

**Automated Benefits Corp.**

Interim Consolidated Financial Statements  
(Unaudited)  
**Quarter ended June 30, 2011**

**Automated Benefits Corp.**  
Interim Consolidated financial statements  
(Unaudited)  
**June 30, 2011**

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**Notice**

The accompanying unaudited interim financial statements have been prepared by the Corporation's management and the Corporation's independent auditors have not performed a review of these financial statements.

**Automated Benefits Corp.**  
Interim Consolidated Statements of Financial Position  
(Unaudited)

<i>(In Canadian dollars)</i>	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	948,473	1,292,516
Accounts receivable and others (Note 8)	1,652,879	1,164,558
Inventory	1,570	2,681
Prepaid expenses and other assets (Notes 8 and 15)	570,134	316,189
	<u>3,173,056</u>	<u>2,775,944</u>
<b>Restricted cash deposits</b>	207,000	207,000
<b>Property and equipment</b>	84,021	50,812
<b>Intangible assets</b>	26,778	21,142
	<u>3,490,855</u>	<u>3,054,898</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,534,760	1,572,190
Short-term loans (Note 4)	102,000	-
Current portion of deferred revenue	590,679	696,113
	<u>2,227,439</u>	<u>2,268,303</u>
<b>Long-term liabilities</b>		
Deferred revenue	180,435	76,549
Finance lease obligations	17,400	-
Customer deposit	162,241	70,000
	<u>2,587,515</u>	<u>2,414,852</u>
<b>Shareholders' equity</b>		
Share capital (Note 6)	16,325,999	16,325,999
Contributed surplus	9,153,821	8,999,137
Deficit	<u>(24,576,480)</u>	<u>(24,685,090)</u>
	<u>903,340</u>	<u>640,046</u>
	<u>3,490,855</u>	<u>3,054,898</u>

*Commitment* (Note 5)

*See accompanying notes*

**Automated Benefits Corp.**Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)  
(Unaudited)*(In Canadian dollars, except per share amounts)*

	<b>Three-month period ended June 30,</b>		<b>Six-month period ended June 30,</b>	
	<b>2011</b>	<b>2010</b> (Note 16)	<b>2011</b>	<b>2010</b> (Note 16)
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	2,014,034	1,271,455	3,680,810	2,529,325
<b>Cost of sales</b>	346,321	288,314	689,292	572,357
	1,667,713	983,141	2,991,518	1,956,968
<b>Expenses</b>				
General and administration (Note 6)	884,889	813,072	1,553,352	1,458,846
Research and development (Notes 6 and 15)	308,543	262,382	589,132	503,749
Sales and marketing (Note 6)	403,441	274,426	702,390	572,203
Other operating expenses (Note 12)	18,672	6,954	41,508	1,093
	1,615,545	1,356,834	2,886,382	2,535,891
<b>Income (loss) before finance income (costs) and other income</b>	52,168	(373,693)	105,136	(578,923)
Finance income (expenses) and other income (expenses) (Note 13)	1,069	(28,819)	5,379	(18,643)
Finance costs (Note 14)	(1,813)	(2,336)	(1,905)	(2,730)
<b>Net income (loss) and comprehensive income (loss) for the period</b>	51,424	(404,848)	108,610	(600,296)
<b>Deficit-Beginning of period</b>	(24,627,904)	(24,616,478)	(24,685,090)	(24,421,030)
<b>Deficit-End of period</b>	(24,576,480)	(25,021,326)	(24,576,480)	(25,021,326)
<b>Basic and diluted earnings (loss) and comprehensive income (loss) per common share (Note 7)</b>	<b>\$</b> 0.00	<b>\$</b> (0.00)	<b>\$</b> 0.00	<b>\$</b> (0.01)
<b>Weighted average number of common shares outstanding (Note 7)</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
<b>Basic</b>	118,313,811	116,577,877	118,313,811	115,918,939
<b>Diluted</b>	120,478,090	116,577,877	120,462,499	115,918,939

