Automated Benefits Corp.

Consolidated Financial Statements

December 31, 2010 and 2009

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Automated Benefits Corp.

We have audited the consolidated financial statements of **Automated Benefits Corp.**, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, deficit and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Automated Benefits Corp. as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
April 28, 2011

Automated Benefits Corp.
Consolidated Balance Sheets
As at December 31, 2010 and 2009

	2010 $	2009 $
Assets		
Current assets		
Cash and cash equivalents	1,292,516	869,133
Accounts receivable and others (Note 12)	1,164,558	1,000,093
Inventory	2,681	2,337
Prepaid expenses and other assets (Notes 12 and 16)	316,189	414,646
	2,775,944	2,286,209
Restricted cash deposits (Note 8)	207,000	212,000
Property and equipment (Note 4)	50,812	107,534
Intangible assets (Note 5)	21,142	41,708
	3,054,898	2,647,451
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	1,572,190	1,370,644
Current portion of deferred revenue	696,113	701,580
	2,268,303	2,072,224
Long-term liabilities		
Deferred revenue	76,549	168,575
Capital lease obligations (Note 6)	-	3,065
Customer deposit	70,000	-
	2,414,852	2,243,864
Shareholders' equity		
Share capital (Note 10)	16,325,999	15,952,925
Contributed surplus (Note 10)	9,036,017	8,891,465
Deficit	(24,721,970)	(24,440,803)
	640,046	403,587
	3,054,898	2,647,451

Commitments (Notes 6 and 7)

See accompanying notes

Approved on behalf of the Board of Directors:

(Signed) James R. Swayze
Director

(Signed) Larry Binnion
Director

Automated Benefits Corp.
Consolidated Statements of Operations, Deficit and Comprehensive Loss
For the years ended December 31, 2010 and 2009

	2010 $	2009 $
Revenue	5,849,791	4,586,000
Cost of sales	1,196,626	1,040,293
	4,653,165	3,545,707
Expenses		
General and administration	2,695,650	2,829,390
Research and development (Note 16)	869,466	679,837
Sales and marketing	1,112,934	1,294,929
Stock-based compensation	144,552	535,766
Amortization for property and equipment	67,943	118,770
Amortization for intangible assets	16,724	25,078
Impairment loss on intangible (Note 5)	6,112	6,840
	4,913,381	5,490,610
Loss before interest and other income (expense)	(260,216)	(1,944,903)
Interest and other income (expense)	(20,951)	863
Net loss and comprehensive loss for the year	(281,167)	(1,944,040)
Deficit-Beginning of year	(24,440,803)	(22,496,763)
Deficit-End of year	(24,721,970)	(24,440,803)
	$	$
Basic and diluted loss and comprehensive loss per common share (Note 11)	(0.00)	(0.02)
	#	#
Weighted average number of common shares outstanding (Note 11)	117,088,454	113,802,690

See accompanying notes

Automated Benefits Corp.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2010 and 2009

	Common shares $	Warrants $	Broker warrants $	Preferred Series A $	Contributed surplus $	Deficit and comprehensive loss $	Total shareholders' equity $
December 31, 2008	15,935,958	759,372	34,864	38	7,561,463	(22,496,763)	1,794,932
Share issuance for services	22,458	-	-	-	-	-	22,458
Conversion of preferred shares	38	-	-	(38)	-	-	-
Share issuance costs	(5,529)	-	-	-	-	-	(5,529)
Warrants forfeited	-	(759,372)	(34,864)	-	794,236	-	-
Stock-based compensation	-	-	-	-	535,766	-	535,766
Net loss for the year	-	-	-	-	-	(1,944,040)	(1,944,040)
December 31, 2009	15,952,925	-	-	-	8,891,465	(24,440,803)	403,587
Share issuance for services (Note 3)	381,573	-	-	-	-	-	381,573
Share issuance costs	(8,499)	-	-	-	-	-	(8,499)
Stock-based compensation (Note 10)	-	-	-	-	144,552	-	144,552
Net loss for the year	-	-	-	-	-	(281,167)	(281,167)
December 31, 2010	**16,325,999**	-	-	-	**9,036,017**	**(24,721,970)**	**640,046**

