



Symbility Solutions Inc.

(Formerly Known As "Automated Benefits Corp.")

Annual Audited Consolidated Financial Statements

December 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Symbility Solutions Inc. (formerly Automated Benefits Corp.)

We have audited the accompanying consolidated financial statements of **Symbility Solutions Inc.**, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 consolidated financial position of **Symbility Solutions Inc.** as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Toronto, Canada,
March 15, 2013.

/s/ Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Symbility Solutions Inc.
Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

	<u>Note</u>	As at	
		December 31, 2012	December 31, 2011
Assets			
Current assets			
Cash and cash equivalents	16	15,008	1,301
Accounts receivable and other	16	3,340	2,982
Loans receivable	14	148	-
Prepaid expenses and other assets	22	576	610
		19,072	4,893
Restricted cash deposits	12	-	207
Security deposits		19	2
Property and equipment	8	399	298
Intangible assets	9	10,148	54
Goodwill	5	6,771	-
		36,409	5,454
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	3,884	2,641
Other current liabilities		18	-
Current portion of deferred revenue		4,118	1,423
		8,020	4,064
Long-term liabilities			
Deferred revenue		208	284
Finance lease obligations	10	49	100
Customer deposits		202	179
		8,479	4,627
Shareholders' equity			
		27,930	827
		36,409	5,454
Commitments	10, 11		

See accompanying notes

On behalf of the Board:

(signed) "R. Larry Binnion"

R. Larry Binnion
 Director

(signed) "Robert Landry"

Robert Landry
 Director

Symbility Solutions Inc.**Consolidated Statements of Loss and Comprehensive Loss***(In thousands of Canadian dollars, except per share data)*

	Note	For the years ended	
		December 31,	
		2012	2011
Revenue		16,537	7,946
Cost of sales		3,202	1,423
		13,335	6,523
Expenses			
General and administration	14	5,736	2,978
Research and development	14, 22	2,718	1,423
Sales and marketing	14	6,239	1,624
Transaction related expenses	5	1,831	527
Other operating expenses	21	197	58
		16,721	6,610
Loss before income tax expense		(3,386)	(87)
Current income tax expense	13	(7)	(7)
Net loss and comprehensive loss for the year		(3,393)	(94)
Basic and diluted loss and comprehensive loss per common share	15	(0.02)	(0.00)
Weighted average number of common shares outstanding			
Basic and diluted	15	164,561,810	118,347,514

See accompanying notes

Symbility Solutions Inc.**Consolidated Statements of Changes in Shareholders' Equity***(In thousands of Canadian dollars)*

	Note	Common shares	Broker warrants	Contributed surplus	Deficit	Total shareholders' equity
January 1, 2011		16,326	-	9,000	(24,685)	641
Share issuance for services		21	-	-	-	21
Share options exercised	14	13	-	(4)	-	9
Share issuance costs		(1)	-	-	-	(1)
Stock-based compensation	14	-	-	251	-	251
Net loss for the year		-	-	-	(94)	(94)
December 31, 2011		16,359	-	9,247	(24,779)	827
Share issuance for services		133	-	-	-	133
Share options exercised	14	1,719	-	(1,100)	-	619
Share issuance for business combination	5, 14	20,724	-	-	-	20,724
Share issuance for cash	14	10,000	-	-	-	10,000
Share issuance costs		(1,324)	-	-	-	(1,324)
Broker Warrants	14	-	235	-	-	235
Stock-based compensation	14	-	-	1,296	-	1,296
Dividends paid	14	-	-	-	(1,187)	(1,187)
Net loss for the year		-	-	-	(3,393)	(3,393)
December 31, 2012		47,611	235	9,443	(29,359)	27,930

See accompanying notes

Symbility Solutions Inc.
Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

	Note	For the years ended	
		December 31,	
		2012	2011
Operating activities			
Net loss for the year		(3,393)	(94)
Items not affecting cash			
Stock-based compensation	14	1,296	251
Issuance of shares for services		133	21
Depreciation and amortization	8, 9	1,099	64
Transaction related expenses		562	-
		(303)	242
Net change in non-cash working capital items	19	3,223	(491)
Cash provided by (used in) operating activities		2,920	(249)
Investing activities			
Purchase of property and equipment	8	(197)	(147)
Purchase of intangible assets	9	(87)	(40)
Loans receivable	14	(148)	-
Security deposits		(17)	-
Note receivable		40	(40)
Transaction related payables		(488)	488
Business combination	5, 14	3,183	-
Cash provided by investing activities		2,286	261
Financing activities			
Proceeds from issuance of common shares		10,000	-
Proceeds from exercise of share options		619	10
Cost of issuance of shares	5, 14	(1,089)	(1)
Proceeds from borrowings	7	-	102
Repayment of borrowings	7	-	(102)
Long-term finance lease payments		(49)	(13)
Release of restricted cash deposits	12	207	-
Dividends paid to shareholders	14	(1,187)	-
Cash provided by (used in) financing activities		8,501	(4)
Net increase in cash and cash equivalents		13,707	8
Cash and cash equivalents at beginning of year		1,301	1,293
Cash and cash equivalents at end of year		15,008	1,301
Supplementary cash flow information	20		

See accompanying notes

Symbility Solutions Inc.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars unless otherwise stated)

December 31, 2012

1) Nature of operations and corporate information

Symbility Solutions Inc. (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. Prior to September 19, 2012, the Corporation operated under the name Automated Benefits Corp. The Corporation was incorporated under the Alberta Business Corporations Act on July 15, 1999 and commenced operations on January 1, 2000. The Corporation is a publicly traded company domiciled in Canada with common shares listed on the TSX Venture Exchange under the stock symbol "SY". On February 5, 2013, the Corporation began trading in the United States on the OTCQX International exchange under the stock symbol "ATBEF".

