows from (used in) operating activities:		
Loss	$ (805)	$ (8,880)
Items not affecting cash:		
Depreciation of property and equipment (note 5)	817	616
Loss due to change in fair value of redeemable preferred shares	6,760	15,219
Share-based compensation	1,813	658
Amortization of lease inducement	(35)	(35)
Long-term investment tax credits recoverable	(872)	(663)
Income tax expense	3,050	2,806
Change in operating assets and liabilities (note 14)	8,167	2,857
Interest paid	(531)	(2)
Income taxes paid	(4,790)	(510)
	13,574	12,066
Cash flows from (used in) investing activities:		
Purchase of property and equipment (note 5)	(3,071)	(814)
Cash flows from (used in) financing activities:		
Non-Voting Common Shares issued and share subscriptions received	991	291
Common Shares issued	103	–
Common Shares issued per offering	59,562	–
Share issuance cost net of tax	(3,837)	–
Issuance of long-term debt	5,000	–
Repayment of long-term debt	(30,000)	–
Payment of finance lease obligations	–	(32)
	31,819	259
Increase in cash and cash equivalents	42,322	11,511
Cash and cash equivalents, beginning of period	13,804	48,801
Effects of exchange rates on cash and cash equivalents	(198)	(438)
Cash and cash equivalents, end of period	$ 55,928	$ 59,874

See accompanying notes to condensed consolidated interim financial statements.

1. Corporate information:

Kinaxis Inc. (the "Company") is incorporated under the Canada Business Corporations Act and domiciled in Ontario, Canada. The address of the Company's registered office is 700 Silver Seven Road, Ottawa, Ontario. The consolidated financial statements of the Company as at September 30, 2014 and for the three and nine months ended September 30, 2014 and 2013 comprise the Company and its subsidiaries.

Kinaxis is a leading provider of cloud-based subscription software that enables its customers to improve and accelerate analysis and decision-making across their supply chain operations. Kinaxis is a global enterprise with offices in Chicago, United States, Tokyo, Japan, Hong Kong, China, Eindhoven, The Netherlands, and Ottawa, Canada.

On June 10, 2014, the Company completed an initial public offering and its shares began trading on the Toronto stock exchange under the symbol "KXS".

2. Basis of preparation:

(a) Statement of compliance:

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 31, 2013. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2013.

The unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 6, 2014.

(b) Use of estimates and judgments:

In preparing these unaudited condensed consolidated interim financial statements, Management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2013.

3. Significant accounting policies:

Except as described below, the accounting policies applied in these unaudited condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2013. The following changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2014.

Standards and interpretations in issue:

International Accounting Standard 32: Financial Instruments: Presentation ("IAS 32")

In December 2011, the International Accounting Standards Board amended International Accounting Standard 32 to clarify the meaning of when an entity has a current legally enforceable right of set-off. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. The adoption of IAS 32 did not have a material impact on the consolidated financial statements.

IFRIC 21: Levies

In May 2013, the International Accounting Standards Board issued IFRIC 21 which provides guidance on accounting for levies in accordance with the requirements of International Accounting Standard 37: Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executor contracts of other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. This IFRIC is effective for annual reporting periods beginning on or after January 1, 2014 and is required to be applied retrospectively. The adoption of IFRIC 21 did not have a material impact on the consolidated financial statements.

Standards and interpretations yet to be adopted:

In May 2014, the International Accounting Standards Board issued IFRS 15, Revenue from Contracts with Customers, which provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. This standard is effective January 1, 2017 and allows early adoption. The Company does not intend to adopt this standard early and is currently evaluating the impact of adopting this standard on the consolidated financial statements.

(Expressed in thousands of U.S. dollars, except share and per share amounts)

4. Accounts receivable:

	September 30, 2014	December 31, 2013
Trade accounts receivable	$ 7,401	$ 12,125
Other	235	324
	$ 7,636	$ 12,449

There have been no balances written off for the three and nine months ended September 30, 2014 or September 30, 2013 or any allowance for doubtful accounts recorded as at September 30, 2014 or December 31, 2013.