*See accompanying notes*

**Automated Benefits Corp.**

## Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

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	<b>Common shares</b>	<b>Contributed surplus (Note 16)</b>	<b>Deficit and comprehensive income (loss) (Note 16)</b>	<b>Total shareholders' equity (Note 16)</b>
<i>(In Canadian dollars)</i>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>January 1, 2010</b>	15,952,925	8,871,692	(24,421,030)	403,587
Share issuance for services (Note 3)	361,211	-	-	361,211
Share issuance costs	(7,305)	-	-	(7,305)
Stock-based compensation (Note 6)	-	78,895	-	78,895
Net loss for the period	-	-	(600,296)	(600,296)
<b>June 30, 2010</b>	16,306,831	8,950,587	(25,021,326)	236,092
<b>January 1, 2011</b>	16,325,999	8,999,137	(24,685,090)	640,046
Stock-based compensation (Note 6)	-	154,684	-	154,684
Net income for the period	-	-	108,610	108,610
<b>June 30, 2011</b>	16,325,999	9,153,821	(24,576,480)	903,340

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*See accompanying notes*

**Automated Benefits Corp.**

## Interim Consolidated Statements of Cash Flows

(Unaudited)

<i>(in Canadian dollars)</i>	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>				
Net income (loss) for the period	51,424	(404,848)	108,610	(600,296)
Items not affecting cash				
Stock-based compensation	135,052	55,216	154,684	78,895
Issuance of shares for services	-	344,920	-	361,211
Depreciation, depletion and amortization	12,972	19,715	24,444	39,223
Impairment loss on intangible	-	6,112	-	6,112
	199,448	21,115	287,738	(114,855)
Net change in non-cash working capital items (Note 11)	(334,473)	(285,565)	(686,647)	(192,277)
<b>Cash used in operating activities</b>	<b>(135,025)</b>	<b>(264,450)</b>	<b>(398,909)</b>	<b>(307,132)</b>
<b>Investing activities</b>				
Purchase of property and equipment	(24,997)	(2,759)	(55,052)	(2,759)
Purchase of intangible assets	(1,265)	(569)	(8,240)	(1,377)
<b>Cash used in investing activities</b>	<b>(26,262)</b>	<b>(3,328)</b>	<b>(63,292)</b>	<b>(4,136)</b>
<b>Financing activities</b>				
Proceeds from borrowings	102,000	-	102,000	-
Long-term finance lease, net of repayments	(886)	(3,324)	16,158	(7,553)
Release of restricted cash deposits	-	167,000	-	167,000
Cost of issuance of shares	-	(3,050)	-	(7,305)
<b>Cash provided by financing activities</b>	<b>101,114</b>	<b>160,626</b>	<b>118,158</b>	<b>152,142</b>
<b>Net decrease in cash</b>	<b>(60,173)</b>	<b>(107,152)</b>	<b>(344,043)</b>	<b>(159,126)</b>
<b>Cash and cash equivalents- Beginning of period</b>	<b>1,008,646</b>	<b>817,159</b>	<b>1,292,516</b>	<b>869,133</b>
<b>Cash and cash equivalents-End of period</b>	<b>948,473</b>	<b>710,007</b>	<b>948,473</b>	<b>710,007</b>
<b>Supplementary cash flow information</b>				
Interest paid	1,813	2,336	1,905	2,730
Interest received	604	637	1,239	1,268
<i>See accompanying notes</i>				

## **Automated Benefits Corp.**

Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011**

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### **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 Canada 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 interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Automated Benefits Corp. on August 23, 2011.

### **2) Significant accounting policies**

#### **a) Statement of compliance**

These interim consolidated financial statements for the three and six month periods ended June 30, 2011 were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The same accounting policies and methods of computation were followed in the preparation of these interim consolidated financial statements as were followed in the preparation of the interim consolidated financial statements for the three month period ended March 31, 2011. In addition, the interim consolidated financial statements for the three month period ended March 31, 2011 contain certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP. Accordingly, these interim consolidated financial statements for the three and six month periods ended June 30, 2011 should be read together with the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP as well as the interim consolidated financial statements for the three month period ended March 31, 2011.

