# Automated Benefits Corp.

Consolidated Financial Statements
**December 31, 2004 and 2003**

PRICEWATERHOUSECOOPERS

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## Auditors' Report

**To the Shareholders of**
**Automated Benefits Corp.**

We have audited the consolidated balance sheets of **Automated Benefits Corp.** as at December 31, 2004 and 2003 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**(Signed) "PricewaterhouseCoopers LLP"**

**Chartered Accountants**

Edmonton, Canada

# Automated Benefits Corp.

Consolidated Balance Sheets

**As at December 31, 2004 and 2003**

| | 2004<br>$ | 2003<br>$ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | 1,303,297 | 22,709 |
| Accounts receivable | 463,322 | 56,614 |
| Inventory | 16,433 | - |
| Supplies and prepaid expenses | 35,209 | 9,471 |
| | 1,818,261 | 88,794 |
| **Equipment** (note 4) | 144,835 | 4,436 |
| **Software development costs** (note 5) | 339,377 | 233,187 |
| | 2,302,473 | 326,417 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 544,111 | 249,721 |
| Advances from related parties (note 6) | - | 216,253 |
| | 544,111 | 465,974 |
| **Commitments** (note 7) | | |
| **Shareholders' Equity** | | |
| **Share capital** (note 9) | 6,112,744 | 2,293,217 |
| **Contributed surplus** (note 9) | 166,596 | - |
| **Deficit** | (4,520,978) | (2,432,774) |
| | 1,758,362 | (139,557) |
| | 2,302,473 | 326,417 |

**Approved by the Board of Directors**

(Signed) "James R. Swayze" Director

(Signed) "Alan Ryder" Director

# Automated Benefits Corp.

Consolidated Statements of Operations and Deficit

**For the years ended December 31, 2004 and 2003**

| | 2004<br>$ | 2003<br>$ |
|---|---|---|
| **Revenue** | 1,237,333 | 594,851 |
| **Cost of sales** | 719,656 | 311,818 |
| **Net revenue** | 517,677 | 283,033 |
| **Expenses** | | |
| General and administration | 1,169,718 | 228,335 |
| Research and development | 650,188 | 118,051 |
| Amortization | 339,719 | 255,031 |
| Sales and marketing | 279,660 | 63,692 |
| Stock-based compensation | 166,596 | - |
| | 2,605,881 | 665,109 |
| **Net loss for the year** | (2,088,204) | (382,076) |
| **Deficit – Beginning of year** | (2,432,774) | (2,050,698) |
| **Deficit – End of year** | (4,520,978) | (2,432,774) |
| | **$** | **$** |
| **Basic and diluted loss per common share** (note 10) | (0.06) | (0.03) |
| | # | # |
| **Weighted average number of common shares** | 32,395,853 | 13,387,736 |

# Automated Benefits Corp.

Consolidated Statements of Cash Flows

**For the years anded December 31, 2004 and 2003**

| | 2004<br>$ | 2003<br>$ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Net loss for the year | (2,088,204) | (382,076) |
| Items not affecting cash | | |
| Stock-based compensation | 166,596 | - |
| Amortization | 339,719 | 255,031 |
| | (1,581,889) | (127,045) |
| Net change in non-cash working capital items (note 12) | (178,018) | 152,437 |
| | (1,759,907) | 25,392 |
| **Investing activities** | | |
| Purchase of equipment | (129,395) | (480) |
| Cash acquired on acquisition | 91,696 | - |
| | (37,699) | ( 480) |
| **Financing activities** | | |
| Issuance of shares | 3,294,447 | - |
| Advances from shareholder | 34,961 | 76,185 |
| Repayments to shareholder and related parties | (251,214) | (95,611) |
| | 3,078,194 | (19,426) |
| **Increase in cash** | 1,280,588 | 5,486 |
| **Cash – Beginning of year** | 22,709 | 17,223 |
| **Cash – End of year** | 1,303,297 | 22,709 |
| **Supplementary information** | | |
| Interest paid | 5,900 | 13,377 |
| Interest received | 9,560 | 23 |
| Income taxes paid | - | - |

## 1 Basis of presentation

The Company was incorporated under the Alberta Business and Corporations Act on July 15, 1999 and commenced operations on January 1, 2000. The Company develops and markets software designed to reduce the costs of administration of claims in both the employee benefits and property and casualty insurance markets.