The Corporation's 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 operating offices in Montreal, Québec, Milwaukee, Wisconsin, Nashville, Tennessee and Tyler, Texas.

The Corporation has two wholly owned subsidiaries, Automated Benefits Inc. ("Adjudicare") and Symbility Solutions Ltd. ("Symbility Canada"), both located in Toronto, Ontario. Prior to August 1, 2012, Symbility Canada operated under the name Symbility Solutions Inc. Symbility Canada in turn has one wholly owned subsidiary, Symbility Solutions Corp. ("Symbility USA"), which is incorporated in the State of Delaware. Prior to August 8, 2012, Symbility Solutions Corp. operated under the name Symbility Solutions (U.S.A.) Inc. Symbility Canada and Symbility USA are jointly referred to on a consolidated basis as "Symbility".

On January 1, 2013, Symbility Solutions Ltd. was amalgamated into the Corporation.

As at December 31, 2012, Decision Insight Information Group and its affiliates (collectively "Decision Insight"), own 61,404,748 common shares representing approximately 29% of the outstanding shares of the Corporation. Marshall & Swift/Boeckh ("MSB"), a wholly owned subsidiary of Decision Insight is a related party as a result of a common significant shareholder (See note 5).

2) Basis of Presentation

a) Statement of compliance

These consolidated financial statements present the financial position, results of operations and cash flows of the Corporation for the year ended December 31, 2012 along with comparative results for the year ended December 31, 2011. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issuance by the Board of Directors (the "Board") of the Corporation on March 15, 2013.

b) Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, except for derivative financial instruments, available for sale financial assets and business combinations, which have been measured at fair value.

Symbility Solutions Inc.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars unless otherwise stated)

December 31, 2012

c) **Functional and presentation currency**

The Canadian dollar is the functional and presentation currency of the Corporation. All currency amounts in these financial statements are presented in Canadian dollars ("CAD") and rounded to the nearest thousand, unless otherwise stated.

d) **Use of estimates and judgments**

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the carried amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses recorded during the year. The critical estimates and judgments applied in preparing the Corporation's financial statements affect the assessment of net recoverable amounts, net realizable values and fair values, depreciation rates and useful lives, determination of functional currency and the selection of accounting policies.

The critical estimates and judgments made in the preparation of the Corporation's consolidated financial statements include, among other things, reported amounts of assets, liabilities, revenues and expense, and the disclosure of contingent assets and liabilities at the end of the reporting period. It also requires management to exercise judgment in applying the Corporation's accounting policies. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making the estimates and judgments in these consolidated financial statements. Actual results could differ from those estimates.

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.

3) Significant accounting policies

The accounting policies set out below are applied consistently to the years presented in these consolidated financial statements.

a) **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and entities controlled by the Corporation. Any balances, unrealized gains and losses or income and expenses arising from intra-Corporation transactions have been eliminated upon consolidation.

b) **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.

Symbility Solutions Inc.

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(In thousands of Canadian dollars unless otherwise stated)

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c) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration paid, measured at the acquisition date fair value. Acquisition costs incurred are expensed in net Income (loss) for the year. When the Corporation acquires a business, it assesses the fair value of the acquired assets and liabilities assumed for appropriate classification in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

d) Intangible assets

The cost of intangible assets acquired in a business combination represents the fair value as at the date of acquisition. Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired are comprised mainly of database licenses and customer relationships.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Customer relationships and database licenses are amortized on a straight-line basis over five years and ten years, respectively. Computer software and computer software under finance lease are amortized on a straight-line basis at 30% per year.

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

e) Goodwill

Goodwill is initially measured at cost, being the excess of the consideration paid in a business combination over the fair value of the net identifiable assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as a gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Corporation's cash generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment annually at December 31 or whenever events or changes in circumstances indicate that the carrying value might be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Symbility Solutions Inc.

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f) Impairment of assets and non-financial assets

The Corporation assesses the impairment of non-financial assets at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value, less costs to sell or its value-in-use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model may be used.

The Corporation bases its impairment calculation on detailed budgets and forecast calculations that are prepared separately for each of the Corporation's CGUs to which the individual assets are allocated.

The value-in-use calculation uses cash flow projections for a five-year period and a terminal value. The terminal value is the value attributed to the reporting unit's operations beyond the projected period using an assumed perpetuity growth rate. The key assumptions in the value-in-use calculations are segment profit growth rates (for periods within the cash flow projections and in perpetuity for the calculation of the terminal value), future levels of capital expenditures and discount rates.

- Segment profit growth rates and future levels of capital expenditures are based on management's best estimates considering historical and expected operating plans, strategic plans, economic considerations and the general outlook for the industry and markets in which the CGU operates. The projections are prepared separately for each of the Corporation's CGUs to which the individual assets are allocated and are based on the most recent financial budgets approved by the Corporation's Board and management forecasts generally covering a period of five years with growth rate assumptions ranging from 10% to 35%. For longer periods, a terminal growth rate is determined and applied to project future cash flows after the fifth year;
- The discount rate applied to each asset or CGU to determine value-in-use is a pre-tax rate that reflects an optimal debt-to-equity ratio and considers the risk-free rate, market equity risk premium, size premium and the risks specific to each asset or CGU's cash flow projections;
- In calculating the value-in-use, the Corporation uses an appropriate range of discount rates in order to establish a range of values for each CGU or group of CGUs; and
- The perpetuity growth rate is based on management's best estimates considering the industry, operating income trends and growth prospects for that specific CGU.

The pre-tax discount and perpetuity growth rates used by the Corporation for the purpose of impairment testing for each CGU at December 31, 2012 was 35% for the pre-tax discount rate and 3% for the perpetuity growth rate.

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Notes to Consolidated Financial Statements

(In thousands of Canadian dollars unless otherwise stated)

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g) Revenue recognition

The Corporation has two divisions: Symbility and Adjudicare, which provide Software as a Service/SaaS-based technology.