## **Automated Benefits Corp.**

### Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011**

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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 interim 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 interim consolidated financial statements, all dollars are expressed in Canadian dollars, which is the functional currency of the parent company.

c) 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

The IASB has issued a new standard, IFRS 9, which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. Issuance of IFRS 9 is part of the first phase of the IAS 39 replacement project. IFRS 9 had an original effective date of January 1, 2013 which is expected to be deferred by the IASB to 2015. The Corporation has yet to assess the impact of the new standard on its consolidated financial statements.

ii) Consolidated financial statements

IFRS 10, "Consolidated financial statements" ("IFRS 10") is effective for annual periods beginning on or after January 1, 2013 and will replace portions of IAS 27 consolidated and separate financial statements ("IAS 27"), and interpretation SIC-12 consolidation — special purpose entities.



## **Automated Benefits Corp.**

Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011**

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Under IFRS 10, consolidated financial statements include all controlled entities under a single control model that applies to all entities, including special purpose entities and structured entities. A group will still continue to consist of a parent and its subsidiaries, however, IFRS 10 uses different terminology from IAS 27 in describing its control model. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Early adoption of this standard is permitted. The Corporation is evaluating the impact of adopting IFRS 10 on the consolidated financial statements.

### iii) 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.

### **3) Related party transactions**

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.

For the six-month period ended June 30, 2011, the Corporation expensed \$44,000 (2010 - \$34,750) for services provided by the Directors of the Corporation.

For the six-month period ended June 30, 2010, the Corporation issued 3,010,091 common shares with an estimated weighted average fair value of \$0.12 per share for an aggregate value of \$361,211 to the Directors of the Corporation for services provided. 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.

## Automated Benefits Corp.

### Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011**

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#### 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.

#### 5) Commitment

On May 16, 2011, the Corporation entered into a master lease agreement with Royal Bank of Canada (the "Bank") pursuant to which the Corporation may from time to time to purchase certain equipment. The Corporation will be responsible for insuring all the leased equipment, and will have the option to buy the same on the expiry of the lease. Under the master lease agreement, the Corporation can lease \$150,000 of new computer equipment from the Bank for 36 months. There is an option to purchase the equipment for \$1 at the end of the lease term. The interest rate on the master lease is the 3 year bond rate on August 30, 2011 which is the expiry date on the commitment to lease. On the same date, the Corporation entered into an interim funding agreement with the Bank to fund the equipment purchase which requires the Corporation to pay an interest rate of the Bank's prime rate plus 2.65% for any equipment purchased prior to August 30, 2011.

#### 6) Share capital

Authorized

Unlimited number of common shares, no par value

Unlimited number of preferred shares, no par value

Issued

	<b>Common shares</b>	
	<b>#</b>	<b>\$</b>
<b>Balance - December 31, 2010</b>	118,313,811	16,325,999
<b>Balance - June 30, 2011</b>	118,313,811	16,325,999
<b>Total share capital</b>		<u>16,325,999</u>

## Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

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### 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 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 the six-month period ended June 30, 2011 was \$135,052 (2010 – \$55,216) with a corresponding credit to contributed surplus.

### Stock-based compensation related to

	Three month period ended		Six month period ended	
	June 30,		June 30,	
<i>(In Canadian dollars)</i>	2011	2010	2011	2010
	\$	\$	\$	\$
General and administration	107,923	32,526	119,309	48,302
Research and development	15,799	16,480	21,542	18,265
Sales and marketing	11,330	6,210	13,833	12,328
<b>Total</b>	<b>135,052</b>	<b>55,216</b>	<b>154,684</b>	<b>78,895</b>

**Automated Benefits Corp.**

## Notes to Interim Consolidated Financial Statements

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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:

Risk-free interest rate	2.67%
Expected life	5.5 years
Annualized volatility	117%
Expected dividends	Nil
Weighted average share price	\$0.25
Weighted average fair value	\$0.21

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.