These consolidated financial statements include the accounts of Automated Benefits Corp. (the "Company") and it's wholly owned subsidiaries Automated Benefits Inc. and Symbility Solutions Inc.

## 2 Significant accounting policies

a) Changes in accounting policies

Effective January 1, 2004, the Company prospectively adopted the Canadian Institute of Chartered Accountants ("CICA") recommendations that define the primary sources of GAAP. The adoption of this recommendation had no effect on the current year's financial statements.

Effective January 1, 2004, the Company prospectively adopted the new CICA recommendations on impairment of long-lived assets. These recommendations require that when events or circumstances indicate that the carrying value of the Company's long-lived assets, which include equipment and software development costs, may be impaired, a recoverability evaluation be performed. If the evaluation indicates that the carrying amount of the asset is not recoverable from the undiscounted cash flows to be received from that asset over its estimated useful life, an impairment loss is then calculated as the difference between the asset's carrying value and its fair value. Adoption of these recommendations had no impact on the financial statements.

Effective January 1, 2004, the Company adopted the new CICA recommendations on accounting for asset retirement obligations associated with the retirement of tangible long-lived assets. To the extent that they can be quantified, these obligations are measured and recognized at fair value, which is determined using present value techniques. This change in accounting had no effect on the current year's financial statements.

b) Use of estimates

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

c) Cash

Cash consists of cash and short term deposits with original maturities of less than ninety days.

d) Inventory

Inventory, which is consists of computer hardware, is recorded at the lower of cost or net realizable value.

e) Revenue recognition

i) Monthly licensing sales and services revenue

Revenue for help desk services and monthly licensing codes needed to operate the software are recognized as services are provided, when the licensing code is provided and when collection is reasonably assured.

ii) Insurance and commissions revenue

Revenue earned by the Company relating to insurance and commissions is recognized when the policy has been written and when collection is reasonably assumed.

iii) Software

Revenue from the sale of the software package to the customer is recognized when the customer is provided with the licensing code to access the software and collection is reasonably assured.

iv) Hardware

Revenue from the sale of computer hardware to a customer is recognized when the goods are shipped and collection is reasonably assured.

v) Annual fees

Revenue from an annual fee charged to customers for software upgrades is recognized evenly over the annual period to which the fee relates and when collection is reasonably assured.

f) Equipment

Equipment is recorded at original cost. Amortization is provided for on a straight-line basis at the following annual rates:

| | |
|---|---|
| Furniture and fixtures | 20% |
| Computer equipment | 30% |
| Computer software | 30% |

g) Software development costs

The Company incurs costs on activities, which relate to the development of new software products. Software development costs are expensed as they are incurred unless they meet specific criteria related to technical, market and financial feasibility. Capitalized software development costs are amortized on a straight-line basis over three years or the estimated useful life of the technology. Capitalized software development costs are reviewed on an annual basis to determine possible revisions to amortization rates or net realizable value.

h) Income taxes

The asset and liability method is used for determining income taxes. Under this method, future tax assets and liabilities are recognized for the estimated tax recoverable or payable that would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Changes to these rates are recognized in income in the period in which they occur. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

i) Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. The treasury stock method is used for the calculation of diluted loss per common share under which deemed proceeds on the exercise of options and warrants are considered to be used to re-acquire common shares at an average share price.

j) Stock-based compensation and other stock-based payments

Stock-based transactions are accounted for in accordance with the fair value method of accounting for stock-based compensation and result in compensation expense and contributed surplus. The amount of compensation is measured at the date the option is granted. The expense is recognized in income over the service period of the employee to whom the option was granted. Any consideration paid on exercise of stock options is credited to share capital.

## 3 Business acquisition and related private placements

On May 31, 2004, the Company completed the acquisition of Symbility Solutions Inc. ("Symbility").

Pursuant to the terms of the Share Purchase Agreement, the Company purchased all of the issued and outstanding common shares of Symbility (the "Symbility Shares") and all of the issued and outstanding Series B preferred shares of Symbility (the "Symbility Class B Shares"). As consideration, the shareholders of Symbility received common shares of the Company and Preferred Shares, Series A of the Company on the following basis:

a) The holders of Symbility Shares received one common share of the Company with a deemed value of $0.055 per share for each Symbility Share owned for an aggregate of 9,545,454 common shares.

b) The holders of Symbility Class B Shares received one preferred share of the Company for each Symbility Class B Share owned for an aggregate of 8,000,000 preferred shares.