Symbility derives its revenues from (i) subscription fees from customers accessing the Symbility Business cloud computing services, and (ii) professional services, which include programming services and training fees. Subscription revenues are driven by either the number of claims processed in a period or an annual fixed fee license. Claims revenue is invoiced and recognized in the month that a claim is initiated. Annual fixed fee licenses are invoiced in advance and recognized ratably over the year. Most Symbility contracts are for a multi-year period. Professional services revenue is recognized as the services are performed on a percentage of completion

Adjudicare derives its revenues from (i) transaction fees from customers accessing the Adjudicare cloud computing services, and (ii) the resale of premium insurance products. Transaction fee revenues are driven by the value of claims processed in a period. Claims revenue is invoiced and recognized in the month that a claim occurs. The resale of premium insurance products is invoiced to the customer at the beginning of a policy and recognized ratably over the term of the policy.

Software as a Service arrangement 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.

h) 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	30%
Equipment under finance lease	30%
Leasehold improvements	Term of the lease

Symbility Solutions Inc.

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i) 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 loss and comprehensive loss.

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

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) Loss per share

The computation of basic loss per share is based on the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated in a similar way to basic loss per share except that the weighted average number of common shares outstanding are increased to include additional shares assuming the exercise of stock options and warrants, if dilutive.

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

The Corporation accounts for share-based payments as equity-settled transactions where the fair value of options granted is charged to salary expense over the option vesting period, with the offsetting amount recognized in contributed surplus. For awards with graded vesting, each tranche of an award is considered a separate grant with a different vesting date and fair value. The fair value of each tranche is recognized over its respective vesting period. The fair value of each tranche is estimated at the date of grant using the Black-Scholes option pricing model incorporating assumptions regarding risk-free interest rates, dividend yield, expected volatility of the Corporation's stock, and a weighted average expected life of options. For each reporting period, the Corporation reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revision in the consolidated statements of changes in shareholders' equity with a corresponding adjustment to equity.

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(In thousands of Canadian dollars unless otherwise stated)

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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 statements of loss and comprehensive loss.

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

o) Financial instruments

Financial assets and financial liabilities classified as held-for-trading are measured at fair value at the statements of financial position date with all realized and unrealized gains and losses resulting from the change in fair value included in net income in the period in which they arise; these include cash and cash equivalents. Accounts receivable and other assets have been classified as loans and receivables, which are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest rate method less any impairment. Receivables are reduced by provisions for estimated bad debts which are determined by reference to past experience and expectations. Accounts payable and accrued liabilities, dividends payable to shareholders, debt and long-term debt have been classified as other financial liabilities which are accounted for on an amortized cost basis using the effective interest rate method.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined based on prevailing market rates for instruments with similar characteristics and risk profiles.

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The Corporation categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Corporation's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

4) Changes in accounting policies not yet adopted

The following accounting pronouncements issued by the IASB were not effective as at December 31, 2012 and, therefore, have not been applied in preparing these consolidated financial statements. Management is currently evaluating the potential impact the adoption of these accounting pronouncements will have on the Corporation's consolidated financial statements.

i) IAS 1 Presentation of Financial Statements

In June 2011, the IASB amended IAS 1 by revising how certain items are presented in OCI. Items within Other Comprehensive Income that may be reclassified to profit and loss will be presented separately from items that will not be reclassified. The standard is effective for financial years beginning on or after July 1, 2012, with early adoption permitted. The impact on the consolidated financial statements may require the Corporation to add additional disclosures than currently presented.

ii) IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the IASB issued IFRS 9 as the first part of its project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 currently prescribes that financial assets are measured at amortized cost or fair value on the basis of how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged, however, revisions have been made in the accounting for changes in fair value of a financial liability attributable to changes in the credit risk of that liability. The other phases of this project which are currently under development include impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Corporation is in the process of assessing the impact of the new standard on its consolidated financial statements in conjunction with the completion of the other phases of this project.

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iii) IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, which replaces portions of IAS 27, Consolidated and Separate Financial Statements, and interpretation SIC-12, Consolidation – Special Purpose Entities. The key features of IFRS 10 include consolidation using a single control model, definition of control, considerations on power, and continuous reassessment. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Corporation does not believe IFRS 10 will have a material impact on its consolidated financial statements.

iv) IFRS 13 Fair value measurement

In May 2011, the IASB issued IFRS 13, which establishes a single source of guidance for fair value measurements when fair value is required or permitted by IFRS. IFRS 13 defines fair value, provides a single framework for measuring fair value and requires enhanced disclosures about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Corporation does not believe IFRS 13 will have a material impact on its consolidated financial statements.

v) IAS 19 Employee Benefits

In June 2011, the IASB made amendments to IAS 19 that requires entities to provide their obligation resulting from the provision for defined benefit plans and how those obligations affect its financial position, financial performance and cash flows. The amendment provides several improvements, including eliminating the option to defer the recognition of gains and losses, streamlining the presentation of changes to assets and liabilities with all changes from re-measurement to be recognized in OCI and enhancing the disclosure of the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. The amended version of IAS 19 is effective for financial years beginning on or after January 1, 2013, with earlier application permitted. The Corporation does not have defined benefit plans, therefore, IAS 19 is not expected to have any impact on its consolidated financial statements.

vi) IAS 27 Separate Financial Statements

In May 2011, the IASB reissued IAS 27 as the consolidation guidance is now included in IFRS 10. The amended IAS 27 prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate (non-consolidated) financial statements. These amendments are effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Corporation does not believe IAS 27 will have a material impact on its consolidated financial statements.