The following table summarizes activity related to stock options for the period ended June 30, 2011:

	<b>Stock options outstanding #</b>	<b>Weighted average exercise price \$</b>
Balance – Beginning of period	6,737,864	0.20
Granted	1,336,000	0.25
Forfeited and expired	(660,000)	0.33
	<hr/>	
Balance – End of period	7,413,864	0.20
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Balance – Exercisable	6,026,394	0.20

**Automated Benefits Corp.**

## Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011**

The following table summarizes information about the Corporation's stock options outstanding as at June 30, 2011:

Stock options outstanding #	Exercise price \$	Weighted average remaining contractual life Years	Number exercisable #
110,000	0.10	2.4	110,000
313,932	0.11	3.8	209,288
400,000	0.12	2.6	400,000
475,000	0.13	3.4	316,667
410,000	0.14	9.0	273,331
750,000	0.19	3.0	750,000
50,000	0.19	1.6	50,000
2,458,932	0.20	3.3	2,361,782
1,310,000	0.24	4.8	959,999
811,000	0.26	9.8	270,327
325,000	0.35	0.9	325,000
<u>7,413,864</u>			<u>6,026,394</u>

**7) Earnings (loss) per share***(In Canadian dollars)*

	Three-month period ended June 30,		Six-month period ended June 30,	
	2011	2010	2011	2010
Income (loss) attributable to common shareholders (numerator)	\$ 51,424	\$ (404,848)	\$ 108,610	\$ (600,296)
Weighted average number of common shares outstanding (denominator)	#	#	#	#
Basic	118,313,811	116,577,877	118,313,811	15,918,939
Effect of dilutive securities - stock options	2,164,279	-	2,148,688	-
Diluted	<u>120,478,090</u>	<u>116,577,877</u>	<u>120,462,499</u>	<u>15,918,939</u>
Basic and diluted earnings (loss) per common share	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.01)

The effect of potentially dilutive share options was not included in the calculation of diluted loss per share in three-month and six-month period ended June 30, 2010 as the result would be anti-dilutive.

## **Automated Benefits Corp.**

Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011**

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### **8) Financial Instruments and Risk Management**

#### *Fair value*

The carrying value of cash and cash equivalents, restricted cash deposits, accounts receivable, and 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.

#### *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 June 30, 2011, 32% (December 31, 2010 - 34%) and 10% (December 31, 2010 - 11%), respectively, are denominated in foreign currencies. During the six-month period ended June 30, 2011, approximately 53% (2010 - 37%) of revenue and approximately 8% (2010 - 4%) of expenses were incurred in U.S. dollars and U.K. pound sterling. As of June 30, 2011, the fluctuation of the U.S. dollar and U.K. pound sterling of 1% would have an insignificant impact on net income (loss) and comprehensive income (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 June 30, 2011, the Corporation had no currency option contracts outstanding.

## Automated Benefits Corp.

### Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011**

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#### *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 June 30, 2011, the largest amounts due from two customers accounted for 16% and 10% respectively 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:

<i>(In Canadian dollars)</i>	<b>June 30, 2011</b>
	<b>\$</b>
Current	1,467,062
31 - 60 days	151,602
61 - 90 days	10,532
Over 91 days	24,222
Less: allowance for doubtful accounts	(2,677)
<b>Total accounts receivable, net</b>	<b>1,650,741</b>

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 interim consolidated statements of income (loss) and comprehensive income (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 interim consolidated statements of income (loss) and comprehensive income (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 June 30, 2011, the Corporation was holding cash and cash equivalents of \$948,473 (December 31, 2010 - \$1,292,516).

**Automated Benefits Corp.**

Notes to Interim Consolidated Financial Statements

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**June 30, 2011**

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**9) 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 June 30, 2011, total managed capital was \$1,024,563 (December 31, 2010 - \$643,111) comprised of shareholders' equity of \$903,340 (December 31, 2010 - \$640,046) and interest-bearing debt of \$121,223 (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 six-month period ended June 30, 2011.



**Automated Benefits Corp.**

## Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011****10) 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 the first two quarters of 2011, there was one customer which accounted for more than 10% of the Corporation's revenue. The Corporation earned approximately \$860,000 of its revenue from this property and casualty software customer. In the first two quarters of June 30, 2010, there was one customer which accounted for 10% or more of the Corporation's revenue. The Corporation earned approximately \$373,000 of its revenue from this property and casualty software customer.