See accompanying notes

Automated Benefits Corp.
Consolidated Statements of Cash Flows
For the years ended December 31, 2010 and 2009

	2010 $	2009 $
Operating activities		
Net loss for the year	(281,167)	(1,944,040)
Items not affecting cash		
Stock-based compensation	144,552	535,766
Issuance of shares for services	381,573	22,458
Amortization for property and equipment	67,943	118,770
Amortization for intangible asset	16,724	25,078
Impairment loss on intangible	6,112	6,840
	335,737	(1,235,128)
Net change in non-cash working capital items (Note 15)	114,949	626,446
Cash provided by (used in) operating activities	450,686	(608,682)
Investing activities		
Purchase of property and equipment	(11,221)	(43,976)
Purchase of intangible assets	(2,270)	(5,936)
Cash used in investing activities	(13,491)	(49,912)
Financing activities		
Repayments of capital lease obligations	(10,313)	(12,941)
Release of restricted cash deposits	5,000	-
Cost of issuance of shares	(8,499)	(5,529)
Cash used in financing activities	(13,812)	(18,470)
Net increase (decrease) in cash	423,383	(677,064)
Cash and cash equivalents - Beginning of year	869,133	1,546,197
Cash and cash equivalents - End of year	1,292,516	869,133
Supplementary cash flow information		
Interest paid	3,978	13,886
Interest received	2,377	13,512

See accompanying notes

1) Basis of presentation

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

On January 31, 2006, Symbility Solutions (U.S.A.) Inc. ("Symbility USA") was incorporated as a wholly owned subsidiary of the Corporation and consolidated in these financial statements. Symbility USA commenced operations in the second quarter of 2006.

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries: Automated Benefits Inc. ("Adjudicare"), Symbility Solutions Inc. and Symbility USA (jointly referred to on a consolidated basis as "Symbility"). Intercompany transactions and balances have been eliminated upon consolidation.

2) Significant accounting policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("CGAAP"). Because the precise determination of many assets, liabilities, revenues and expenses is 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 consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments with maturity dates less than three months from the original date of purchase that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. It does not include restricted cash deposits since these amounts are not readily available to the Corporation to meet its operating cash requirements.

b) Revenue recognition

The Corporation owns three subsidiaries, Automated Benefits Inc., Symbility USA, and Symbility Solutions Inc. located in Toronto with a Research and Development Centre in Montreal. All divisions are independently generating revenue sources.

The Corporation's operating subsidiaries generate revenue from the following sources:

i) Claims transaction fees and user-based license fees are recorded as revenue in the month that the services are provided.

ii) Professional services are recognized either when the service is delivered (in the case of training) or on a percentage-of-completion basis for each programming services contract.

iii) Resale of premium insurance products is billed to the customer at the beginning of the policy and a deferred revenue account is established. Revenue is recognized evenly over the term of the policy until it expires or a new policy is established.

iv) Resale of cards for processing prescriptions and dental services are recognized as revenue in the month the services are provided.

The Corporation had established that Automated Benefits Inc. had developed a non-traditional supply chain for group insurance. The Corporation had determined that it is a reseller, as opposed to a sales agent in these transactions. Automated Benefits Inc. is not liable for any claims on insurance. Automated Benefits Inc.'s revenue reflects the gross revenue for certain insurance products in which they are classified as a reseller.

In 2009, the Corporation entered into arrangements of software license arrangements which include the provision of software licenses, implementation services and professional services, and post-contract support. Revenue from these arrangements is recognized when earned, specifically when all the following conditions are met: software licenses are delivered and/or services are provided, there is clear evidence that an arrangement exists, amounts are fixed or determinable and collectability is reasonably assured.