5. Property and equipment:

Cost	Computer equipment	Computer software	Office furniture and equipment	Leasehold improvements	Total property and equipment
Balance, December 31, 2013	$ 3,881	$ 677	$ 882	$ 2,174	$ 7,614
Additions	2,754	283	11	23	3,071
Balance, September 30, 2014	$ 6,635	$ 960	$ 893	$ 2,197	$ 10,685

Accumulated depreciation	Computer equipment	Computer software	Office furniture and equipment	Leasehold improvements	Total property and equipment
Balance, December 31, 2013	$ 2,001	$ 263	$ 795	$ 2,147	$ 5,206
Depreciation	638	117	40	22	817
Balance, September 30, 2014	$ 2,639	$ 380	$ 835	$ 2,169	$ 6,023

Carrying value	Computer equipment	Computer software	Office furniture and equipment	Leasehold improvements	Total property and equipment
December 31, 2013	$ 1,880	$ 414	$ 87	$ 27	$ 2,408
September 30, 2014	3,996	580	58	28	4,662

(Expressed in thousands of U.S. dollars, except share and per share amounts)

5. Property and equipment (continued):

The following table presents the depreciation expense by function for the three and nine months ended September 30:

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
Cost of revenue	$ 172	$ 80	$ 401	$ 225
Selling and marketing	1	3	5	10
Research and development	72	54	199	158
General and administrative	72	72	212	223
	$ 317	$ 209	$ 817	$ 616

6. Accounts payable and accrued liabilities:

	September 30, 2014	December 31, 2013
Trade accounts payable	$ 574	$ 754
Accrued liabilities	3,700	10,308
	$ 4,274	$ 11,062

7. Long-term debt:

	September 30, 2014	December 31, 2013
Non-revolving term facility	$ –	$ 25,000
Less: Current portion of long-term debt	–	4,167
	$ –	$ 20,833

On June 18, 2014, the balance of the Company's non-revolving term facility was repaid using proceeds from the Company's initial public offering. Upon full repayment the non-revolving term facility was terminated.

8. Capital reorganization:

Prior to the Company's initial public offering, the Company's authorized capital consisted of an unlimited number of Common Shares, an unlimited number if Non-Voting Common Shares and an unlimited number of Class A Preferred Shares. At the annual general and special meeting of the shareholders held on May 22, 2014 the shareholders approved a capital reorganization consisting of an amalgamation of one of our shareholders, 1170233 Alberta ULC ("Alberta ULC"), and the Company with the resulting amalgamated entity having the following authorized capital:

- an unlimited number of Class B Preferred Shares;
- an unlimited number of Class A-1 Voting Common Shares;
- an unlimited number of Class A-2 Non-Voting Common Shares;
- an unlimited number of Class B Voting Common Shares;
- an unlimited number of Class C Preferred Shares; and
- an unlimited number of Common Shares.

Following the filing of the final prospectus for the Company's initial public offering on June 3, 2014 the Company and Alberta ULC amalgamated. As a result of the amalgamation:

- the holders of Common Shares and Non-Voting Common Shares received an equivalent number of Class A-1 Voting Common Shares and Class A-2 Non-Voting Common Shares respectively;
- the Common Shares, Non-Voting Common Shares and Class A Preferred Shares held by Alberta ULC were cancelled;
- the shareholders of Alberta ULC received an aggregate of 1,253,892.5 Class B Preferred Shares, 5,114,607.98 Class A-1 Voting Common Shares and 800,000 Class A-2 Non-Voting Common Shares in exchange for their shares in Alberta ULC;
- the remaining 3,858,025 Class A Preferred Shares were exchanged for Class B Preferred Shares on a one-for-one basis;
- as elected by certain holders, 1,078,525.47 Class A-1 Voting Common Shares and 1,128,633.44 Class A-2 Non-Voting Common Shares were converted into an aggregate of 2,207,132 Class B Voting Common Shares for purposes of receiving a stock dividend, which was satisfied by issuing an aggregate of 2,207,132 Class C Preferred Shares.