**Six-month period ended June 30, 2011**

<i>(In Canadian dollars)</i>	<b>Group insurance software</b>	<b>Property and casualty software</b>	<b>Head office</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue				
-Transaction and license fees	745,255	2,085,725	-	2,830,980
-Resale of premium insurance products	547,574	-	-	547,574
-Resale of processing health and dental services	232,920	-	-	232,920
-Professional services and others	28,665	40,671	-	69,336
Total revenue	1,554,414	2,126,396	-	3,680,810
Cost of sales	638,233	51,059	-	689,292
Gross margin	916,181	2,075,337	-	2,991,518
Expenses	729,805	1,590,774	565,803	2,886,382
Segment income (loss) before finance income (costs) and other income	186,376	484,563	(565,803)	105,136
Finance income and other income	824	197	4,358	5,379
Finance costs	(969)	(142)	(794)	(1,905)
Segment income (loss)	186,231	484,618	(562,239)	108,610
Operating assets	1,319,834	1,067,193	155,355	2,542,382
Assets not allocated to segments				
-Cash and cash equivalents	-	-	948,473	948,473
Total operating assets	1,319,834	1,067,193	1,103,828	3,490,855
Operating liabilities	852,550	1,153,875	581,090	2,587,515
Additions to property and equipment and intangible assets	600	18,694	43,998	63,292

**Automated Benefits Corp.**

## Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011**

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	<b>Six-month period ended June 30, 2010</b>			
<i>(In Canadian dollars)</i>	<b>Group insurance software \$</b>	<b>Property and casualty software \$</b>	<b>Head office \$</b>	<b>Total \$</b>
Revenue				
-Transaction and license fees	630,990	960,919	-	1,591,909
-Resale of premium insurance products	502,967	-	-	502,967
-Resale of processing health and dental services	164,386	-	-	164,386
-Professional services and others	44,123	225,940	-	270,063
Total revenue	1,342,466	1,186,859	-	2,529,325
Cost of sales	556,103	16,254	-	572,357
Gross margin	786,363	1,170,605	-	1,956,968
Expenses	647,248	1,260,484	628,159	2,535,891
Segment income (loss) before finance income (costs) and other income	139,115	(89,879)	(628,159)	(578,923)
Finance income and other income	414	(19,279)	222	(18,643)
Finance costs	(20)	(1,547)	(1,163)	(2,730)
Segment income (loss)	139,509	(110,705)	(629,100)	(600,296)
<b>As at December 31, 2010</b>				
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

**Automated Benefits Corp.**

## Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011****Geographic Information as at and for six-month period ended June 30, 2011**

<i>(In Canadian dollars)</i>	Revenues	Non-current assets
	\$	\$
Canada	1,746,442	312,936
United States	1,597,289	4,863
Europe	337,079	-
Total	<u>3,680,810</u>	<u>317,799</u>

**Geographic Information as at and for the six-month period ended June 30, 2010**

<i>(In Canadian dollars)</i>	Revenues	Non-current assets
	\$	\$
Canada	1,590,874	149,698
United States	565,584	3,329
Europe	372,867	-
Total	<u>2,529,325</u>	<u>153,027</u>

**11) Net change in non-cash working capital items**

<i>(In Canadian dollars)</i>	Three-month period ended		Six-month period ended	
	June 30,		June 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Accounts receivable and others	(62,797)	(31,411)	(488,321)	99,482
Inventory	536	722	1,111	1,278
Prepaid expenses and other assets	36,407	74,405	(253,945)	165,245
Accounts payable and accrued liabilities	(163,604)	(396,857)	(36,185)	(263,543)
Deferred revenue	(237,256)	67,576	(1,548)	(194,739)
Other long-term liabilities	92,241	-	92,241	-
	<u>(334,473)</u>	<u>(285,565)</u>	<u>(686,647)</u>	<u>(192,277)</u>

The interim consolidated statements of cash flows excluded non-cash investing transactions related to property and equipment under finance lease obligations of \$(1,242) (2010 - \$(7,553)).