Upon completion of the transaction, Symbility became a wholly owned subsidiary of the Company. The transaction has been accounted for as a purchase. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

| | **$** |
|---|---|
| Cash | 91,696 |
| Other current assets | 50,204 |
| Property and equipment | 35,617 |
| Software development costs | 421,296 |
| | 598,813 |
| Current liabilities | 73,733 |
| Net assets acquired | 525,080 |

The Company estimated the value of software and related intellectual property acquired to be $421,296 with an estimated useful life of three years.

## 4 Equipment

| | | | 2004 |
|---|---|---|---|
| | **Cost** **$** | **Accumulated amortization** **$** | **Net** **$** |
| Furniture and fixtures | 52,131 | 21,777 | 30,354 |
| Computer equipment | 176,261 | 75,659 | 100,602 |
| Computer software | 29,643 | 15,764 | 13,879 |
| | 258,035 | 113,200 | 144,835 |

| | | | 2003 |
|---|---|---|---|
| | **Cost** **$** | **Accumulated amortization** **$** | **Net** **$** |
| Furniture and fixtures | 15,129 | 11,155 | 3,974 |
| Computer equipment | 58,085 | 58,085 | - |
| Computer software | 13,849 | 13,387 | 462 |
| | 87,063 | 82,627 | 4,436 |

## 5 Software development costs

| | | | 2004 |
|---|---|---|---|
| | **Cost** **$** | **Accumulated amortization** **$** | **Net** **$** |
| Software development costs | 1,568,753 | 1,229,376 | 339,377 |

At December 31, 2004, development costs of $1,147,457 (2003 – $nil) have been fully amortized.

| | | | 2003 |
|---|---|---|---|
| | **Cost** **$** | **Accumulated amortization** **$** | **Net** **$** |
| Software development costs | 1,147,457 | 914,270 | 233,187 |

Amortization of $315,106 (2003 – $236,481) was recorded in the year.

Significant estimates have been made by management in assessing the net recoverable value of these intangible assets. Actual results could differ from those estimates making it reasonably possible that a material change in these estimates could occur in the near term.

## 6 Related party balances and transactions

**Advances from related parties**

In connection with the acquisition of Symbility, the Company retired advances from a shareholder in the amount of $200,000. The advances were due on demand and bore interest at prime plus 1-1/4%. Additional advances in the amount of $51,214, which were due on demand and were non-interest bearing, were also retired in connection with the acquisition.

In connection with the acquisition of Symbility, the Company retired advances from shareholders of Symbility in the amount of $25,000. The advances were due on demand and were non-interest bearing.

**Related party transactions**

In connection with the acquisition of Symbility (note 3), the Company entered into a consulting agreement dated May 31, 2004 with a private company controlled by a director and former officer of the Company, pursuant to which the consultant is entitled to receive a consulting fee of $10,000 per month for a term of 12 months.

The Company has entered into a consulting agreement, dated May 31, 2004, with a private company controlled by a director, pursuant to which the consultant is entitled to receive a consulting fee of $7,500 per month for a term of 12 months. The consultant was also reimbursed for costs relating to the acquisition described in note 4 of $60,000 and other out-of-pocket costs of $6,000 in 2004.

The Company has entered into a consulting agreement, with the wife of a director and officer of the Company, pursuant to which the consultant received approximately $13,500 for research and development consulting during the year.

During the year, the Company paid $148,500 (2003 – $350) to a law firm in which a former director and officer of the Company, is a partner. The consideration was for legal services in the ordinary course of business.

The above transactions were recorded at the exchange value as established and agreed to by the Company and the related party.