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vii) IAS 28 Investments in Associates and Joint Ventures

In May 2011, the IASB amended IAS 28 as a result of issuing IFRS 10, IFRS 11 and IFRS 12. The amended IAS 28 prescribes the accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. These amendments are effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Corporation does not believe IAS 28 will have a material impact on its consolidated financial statements.

viii) IAS 32 and IFRS 7, Offsetting Financial Assets and Financial Liabilities

In December 2011, the IASB published Offsetting Financial Assets and Financial Liabilities and issued new disclosure requirements in IFRS 7, Financial Instruments: Disclosures. The effective date for the amendments to IAS 32 is for annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is for annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively. The Corporation does not believe IAS 32 and IFRS 7 will have a material impact on its consolidated financial statements.

5) Business combinations

On April 10, 2012, the Corporation completed the acquisition of MSB's claims division ("MSB Claims Business") from MSB (the "Acquisition"). MSB Claims Business provides workflow software for property claims estimation and claims analytics services. To support these products and services, MSB utilizes various proprietary databases. Under the terms of the data license agreement a perpetual license to utilize the databases currently used in the MSB Claims Business was granted to the Corporation.

The results of the acquired MSB Claims Business, as well as the assets and liabilities acquired, have been consolidated from April 10, 2012 and are included in the Corporation's financial performance and consolidated financial statements.

On April 10, 2012, the Corporation issued 52,189,286 common shares with a fair value of \$0.35 per common share for a total fair value of \$18,266 for the Acquisition and 7,021,530 common shares with a fair value of \$0.35 per common share for a total fair value of \$2,458 for a private placement to Decision Insight and MSB for cash proceeds of \$3,183 (together the "Transaction"). The issuance of these common shares to Decision Insight and MSB were approved by the TSX Venture Exchange. The fair value was determined based on the share price on the date of issuance.

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The purchase equation is summarized below:

Fair value recognized on acquisition	Total
Assets	
Cash	3,183
Accounts receivable	753
Prepaid, capital and other assets	630
Intangible assets	10,973
Liabilities	
Deferred revenue	(1,586)
Net identifiable assets	13,953
Goodwill arising on acquisition	6,771
Purchase consideration transferred	20,724

The Corporation identified intangible assets of \$2,175 for customer relationships and \$8,798 for the database license. Goodwill of \$6,771 relates to workforce, expected synergies and other assets that are not individually identified and separately recognized. Goodwill is not expected to be deductible for tax purposes. Acquisition costs of \$1,831 (2011 - \$527) have been accounted for as period expenses when the costs were incurred, except for the cost to issue equity of \$50, which is recorded as a deduction from share capital.

For the year ended December 31, 2012, revenue of \$4,550, expenses of \$4,830, which includes intangible asset amortization of \$949 and a loss of \$(280) have been included in these consolidated financial statements related to the Acquisition. If the Acquisition had taken place at the beginning of the year, revenue would have been \$18,663, expenses of \$21,841, including intangible asset amortization expense of \$1,327, and the net loss for the year would have been \$(3,178).

6) Related party transactions

A summary of the significant related party transactions is provided here:

For the year ended December 31, 2012, the Corporation expensed \$1,751 (2011 - Nil), respectively, for services under the four-year transition services agreement and database license agreement with MSB. The termination of the transition services agreement is subject to the earlier of i) the time when no customers are using certain existing MSB products, and ii) four (4) years following the effective date, which was on April 10, 2012 and iii) portions of the agreement upon 90 days' notice.

On July 29, 2011, the Corporation agreed to loan \$40 to its Chief Executive Officer. This promissory note had a maturity of April 30, 2012 with an annual interest rate of 2.5%. The loan of \$40 was secured by 150,943 shares of the Corporation owned by the Chief Executive Officer. On March 30, 2012, the Corporation's Chief Executive Officer repaid the promissory note for \$40 plus accrued interest and the Corporation returned the shares to the Chief Executive Officer.

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On June 29, 2012, 2,823,265 restricted shares under the Canadian Restricted Shares Plan and United States Restricted Shares Plan were granted to certain Directors and officers of the Corporation. As of December 31, 2012, the value of these Canadian Restricted Share loans was \$114, with an annual interest rate of 2.5%. The loans are secured by the pledge agreements on the Restricted Shares. The maturity date of these loans is the earlier of i) on the first date that one or more Shares in respect of the Participant's benefit under the Plan are released from Escrow and delivered to the Participant and ii) March 31, 2017. There is no loan to recipients of the US Restricted Shares.

Compensation of key management personnel

Key management personnel includes the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer, Vice President, and Directors. The compensation paid or payable to key management is shown in the following table:

	For the years ended December 31,	
	2012	2011
Short term remuneration and benefits	2,402	1,017
Share-based payments	756	183
Total	3,158	1,200

Stock options held by key management personnel 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, 2012	December 31, 2011
		\$	Number outstanding	Number outstanding
2004	2014	0.20	-	2,193,932
2007	2012	0.24	-	525,000
2009	2014	0.12 - 0.19	1,050,000	1,450,000
2010	2015 - 2020	0.11 - 0.20	333,932	333,932
2011	2021	0.22 - 0.26	1,371,000	1,171,000
2012	2022	0.34 - 0.46	2,850,000	-
Total			5,604,932	5,673,864

On December 31, 2012, 2,823,265 (2011 - Nil) restricted shares under the Canadian Restricted Shares Plan and United States Restricted Shares Plan were outstanding to certain Directors and officers of the Corporation.

Symbility Solutions Inc.**Notes to Consolidated Financial Statements***(In thousands of Canadian dollars unless otherwise stated)**December 31, 2012***7) Short-term loans**

On May 30, 2011, the Corporation entered into a scientific research and experimental development ("SR&ED") tax loan with a Canadian chartered bank for up to \$250 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%. On June 21, 2011, the Corporation borrowed \$102 from this SR&ED tax loan. On July 19, 2011, the Corporation repaid \$63 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 of the SR&ED tax loan upon receipt of a SR&ED tax refund from the Province of Québec.