**Automated Benefits Corp.**

## Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011**

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**12) Other operating expenses***(In Canadian dollars)*

	<b>Three-month period ended</b>		<b>Six-month period ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Depreciation, depletion and amortization	12,972	19,715	24,444	39,223
Impairment loss on intangible	-	6,112	-	6,112
Foreign exchange (gain) loss, net	5,700	(18,873)	17,064	(44,242)
<b>Total other operating expenses</b>	<b>18,672</b>	<b>6,954</b>	<b>41,508</b>	<b>1,093</b>

**13) Finance income (expenses) and other income (expenses)***(In Canadian dollars)*

	<b>Three-month period ended</b>		<b>Six-month period ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest income on cash and cash equivalents	438	105	1,021	173
Interest income on restricted cash deposits	631	389	1,093	566
Fair value adjustment of currency option contracts	-	(29,313)	-	(19,382)
Other finance and other income	-	-	3,265	-
<b>Total finance income and other income</b>	<b>1,069</b>	<b>(28,819)</b>	<b>5,379</b>	<b>(18,643)</b>

**Automated Benefits Corp.**

## Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011**

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**14) Finance costs**

<i>(In Canadian dollars)</i>	<b>Three-month period ended</b>		<b>Six-month period ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest expense on loans	142	-	142	-
Interest expense on finance lease obligations	390	201	390	521
Other finance charges	1,281	2,135	1,373	2,209
<b>Total finance costs</b>	<b>1,813</b>	<b>2,336</b>	<b>1,905</b>	<b>2,730</b>

**15) Scientific research and experimental development tax credits**

In the first two quarters of 2011, the Corporation has recorded investment tax credits totaling \$190,723 (first two quarters of 2010 - \$75,671) 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.

**16) Transition to IFRS**

The following represents the reconciliation of the Corporation's financial position, equity and comprehensive loss from Canadian GAAP to IFRS. The Corporation's first-time adoption of IFRS did not have an impact on the Corporation's cash flows.

**Automated Benefits Corp.**

Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011****Reconciliation of consolidated statement of financial position as at June 30, 2010**

<i>(In Canadian dollars)</i>	<b>Canadian GAAP balance \$</b>	<b>IFRS adjustments \$</b>	<b>IFRS balance \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	710,007	-	710,007
Accounts receivable and others	900,611	-	900,611
Inventory	1,059	-	1,059
Prepaid expenses and other assets	249,401	-	249,401
	<u>1,861,078</u>	-	<u>1,861,078</u>
Restricted cash deposits	45,000	-	45,000
Property and equipment	79,222	-	79,222
Intangible assets	28,805	-	28,805
	<u>2,014,105</u>	-	<u>2,014,105</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	1,099,532	-	1,099,532
Current portion of deferred revenue	515,504	-	515,504
	<u>1,615,036</u>	-	<u>1,615,036</u>
<b>Long-term liabilities</b>			
Deferred revenue	159,912	-	159,912
Finance lease obligations	3,065	-	3,065
	<u>1,778,013</u>	-	<u>1,778,013</u>
<b>Shareholders' equity</b>			
Share capital	16,306,831	-	16,306,831
Contributed surplus (Note A)	8,978,853	(28,266)	8,950,587
Deficit	(25,049,592)	28,266	(25,021,326)
	<u>236,092</u>	-	<u>236,092</u>
	<u>2,014,105</u>	-	<u>2,014,105</u>

**Reconciliation of consolidated statement of changes in shareholders' equity as at June 30, 2010**

<i>(In Canadian dollars)</i>	<b>Shareholders' equity \$</b>
<b>Balance under Canadian GAAP</b>	236,092
Stock-based compensation (Note A)	-
<b>Balance under IFRS</b>	<u>236,092</u>

**Automated Benefits Corp.**

Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011****Reconciliation of consolidated statement of loss and comprehensive loss for the six-month period ended June 30, 2010**