Upon completion of the initial public offering on June 10, 2014:

- all of the issued and outstanding Class B Preferred Shares, Class A-1 Voting Common Shares, and Class A-2 Non-Voting Common Shares were converted into Common Shares on a one-for-one basis with any fractional Common Shares that would otherwise have been issued upon such conversion being cancelled;
- all of the issued and outstanding Class B Voting Common Shares and Class C Preferred Shares were converted into Common Shares on the basis of one Class B Voting Common Share together with one Class C Preferred Shares into one Common Share;

(Expressed in thousands of U.S. dollars, except share and per share amounts)

8. Capital reorganization (continued):

- the Class B Preferred Shares, the Class A-1 Voting Common Shares, the Class A-2 Non-Voting Common Shares, the Class B Voting Common Shares and the Class C Preferred Shares were deleted from the authorized capital, such that the capital structure now consists of a single class of Common Shares;
- the accumulated deficit generated by the non-cash fair value adjustments amounting to $41,010 related to the converted preferred shares was reclassified from deficit to share capital;
- 5,000,000 Common Shares were issued from treasury for CAD$13.00 (USD$11.91) per share; and
- Share issuance costs totaling $5,220 net of future tax recoveries of $1,383 was recorded to share capital.

9. Redeemable preferred shares:

The Class A Preferred Shares mandatorily converted to Common Shares in the event of a qualifying initial public offering.

As at June 3, 2014, upon filing of the final prospectus for the Company's initial public offering, the Company had 5,111,917 (December 31, 2013 – 5,111,917) Class A Preferred Shares issued and outstanding. Concurrent with the filing of the prospectus a capital reorganization occurred pursuant to which the Class A Preferred Shares were converted into Class B Preferred Shares on a one-to-one basis. Immediately prior to the completion of the initial public offering on June 10, 2014, the Class B Preferred Shares were converted into Common Shares on a one-to-one basis.

Measurement of fair value

The valuation techniques used to measure the fair value of the redeemable preferred shares are unchanged from December 31, 2013. The redeemable preferred shares were converted to Common Shares immediately prior to completion of the Company's initial public offering. The fair value of the redeemable preferred shares was measured at the offering price of the shares at the time of conversion.

The following table reconciles the opening balances to the closing balances for Level 3 fair values.

	Fair value of redeemable preferred shares
Balance at December 31, 2013	$ 54,135
Increase in fair value	6,760
Conversion to Common Shares (note 8)	(60,895)
Balance, September 30, 2014	$ –

(Expressed in thousands of U.S. dollars, except share and per share amounts)

10. Share capital:

Authorized

The Company is authorized to issue an unlimited number of Common Shares.

Issued:

	Common shares			Non-voting common shares		
	Shares		Amount	Shares		Amount
Shares outstanding at December 31, 2012	11,546,932	$	6,403	5,188,703	$	4,773
Share purchase plan subscriptions received	–		–	–		228
Shares issued from employee share purchase plan	–		–	133,693		–
Shares issued from exercised options	21,200		21	12,563		20
Receivable from sale of stock	–		–	–		5
Shares outstanding at September 30, 2013	11,568,132	$	6,424	5,334,959	$	5,026
Shares outstanding at December 31, 2013	7,674,049	$	4,252	5,332,504	$	5,650
Shares issued for cash	–		–	60,000		585
Shares issued from exercised options	36,466		164	396,471		406
Conversion of non-voting common to Common Shares (note 8)	5,788,975		6,641	(5,788,975)		(6,641)
Fractional shares cancelled upon conversion (note 8)	(67)		–	–		–
Conversion of preferred shares to Common Shares (note 8 and 9)	5,111,917		60,895	–		–
Reduction of share capital (note 8)	–		(41,010)	–		–
Shares issued per offering (note 8)	5,000,000		59,562	–		–
Share issuance costs (note 8)	–		(3,837)	–		–
Shares outstanding at September 30, 2014	23,611,340	$	86,667	–	$	–