8) Property and equipment

	Furniture and fixtures	Computer equipment⁽¹⁾	Equipment⁽²⁾	Leasehold improvements	Total
Cost					
At January 1, 2011	132	417	43	64	656
Additions	38	144	21	101	304
Removal	-	-	(27)	(34)	(61)
At December 31, 2011	170	561	37	131	899
Additions	33	153	1	10	197
Additions arising from business combination	-	-	37	-	37
Removal	(24)	-	-	-	(24)
At December 31, 2012	179	714	75	141	1,109
Accumulated depreciation					
At January 1, 2011	124	382	42	57	605
Depreciation expense	7	29	6	14	56
Removal	-	-	(26)	(34)	(60)
At December 31, 2011	131	411	22	37	601
Depreciation expense	12	74	25	22	133
Removal	(24)	-	-	-	(24)
At December 31, 2012	119	485	47	59	710
Net book value					
At December 31, 2011	39	150	15	94	298
At December 31, 2012	60	229	28	82	399

⁽¹⁾ Includes computer equipment under finance lease with a cost of \$107 (2011 - \$107), accumulated amortization of \$38 (2011 - \$5) and net book value of \$69 (2011 - \$102).

⁽²⁾ Includes equipment under finance lease with a cost of \$21 (2011 - \$21), accumulated amortization of \$12 (2011 - \$6) and net book value of \$9 (2011 - \$15).

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9) Intangible assets

	Computer software ⁽¹⁾	Trademarks	Customer relationships	Database license	Total
Cost					
At January 1, 2011	130	28	-	-	158
Additions	28	12	-	-	40
At December 31, 2011	158	40	-	-	198
Additions	51	36	-	-	87
Additions arising from business combination	-	-	2,175	8,798	10,973
Removal	(51)	-	-	-	(51)
At December 31, 2012	158	76	2,175	8,798	11,207
Accumulated amortization					
At January 1, 2011	123	13	-	-	136
Amortization expense	8	-	-	-	8
At December 31, 2011	131	13	-	-	144
Amortization expense	17	-	314	635	966
Removal	(51)	-	-	-	(51)
At December 31, 2012	97	13	314	635	1,059
Net book value					
At December 31, 2011	27	27	-	-	54
At December 31, 2012	61	63	1,861	8,163	10,148

⁽¹⁾ Includes computer software under finance lease with a cost of \$17 (2011 - \$17), accumulated amortization of \$6 (2011 - \$1) and net book value of \$11 (2011 - \$16).

10) Finance lease obligations

The Corporation has entered into finance leases on certain office equipment with lease terms of five years. The Corporation has the option to purchase the machines for a nominal amount at the conclusion of the lease agreements. The interest charged on these finance leases is at a rate of 7.75% annually. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	December 31, 2012		December 31, 2011	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	54	50	54	47
After one year but not more than five years	51	49	105	100
More than five years	-	-	-	-
Total minimum lease payments	105	99	159	147
Less finance costs	(6)	-	(12)	-
Present value of minimum lease payments	99	99	147	147

Symbility Solutions Inc.

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December 31, 2012

11) Operating lease obligations

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

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Within one year	735	256
After one year but not more than five years	1,397	861
More than five years	-	-
	<u>2,132</u>	<u>1,117</u>

For the year ended December 31, 2012, the Corporation has expensed \$1,031 (2011 - \$254) related to the operating leases.

Other commitments

The Corporation also has non-cancellable purchase obligations under supplier agreements totaling \$467 to be paid substantially in the next four years ending December 31, 2016.

As part of the Transaction, the Corporation has entered into a four-year transition services agreement with MSB with a minimum annualized commitment of \$983. The termination of the agreement is subject to the earlier of i) the time when no customers of the MSB claim business or the new claims business are using certain existing MSB products, ii) four (4) years following the effective date which is on April 10, 2012 and iii) portions of the agreement upon 90 days' notice. The cost of the 90 days notice is included in the non-cancellable obligation above.

Also as part of the Transaction, the Corporation entered in to the database licence agreement which requires payment by the Corporation to MSB to maintain the currency of the database. This is a variable cost based on various factors.

For the year ended December 31, 2012, the Corporation expensed \$1,751 (2011 - Nil), respectively, for services under the four-year transition services agreement and database license agreement with MSB. The termination of the transition services agreement is subject to the earlier of i) the time when no customers are using certain existing MSB products, and ii) four (4) years following the effective date, which was on April 10, 2012 and iii) portions of the agreement upon 90 days' notice.

Contingent claims

In the ordinary course of business, from time to time the Corporation is involved in various claims related software, intellectual property rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Corporation's exposure to these claims to be material to these consolidated financial statements.

12) Restricted cash deposits

Between November 23, 2011, and March 31, 2012, the Corporation entered into various cash collateral agreements with a Canadian chartered bank totaling \$207 to secure certain corporate credit cards and letters of credit. On October 30, 2012, the cash collateral requirement was waived and the restriction on cash was removed.

Symbility Solutions Inc.**Notes to Consolidated Financial Statements***(In thousands of Canadian dollars unless otherwise stated)**December 31, 2012*

13) 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:

	For the years ended December 31,	
	2012	2011
Current income tax	7	7
Deferred tax		
Origination and reversal of temporary differences	450	(8)
Unrecognized benefit of deferred tax assets	(450)	8
	<u>7</u>	<u>7</u>

A reconciliation between tax expense and the product of accounting profit multiplied by Canada's domestic tax rate for the years ended December 31, 2012 and 2011 are as follows:

	For the years ended December 31,	
	2012	2011
Loss before income tax expenses	<u>(3,386)</u>	(87)
Income tax rate	26.78%	28.25%
Income tax expense	(907)	(25)
Effect of expenses that are not deductible (taxable) in determining taxable profit	464	40
Unrecognized benefit of current year's losses and other	450	(8)
Total tax expense	<u>7</u>	<u>7</u>

The 2012 statutory rate of 26.78% differs from the 2011 statutory rate of 28.25% because of enacted rate reductions in the Federal and Ontario income tax rates.