<i>(In Canadian dollars)</i>	<b>Canadian GAAP balance</b>	<b>IFRS adjustments</b>	<b>IFRS reclassifications</b>	<b>IFRS balance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	2,529,325	-	-	2,529,325
<b>Cost of sales</b>	572,357	-	-	572,357
	<u>1,956,968</u>	<u>-</u>	<u>-</u>	<u>1,956,968</u>
<b>Expenses</b>				
General and administration (Notes A and B)	1,366,302	(3,987)	96,531	1,458,846
Research and development (Notes A and B)	485,484	(1,966)	20,231	503,749
Sales and marketing (Notes A and B)	559,875	(2,540)	14,868	572,203
Stock-based compensation (Note B)	87,388	-	(87,388)	-
Amortization for property and equipment (Note B)	31,070	-	(31,070)	-
Amortization for intangible assets (Note B)	8,153	-	(8,153)	-
Impairment loss on intangible (Note B)	6,112	-	(6,112)	-
Other operating expenses (Note B)	-	-	1,093	1,093
	<u>2,544,384</u>	<u>(8,493)</u>	<u>-</u>	<u>2,535,891</u>
<b>Loss before finance income (costs) and other income</b>	(587,416)	8,493	-	(578,923)
Finance income (expenses) and other income (expenses) (Note B)	(21,373)	-	2,730	(18,643)
Finance costs (Note B)	-	-	(2,730)	(2,730)
<b>Loss and comprehensive loss for the period</b>	<u>(608,789)</u>	<u>8,493</u>	<u>-</u>	<u>(600,296)</u>
<b>Basic and diluted loss and comprehensive loss per common share</b>	<u>\$</u> (0.01)			<u>\$</u> (0.01)

**Automated Benefits Corp.**

Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011****Reconciliation of consolidated statement of loss and comprehensive loss for the three-month period ended June 30, 2011**

<i>(In Canadian dollars)</i>	<b>Canadian GAAP balance</b>	<b>IFRS adjustments</b>	<b>IFRS reclassifications</b>	<b>IFRS balance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	1,271,455	-	-	1,271,455
<b>Cost of sales</b>	288,314	-	-	288,314
	<u>983,141</u>	<u>-</u>	<u>-</u>	<u>983,141</u>
<b>Expenses</b>				
General and administration (Notes A and B)	761,673	(580)	51,979	813,072
Research and development (Notes A and B)	245,902	(2,536)	19,016	262,382
Sales and marketing (Notes A and B)	268,216	(1,583)	7,793	274,426
Stock-based compensation (Note B)	59,915	-	(59,915)	-
Amortization for property and equipment (Note B)	15,638	-	(15,638)	-
Amortization for intangible assets (Note B)	4,077	-	(4,077)	-
Impairment loss on intangible (Note B)	6,112	-	(6,112)	-
Other operating expenses (Note B)	-	-	6,954	6,954
	<u>1,361,533</u>	<u>(4,699)</u>	<u>-</u>	<u>1,356,834</u>
<b>Loss before finance income (costs) and other income</b>	(378,392)	4,699	-	(373,693)
Finance income (expenses) and other income (expenses) (Note B)	(31,155)	-	2,336	(28,819)
Finance costs (Note B)	-	-	(2,336)	(2,336)
<b>Loss and comprehensive loss for the period</b>	<u>(409,547)</u>	<u>4,699</u>	<u>-</u>	<u>(404,848)</u>
<b>Basic and diluted loss and comprehensive loss per common share</b>	<u>\$</u> (0.00)			<u>\$</u> (0.00)



## **Automated Benefits Corp.**

Notes to Interim Consolidated Financial Statements

(Unaudited)

**June 30, 2011**

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### **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 June 30, 2010, an additional fair value adjustment of \$8,493 was recorded respectively.

#### **B) IFRS reclassification**

Under IFRS, the Corporation elected to present expenses in the interim consolidated statement of income (loss) and comprehensive income (loss) using a classification based on their function. In addition, certain corresponding figures under Canadian GAAP as at June 30, 2010 have been reclassified to conform to the new presentation under IFRS.

### **17) Subsequent event**

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 July 29, 2011 has a market value of \$37,736.