Automated Benefits Corp.

Consolidated Financial Statements

December 31, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Automated Benefits Corp,

We have audited the accompanying consolidated financial statements of **Automated Benefits Corp.**, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2011 and 2010, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

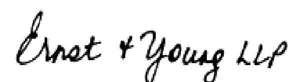
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 auditors consider 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 in our audits 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, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.



Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
April 25, 2012.

Automated Benefits Corp.
Consolidated Statements of Financial Position
As at December 31, 2011 and 2010
(In Canadian dollars)

	2011	2010	January 1, 2010
		(Note 21)	(Note 21)
	$	$	$
Assets			
Current assets			
Cash and cash equivalents	1,301,229	1,292,516	869,133
Accounts receivable and others (Note 13)	2,981,569	1,164,558	1,000,093
Prepaid expenses and other assets (Notes 3, 13 and 20)	612,184	318,870	416,983
	4,894,982	2,775,944	2,286,209
Restricted cash deposits (Note 9)	207,000	207,000	212,000
Property and equipment (Note 5)	298,486	50,812	107,534
Intangible assets (Note 6)	54,001	21,142	41,708
	5,454,469	3,054,898	2,647,451
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (Note 7)	2,642,368	1,572,190	1,370,644
Current portion of deferred revenue	1,422,925	696,113	701,580
	4,065,293	2,268,303	2,072,224
Long-term liabilities			
Deferred revenue	284,025	76,549	168,575
Finance lease obligations (Note 7)	99,616	-	3,065
Customer deposit	179,241	70,000	-
	4,628,175	2,414,852	2,243,864
Shareholders' equity			
Share capital (Note 11)	16,358,685	16,325,999	15,952,925
Contributed surplus	9,246,924	8,999,137	8,871,692
Deficit	(24,779,315)	(24,685,090)	(24,421,030)
	826,294	640,046	403,587
	5,454,469	3,054,898	2,647,451

Commitments (Notes 7 and 8)

See accompanying notes

Automated Benefits Corp.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2011 and 2010
(In Canadian dollars, except per share amounts)

	2011	2010
		(Note 21)
	$	$
Revenue	7,946,374	5,849,791
Cost of sales	1,423,318	1,196,626
	6,523,056	4,653,165
Expenses		
General and administration (Note 11)	3,188,235	2,787,411
Research and development (Notes 11 and 20)	1,221,561	898,318
Sales and marketing (Note 11)	1,624,012	1,136,501
Transaction related expenses	527,440	-
Other operating expenses (Note 17)	58,167	74,044
	6,619,415	4,896,274
Loss before finance income (costs) and other income (costs)	(96,359)	(243,109)
Finance income and other income (costs) (Notes 9 and 18)	7,940	(16,973)
Finance costs (Note 19)	(5,806)	(3,978)
Net loss and comprehensive loss for the year	(94,225)	(264,060)
Basic and diluted loss and comprehensive loss per common share (Note 12)	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding (Note 12)	# 118,347,514	# 117,088,454

See accompanying notes

Automated Benefits Corp.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2011 and 2010
(In Canadian dollars)

	Common shares $	Contributed surplus $	Deficit $	Total shareholders' equity $
January 1, 2010 (Note 21)	15,952,925	8,871,692	(24,421,030)	403,587
Share issuance for services (Note 3)	381,573	-	-	381,573
Share issuance costs	(8,499)	-	-	(8,499)
Stock-based compensation (Note 11)	-	127,445	-	127,445
Net loss for the year	-	-	(264,060)	(264,060)
December 31, 2010 (Note 21)	16,325,999	8,999,137	(24,685,090)	640,046
Share issuance for services (Note 3)	20,888	-	-	20,888
Share options exercised (Note 11)	13,000	(3,500)	-	9,500
Share issuance costs	(1,202)	-	-	(1,202)
Stock-based compensation (Note 11)	-	251,287	-	251,287
Net loss for the year	-	-	(94,225)	(94,225)
December 31, 2011	16,358,685	9,246,924	(24,779,315)	826,294

See accompanying notes

Automated Benefits Corp.
Consolidated Statements of Cash Flows
For the years ended December 31, 2011 and 2010
(in Canadian dollars)

	2011 $	2010 $
Operating activities		
Net loss for the year	(94,225)	(264,060)
Items not affecting cash		
Stock-based compensation	251,287	127,445
Issuance of shares for services	20,888	381,573
Depreciation and amortization	64,214	84,667
Impairment loss on intangible assets	-	6,112
	242,164	335,737
Net change in non-cash working capital items (Note 16)	(489,228)	114,963
Cash provided by (used in) operating activities	(247,064)	450,700
Investing activities		
Purchase of property and equipment	(146,515)	(11,221)
Purchase of intangible assets	(40,529)	(2,284)
Note receivable (Note 3)	(40,424)	-
Transaction related expenses	488,219	-
Cash provided by (used in) investing activities	260,751	(13,505)
Financing activities		
Proceeds from borrowings	102,000	-
Repayment of borrowings	(102,000)	-
Long-term finance lease payments	(13,272)	(10,313)
Release of restricted cash deposits	-	5,000
Proceeds from exercise of share options	9,500	-
Cost of issuance of shares	(1,202)	(8,499)
Cash provided by (used in) financing activities	(4,974)	(13,812)
Net increase in cash	8,713	423,383
Cash and cash equivalents-Beginning of year	1,292,516	869,133
Cash and cash equivalents-End of year	1,301,229	1,292,516
Supplementary cash flow information		
Interest paid	5,806	3,978
Interest received	4,201	2,377

See accompanying notes

1) Nature of operations and corporate information

Automated Benefits Corp. (the "Corporation") develops and markets software designed to improve effectiveness and reduce costs of administration of claims in both the employee benefits and property and casualty insurance markets. The Corporation was incorporated under the Alberta Business Corporations Act on July 15, 1999 and commenced operations on January 1, 2000. The Corporation is a publicly traded company with common shares listed on the TSX Venture Exchange and domiciled in Canada and its registered office is located at 3400 First Canadian Centre 350 - 7th Avenue SW, Calgary, Alberta, T2P 3N9. The Corporation has executive and operating offices in Toronto, Ontario and Montreal, Québec.

The Corporation has two wholly owned subsidiaries, Automated Benefits Inc. ("Adjudicare") and Symbility Solutions Inc. ("Symbility Canada") both located in Toronto, Ontario. Symbility in turn has one wholly owned subsidiary, Symbility Solutions (U.S.A.) Inc. ("Symbility USA") which was incorporated in the State of Delaware. Symbility Canada and Symbility USA are jointly referred to on a consolidated basis as "Symbility".