Software license arrangements may involve the delivery of multiple services and products occurring at different points in time and/or over different periods of time. Revenue recognition for these arrangements is determined based on evaluation of the individual elements of the arrangements. If vendor-specific objective evidence of fair value ("VSOE") of all undelivered elements does not exist, the entire arrangement is treated as one unit of accounting and revenue is deferred and recognized ratably over the remaining term of the contract, commencing when all elements are delivered.

c) Property and equipment

Property and 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%
Equipment under capital lease	Term of the lease
Leasehold improvements	Term of the lease

d) Intangible assets

The Corporation has definite life intangible assets consisting of computer software which is recorded at original cost and is amortized on a straight-line basis at 30%.

Indefinite life intangible assets consist of trademarks and copyrights and are not amortized, but subject to an annual impairment test. The impairment test for indefinite life intangible assets is based on a comparison of their carrying value with their fair value.

e) Impairment of long-lived assets

The Corporation performs a recoverability evaluation when events or circumstances indicate that the carrying value of the Corporation's long-lived assets, which include property and equipment and definite life intangible assets, may be impaired. 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 carrying value of the asset and its fair value. Any impairment loss is included in income for the year.

Indefinite lived intangible assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. The Corporation has selected December 31 as the date it performs its annual impairment test.

f) Leases

Leases are classified as either capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of assets are accounted for as if they were an acquisition of an asset and incurrence of an obligation at the inception of the lease and are accounted for as capital leases. All other leases are accounted for as operating leases and expensed as incurred.

g) Inventory

Inventory is comprised of drug cards, which are valued at the lower of cost and net realizable value on a first-in, first-out basis.

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 those temporary differences are expected to be recovered or settled. Changes to these tax rates are recognized in income in the period in which they occur. The amount of future 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 results in the recording of 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 vesting period of the option. Any consideration paid on exercise of stock options is credited to share capital.

k) Foreign currency translation

All of the subsidiaries of the Corporation are integrated operations. Accordingly, monetary items are translated into Canadian dollars at the exchange rate in effect at the consolidated balance sheet dates and non-monetary items are translated at the rate of exchange in effect when the assets were acquired or the obligation was incurred. Revenue and expenses are translated at the foreign exchange rate in effect at the time of the transaction. Foreign exchange gains or losses are recorded in net loss.

l) Research and development costs

Research and development costs are expensed in the year incurred unless the Corporation believes a development project meets the criteria for capitalization.

m) Investment tax credits

Assistance in the form of federal and provincial tax credits on research and development expenditures is recorded by the Corporation when there is reasonable assurance of collection. The Corporation accounts for investment tax credits relating to research and development expenses as a deduction in the consolidated statements of operations, deficit and comprehensive loss and those relating to capital expenditures as a reduction of the cost of the asset acquired.

n) Financial instruments

The Corporation has classified cash and cash equivalents, restricted cash, and currency option contracts as held-for-trading. Accounts receivable is classified as loans and receivables. Accounts payable and accrued liabilities, capital lease obligations, and other long-term liabilities are classified as other liabilities. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost.

Financial instruments are presented at fair value and all gains and losses are included in income or loss in the period when they arise. To determine the fair value, we use fair value measurements based upon transparency of inputs to the valuation of financial instruments carried on the consolidated balance sheets at fair value. The three levels are defined as follows:

- Level one – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level two – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level three – inputs to the valuation methodology.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

The Corporation uses derivative instruments such as currency option contracts to hedge against foreign currency risk. The Corporation has not classified any derivatives as a hedging instrument. Derivatives are measured at fair value at each consolidated balance sheet date and any resulting gain or loss from changes in fair value are recorded in other income.

o) Use of estimates

The preparation of consolidated financial statements in conformity with CGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant assumptions made by management in the preparation of the Corporation's consolidated financial statements include, but are not limited to, the allowance for doubtful accounts, valuation allowances for income taxes, the useful lives and recoverability of property and equipment, intangibles assets, fair value of stock-based compensation, and the ability to continue as a going concern. Actual results could differ from those estimates.

p) Changes in accounting policies not yet adopted

The following accounting pronouncements have been released but have not yet been adopted by the Corporation:

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board announced the adoption of IFRS for publicly accountable enterprises. The Corporation has made the decision to convert its basis of accounting to IFRS for the periods beginning January 1, 2011, preparing its first interim financial statements in accordance with IFRS for the three-month period ending March 31, 2011.