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.

Symbility Solutions Inc.**Notes to Consolidated Financial Statements***(In thousands of Canadian dollars unless otherwise stated)**December 31, 2012*

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

	December 31, 2012	December 31, 2011
Scientific research and experimental development	4,330	5,021
Non-capital losses	17,772	17,704
Other	6,316	3,506
Net unrecognized temporary differences	28,418	26,231

As at December 31, 2012, the Corporation has the following Federal investment tax credits available to reduce future Federal taxes payable, Federal and Ontario non-capital losses available for carry forward, U.S. non-capital losses available for carry forward and Ontario research and development tax credits which will expire as follows:

Year	Canadian federal investment tax credits	Canadian federal and Ontario non-capital loss carry forwards	U.S. federal loss carry forwards	Ontario Research and Development tax credits
2014	-	246	-	-
2015	-	1,732	-	-
2023	2	-	-	-
2024	29	-	-	-
2025	74	-	-	-
2026	115	2,625	5	-
2027	224	2,829	422	-
2028	259	1,087	191	-
2029	232	974	227	26
2030	227	908	-	38
2031	200	1,150	-	14
	<u>1,362</u>	<u>11,551</u>	<u>845</u>	<u>78</u>

The Corporation has Quebec non-capital losses of \$7,230 available to carry forward. 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.

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14) Issued capital

Authorized

Unlimited number of common shares, no par value

Unlimited number of preferred shares, no par value

Issued (excluding Restricted Shares described below)

	Common shares	
	#	\$
Balance - January 1, 2011	118,313,811	16,326
Shares issued for services rendered	80,337	21
Share options exercised	50,000	13
Share issuance costs	-	(1)
Share Capital Balance - December 31, 2011	118,444,148	16,359
Shares issued for services rendered	345,230	133
Share options exercised	3,145,465	1,719
Shares issued in business combination	59,210,816	20,724
Shares issued for cash	22,727,500	10,000
Share issuance costs	-	(1,324)
Share Capital Balance - December 31, 2012	203,873,159	47,611

As at December 31, 2012, there were 4,293,265 Restricted Shares outstanding in addition to the above.

Dividend

On March 28, 2012, the Corporation declared a discretionary cash dividend, payable to Shareholders of record as of April 9, 2012, in the amount of C\$0.01 for each Common Share issued and outstanding as of April 9, 2012. The Corporation paid the dividend of \$1,187 on or around April 21, 2012 to the Shareholders of record at the close of business on April 9, 2012.

Restricted Share Plans

On March 27, 2012, the Shareholders approved the Canadian Restricted Share Plan (the "Canadian RS Plan") and the United States Restricted Share Plan (the "United States RS Plan", and together with the Canadian RS Plan, the "RS Plans"). Awards granted pursuant to the RS Plans, together with all other security based compensation granted by the Corporation, shall not exceed 10% of the issued and outstanding Common Shares on the date of grant.

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The RS Plans provide that the RSs issued to Participants (as such term is defined in the RS Plans) under RS Plans will be subject to forfeiture over a period to be specified in an RS Agreement, beginning April 1, 2012 and ending on or before March 31, 2017, unless certain vesting criteria have been achieved. The vesting criteria were set by the Board and are set forth in the applicable RS Agreement. Each RS grant shall be composed of three equal tranches. The risk of forfeiture with respect to 20% of the first tranche (1/3 of the RSs granted), unless earlier terminated or forfeited in accordance with the RS Plans, shall lapse on each of the March 31, 2013, 2014, 2015, 2016 and 2017 in five equal parts. The risk of forfeiture with respect to the second tranche (1/3 of the RSs granted) shall lapse upon the achievement of certain performance goals related to the integration of the operations of the Corporation and its subsidiaries with the MSB Prior Claims Business (as such term is defined in the RS Plans) on or before April 10, 2014. The risk of forfeiture with respect to the third tranche (1/3 of the RSs granted) shall lapse upon the achievement of certain financial performance-based targets for the Corporation's twelve-month periods ended March 31, 2013, 2014, 2015, 2016 and 2017. Such performance goals and financial performance-based targets are set by the Board and are set forth in applicable RS Agreements.

The Canadian RS Plan and the United States RS Plan contain essentially the same terms, with the primary exception being the escrow arrangement in the Canadian RS Plan, which provides that upon the lapse of the risk of forfeiture, subject to the conditions provided in the Canadian RS Plan, the restrictions on each RS shall be lifted and one Commons Share for each RS shall be released from escrow and delivered to the Participant in accordance with the Canadian RS Plan. The United States RS Plan provides that upon the lapse of the risk of forfeiture, subject to the conditions provided in the United States RS Plan, the restrictions on each RS shall be lifted and one Common Share for each such RS shall be delivered to the Participant.

On June 29, 2012, 3,073,265 RSs were issued under the Canadian RS Plan and 1,320,000 RSs were issued under the United States RS Plan, for a total of 4,393,265 RSs outstanding. As of December 31, 2012, the value of these Canadian Restricted Share loans was \$148 with an annual interest rate of 2.5%. The loans are secured by the pledge agreements on the Restricted Shares. The maturity date of these loans is the earlier of i) on the first date that one or more Shares in respect of the Participant's benefit under the Plan are released from Escrow and delivered to the Participant and ii) March 31, 2017.

The following table summarizes activity related to RS for the year ended December 31, 2012:

	December 31, 2012
	Restricted Shares outstanding
	#
Balance at beginning of year	-
Granted	4,393,265
Forfeited	(100,000)
Released	-
Balance at end of year	4,293,265

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Share issuance for cash

On December 11, 2012, the Corporation announced that it had completed the closing of its public offering of 22,727,500 common shares at a price of \$0.44 per share. Gross proceeds from the offering were approximately \$10,000 resulting in cash proceeds of \$8,961, net of transaction costs.