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of Automated Benefits Corp. on April 25, 2012.

2) Significant accounting policies

a) Statement of compliance

These consolidated financial statements represent the Corporation's initial presentation of its results of operations and financial position under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as its basis of financial reporting commencing into the consolidated financial statements for the year ended December 31, 2011.

The Corporation's transition to IFRS is January 1, 2010. An explanation of how the transition to IFRS has affected the consolidated financial statements is included in note 21. This note includes reconciliation of equity and total comprehensive loss for comparative years, and a reconciliation of equity at the date of the transition from Canadian generally accepted accounting principles ("GAAP") to IFRS.

b) Basis of presentation

These consolidated financial statements include the accounts of the Corporation, and its wholly owned subsidiaries: Adjudicare and Symbility. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions have been eliminated upon consolidation.

These consolidated financial statements have been prepared on a historical cost basis, except for share-based payment transactions which are measured at fair value. In these consolidated financial statements, all dollars are expressed in Canadian dollars, which is the functional currency of the parent company.

c) 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.

d) Revenue recognition

The Corporation owns two subsidiaries, Adjudicare and Symbility, are 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) Sale of cards for processing prescriptions and dental services are recognized as revenue in the month the services are provided.

The Corporation has established that Adjudicare had developed a non-traditional supply chain for group insurance. The Corporation has determined that it is a reseller, as opposed to a sales agent in these transactions. Adjudicare is not liable for any claims on insurance. Adjudicare's revenue reflects the gross revenue for certain insurance products in which it is 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 ("PCS"). 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 the service or product delivered has stand-alone value to the customer and the fair value associated with the product or service can be measured reliably, the amount recognized as revenue for each component is the fair value of the element in relation to the fair value of the arrangement as a whole. Otherwise 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.

Where the Corporation is the primary obligor for service performed, the Corporation recognizes revenue on a gross basis. At the time the Corporation enters into contracts with third party, the Corporation determines whether it acts as a principal in the transaction and assumes the risk and rewards of rendering of the service or it is simply acting as an agent or broker.

e) Property and equipment

Property and equipment are recorded at original cost. Depreciation is provided for on a straight-line basis at the following annual rates:

Furniture and fixtures	20%
Computer equipment	30%
Computer equipment under finance lease	30%
Equipment	Term of the lease
Equipment under finance lease	Term of the lease
Leasehold improvements	Term of the lease

f) Intangible assets

The Corporation has definite-life intangible assets consisting of computer software and computer software under finance lease which are recorded at original cost and are 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.

g) Impairment of non-financial assets

The Corporation assesses the carrying amount of non-financial assets including property and equipment and intangible assets at each reporting date to determine whether there is any indication of impairment. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist. The Corporation has selected December 31 each year to perform its annual impairment test.

An impairment loss is the amount equal to the excess of the carrying amount over the recoverable amount. The recoverable amount is the higher of value-in-use being the net present value of expected pre-tax future cash flows of the relevant asset and fair value less costs to sell the asset. The best evidence of fair value is a quoted price in an active market or a binding sale agreement for the same or similar asset. Where neither exists, fair value is based on the best information available to estimate the amount the Corporation could obtain from the sale of the asset in an arm’s length transaction. This is often accomplished by using a discounted cash flow technique.

Impairment is assessed at the cash-generating unit ("CGU") level. A CGU is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or group of assets. The assets of the corporate head office are allocated on a reasonable and consistent basis to CGUs or groups of CGUs. The carrying amounts of assets of the corporate head office that have not been allocated to a CGU are compared to their recoverable amounts to determine if there is any impairment loss.

If, after the Corporation has previously recognized an impairment loss, circumstances indicate that the fair value of the impaired assets is greater than the carrying amount, the Corporation reverses the impairment loss by the amount the revised fair value exceeds its carrying amount, to a maximum of the previous impairment loss. In no case shall the revised carrying amount exceed the original carrying amount, after depreciation or amortization, that would have been determined if no impairment loss had been recognized. An impairment loss or a reversal of an impairment loss is recognized in cost of sales, or general and administration expense, depending on the nature of the asset. Impairment of goodwill is not reversed.

h) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases which transfer to the Corporation substantially all of the risks and benefits incidental to ownership of the leased item are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statements of income (loss) and comprehensive income (loss).

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the consolidated statements of income (loss) and comprehensive income (loss) on a straight-line basis over the lease term.

i) 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.

j) Income taxes

The asset and liability method is used for determining income taxes. Under this method, deferred 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 consolidated financial statement carrying amounts. Deferred 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 deferred tax assets recognized is limited to the amount that is more likely than not to be realized.

k) Earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing the income or loss attributable to shareholders of the Corporation by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share are calculated by dividing the income (loss) by the weighted average number of common shares under which deemed proceeds on the exercise of options are considered to be used to re-acquire common shares at an average share price.

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

The Corporation operates equity-settled and cash-settled share-based compensation plans under which it receives services from employees, directors, and consultants of the Corporation as consideration for equity instruments of the Corporation or cash payments.

For the Corporation's equity-settled stock-based compensation plan, the 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 the consolidated statements of income (loss) and comprehensive income (loss) over the vesting period of the option based on the Corporation's best estimate of the number of equity instruments that will ultimately vest. Any consideration paid on exercise of stock options is credited to share capital.

The Corporation's cash-settled plan includes a Phantom Stock plan, where the expense is determined based on the fair value of the liability at the end of the reporting period until the award is settled. Periodic changes in the fair value are recognized as compensation costs with a corresponding change to liabilities.

At the end of each reporting period, the Corporation re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated statements of income (loss) and comprehensive income (loss).

m) Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency. The functional currency of each entity within the Corporation is determined based on the currency of the primary economic environment in which that entity operates. Transactions in foreign currencies are initially recorded by the entities at their respective functional rates prevailing at the date of the transaction. Monetary items are translated into Canadian dollars at the exchange rate in effect at the date of consolidated statements of financial position 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 the consolidated statement of income (loss) and comprehensive income (loss).

n) Research and development costs

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

o) 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 income (loss) and comprehensive income (loss) and those relating to capital expenditures as a reduction of the cost of the asset acquired.

p) Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows and benefits related from the financial asset expire, or if the Corporation transfers the control or substantially all of the risks and rewards of ownership of the financial asset to another party. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. Financial instruments upon initial recognition are measured at fair value and classified as either financial assets or financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables or other financial liabilities. Financial instruments are included on the consolidated statements of financial position and measured after initial recognition at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities, which are measured at amortized cost. Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using valuation methodologies, primarily discounted cash flows taking into account external market inputs where possible. Gains and losses on fair value through profit or loss financial assets and financial liabilities are recognized in earnings before income taxes in the period in which they are incurred. Transaction costs other than those related to financial instruments classified as at fair value through profit or loss, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest rate method.