3) Related party transactions

On May 21, 2010, the Corporation issued 2,700,000 common shares with a fair value of $0.12 per share for an aggregate value of $324,000 to two officers in lieu of cash bonuses for 2009. The issuance of the 2,700,000 common shares to the two officers was approved by the TSX Venture Exchange on May 17, 2010 and the shares were issued on May 21, 2010.

Each of the directors of the Corporation is entitled to receive $5,000 per annum, and an additional $1,500 was payable to the chairman of each of the Compensation Committee, the Audit Committee, the Strategic Committee, and the Board of Directors of the Corporation. For the year ended December 31, 2010, the Corporation issued 466,723 common shares with an estimated weighted average fair value of $0.12 per share for an aggregate value of $57,573 to the Directors of the Corporation for services provided for the year. The issuance of these common shares to the Directors was approved by the TSX Venture Exchange. The estimated fair value was determined based on the share price on the date of issuance.

For the year ended December 31, 2010, the Corporation expensed $72,628 (2009 - $59,250) for services provided by the Directors of the Corporation.

For the year ended December 31, 2010, the Corporation expensed $5,000 in consulting fees paid to a private company controlled by a Director of the Corporation. These fees were paid in cash.

For the year ended December 31, 2009, the Corporation issued 204,167 common shares with an estimated weighted average fair value of $0.11 per share for an aggregate value of $22,458 to the Directors of the Corporation for services provided for the year. The issuance of these common shares to the Directors was approved by the TSX Venture Exchange. The estimated fair value was determined based on the share price on the date of issuance.

All of the above transactions with the Directors of the Corporation were recorded at the exchange amount, which is the estimated fair value of the services rendered.

4) Property and equipment

			2010
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Furniture and fixtures	132,152	124,465	7,687
Computer equipment	417,054	382,123	34,931
Equipment under capital lease	42,907	41,716	1,191
Leasehold improvements	63,911	56,908	7,003
Total	656,024	605,212	50,812

During the year ended December 31, 2010, amortization expense of $67,943 was recorded.

			2009
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Furniture and fixtures	130,660	109,027	21,633
Computer equipment	407,325	350,635	56,690
Equipment under capital lease	42,907	34,375	8,532
Leasehold improvements	63,911	43,232	20,679
Total	644,803	537,269	107,534

During the year ended December 31, 2009, amortization expense of $118,770 was recorded.

5) Intangible assets

			2010
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Computer software	130,119	123,959	6,160
Trademark	14,982	-	14,982
Total	145,101	123,959	21,142

During the year ended December 31, 2010, amortization expense of $16,724 and an impairment loss of $6,112 were recorded. The Corporation added a new product to the Symbility product suite – Symbility Inside Adjuster in July 2010. Coinciding with this change, the Corporation chose to rebrand the product under the name "Symbility Claims Connect", replacing the brand name of "Symbility.NET". Hence, the value of the trademark of "Symbility.NET" is fully impaired as it does not generate any future economic benefit to the Corporation. Therefore, the carrying cost of the trademark is fully written-down.

			2009
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Computer software	130,119	107,235	22,884
Trademark	18,824	-	18,824
Total	148,943	107,235	41,708

During the year ended December 31, 2009, amortization expense of $25,078 and an impairment loss of $6,840 were recorded. The Corporation introduced a significant upgrade to its group insurance software application. Concurrently, the Corporation chose to rebrand the product under the name "Adjudicare", replacing the brand names of "AutoBen" and "ABI". These brand names are no longer in use by the Corporation. The Corporation is now using "Adjudicare" as the domain name of its web page, employee email signature, company letterhead, business cards, etc. Hence, the value of the trademark of "AutoBen" and "ABI" are fully impaired as they do not generate any future economic benefit to the Corporation. Therefore, the carrying cost of the trademark is fully written-down.