## 7 Commitments

Lease payments required in each of the next three years, relating operating leases for building and equipment, are as follows:

| | $ |
|---|---|
| 2005 | 95,670 |
| 2006 | 72,607 |
| 2007 | 49,818 |

## 8 Income taxes

The income tax provision differs from the amount computed by applying the statutory rates to pre-tax income as a result of the following:

| | 2004<br>$ | 2003<br>$ |
|---|---|---|
| Combined federal and provincial corporate tax rates | 33.9% | 36.7% |
| Expected provision for income taxes | (707,900) | (140,000) |
| Increase in taxes resulting from | | |
| Substantively enacted rates | 5,100 | 72,000 |
| Non-deductible and other items | 61,600 | 800 |
| Valuation allowance | 641,200 | 67,200 |
| | - | - |

The components of net future income tax assets and liabilities are as follows:

| | 2004<br>$ | 2003<br>$ |
|---|---|---|
| Future income tax assets | | |
| Capital assets | 38,000 | 28,000 |
| Share issue costs | 126,000 | 54,000 |
| Software development costs | - | 17,000 |
| Non-capital losses | 1,285,000 | 567,000 |
| Valuation allowance | (1,430,000) | (666,000) |
| Future income tax liability – software development costs | (19,000) | - |
| Net future tax assets | - | - |

The Company and its subsidiary have approximately $3,821,000 of non-capital losses for income tax purposes, subject to confirmation by taxation authorities, from current and prior years that can be used to reduce future year's net income for tax purposes.

| Non-capital loss $ | Expiry date |
|---:|---:|
| 799,000 | 2007 |
| 561,000 | 2008 |
| 286,000 | 2009 |
| 143,000 | 2010 |
| 250,000 | 2013 |
| 1,782,000 | 2014 |
| 3,821,000 | |

## 9 Share capital

Authorized

Unlimited number of common shares
Unlimited number of preferred shares

Issued

Common shares

| | # | $ |
|---|---:|---:|
| Balance – January 1, 2004 and 2003 | 13,387,737 | 2,293,217 |
| April 5, 2004 – Private placement | 4,545,454 | 250,000 |
| May 31, 2004 – Issued to acquire Symbility (note 3 | 9,545,454 | 525,000 |
| May 31, 2004 – Private placement | 9,000,000 | 1,350,000 |
| May 31, 2004 – Private placement | 5,000,000 | 1,250,000 |
| October 8, 2004 – Private placement | 1,000,000 | 200,000 |
| December 8, 2004 – Private placement | 1,000,000 | 280,000 |
| Finder's fee shares | 1,400,000 | 77,000 |
| Bonus shares | 1,000,000 | 55,000 |
| Share options exercised | 287,000 | 50,100 |
| Warrants exercised | 746,250 | 213,675 |
| Share issue costs | - | (431,328) |
| Balance – December 31, 2004 | 46,911,895 | 6,112,664 |
| Preferred Series A | | |
| May 31, 2004 – Issued to acquire Symbility (note 3 | 8,000,000 | 80 |
| Balance – December 31, 2004 | | 6,112,744 |

Each preferred Series A share is non-voting and is convertible to common shares of the Company for each $0.50 of audited revenue based on sale of products or services of, or any commissions, license fees or royalties (excluding license fees or royalties in respect of the m.Claim wireless mobile technology) received by Symbility during the five-year period commencing May 31, 2004. Any preferred Series A shares that have not been converted into common shares within a period of one hundred twenty (120) days from the fifth anniversary of closing of the acquisition of Symbility will be cancelled.

a) On April 5, 2004, the Company completed a private placement of 4,545,454 common shares at a price of $0.055 per share for proceeds of $250,000.

b) Concurrent with the closing of the acquisition of Symbility, the Company completed a non-brokered private placement of 9,000,000 units of the Company ("Units") at a price of $0.15 per Unit for proceeds of $1,350,000. Each Unit consisted of one common share and three-quarters of one share purchase warrant, with each whole share purchase warrant exercisable at a price of $0.22 per share until January 31, 2006.

c) On May 31, 2004, the Company also completed a non-brokered private placement of 5,000,000 units at a price of $0.25 per unit for proceeds of $1,250,000. Each unit consisted of one common share and three-quarters of one share purchase warrant, with each whole share purchase warrant exercisable at a price of $0.40 per share until January 31, 2006.

d) In conjunction with this placement, an aggregate finder's fee of $77,000 was paid by the issuance of an additional 1,400,000 common shares.

e) 1,000,000 shares were issued to James R. Swayze representing a signing bonus of $55,000 when he became CEO of the Company.

f) On October 8, 2004, the Company completed a private placement of 1,000,000 units at $0.20 per unit for gross proceeds of $200,000 to the Company. Each unit consists of one common share of the Company and three quarters of one share purchase warrant, with each whole warrant exercisable at a price of $0.30 per common share until May 30, 2006.

g) On December 8, 2004, the Company completed a private placement of 1,000,000 units at $0.28 per unit for gross proceeds of $280,000 to the Company. Each unit consists of one common share of the Company and one share purchase warrant, with each warrant exercisable at a price of $0.40 per common share until May 30, 2006.