The following classifications have been applied:

- Cash and cash equivalents, restricted cash deposits, and currency option contracts are designated as at fair value through profit or loss.
- Derivatives which are not designated in a hedge are classified as at fair value through profit or loss.
- Accounts receivable are classified as loans and receivables and carried at amortized cost.
- Accounts payable and accrued liabilities, finance lease obligations, and other long-term liabilities are classified as other financial liabilities.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

Fair value is the estimated amount that the Corporation would pay or receive to dispose of these contracts in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Impairment of financial instruments

An assessment of whether there is objective evidence that a financial asset or a group of financial assets is impaired is performed at each consolidated statement of financial position date. A financial asset or group of financial assets is considered to be impaired if one or more loss events that have an impact on the future cash flows of the financial asset or group of assets occur after initial recognition of the financial asset and the loss can be reliably measured. This assessment is done on an individual financial asset basis or on a portfolio of financial assets basis. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has occurred, the loss is based on the difference between the carrying amount of the financial asset, or portfolio of financial assets, and the respective estimated future cash flows discounted at the financial instruments original effective interest rate and is recorded as an allowance for losses. If, in a subsequent period, the impairment loss decreases, the previously recognized impairment is reversed to the extent of the impairment.

q) Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires the use of estimates and assumptions to be made in applying the accounting policies that affect the reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent assets and liabilities. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis of making the assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have significant effect on the consolidated financial statements relate to the following:

Allowance for doubtful accounts

The Corporation takes into consideration available customer credit information and the aging of the account in estimating the allowance for doubtful accounts.

Useful lives of key property and equipment and intangible assets

The depreciation method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Corporation. The Corporation has estimated the useful lives of the components of all of its property and equipment based on past experience and industry norms, and is depreciating these assets over their useful lives. Management assesses these estimates on a periodic basis and makes adjustments when appropriate.

Impairment of long-lived assets

Long-lived assets, primarily includes property and equipment and other intangible assets. An impairment loss is recognized when the carrying value of an asset exceeds its fair value which is determined using a discounted cash flow method. The Corporation tests the recoverability of its long-lived assets when events or circumstances indicate that the carrying values may not be recoverable. While the Corporation believes that no provision for impairment is require, management must make certain estimates regarding the Corporation’s profit projections that include assumptions about growth rates and other future events. Changes in certain assumptions could result in charging future results with an impairment loss.

Fair value of intangible assets

The determination as to the existence and measurement of any impairment requires management to make significant estimates and assumptions, which includes future cash flows, discount rates and estimated useful life. These significant estimates and judgments could impact the Corporation’s future results if the current estimates of future performance and fair values change, affect the amount of amortization expense and any impairment charges on intangible assets in future periods.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions from these factors could affect the reported fair value of financial instruments.

Stock-based compensation

In estimating the fair value of stock-based compensation and other stock-based payments, the Corporation uses the Black-Scholes option pricing model. Significant assumptions used in the underlying measurement of fair value using the Black-Scholes option pricing model including the expected life of the option and volatility of the underlying share.

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments as at the date at which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate assumptions to the valuation mode including the expected life of the option, volatility, expected forfeiture and dividend yield. The assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in note 11.

Income tax provisions

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax planning strategies.

Tax regulations and legislation and the interpretations thereof in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are recognized to the extent that it is probable that the deductible temporary differences will be recoverable in future periods. The recoverability assessment involves a significant amount of estimation including an evaluation of when the temporary differences will reverse an analysis of the amount of future taxable earnings, the availability of cash flow to offset the tax assets when the reversal occurs and the application of tax laws. To the extent the assumptions used in the recoverability assessment change, there may be significant impact on the consolidated financial statements of future periods.

r) Changes in accounting policies not yet adopted

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

i) Financial instruments

In November 2009, IASB intends to replace IAS 39, "Financial Instruments: Recognition and Measurements" ("IAS39") with IFRS 9, "Financial Instruments" ("IFRS 9"). In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through profit or loss. If this option is elected, entities would be required to reverse the portion of the fair value change due to credit risk out of profit or loss and recognize the change in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2013 with different transitional arrangements depending on the date of initial application. The Corporation is evaluating the impact of adopting IFRS 9 on the consolidated financial statements.

ii) Financial Instruments – Disclosures

In December 2011, the IASB issued amendments to the disclosure requirements in IFRS 7, Financial Instruments: Disclosures ("IFRS 7"). The amendments require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32, Financial Instruments - Presentation ("IAS 32"). The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. These amendments are effective for annual periods beginning on or after January 1, 2013. The Corporation is evaluating the impact of adopting IFRS 7 on the consolidated financial statements.

iii) Consolidated financial statements

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10"). IFRS 10, which replaces the consolidation requirements of SIC-12 Consolidation – Special Purpose Entities and IAS 27, Consolidation and Separate Financial Statements, and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. This new standard is effective for the Corporation's interim and annual consolidated financial statements commencing on or after January 1, 2013. The Corporation is evaluating the impact of adopting IFRS 10 on the consolidated financial statements.

iv) Fair value measurement

IFRS 13, "Fair value measurement" ("IFRS 13") provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value is required or permitted per IFRS. While many of the concepts in IFRS 13 are consistent with current practice, certain principles could have a significant effect on some entities adopting the standard. IFRS 13 is effective January 1, 2013 and will be adopted prospectively. The Corporation is evaluating the impact of adopting IFRS 13 on the consolidated financial statements.

v) Presentation of Financial Statements

In June 2011, the IASB amended "Presentation of Financial Statements" ("IAS 1") by revising how certain items are presented in other comprehensive income. Items within other comprehensive income that may be reclassified to profit and loss will be separated from items that will not. The standard is effective for financial years beginning on or after July 1, 2012 with early adoption permitted.

In December 2011, the IASB issued amendments to IAS 32, Financial Instruments – Presentation ("IAS 32"). The amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its financial position and the effects of rights of set-off on the entity's rights and obligations. These amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. The Corporation is currently assessing the impact of the amendment on the consolidated financial statements.

vi) Deferred Tax: Recovery of Underlying Assets

In December 2010, the IASB issued amendments to IAS 12, Income Taxes ("IAS 12") as Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12. The amendments provide an exception to the general principle in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. These amendments are effective for annual periods beginning on or after January 1, 2012. The Corporation is evaluating the impact of adopting IAS 12 on the consolidated financial statements.

vii) Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Corporation's interim and annual consolidated financial statements commencing on or after January 1, 2013. The Corporation is evaluating the impact of adopting IFRS 12 on the consolidated financial statements.