6) Capital lease obligations

Lease payments required in the next year ending December 31, 2011 relating to capital leases for equipment are as follows:

	$
2011	3,186
Less: interest	(121)
Less: current portion	(3,065)
Total capital lease obligations	-

The interest charge on these capital leases is at 7.75% annually.

7) Operating lease obligations

Lease payments required in each of the next five years ending December 31, 2015 and thereafter relating to operating leases for building and equipment are as follows:

	$
2011	254,283
2012	256,433
2013	258,933
2014	261,433
2015	247,396
Thereafter	93,123
Total operating lease obligations	1,371,601

The Corporation also has purchase obligations under various supplier agreements totaling $137,500 to be paid substantially in the next three years ending December 31, 2013.

8) Restricted cash deposits

On January 13, 2010, the Corporation entered into a cash collateral agreement with the Royal Bank of Canada for $17,500 to secure certain corporate credit cards issued with an expiry date on January 13, 2011. The agreement will automatically renew for another twelve months term on the expiry date.

On November 2, 2010, the Corporation entered into a second cash collateral agreement with the Royal Bank of Canada for $167,000 to secure the letter of credit with an expiry date on March 31, 2011 (See note 17).

On November 23, 2010, the Corporation entered into a third cash collateral agreement with the Royal Bank of Canada for $22,500 to secure certain corporate credit cards issued with an expiry date on November 23, 2011. The agreement will automatically renew for another twelve months term on the expiry date.

The interest income earned on these restricted cash deposits accrues to the Corporation at rates ranging from 0.3% to 0.9% annually and is recorded in interest and other income.

9) Income taxes

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

	2010	**2009**
	$	**$**
Combined federal and provincial statutory tax rate	28.67%	32.91%
Expected recovery for income taxes	(80,623)	(639,853)
Change in income taxes resulting from		
Non-deductible expenses and other items	53,133	266,662
Change in future tax rate	2,150	75,049
Change in valuation allowance	25,340	298,142
	-	-

The 2010 consolidated tax recoverable balance of $80,623 (2009 - $639,853) consists of a tax liability of $66,795 from the U.S. entity of the Corporation, and a tax recoverable amount of $147,418 from its Canadian operations.

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

	2010	**2009**
	$	$
Future tax assets		
Equipment and other	418,618	399,966
Cumulative eligible property	3,837	1,401
Share issue costs	5,751	44,237
Scientific research and experimental development	644,658	427,844
Non-capital losses	4,662,528	4,672,788
Donations	2,010	2,112
Investment tax credits	717,366	523,571
Valuation allowance	(6,454,768)	(6,071,919)
Net future tax assets	-	-

The Corporation has determined that the recognition of its net future tax assets does not meet the criteria of recognition being "more likely than not". Management has provided a valuation allowance equivalent to the gross future income tax asset given the uncertainty that the Corporation will have sufficient income for tax purposes to utilize the tax losses in the carryforward period.

The Corporation has approximately $17,702,565 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 years' taxable income for tax purposes.

Non-capital losses $	Expiry date
1,113,073	2014
4,290,220	2015
5,366,443	2026
3,194,177	2027
1,529,684	2028
1,202,430	2029
1,006,538	2030
17,702,565	

10) Share capital

Authorized
Unlimited number of common shares
Unlimited number of preferred shares

Issued

	Common shares		Warrants		Broker Warrants		Total
	#	$	#	$	#	$	$
Balance - December 31, 2008	111,156,039	15,935,958	9,172,000	759,372	421,100	34,864	16,730,194
Shares issued for services rendered	204,167	22,458					22,458
Conversion of preferred shares	3,786,882	38					38
Warrants expired			(9,172,000)	(759,372)	(421,100)	(34,864)	(794,236)
Share issuance costs		(5,529)					(5,529)
Balance - December 31, 2009	115,147,088	15,952,925	-	-	-	-	15,952,925
Shares issued for services rendered (Note 3)	3,166,723	381,573					381,573
Share issuance costs		(8,499)					(8,499)
Balance - December 31, 2010	**118,313,811**	**16,325,999**	**-**	**-**	**-**	**-**	**16,325,999**
Preferred Series A							
Balance - December 31, 2008	3,786,882						38
Converted to common shares	(3,786,882)						(38)
Balance - December 31, 2009	-						-
Converted to common shares	-						-
Balance - December 31, 2010	-						-
Total share capital							**16,325,999**

Each preferred Series A share is non-voting and is convertible to common shares of the Corporation for each $0.50 of 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.