Stock option plan

The Corporation has a stock option plan (the "Plan"), which provides that 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 closing 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 either at a rate of 1/3 immediately and 1/3 on each of the 12 and 24 month anniversary of the date of the grant or upon achievement of specific performance targets. For non-employee stock options, the contractual term of options vary from five to ten years and the vesting period varies with the term of the option contract.

Stock-based compensation

	For the years ended December 31,	
	2012	2011
General and administration	459	182
Research and development	175	30
Sales and marketing	662	39
Total	1,296	251

The total stock-based compensation expense for the Stock option plan and the Restricted Share Plans for the years ended December 31, 2012 was \$1,296 (2011 – \$251), with a corresponding credit to contributed surplus.

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:

	For the years ended December 31,	
	2012	2011
Risk-free interest rate	1.61%	2.55%
Expected life	5.5 years	5.5 years
Volatility	117%	117%
Expected dividends	Nil	Nil
Weighted average share price	\$0.41	\$0.24
Weighted average exercised price	\$0.43	\$0.25

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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, 2012, the weighted average fair value of options granted was \$0.34 (2011 – \$0.21).

The weighted average remaining contractual life for the stock options outstanding as at December 31, 2012 is 7.46 years (December 31, 2011 – 4.37 years).

The following table summarizes activity related to stock options for the years ended December 31, 2012 and 2011:

	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>Stock options outstanding</u>	<u>Weighted average exercise price</u>	<u>Stock options outstanding</u>	<u>Weighted average exercise price</u>
	<u>#</u>	<u>\$</u>	<u>#</u>	<u>\$</u>
Balance – Beginning of year	7,143,864	0.20	6,737,864	0.20
Granted	4,800,000	0.43	1,606,000	0.25
Exercised	(3,145,465)	0.20	(50,000)	0.19
Forfeited	(80,001)	0.42	(23,366)	0.20
Expired	(79,999)	0.30	(1,126,634)	0.32
Balance – End of year	<u>8,638,399</u>	<u>0.32</u>	<u>7,143,864</u>	<u>0.20</u>
Balance – Exercisable	<u>4,731,365</u>	<u>0.25</u>	<u>5,793,299</u>	<u>0.19</u>

Broker warrants

On December 11, 2012, the Corporation issued 1,136,375 broker warrants to the underwriters as part of the compensation costs related to the public offering of \$10,000. Each Broker Warrant is exercisable to purchase one Common Share at \$0.44 per Broker Warrant for a period of two years from the Closing Date.

	<u>For the year ended December 31, 2012</u>
Risk-free interest rate	1.10%
Expected life	2 years
Volatility	84%
Expected dividends	Nil
Weighted average share price	\$0.45
Weighted average exercised price	\$0.44

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The following table summarizes activity related to Broker warrants for the year ended December 31, 2012:

	December 31, 2012	
	Broker warrants outstanding #	Weighted average exercise price \$
Balance at beginning of year	-	-
Granted	1,136,375	0.44
Balance at end of year	1,136,375	0.44
Balance – Exercisable	1,136,375	0.44

The weighted average remaining contractual life for the Broker Warrants outstanding as at December 31, 2012 is 1.95 years.

15) Loss per share

	For the years ended December 31,	
	2012	2011
Loss attributable to common shareholders (numerator)	(3,393)	(94)
Weighted average number of common shares outstanding (denominator) Basic and diluted	164,561,810	118,347,514
Basic and diluted loss per common share	(0.02)	(0.00)

The conversion of outstanding stock options and warrants has not been included in the calculation of diluted loss per share as to do so would have been anti-dilutive.

16) Financial Instruments and Risk Management*Fair value*

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

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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.

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, 2012, 59% is denominated in U.S. dollars (2011 - 64% in U.S. dollars) and 21% is denominated in U.S. dollars (2011 - 10% in U.S. dollars), respectively. During the year ended December 31, 2012, revenue was approximately 75% in U.S. dollars (2011 - 54%) and expenses were approximately 35% in U.S. dollars (2011 - 15%).

As at December 31, 2012, a weakening (strengthening) of the U.S. dollar of 1% will result in a positive (negative) effect on net income of approximately \$24 (2011 - \$17) in net loss and comprehensive loss. The Corporation's exposure to foreign currency changes for all other currencies is not material.

Credit risk

As at December 31, 2012, the largest amounts due from two customers accounted for 19% and 11%, respectively, of the Corporation's total accounts receivable (2011 - one customer - 54%).

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

	December 31, 2012	December 31, 2011
Current	1,920	1,546
31 - 60 days	646	157
61 - 90 days	187	1,270
Over 91 days	781	7
Less: allowance for doubtful accounts	(202)	(2)
Total accounts receivable, net	3,332	2,978

Included in accounts receivable is \$130 (2011 - Nil) for customers on quarterly payment plans for annual contracts. These amounts are also included in deferred revenue, which offsets the credit risk on these receivables.

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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.

The movement in the Corporation's allowance for doubtful accounts for the years ended December 31, 2012 and 2011 were as follows:

	December 31, 2012	December 31, 2011
Balance at beginning of year	2	1
Addition	202	6
Recovered	-	(2)
Written off	(2)	(3)
Balance at end of year	202	2

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 cash 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, 2012, the Corporation was holding cash and cash equivalents of \$15,008 (2011 - \$1,301).

17) 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, 2012, total managed capital was \$28,030 (2011 - \$974) comprised of shareholders' equity of \$27,930 (2011 - \$827) and interest-bearing debt of \$100 (2011 - \$147).

In conjunction with the business combination on April 10, 2012, the Corporation completed a private placement and received \$1,896 in cash. On April 21, 2012, the Corporation paid a cash dividend of \$1,187 to shareholders of record on April 9, 2012.