3) Related party transactions

On July 29, 2011, the Corporation agreed to loan $40,000 to its President and Chief Executive Officer. This promissory note matures on April 30, 2012 with an annual interest rate of 2.5%. The loan of $40,000 is secured by 150,943 shares of the Corporation owned by the President and Chief Executive Officer which on December 31, 2011 had a market value of $40,755.

For the year ended December 31, 2011, the Corporation expensed $119,500 (2010 - $72,628) for services provided by the Directors of the Corporation.

For the year ended December 31, 2011, the Corporation issued 80,337 common shares with an estimated weighted average fair value of $0.26 per share for an aggregate value of $20,888 to the Directors of the Corporation for services provided in the last six months of 2010. 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 issued 3,166,723 common shares with an estimated weighted average fair value of $0.12 per share for an aggregate value of $380,007 to the Directors and two officers of the Corporation for services provided. The issuance of these common shares to the Directors and two officers 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 $5,000 in consulting fees paid to a private company controlled by a Director of the Corporation. These fees were paid in cash.

All of the above transactions with the Directors of the Corporation were recorded at the exchange amount.

Compensation of key management personnel and Directors of the Corporation

Key management personnel of the Corporation and its subsidiaries include the roles of Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer, and Vice President. The compensation paid or payable to key management and the Board of Directors is shown in the following table:

	2011 $	2010 $
Salaries, fees and other short-term employee benefits	1,017,321	1,029,235
Share-based payments	183,323	81,605
Total	1,200,644	1,110,840

Stock options held by key management personnel and the Board of Directors under the stock option plan to purchase ordinary shares have the following expiry dates and exercise prices:

Issuance date	Expiry date	Exercise price	December 31, 2011	December 31, 2010	January 1, 2010
		$	Number outstanding	Number outstanding	Number outstanding
April 28, 2010	April 28, 2015	0.11	298,932	298,932	-
November 25, 2010	November 25, 2020	0.20	35,000	35,000	-
April 28, 2011	April 28, 2021	0.255	646,000	-	-
June 27, 2011	June 27, 2021	0.24	525,000	-	-
Total			1,504,932	333,932	-

4) Short-term loans

On May 30, 2011, the Corporation entered into a scientific research and experimental development ("SR&ED") tax loan with the Royal Bank of Canada for up to $250,000 to assist the Corporation with the gap between the filing and the receipt of funds from the provincial governments. The interest rate on the loan is the prime rate quoted by the bank plus 2.65%. The repayment term is the earlier of i) the receipt of the investment tax credit refunds and ii) 180 days from the initial borrowing. The loan has a financial covenant to maintain on a consolidated basis a minimum level of earnings before interest income, taxes, depreciation and amortization commencing fiscal year ending December 31, 2011. On June 21, 2011, the Corporation borrowed $102,000 from this SR&ED tax loan. On July 19, 2011, the Corporation repaid $63,000 of this SR&ED tax loan upon the receipt of Ontario investment tax credit refunds. On November 17, 2011, the Corporation repaid the remaining balance of $39,000 of the SR&ED tax loan upon receipt of a SR&ED tax refund from the Province of Québec.

5) Property and equipment

	Furniture and fixtures	Computer equipment	Computer equipment under finance lease	Equipment	Equipment under finance lease	Leasehold improvements	Total
Cost	$	$	$	$	$	$	$
At January 1, 2010	130,660	407,325	-	14,384	28,523	63,911	644,803
Additions	1,492	9,729	-	-	-	-	11,221
At December 31, 2010	132,152	417,054	-	14,384	28,523	63,911	656,024
Additions	38,309	36,708	107,369	-	21,384	100,448	304,218
Removal	-	-	-	-	(28,523)	(33,974)	(62,497)
At December 31, 2011	170,461	453,762	107,369	14,384	21,384	130,385	897,745

	Furniture and fixtures	Computer equipment	Computer equipment under finance lease	Equipment	Equipment under finance lease	Leasehold improvements	Total
Accumulated depreciation	$	$	$	$	$	$	$
At January 1, 2010	109,027	350,635	-	8,878	25,497	43,232	537,269
Depreciation expense	15,438	31,488	-	4,315	3,026	13,676	67,943
At December 31, 2010	124,465	382,123	-	13,193	28,523	56,908	605,212
Depreciation expense	7,140	23,775	5,368	860	5,613	13,788	56,544
Removal	-	-	-	-	(28,523)	(33,974)	(62,497)
At December 31, 2011	131,605	405,898	5,368	14,053	5,613	36,722	599,259

	Furniture and fixtures	Computer equipment	Computer equipment under finance lease	Equipment	Equipment under finance lease	Leasehold improvements	Total
Carrying value	$	$	$	$	$	$	$
At January 1, 2010	21,633	56,690	-	5,506	3,026	20,679	107,534
At December 31, 2010	7,687	34,931	-	1,191	-	7,003	50,812
At December 31, 2011	38,856	47,864	102,001	331	15,771	93,663	298,486

6) Intangible assets

	Computer software	Computer software under finance lease	Trademarks	Total
Cost	$	$	$	$
At January 1, 2010	130,119	-	25,664	155,783
Additions	-	-	2,284	2,284
At December 31, 2010	130,119	-	27,948	158,067
Additions	11,243	16,832	12,454	40,529
At December 31, 2011	141,362	16,832	40,402	198,596

	Computer software	Computer software under finance lease	Trademarks	Total
Accumulated amortization	$	$	$	$
At January 1, 2010	107,235	-	6,840	114,075
Amortization expense	16,724	-	-	16,724
Impairments	-	-	6,126	6,126
At December 31, 2010	123,959	-	12,966	136,925
Amortization expense	6,828	842	-	7,670
At December 31, 2011	130,787	842	12,966	144,595

	Computer software	Computer software under finance lease	Trademarks	Total
Carrying value	$	$	$	$
At January 1, 2010	22,884	-	18,824	41,708
At December 31, 2010	6,160	-	14,982	21,142
At December 31, 2011	10,575	15,990	27,436	54,001