Share issuances

On April 30, 2009, the Corporation announced that it had converted 3,158,539 preferred Series A shares previously issued to certain shareholders of the Corporation into 3,158,539 common shares pursuant to the conversion terms of these preferred Series A shares.

On August 21, 2009, the Corporation announced that it had converted 628,343 preferred Series A shares previously issued to certain shareholders of the Corporation into 628,343 common shares pursuant to the conversion terms of these preferred Series A shares. This represents the final conversion of preferred shares into common shares and the Corporation has fully satisfied all of its obligations to the preferred shareholders.

See also note 3.

Stock option plan

The Corporation has a stock option plan (the "Plan"), which provides that the Board of Directors of the Corporation (the "Board") may grant from time to time, at its discretion, stock options to purchase common shares of the Corporation to directors, senior officers, employees, and consultants. The number of common shares reserved for issuance under the Plan shall not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time. 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.

The total stock-based compensation expense for 2010 was $144,552 (2009 – $535,766) with a corresponding credit to contributed surplus.

Stock-based compensation related to

	2010	2009
	$	$
General and administration	84,358	488,053
Research and development	33,904	15,852
Sales and marketing	26,290	31,861
Total	144,552	535,766

The Corporation used the Black-Scholes option pricing model to estimate the fair value of the options granted based on the following weighted average assumptions:

	2010	2009
Risk-free interest rate	2.70%	2.16%
Expected life	8.2 years	5.0 years
Annualized volatility	118%	116%
Expected dividends	Nil	Nil

The following table summarizes activity related to stock options for the years ended December 31, 2010 and 2009:

	2010		2009	
	Stock options outstanding	Exercise price	Stock options outstanding	Exercise price
	#	$	#	$
Balance – Beginning of year	6,453,932	0.23	5,797,267	0.27
Granted	878,932	0.14	1,815,000	0.15
Forfeited and expired	(595,000)	0.36	(1,158,335)	0.35
Balance – End of year	6,737,864	0.20	6,453,932	0.23
Balance – Exercisable	5,603,053	0.22	5,129,769	0.24

The following table summarizes information about the Corporation's stock options outstanding as at December 31, 2010:

Stock options outstanding #	Exercise price $	Weighted average remaining contractual life Years	Number exercisable #
120,000	0.10	2.9	120,000
313,932	0.11	4.3	104,644
400,000	0.12	3.1	266,665
495,000	0.13	3.9	330,001
410,000	0.14	9.5	136,663
750,000	0.19	3.4	499,998
75,000	0.19	2.1	75,000
2,468,932	0.20	3.8	2,365,082
785,000	0.24	1.8	785,000
920,000	0.35	0.7	920,000
6,737,864			5,603,053

The weighted average fair value of options granted during the year was $0.14 per stock option (2009 - $0.13).

In 2009, the Board of Directors approved to extend the life of 2,193,932 vested options to an officer from five years to ten years. The modification required the Corporation to record an additional compensation expense of $357,069.

Contributed surplus

The following table summarizes activity related to contributed surplus for the years ended December 31, 2010 and 2009:

	2010	2009
	$	$
Balance – Beginning of year	8,891,465	7,561,463
Stock-based compensation expense	144,552	535,766
Warrants expired	-	794,236
Balance – End of year	9,036,017	8,891,465

11) Loss per share

	2010	2009
	$	$
Loss attributable to common shareholders (numerator)	(281,167)	(1,944,040)
	#	#
Weighted average number of common shares outstanding (denominator)	117,088,454	113,802,690
	$	$
Basic and diluted loss per common share	(0.00)	(0.02)

The effect of potentially dilutive share options was not included in the calculation of diluted loss per share in 2010 and 2009 as the result would be anti-dilutive.