On December 11, 2012, the Corporation completed the closing of its public offering and received \$8,961 in cash.

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions and operating results. The Corporation, upon approval from its Board, 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 and objectives with respect to capital risk management remains unchanged for the twelve-month period ended December 31, 2012.

Symbility Solutions Inc.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars unless otherwise stated)

December 31, 2012

18) 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.

- Adjudicare provides an advanced and practical software solution to a network of Employee Benefits Brokers and Third Party Administrator partners to enable them to adjudicate and pay health and dental claims.
- Symbility provides powerful, accurate and easy-to-use claims processing, estimating software solutions and analytical services for Property and Casualty Insurers. The collaborative workflow management, mobile estimating, claims triage solutions and analytical services allow insurers to reduce costs while delivering a market-leading claims experience.
- The Head office consists of general and administration expenses and stock-based compensation, which have not been allocated to the operating segments.

Revenues are generated from external customers in Canada, the United States, and other countries outside of North America and all material assets are located in Canada and United States.

During the year ended December 31, 2012, there was one customer (2011 - two customers) who accounted for more than 10% or \$5,126 (2011 - \$2,982) of the Corporation's revenue. These customers are in the Symbility operating segment.

	For the year ended December 31, 2012			
	Adjudicare	Symbility	Head office	Total
Revenue	3,601	12,936	-	16,537
Cost of sales	1,537	1,665	-	3,202
	2,064	11,271	-	13,335
Expenses	1,960	10,478	4,283	16,721
Segment income (loss) before income tax expense	104	793	(4,283)	(3,386)
Income tax expense, current	-	(7)	-	(7)
Segment income (loss)	104	786	(4,283)	(3,393)
As at December 31, 2012				
Operating assets	1,385	19,444	572	21,401
Assets not allocated to segments				
Cash and cash equivalents	-	-	15,008	15,008
Total operating assets	1,385	19,444	15,580	36,409
Operating liabilities	1,063	5,555	1,861	8,479
Additions to property and equipment, intangible assets and goodwill	13	17,937	115	18,065

Symbility Solutions Inc.

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December 31, 2012

	For the year ended December 31, 2011			
	Adjudicare	Symbility	Head office	Total
Revenue	3,212	4,734	-	7,946
Cost of sales	1,336	87	-	1,423
	1,876	4,647	-	6,523
Expenses	1,601	3,470	1,539	6,610
Segment income (loss) before income tax expense	275	1,177	(1,539)	(87)
Income tax expense, current	-	(7)	-	(7)
Segment income (loss)	275	1,170	(1,539)	(94)

As at December 31, 2011

Operating assets	1,303	2,530	320	4,153
Assets not allocated to segments				
Cash and cash equivalents	-	-	1,301	1,301
Total operating assets	1,303	2,530	1,621	5,454
Operating liabilities	977	2,173	1,477	4,627
Additions to property and equipment and intangible assets	11	147	187	345

Geographic Information

The Corporation's revenues by geographic areas for the years ended December 31, 2012 and 2011 and non-current assets as at December 31, 2012 and 2011 are as follows:

	Revenue for the years ended December 31,		Non-current assets as at December 31,	
	2012	2011	2012	2011
Canada	4,195	3,631	8,591	554
United States	10,880	3,483	8,746	7
International	1,462	832	-	-
Total	16,537	7,946	17,337	561

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(In thousands of Canadian dollars unless otherwise stated)

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19) Net change in non-cash working capital items

	For the years ended December 31,	
	2012	2011
Accounts receivable and other	388	(1,817)
Prepaid expenses and other assets	27	(253)
Accounts payable and accrued liabilities	1,722	536
Other current liabilities	18	-
Deferred revenue	1,045	934
Customer deposits	23	109
	3,223	(491)

The net change in non-cash working capital items includes long-term working capital activities and excludes financing activities related to property and equipment under long-term finance lease obligations of \$3 (2011 - \$45) and investing activities related to transaction related payable of \$(488) (2011 - \$488) and note receivables of \$40 (2011 - \$(40)).

20) Supplementary cash flow information

	For the years ended December 31,	
	2012	2011
Interest paid	6	6
Interest received	9	4
Income taxes paid	7	-

21) Other operating expenses

	For the years ended December 31,	
	2012	2011
Depreciation and amortization	147	64
Foreign exchange (gain) loss, net	50	(6)
Total other operating expenses	197	58

22) Scientific research and experimental development tax credits

In the year ended December 31, 2012, the Corporation has recorded investment tax expense of \$4 (2011 - investment tax credit of \$437) and increased (reduced) research and development expenditures by this amount. The Corporation recently underwent a review of a portion of its 2011 investment tax credits and has revised its estimated credit. The Corporation has accumulated \$1,364 of non-refundable investment tax credits, which can be carried forward to reduce future federal income taxes payable that will begin to expire in 2023. As at December 31, 2012, the Corporation had \$61 (2011 - \$344) of tax credits recorded within the other assets.

Symbility Solutions Inc.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars unless otherwise stated)

December 31, 2012

23) Comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2012 consolidated financial statements.

24) Subsequent events

On January 9, 2013, 300,000 options were granted to Directors of the Corporation in accordance with the Corporation's stock option plan. Each option entitles its holder to purchase one common share of the Corporation at a weighted average exercise price of \$0.47 per share for a period of ten years from the date of grant.

On January 25, 2013, the Corporation issued 111,438 common shares with an estimated weighted average fair value of \$0.47 per share for an aggregate value of \$52 to the Directors of the Corporation for services provided from July to December 2012. 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 15, 2013, 2,000,500 options were granted to Directors, officers, and employees of the Corporation in accordance with the Corporation's stock option plan. Each option entitles its holder to purchase one common share of the Corporation at a weighted average exercise price of \$0.50 per share for a period of ten years from the date of grant.