7) Finance lease obligations

The Corporation has entered into finance leases on certain multi-functional copy machines, computer equipment and computer software. These leases have an average life of between three and five years. The Corporation has the option to purchase the machines, computer equipment and computer software for a nominal amount at the conclusion of the lease agreements. The interest charged on these finance leases is at a rate ranging from 4.55% to 7.75% annually. These finance leases mature between 2014 and 2015. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	$	$	$	$	$	$
Within one year	54,127	47,880	3,186	3,065	11,019	10,313
After one year but not more than five years	105,183	99,616	-	-	3,186	3,065
More than five years	-	-	-	-	-	-
Total minimum lease payments	159,310	147,496	3,186	3,065	14,205	13,378
Less finance costs	(11,814)	-	(121)	-	(827)	-
Present value of minimum lease payments	147,496	147,496	3,065	3,065	13,378	13,378

8) Operating lease obligation and other committments

The Corporation has entered into operating leases on building and equipment. These leases have remaining terms of between one and six years. Future minimum lease payments under the operating leases are as follows:

	December 31, 2011	December 31, 2010
	$	
Within one year	256,433	254,283
After one year but not more than five years	860,885	1,024,196
More than five years	-	93,122
	1,117,318	1,371,601

For the year ended December 31, 2011, the Corporation has expensed $254,283 related to the operating leases.

Other committments

The Corporation has entered into a service agreement, effective April 1, 2011, with a certain vendor for a term of five years and minimum purchase of $10,000 per month.

9) Restricted cash deposits

On January 13, 2011, the Corporation entered into a cash collateral agreement with a Chartered bank for $17,500 to secure certain corporate credit cards issued with an expiry date of January 13, 2012. The agreement will automatically renew for another 12 months term on the expiry date.

On March 31, 2011, the Corporation entered into a second cash collateral agreement with a Chartered bank for $167,000 to secure the letter of credit with an expiry date of March 31, 2012. The agreement will automatically renew for another 12 months term on the expiry date. The auto-renewal date expire on March 31, 2016.

On November 23, 2011, the Corporation entered into a third cash collateral agreement with a Chartered bank for $22,500 to secure certain corporate credit cards issued with an expiry date of November 23, 2012. The agreement will automatically renew for another 12 months term on the expiry date.

The interest income earned on these restricted cash deposits accrues to the Corporation at rates ranging from 0.75% to 0.9% annually and is recorded in finance income and other income.

10) Income taxes

The expense for the year can be reconciled to the accounting loss as follows:

The major components of income tax expense are as follows:

Statement of net loss

	2011 **$**	**2010** **$**
Current income tax	-	-
Deferred tax		
Origination and reversal of temporary differences	(13,751)	22,573
Unrecognized benefit of deferred tax assets	13,751	(22,573)
	-	-

A reconciliation between tax expense and the product of accounting profit multiplied by Canada's domestic tax rate for the years ended December 31, 2011 and 2010 are as follows:

	2011 $	2010 $
Loss from continuing operations	(94,225)	(264,060)
Income tax rate	28.25%	28.67%
Income tax expense	(26,619)	(75,706)
Effect of expenses that are not deductible (taxable) in determining taxable profit	40,370	53,133
Unrecognized benefit of current year's losses and other	(13,751)	22,573
Total tax expense (recovery) relating to continuing operations	-	-

The 2011 statutory rate of 28.25% differs from the 2010 statutory rate of 28.67% because of enacted rate reductions in the Federal and Ontario income tax rate.

The Corporation offsets tax assets and tax liabilities if and only if it has a legal enforceable right to set off current tax assets and current tax liabilities or the deferred tax assets and deferred tax liabilities and they relate to taxes levied by the same tax authority.

The benefit of the following temporary differences have not been recognized in the financial statements:

	2011 Statement of Financial Position **$**	**2010** Statement of Financial Position **$**
Equipment and other	1,729,412	1,669,416
Cumulative eligible property	14,914	14,914
Share issue costs	452,889	23,002
Scientific research and experimental development	5,021,141	2,606,492
Non-capital losses	17,704,175	17,703,272
Donation	1,786	7,987
Federal investment tax credits carried forward	1,163,146	936,200
Ontario research and development tax credits carried forward	66,899	26,537
Reserves and other	76,525	-
Net unrecognized temporary differences	26,230,887	22,987,820

As at December 31, 2011, the Corporation has the following Federal investment tax credits available to reduce future Federal taxes payable, Federal and Ontario non-capital losses available for carryforward, U.S. non-capital losses available for carryforward and Ontario research and development tax credits which will expire as follows:

Year	Canadian federal investment tax credit	Canadian federal and Ontario non-capital loss carryforward	U.S. federal loss carryforward	Ontario Research and Development tax credit
	$	$	$	$
2014	-	399,343	-	-
2015	-	2,372,786	-	-
2023	1,587	-	-	-
2024	29,208	-	-	-
2025	74,455	-	-	-
2026	115,079	5,098,010	182,121	-
2027	224,173	2,829,351	412,281	-
2028	259,473	1,086,773	186,366	-
2029	232,225	974,251	221,744	26,294
2030	226,946	908,114	-	40,605
2031	-	1,182,361	-	-
	1,163,146	14,850,989	1,002,512	66,899

The Corporation has Quebec non-capital losses of $6,431,639 available to carryforward. The Corporation is subject to federal and provincial income taxes, as well as U.S. taxes. Tax laws are complex and can be subject to different interpretations. The Corporation has prepared its tax provision on the interpretations of tax law which it believes represents the probable outcome. The Corporation may be required to change its provision for income taxes if the tax authorities ultimately are not in agreement with the Corporation's interpretation.

The Corporation has not recorded a deferred tax asset on its taxable temporary differences. The Corporation has determined that the recognition of its net deferred tax assets does not meet the criteria of recognition being "probable". This assessment is based on management's estimates of future taxable income and the fact that the deferred tax assets do not expire in the near future.

11) Share capital

Authorized

Unlimited number of common shares, no par value
Unlimited number of preferred shares, no par value

Issued

	Common shares	
	#	$
Balance - January 1, 2010	115,147,088	15,952,925
Shares issued for services rendered	3,166,723	381,573
Share issuance costs		(8,499)
Balance - December 31, 2010	118,313,811	16,325,999
Shares issued for services rendered	80,337	20,888
Share options exercised	50,000	13,000
Share issuance costs		(1,202)
Balance - December 31, 2011	118,444,148	16,358,685
Total share capital		16,358,685

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 of Directors, but shall not be lower than the lowest price permitted by the TSX Venture Exchange.

The exercise price of the stock options is equal to the market price of the underlying shares on the date before the options were granted. For employee stock options, the contractual term of options vary from five to ten years and the vesting period is at a rate of 1/3 immediately and 1/3 on each of the 12 and 24 months from the date of the grant. For non-employee stock options, the contractual term of options vary from five to ten years and the vesting period varies among the term of the option contract.