12) Financial instruments and risk management

Fair value

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximates the fair value due to the immediate or short-term maturity and these financial instruments are classified as level one - quoted price in the fair value hierarchy. The fair value of currency option contracts has been estimated using the market-quoted currency spot rate and interest rate and are classified as level two-observable market input in the fair value hierarchy. As at December 31, 2010, the Corporation had fully exercised all the options under the option contracts to sell U.K. pounds sterling for Canadian dollars.

Risk arising from financial instruments and risk management

The Corporation's activities expose it to a variety of financial risks; market risk (including foreign exchange), credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's financial performance.

Risk management is the responsibility of the corporate finance function. Material risks are monitored and are regularly discussed with the Audit Committee of the Board of Directors.

Market risk and foreign currency risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Corporation's income or the value of its financial instruments.

The Corporation's activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products and services to customers invoiced in foreign currencies and the purchase of services invoiced in foreign currencies. Of the Corporation's accounts receivable and accounts payable at December 31, 2010, 34% (2009 - 33%) and 11% (2009 - 8%), respectively, are denominated in foreign currencies. During the year ended December 31, 2010, approximately 45% (2009 - 31%) of revenue and approximately 4% (2009 - 5%) of expenses were incurred in U.S. dollars and U.K. pounds sterling. As at December 31, 2010, the fluctuation of the U.S. dollar and U.K. pound sterling of 1% would have an insignificant impact on net loss and comprehensive loss.

The Corporation has entered into derivative currency options to sell U.K. pounds sterling and is exposed to foreign currency risk on the fair value of its outstanding derivatives currency option contracts. These currency option contracts have terms ranging from October 21, 2009 to February 21, 2011. As at December 31, 2010, the Corporation had fully exercised all the options under these currency option contracts.

Credit risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, as well as credit exposure to clients including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Corporation assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

As at December 31, 2010, the two largest amounts due from customers accounted for 10% and 27% respectively of the Corporation's total accounts receivable (2009 - one customer - 29%).

The following table sets out details of the age of accounts receivable that are outstanding and related allowance for doubtful accounts:

	December 31, 2010
	$
Current	790,938
31 - 60 days	120,307
61 - 90 days	248,318
Over 91 days	5,403
Less: allowance for doubtful accounts	(743)
Total accounts receivable, net	1,164,223

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of operations, deficit and comprehensive loss within operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of operations, deficit and comprehensive loss.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Corporation achieves this by maintaining sufficient cash and cash equivalents and through the raising of equity financing. As at December 31, 2010, the Corporation was holding cash and cash equivalents of $1,292,516 (2009 - $869,133).

13) Management of capital

The Corporation defines capital that it manages as the aggregate of its shareholders' equity and interest-bearing debt. The Corporation's objectives when managing capital are to ensure that it can provide products and services to its customers and returns to its shareholders.

As at December 31, 2010, total managed capital was $643,111 (2009 - $416,965) comprised of shareholders' equity of $640,046 (2009 - $403,587) and interest-bearing debt of $3,065 (2009 - $13,378).

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation, upon approval from its Board of Directors, will balance its overall capital structure through new share issues, share repurchases, the issue of debt or by undertaking other activities as deemed appropriate under the specific circumstances.

The Corporation is not subject to externally imposed capital requirements and the Corporation's overall strategy with respect to capital risk management remains unchanged for the year ended December 31, 2010.

14) Segmented information

The Corporation has three reportable segments, two of which offer different products and services: the group insurance division and the property and casualty division. Revenues are generated from external customers in Canada, the United States, and the United Kingdom and all material assets are located in Canada. In fiscal 2010, there were two customers which accounted for more than 10% of the Corporation's revenue. The Corporation earned approximately $737,000 and $913,000 of its revenue from these two Property and casualty software customers. In fiscal 2009, one customer accounted for 10% or more of the Corporation's revenue. The Corporation earned approximately $678,000 of its revenue from this one Property and casualty software customer.