**Shares held in Escrow**

Pursuant to various Escrow Agreements 15,025,542 of the issued and outstanding common shares of the Company are subject to escrow requirements. These common shares may be released from escrow periodically.

**Stock option plan**

The Company has a stock option plan (the "Plan"), which provides that the Board of Directors of the Company (the "Board") may from time to time, in its discretion, grant to directors, senior officers, employees, management company employees and consultants the option to purchase common shares. The number of common shares reserved for issuance under the Plan shall not 10% of the issued and outstanding common shares on a non-diluted basis at anytime. In addition, the number of common shares reserved for issuance to any one person in any 12-month period shall not exceed 5% of the issued and outstanding common shares. There are additional restrictions on the number of options that may be granted to Insiders. The exercise price shall be determined by the Board, but shall not be lower than the lowest price permitted by the TSX Venture Exchange.

Options are exercisable and vest over a period as determined by the Board.

On May 31, 2004, the Company granted options to directors and employees of the Company to acquire 2,893,932 common shares of the Company. The options vest at the rate of 1/3 on each of the 12, 24 and 36-months from the date of the grant.

On August 27, 2004, the Company granted options to directors and an employee of the Company to acquire 250,000 common shares of the Company. The options vest at the rate of 1/3 on each of the 12, 24 and 36-months from the date of the grant.

On December 8, 2004, the Company granted options to a consultant and the secretary of the Company to acquire 425,000 common shares of the Company. The options vest at the rate of 1/3 on each of the 12, 24 and 36-months from the date of the grant.

The above transactions resulted in the compensation expense of $166,596 (2003 – $nil) with a corresponding credit to contributed surplus. The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted based on the following weighted average assumptions:

| | |
|---|---|
| Risk free interest rate | 3.5% |
| Expected life | 3 years |
| Annualized volatility | 164% |
| Expected dividends | $nil |

The following table summarizes activity related to share options for the year ended December 31, 2004 and 2003:

| | 2004 | | 2003 | |
|---|---|---|---|---|
| | **Share options outstanding #** | **Exercise price $** | **Share options outstanding #** | **Exercise price $** |
| Balance – Beginning of year | 678,000 | 0.16 | 953,000 | 0.16 |
| Granted May 31, 2004 | 2,893,932 | 0.20 | - | - |
| Granted September 9, 2004 | 250,000 | 0.27 | - | - |
| Granted December 15, 2004 | 425,000 | 0.40 | - | - |
| Exercised | (287,000) | 0.17 | - | - |
| Expired | - | - | (200,000) | 0.20 |
| Forfeited | - | - | (75,000) | 0.10 |
| Balance – End of year | 3,959,932 | 0.21 | 678,000 | 0.16 |

The following table summarizes information about the Company's share options outstanding as at December 31, 2004:

| **Share options outstanding #** | **Exercise price $** | **Weighted average remaining contractual life years** | **Number exercisable #** |
|---|---|---|---|
| 166,000 | 0.20 | 1.2 | 166,000 |
| 225,000 | 0.10 | 2.5 | 225,000 |
| 2,893,932 | 0.20 | 4.4 | - |
| 250,000 | 0.27 | 4.7 | - |
| 425,000 | 0.40 | 4.9 | - |
| 3,959,932 | | | 391,000 |

The following table summarizes the weighted average grant date fair value of options granted during 2004 and 2003:

| | 2004 | | 2003 | |
|---|---|---|---|---|
| | **Weighted average exercise price $** | **Weighted average grant date fair value of options $** | **Weighted average exercise price $** | **Weighted average grant date fair value of options $** |
| Market price of shares at grant date equal to option exercise price | 0.27 | 0.23 | - | - |
| Market price of shares at grant date exceeds option exercise price | 0.23 | 0.30 | - | - |