The total stock-based compensation expense for 2011 was $251,287 (2010 – $127,445) with a corresponding credit to contributed surplus.

Stock-based compensation related to

	2011	**2010**
	$	**$**
General and administration	182,300	75,026
Research and development	30,024	28,852
Sales and marketing	38,963	23,567
Total	251,287	127,445

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

	2011	**2010**
Risk-free interest rate	2.55%	2.34%
Expected life	5.5 years	4.6 years
Volatility	117%	124%
Expected dividends	Nil	Nil
Weighted average share price	$0.24	$0.15

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

During the year ended December 31, 2011, the weighted average fair value of options granted was $0.21 (2010 – $0.13).

The weighted average remaining contractual life for the stock options outstanding as at December 31, 2011 is 4.37 years (2010 – 3.40 years).

The following table summarizes activity related to stock options for the year ended December 31, 2011 and 2010:

	2011		**2010**	
	Stock options outstanding	**Weighted average exercise price**	**Stock options outstanding**	**Weighted average exercise price**
	#	**$**	**#**	**$**
Balance – Beginning of year	6,737,864	0.20	6,453,932	0.23
Granted	1,606,000	0.25	878,932	0.14
Exercised	(50,000)	0.19	-	-
Forfeited	(23,366)	0.20	(46,667)	0.14
Expired	(1,126,634)	0.32	(548,333)	0.38
Balance – End of year	7,143,864	0.20	6,737,864	0.20
Balance – Exercisable	5,793,299	0.19	5,603,053	0.22

12) Loss per share

	2011	**2010**
	$	**$**
Loss attributable to common shareholders (numerator)	(94,225)	(264,060)
	#	#
Weighted average number of common shares outstanding (denominator)	118,347,514	117,088,454
	$	**$**
Basic and diluted loss per common share	(0.00)	(0.00)

The effect of potentially dilutive share options was not included in the calculation of diluted loss per share in the years ended December 31, 2011 and 2010 as the result would be anti-dilutive.

13) Financial Instruments and Risk Management

Fair value

The carrying value of cash and cash equivalents, restricted cash deposits, accounts receivable and others, and accounts payable and accrued liabilities approximates their 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 January 1, 2010, the Corporation held option contracts to sell 182,250 U.K. pounds sterling for Canadian dollars which had a fair value of $19,382. As at December 31, 2010 and December 31, 2011, the Corporation had no currency option contracts to sell U.K. pounds sterling for Canadian dollars outstanding.

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, 2011, 64% (December 31, 2010 - 34%) and 10% (December 31, 2010 - 11%), respectively, are denominated in U.S. dollars and U.K. pound sterling. During the year ended December 31, 2011, approximately 54% (2010 - 45%) of revenue and approximately 15% (2010 - 4%) of expenses were incurred in U.S. dollars and U.K. pound sterling. As at December 31, 2011, 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 had entered into derivative currency options to sell U.K. pound sterling and was exposed to foreign currency risk on the fair value of its outstanding derivatives currency option contracts. These currency option contracts had terms ranging from October 21, 2009 to February 21, 2011. As at December 31, 2011, the Corporation had no currency option contracts outstanding.

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, 2011, the largest amount due from one customer accounted for 54% of the Corporation's total accounts receivable (December 31, 2010 - two customers - 10% and 27% respectively).

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

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Current	1,545,917	790,938	810,813
31 - 60 days	157,430	120,307	88,676
61 - 90 days	1,269,963	248,318	62,848
Over 91 days	7,475	5,403	39,029
Less: allowance for doubtful accounts	(1,972)	(743)	(4,002)
Total accounts receivable, net	2,978,813	1,164,223	997,364

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 loss and comprehensive loss within other 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 other operating expenses in the consolidated statements of loss 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, managing cash from operations and through the raising of equity financing. As at December 31, 2011, the Corporation was holding cash and cash equivalents of $1,301,229 (December 31, 2010 - $1,292,516).

14) 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, 2011, total managed capital was $973,790 (December 31, 2010 - $643,111) comprised of shareholders' equity of $826,294 (December 31, 2010 - $640,046) and interest-bearing liabilities of $147,496 (December 31, 2010 - $3,065).

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, 2011.

15) 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.

- The Group Insurance software division provides an advanced and practical software solution to a network of Employee Benefits Brokers and Third Party Administrator partners in the adjudication of health and dental claims.
- The Property and casualty division provides powerful, accurate and easy-to-use claims processing and estimating software for Property and Casualty Insurers.
- The Head office is a progressive software company dedicated to developing applications for the insurance industry in North America and Europe.

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 2011, there were two customers which accounted for more than 10% of the Corporation's revenue. The Corporation earned approximately $832,000 and $2,150,000 of its revenue from these two Property and casualty software customers, respectively. In fiscal 2010, there were two customers which accounted for 10% or more of the Corporation's revenue. The Corporation earned approximately $737,000 and $913,000 of its revenue from these Property and casualty software customers, respectively.

December 31, 2011	**Group insurance software**	**Property and casualty software**	**Head office**	**Total**
	$	**$**	**$**	**$**
Revenue	3,212,120	4,734,254	-	7,946,374
Cost of sales	1,336,199	87,119	-	1,423,318
Gross margin	1,875,921	4,647,135	-	6,523,056
Expenses	1,602,340	3,476,784	1,540,291	6,619,415
Segment income (loss) before finance income (costs) and other income (costs)	273,581	1,170,351	(1,540,291)	(96,359)
Finance income and other income (costs)	1,529	1,194	5,217	7,940
Finance costs	(1,007)	(1,226)	(3,573)	(5,806)
Segment income (loss)	274,103	1,170,319	(1,538,647)	(94,225)
Operating assets	1,302,859	2,530,694	319,687	4,153,240
Assets not allocated to segments				
Cash and cash equivalents	-	-	1,301,229	1,301,229
Total operating assets	1,302,859	2,530,694	1,620,916	5,454,469
Operating liabilities	976,690	2,173,472	1,478,013	4,628,175
Additions to property and equipment and intangible assets	11,220	146,891	186,636	344,747