(Expressed in thousands of U.S. dollars, except share and per share amounts)

10. Share capital (continued):

Stock option plans

A summary of the status of the plan is as follows:

	Nine months ended September 30, 2014		Year ended December 31, 2013	
	Shares	Weighted average exercise price – USD	Shares	Weighted average exercise price - USD
Options outstanding, beginning of period	1,945,580	$ 2.21	3,253,581	$ 1.81
Granted	765,000	10.26	280,000	4.05
Exercised	(432,937)	1.18	(132,857)	1.23
Forfeited	(63,750)	7.04	(33,437)	2.56
Expired	(3,000)	3.20	–	–
Tendered (repurchase program)	–	–	(1,421,707)	1.75
Options outstanding, end of period	2,210,893	$ 5.06	1,945,580	$ 2.21
Options exercisable, end of period	882,363	$ 2.17	984,171	$ 1.62

The following table summarizes information about stock options outstanding at September 30, 2014:

Options outstanding				Options exercisable	
Range of exercise prices - USD	Number outstanding at 09/30/14	Weighted average remaining contractual life	Weighted average exercise price - USD	Number exercisable at 09/30/14	Weighted average exercise price - USD
$1.00 to 1.20	221,914	2.53	$ 1.06	220,742	$ 1.06
1.60 to 3.20	1,208,979	7.33	2.54	651,621	2.48
6.60 to 9.75	680,000	9.31	9.56	10,000	6.60
11.95 to 15.35	100,000	9.87	13.63	–	–
	2,210,893	7.57	$ 5.06	882,363	$ 2.17

(Expressed in thousands of U.S. dollars, except share and per share amounts)

10. Share capital (continued):

Stock option plans (continued)

At September 30, 2014, there were 479,250 stock options available for grant under the Plan. During the nine months ended September 30, 2014, the Company granted 765,000 (year ended December 31, 2013 - 280,000) options and recorded share-based compensation expense for the nine months ended September 30, 2014 of $1,500 (nine months ended September 30, 2013 - $658) related to the vesting of options granted in 2014 and previous years. The per share weighted-average fair value of stock options granted during the nine months ended September 30, 2014 was $5.38 (year ended December 31, 2013 - $2.02) on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions: exercise price is equal to the price of the underlying share, expected dividend yield 0%, risk-free interest rate of 1.95% (2013- 1.87%), an expected life of 8 years (2013 - 8 years), and estimated volatility of 46% (2013- 46%). Volatility is estimated by benchmarking to comparable publicly traded companies operating in a similar market segment. The forfeiture rate was estimated at 5% (2013- 5%).

Share Unit Plan

On May 30, 2014, the Board of Directors adopted a Share Unit Plan to provide long-term incentive compensation to executives, key employees and non-employee directors. Share Units may be granted in the form of Restricted Share Units (“RSU”), Performance Share Units (“PSU”) or Deferred Share Units (“DSU”). RSUs vest based on the passage of time, generally in three annual increments, PSUs vest based on performance criteria as determined by the Board of Directors and DSUs do not vest until the participant’s termination of service. Each vested share unit entitles the participant to receive one Common Share or its cash equivalent.

At September 30, 2014, there were 670,000 share units available for grant under the Plan. During the nine months ended September 30, 2014, the Company granted 80,000 RSUs. Each RSU entitles the participant to receive one Common Share. The RSUs vest based over time in three equal annual tranches. The fair value of the RSUs granted grant was $11.90 per unit using the fair value of a Common Share at time of grant. The Company recorded share-based compensation expense for the nine months ended September 30, 2014 of $313 related to the vesting of RSUs granted in 2014.