**Warrants**

The following table summarizes activity related to share warrants for the year ended December 31, 2004:

| | **Number of shares outstanding #** | **Weighted average exercise price $** |
|---|---|---|
| Balance – Beginning of year | - | - |
| Granted May 31, 2004 – Private placement | 6,750,006 | 0.22 |
| Granted May 31, 2004 – Private placement | 3,750,000 | 0.40 |
| Granted October 8, 2004 – Private placement | 750,000 | 0.30 |
| Granted December 8, 2004 – Private placement | 1,000,000 | 0.40 |
| Exercised | (746,250) | 0.29 |
| Balance – End of year | 11,503,756 | 0.30 |

The following table summarizes information about the Company's share warrants outstanding as at December 31, 2004:

| Number of shares outstanding # | Exercise price $ | Weighted average remaining contractual life years | Number exercisable # |
|---|---|---|---|
| 6,278,756 | 0.22 | 1.1 | 6,278,756 |
| 3,475,000 | 0.40 | 1.1 | 3,475,000 |
| 750,000 | 0.30 | 1.8 | - |
| 1,000,000 | 0.40 | 1.1 | - |
| 11,503,756 | | | 9,753,756 |

## 10 Loss per share

| | 2004 $ | 2003 $ |
|---|---|---|
| Loss attributable to common shareholders (numerator) | 2,088,204 | 382,076 |
| | # | # |
| Weighted average number of common shares outstanding (denominator) | 32,395,853 | 13,837,737 |
| | $ | $ |
| Basic and diluted loss per share | (0.06) | (0.03) |

The effect of potentially dilutive share options and warrants were not included in the calculation of diluted loss per share in 2004 and 2003 as the result would be anti-dilutive.

## 11 Segmented information

The Company has two reportable segments, which offer different products and services: the Group insurance software division and the property and casualty software division. The accounting policies of the segments are consistent with those described in note 3.

| 2004 | Group Insurance Software $ | Property and Casualty Software $ | Head office $ | Total $ |
|---|---|---|---|---|
| Revenue | 1,175,768 | 61,565 | - | 1,237,333 |
| Cost of sales | 665,267 | 54,389 | - | 719,656 |
| Gross margin | 510,501 | 7,176 | - | 517,677 |
| Expenses | 1,319,678 | 640,587 | 645,616 | 2,605,881 |
| Segment loss | (809,177) | (633,411) | (645,616) | (2,088,204) |
| Identifiable assets | 1,747,963 | 551,789 | 2,721 | 2,302,473 |

The segmented information presented for the property and casualty software division is for the seven months commencing on the date of acquisition of Symbility as described in note 3.

In 2003, the Company operated as one operating segment that being the development and marketing of software designed for the insurance industry.

Revenues are generated from external customers in Canada and the equipment and software are located in Canada. In fiscal 2004 and fiscal 2003, no single customer accounted for 10% or more of the Company's revenue.

## 12 Net change in non-cash working capital items

| | 2004 $ | 2003 $ |
|---|---|---|
| Accounts receivable | (372,937) | (24,425) |
| Supplies and prepaid expenses | (25,738) | (3,421) |
| Accounts payable | 220,657 | 174,212 |
| Due to related party | - | 6,071 |
| | (178,018) | 152,437 |

## 13 Financial instruments

The Company's financial instruments consist of accounts receivable, accounts payable and accrued liabilities.

**Fair values**

The carrying value of accounts receivable, accounts payable and accrued liabilities approximate fair value due to the immediate or short-term maturity of these financial instruments.

**Credit risk**

The Company is exposed to credit risk in the event of non-performance by customers, but does not anticipate such non-performance. The Company monitors the credit risk of customers on a regular basis. The maximum credit risk is the carrying value of the accounts receivable.

## 14 Subsequent events

On February 9, 2005, the Company completed the closing of a private placement financing of 5,000,000 units at a price of $0.51 per unit for gross proceeds to the Company of $2,550,000. Each unit consists of one (1) common share of the Company and one-half share purchase warrant, with each whole warrant exercisable at a price of $0.64 per common share until August 8, 2006.

## 15 Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.