December 31, 2010	**Group insurance software**	**Property and casualty software**	**Head office**	**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	1,263,250	2,617,948	1,015,076	4,896,274
Segment income (loss) before finance income (costs) and other income	305,631	466,336	(1,015,076)	(243,109)
Finance income and other income (costs)	680	(18,953)	1,300	(16,973)
Finance costs	(20)	(2,539)	(1,419)	(3,978)
Segment income (loss)	306,291	444,844	(1,015,195)	(264,060)
As at December 31, 2010				
Operating assets	985,939	699,108	77,335	1,762,382
Assets not allocated to segments				
Cash and cash equivalents	-	-	1,292,516	1,292,516
Total operating assets	985,939	699,108	1,369,851	3,054,898
Operating liabilities	665,503	1,151,500	597,849	2,414,852
Additions to property and equipment and intangible assets	2,284	8,761	2,460	13,505

As at January 1, 2010	**Group insurance software**	**Property and casualty software**	**Head office**	**Total**
	$	**$**	**$**	**$**
Operating assets	876,335	768,661	133,322	1,778,318
Assets not allocated to segments				
Cash and cash equivalents	-	-	869,133	869,133
Total operating assets	876,335	768,661	1,002,455	2,647,451
Operating liabilities	554,878	1,045,747	643,239	2,243,864
Additions to property and equipment and intangible assets	11,068	34,208	4,636	49,912

Geographic Information

The Corporation's revenues by geographic areas for fiscal 2011 and 2010 are as follows:

	2011	**2010**
	$	**$**
Canada	3,631,881	3,217,949
United States	3,482,757	1,894,980
United Kingdom	831,736	736,862
Total	7,946,374	5,849,791

The Corporation's non-current assets for fiscal 2011, 2010 and January 1, 2010 are as follows:

(In Canadian dollars)	**2011**	**2010**	**As at January 1, 2010**
	$	**$**	**$**
Canada	552,222	275,625	357,825
United States	7,265	3,329	3,417
Total	559,487	278,954	361,242

16) Net change in non-cash working capital items

	2011 $	2010 $
Accounts receivable and others	(1,817,011)	(164,465)
Prepaid expenses and other assets	(252,890)	98,113
Accounts payable and accrued liabilities	537,144	208,808
Deferred revenue	934,288	(97,493)
Other long-term liabilities	109,241	70,000
	(489,228)	114,963

The consolidated statements of cash flows excluded non-cash investing transactions related to property and equipment under finance lease obligations of $44,815 (2010 - $(7,248)), cash investing transactions related to transaction related expenses of $488,219 (2010 - Nil) and note receivables of $(40,424) (2010 - Nil).

17) Other operating expenses

	2011 $	2010 $
Depreciation and amortization	64,214	84,667
Impairment loss	-	6,112
Foreign exchange (gain) loss, net	(6,047)	(16,735)
Total other operating expenses	58,167	74,044

18) Finance income and other income (costs)

	2011 $	2010 $
Interest income on cash and cash equivalents	1,555	926
Interest income on restricted cash deposits	3,120	1,183
Fair value adjustment of currency option contracts	-	(19,382)
Other finance and other income	3,265	300
Total finance income and other income (costs)	7,940	(16,973)

19) Finance costs

	2011	2010
	$	**$**
Interest expense on loans	1,180	-
Interest expense on finance lease obligations	2,848	706
Other finance charges	1,778	3,272
Total finance costs	5,806	3,978

20) Scientific research and experimental development tax credits

In 2011, the Corporation has recorded investment tax credits totaling $436,820 (2010 - $236,310) and reduced research and development expenditures by this amount. The Corporation has accumulated $1,163,146 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. As at December 31, 2011, the Corporation had $344,014 (2010 - $184,820) of tax credits recorded within the other assets.

21) Transition to IFRS

As disclosed in note 2(a), these consolidated financial statements represent the Corporation's initial presentation of the financial results of operations and financial position under IFRS as issued by IASB.

The accounting policies set out in note 2 have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information presented in these consolidated financial statements for the year ended December 31, 2010 and in preparation of an opening IFRS consolidated statement of financial position at January 1, 2010 ("Transition Date") and consolidated statements of financial position at December 31, 2010.

IFRS 1 - "First-time Adoption of International Financial Reporting Standards" (“IFRS 1”) requires an entity to reconcile equity, comprehensive income (loss) and cash flows for prior periods. The following represents the reconciliation of the Corporation’s consolidated statements of financial position, changes in shareholders' equity, and loss and comprehensive loss from Canadian GAAP to IFRS for the respective periods noted. The Corporation’s first-time adoption of IFRS did not have an impact on the Corporation’s cash flows.

Reconciliation of consolidated statement of financial position and changes in shareholders' equity as at January 1, 2010

	Canadian GAAP balance $	IFRS adjustments $	IFRS balance $
Assets			
Current assets			
Cash and cash equivalents	869,133	-	869,133
Accounts receivable and others	1,000,093	-	1,000,093
Prepaid expenses and other assets	416,983	-	416,983
	2,286,209	-	2,286,209
Restricted cash deposits	212,000	-	212,000
Property and equipment	107,534	-	107,534
Intangible assets	41,708	-	41,708
	2,647,451	-	2,647,451
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	1,370,644	-	1,370,644
Current portion of deferred revenue	701,580	-	701,580
	2,072,224	-	2,072,224
Long-term liabilities			
Deferred revenue	168,575	-	168,575
Finance lease obligations	3,065	-	3,065
	2,243,864	-	2,243,864
Shareholders' equity			
Share capital	15,952,925	-	15,952,925
Contributed surplus (Note A)	8,891,465	(19,773)	8,871,692
Deficit	(24,440,803)	19,773	(24,421,030)
	403,587	-	403,587
	2,647,451	-	2,647,451

Reconciliation of consolidated statement of financial position and changes in shareholders' equity as at December 31, 2010

	Canadian GAAP balance $	IFRS adjustments $	IFRS balance $
Assets			
Current assets			
Cash and cash equivalents	1,292,516	-	1,292,516
Accounts receivable and others	1,164,558	-	1,164,558
Inventory		-	
Prepaid expenses and other assets	318,870	-	318,870
	2,775,944	-	2,775,944
Restricted cash deposits	207,000	-	207,000
Property and equipment	50,812	-	50,812
Intangible assets	21,142	-	21,142
	3,054,898	-	3,054,898
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	1,572,190	-	1,572,190
Current portion of deferred revenue	696,113	-	696,113
	2,268,303	-	2,268,303
Long-term liabilities			
Deferred revenue	76,549	-	76,549
Customer deposit	70,000	-	70,000
	2,414,852	-	2,414,852
Shareholders' equity			
Share capital	16,325,999	-	16,325,999
Contributed surplus (Note A)	9,036,017	(36,880)	8,999,137
Deficit	(24,721,970)	36,880	(24,685,090)
	640,046	-	640,046
	3,054,898	-	3,054,898