December 31, 2010	**Group insurance software $**	**Property and casualty software $**	**Head office $**	**Total $**
Revenue				
-Transaction and license fees	1,268,916	2,225,647	-	3,494,563
-Resale of premium insurance products	1,040,503	-	-	1,040,503
-Resale of processing health and dental services	350,012	-	-	350,012
-Professional services and others	63,022	901,691	-	964,713
Total revenue	2,722,453	3,127,338	-	5,849,791
Cost of sales	1,153,572	43,054	-	1,196,626
Gross margin	1,568,881	3,084,284	-	4,653,165
Expenses	1,263,252	2,617,948	1,032,181	4,913,381
Segment income (loss) before interest and other income (expense)	305,629	466,336	(1,032,181)	(260,216)
Interest and other income (expense)	661	(21,492)	(120)	(20,951)
Segment income (loss)	306,290	444,844	(1,032,301)	(281,167)
Property and equipment and intangible assets	13,777	40,668	17,509	71,954

December 31, 2009	**Group insurance software $**	**Property and casualty software $**	**Head office $**	**Total $**
Revenue				
-Transaction and license fees	1,142,197	1,718,261	-	2,860,458
-Resale of premium insurance products	964,371	-	-	964,371
-Resale of processing health and dental services	245,939	-	-	245,939
-Professional services and others	97,468	417,764	-	515,232
Total revenue	2,449,975	2,136,025	-	4,586,000
Cost of sales	1,001,504	38,789	-	1,040,293
Gross margin	1,448,471	2,097,236	-	3,545,707
Expenses	1,320,209	2,531,427	1,638,974	5,490,610
Segment income (loss) before interest and other income (expense)	128,262	(434,191)	(1,638,974)	(1,944,903)
Interest and other income (expense)	(8,634)	1,948	7,549	863
Segment income (loss)	119,628	(432,243)	(1,631,425)	(1,944,040)
Property and equipment and intangible assets	24,754	68,741	55,747	149,242

Geographic Information

The Corporation's revenues by geographic areas for fiscal 2010 and 2009 are as follows:

	2010 $	2009 $
Canada	3,217,949	3,068,032
United States	1,894,980	837,622
Europe	736,862	680,346
Total	5,849,791	4,586,000

The Corporation's property and equipment for fiscal 2010 and 2009 are as follows:

	2010 $	2009 $
Canada	50,812	107,534
Total	50,812	107,534

15) Net change in non-cash working capital items

	2010 $	2009 $
Accounts receivable	(164,465)	(285,732)
Inventory	(344)	(2,337)
Prepaid expenses and other assets	98,457	(271,935)
Accounts payable and accrued liabilities	208,794	399,449
Deferred revenue	(97,493)	794,352
Other long-term liabilities	70,000	(7,351)
	114,949	626,446

The consolidated statements of cash flows excluded non-cash investing transactions related to property and equipment under capital lease obligations of $(7,248) (2009 - $(3,633)).

16) Scientific research and experimental development tax credits

In 2010, the Corporation has recorded investment tax credits totaling $236,308 (2009 - $344,607) and reduced research and development expenditures by this amount. The Corporation has accumulated $936,200 of non-refundable investment tax credits which can be carried forward to reduce future federal income taxes payable and will begin to expire in 2023.

17) Subsequent events

On November 2, 2010, the Corporation entered into a cash collateral agreement with the Royal Bank of Canada for $167,000 to secure the letter of credit with an expiry date on March 31, 2011. The agreement was amended to renew for another twelve-months term on March 31, 2011.

On April 28, 2011, the Corporation with the approval of the Board of Directors issued 80,337 common shares with an estimated weighted average fair value of $0.255 per share for an aggregate value of $20,486 to the Directors of Automated Benefits Corp. for services provided for the last six months in 2010. The issuance of these common shares to the Directors is subject to TSX approval. The estimated fair value was determined based on the share price on the day preceding the board approval.