The following table presents the share-based payments expense by function for the three and nine months ended September 30:

	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
Cost of revenue	$ 79	$ 29	$ 182	$ 51
Selling and marketing	159	105	456	382
Research and development	143	8	391	36
General and administrative	413	62	784	189
	$ 794	$ 204	$ 1,813	$ 658

(Expressed in thousands of U.S. dollars, except share and per share amounts)

11. Earnings (loss) per share:

The following table summarizes the calculation of the weighted average number of basic and diluted Common Shares for the three and nine months ended September 30:

	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
Issued Common Shares at beginning of period	23,588,002	16,826,061	13,006,553	16,735,635
Effect of shares issued for cash	–	–	47,206	–
Effect of shares issued per offering	–	–	2,058,824	–
Effect of preferred shares converted to Common Shares	–	–	2,104,907	–
Effect of fractional shares cancelled upon conversion	–	–	(27)	–
Effect of shares issued from employee share purchase plan	–	64,899	–	77,814
Effect of shares issued from exercise of options	6,554	1,010	312,747	24,831
Weighted average number of basic Common Shares	23,594,556	16,891,970	17,530,210	16,838,280
Effect of share options on issue	1,163,976	–	–	–
Weighted average number of diluted Common Shares	24,758,532	16,891,970	17,530,210	16,838,280

At September 30, 2014, 740,000 options were excluded from the diluted weighted average number of shares because their effect would have been anti-dilutive. Due to loss for the three months ended September 30, 2013 and nine months ended September 30, 2014 and September 30, 2013, all outstanding options and redeemable preferred shares, as applicable, were excluded from the diluted weighted average number of shares because their effect would have been anti-dilutive.

(Expressed in thousands of U.S. dollars, except share and per share amounts)

12. Revenue:

	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
Subscription	$ 13,302	$ 10,149	$ 37,267	$ 29,113
Professional services	4,081	4,934	13,061	14,102
Maintenance and support	298	368	906	1,282
	$ 17,681	$ 15,451	$ 51,234	$ 44,497

13. Research and development:

	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
Research and development expenses	$ 3,941	$ 2,278	$ 11,482	$ 7,443
Investment tax credits	(396)	(546)	(1,415)	(1,719)
	$ 3,545	$ 1,732	$ 10,067	$ 5,724

14. Statement of cash flows:

Changes in operating assets and liabilities:

For the nine months ended	2014	2013
Trade and other receivables	$ 4,723	$ 447
Investment tax credits receivable	(481)	400
Prepaid expenses	(362)	(75)
Trade payables and accrued liabilities	(3,536)	1,553
Deferred revenue	7,823	532
	$ 8,167	$ 2,857

(Expressed in thousands of U.S. dollars, except share and per share amounts)

15. Financial instruments:

Credit risk:

The maximum exposure to credit risk for trade receivables by geographic region was as follows:

	September 30, 2014	December 31, 2013
Canada	$ 311	$ 721
United States	5,676	10,865
Europe	1,159	535
Japan	255	4
	$ 7,401	$ 12,125

The aging of the trade receivables at the reporting date was as follows:

	September 30, 2014	December 31, 2013
Current	$ 5,796	$ 7,449
Past due:		
0 – 30 days	731	4,669
31 – 60 days	382	6
Greater than 60 days	492	1
	$ 7,401	$ 12,125

At September 30, 2014, three customers individually accounted for greater than 10% of total trade receivables outstanding.

(Expressed in thousands of U.S. dollars, except share and per share amounts)

16. Segmented 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 the information provided by the Company's internal management system at a consolidated level. The Company has determined that it has only one operating segment.

Geographic information

Revenue from external customers is attributed to geographic areas based on the location of the contracting customers. External revenue on a geographic basis for the three and nine months ending September 30 is as follows:

	For the three months ended September 30, 2014	For the three months ended September 30, 2013	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
United States	$ 14,254	$ 10,806	$ 40,896	$ 29,401
Canada	1,609	2,277	4,183	8,022
Europe	844	1,105	3,213	3,567
Japan	952	1,231	2,846	3,410
Other foreign	22	32	96	97
	$ 17,681	$ 15,451	$ 51,234	$ 44,497

Total property and equipment on a geographic basis is as follows:

	September 30, 2014	December 31, 2013
Canada	$ 2,812	$ 1,354
United States	1,842	1,041
Japan	8	11
Other foreign	–	2
	$ 4,662	$ 2,408