Reconciliation of consolidated statement of loss and comprehensive loss for the year ended December 31, 2010

	Canadian GAAP balance $	IFRS adjustments $	IFRS reclassifications $	IFRS balance $
Revenue	5,849,791	-	-	5,849,791
Cost of sales	1,196,626	-	-	1,196,626
	4,653,165	-	-	4,653,165
Expenses				
General and administration (Notes A and B)	2,695,650	(9,332)	101,093	2,787,411
Research and development (Notes A and B)	869,466	(5,052)	33,904	898,318
Sales and marketing (Notes A and B)	1,112,934	(2,723)	26,290	1,136,501
Stock-based compensation (Note B)	144,552	-	(144,552)	-
Amortization for property and equipment (Note B)	67,943	-	(67,943)	-
Amortization for intangible assets (Note B)	16,724	-	(16,724)	-
Impairment loss on intangible (Note B)	6,112	-	(6,112)	-
Other operating expenses (Note B)	-	-	74,044	74,044
	4,913,381	(17,107)	-	4,896,274
Loss before finance income (costs) and other income (costs)	(260,216)	17,107	-	(243,109)
Finance income and other income (costs) (Note B)	(20,951)	-	3,978	(16,973)
Finance costs (Note B)	-	-	(3,978)	(3,978)
Loss and comprehensive loss for the year	(281,167)	17,107	-	(264,060)
Basic and diluted loss and comprehensive loss per common share	$ (0.00)			$ (0.00)

Exemptions applied under IFRS 1

IFRS 1 provides the framework for the first-time adoption of IFRS and outlines that, in general, an entity shall apply the principles under IFRS retrospectively and that adjustments arising on conversion to IFRS shall be directly recognized in retained earnings. However, IFRS 1 also provides a number of optional exemptions from retrospective application of certain IFRS requirements as well as mandatory exceptions which prohibit retrospective application of standards. The following exemptions were applied in the preparation of the Corporation's opening consolidated statement of financial position dated January 1, 2010:

i) **Estimates** - Hindsight is not used to create or revise estimates. The estimates previously made by the Corporation under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

ii) **Share-based payments** - IFRS 2, "Share-based Payments" ("IFRS 2"), encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Corporation elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

IFRS adjustment

A) Share-based payments

Under Canadian GAAP, awards with graded vesting provisions are treated as a single award for both measurement and recognition purposes. IFRS 2 requires such awards to be treated as a series of individual awards, with compensation measured and recognized separately for each tranche of options within a grant that has a different vesting date.

Under Canadian GAAP, compensation is recognized assuming all options will vest and adjusted as forfeitures occur. IFRS 2 requires an estimate of forfeitures to be reflected in the amount of compensation recognized.

Under IFRS, an estimate of forfeitures must be factored into the calculation of periodic compensation expense. Compensation costs are accrued based on the best estimate of the number of options expected to vest using the Black-Scholes model. Revisions are made to that estimate if subsequent information indicates that actual forfeitures are likely to differ from initial estimates. Also, under IFRS, the fair value of each tranche within a share-based award is treated as a separate award with the fair value determined separately and recognized as compensation expense over the term of its respective vesting period. Accordingly, upon the transition to IFRS, the Corporation recorded a fair value adjustment of $19,773 as at January 1, 2010 to decrease the contributed surplus with a corresponding charge to deficit. As at December 31, 2010, an additional fair value adjustment of $17,107 was recorded.

B) IFRS reclassification

Under IFRS, the Corporation elected to present expenses in the consolidated statements of financial position and consolidated statements of income (loss) and comprehensive income (loss) using a classification based on their function. In addition, certain corresponding figures under Canadian GAAP as at January 1, 2010 and December 31, 2010 have been reclassified to conform to the new presentation under IFRS.

22) Subsequent events

On January 25, 2012, the Corporation and and Marshall & Swift/Boeckh ("MSB"), a wholly-owned subsidiary of Decision Insight Information Group ("Decision Insight"), announced that they have entered into a definitive arm's length agreement under which the Corporation will acquire MSB's claims division (the "Acquisition") in exchange for the issuance to Decision Insight of such number of common shares of the Corporation ("Common Shares") as is equal to 30 percent of the Common Shares issued and outstanding immediately following such issuance, after adjusting for issued and outstanding options to acquire Common Shares ("Options").

In addition, in connection with the Acquisition, Decision Insight has agreed to purchase by way of private placement at a price of $0.27 per Common Share (the "Private Placement") a further number of Common Shares equal to 3.29% of the Common Shares issued and outstanding immediately following the issuance of Common Shares to Decision Insight pursuant to both the Acquisition and the Private Placement, after adjusting for issued and outstanding Options. Following completion of the Acquisition and the Private Placement Decision Insight will become the largest shareholder of Automated Benefits, with 33.29 percent of the Common Shares, including Common Shares issuable upon the exercise of Options.

On March 27, 2012, each of the resolutions required to constitute the Acquisition were approved without variation by the affirmative vote of not less than a majority of the votes cast by the Corporation's shareholders present in person or represented by proxy at the special meeting held by the Corporation.

On March 28, 2012, the Corporation announced its intent to issue 195,374 common shares with an estimated weighted average fair value of $0.332 per share for an aggregate value of $64,864 to the Directors of the Corporation for services provided in 2011. 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.

On March 30, 2012, the Corporation's Chief Executive Officer (Former President and Chief Executive Officer up until March 5, 2012) repaid the promissory note for $40,000 plus $677 in accrued interest. The Corporation subsequently returned 150,943 common shares of the Corporation that had been held as collateral to secure the loan to the Chief Executive Officer.

On April 10, 2012, the Corporation issued 52,189,286 common shares with an estimated weight average fair value of $0.35 per share for an aggregate value of $18,266,250 to Decision Insight related to the Acquisition. The issuance of these common shares to Decision Insight was approved by the TSX Venture Exchange. The estimated fair value was determined based on the share price on the date of issuance.

On April 10, 2012, the Corporation issued 7,021,530 common shares with an estimated weight average fair value of $0.35 per share totaling $2,457,536 to Decision Insight related to the private placement in connection to the Acquisition. The private placement has a price of $0.27 per Common Share for an aggregate purchase value of $1,895,813. The issuance of these common shares to Decision Insight was approved by the TSX Venture Exchange. The estimated fair value was determined based on the share price on the date of issuance.

The Corporation is in process of assessing the purchase price allocation of the MSB's claims division however prior to finalization of the purchase price allocation, the Corporation requires additional information related to the acquired business.