



**Symbility Solutions Inc.**

(Formerly Known As "Automated Benefits Corp.")

Interim Condensed Consolidated Financial Statements  
(Unaudited)

**Quarter ended September 30, 2012**

**Symbility Solutions Inc.**

(FKA "Automated Benefits Corp.")

## Interim Condensed Consolidated Statements of Financial Position

(Unaudited - In Canadian dollars)

|  | <u>Note</u> | September 30,<br>2012 | December 31,<br>2011 |
|--|-------------|-----------------------|----------------------|
| <b>Assets</b>                            |             |                       |                      |
| <b>Current assets</b>                    |             |                       |                      |
| Cash and cash equivalents                |             | 2,770,452             | 1,301,229            |
| Accounts receivable and others           | 8           | 5,268,548             | 2,981,569            |
| Loans receivable                         | 6           | 148,746               | -                    |
| Prepaid expenses and other assets        | 8, 12       | 865,788               | 612,184              |
|  |             | <u>9,053,534</u>      | <u>4,894,982</u>     |
| <b>Restricted cash deposits</b>          |             | 207,000               | 207,000              |
| <b>Property and equipment</b>            |             | 369,804               | 298,486              |
| <b>Intangible assets</b>                 | 5           | 10,477,501            | 54,001               |
| <b>Goodwill</b>                          |             | 6,714,404             | -                    |
|  |             | <u>26,822,243</u>     | <u>5,454,469</u>     |
| <b>Liabilities</b>                       |             |                       |                      |
| <b>Current liabilities</b>               |             |                       |                      |
| Accounts payable and accrued liabilities |             | 3,289,397             | 2,642,368            |
| Current portion of deferred revenue      |             | 3,911,218             | 1,422,925            |
|  |             | <u>7,200,615</u>      | <u>4,065,293</u>     |
| <b>Long-term liabilities</b>             |             |                       |                      |
| Deferred revenue                         |             | 296,451               | 284,025              |
| Finance lease obligations                |             | 62,168                | 99,616               |
| Customer deposits                        |             | 200,241               | 179,241              |
|  |             | <u>7,759,475</u>      | <u>4,628,175</u>     |
| <b>Shareholders' equity</b>              |             |                       |                      |
| Share capital                            | 6           | 38,288,240            | 16,358,685           |
| Contributed surplus                      |             | 9,372,738             | 9,246,924            |
| Deficit                                  |             | (28,598,210)          | (24,779,315)         |
|  |             | <u>19,062,768</u>     | <u>826,294</u>       |
|  |             | <u>26,822,243</u>     | <u>5,454,469</u>     |

*See accompanying notes*

**Symbility Solutions Inc.**

(FKA "Automated Benefits Corp.")

Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income  
(Loss)

(Unaudited - In Canadian dollars)

|   | <b>Note</b> | <b>Three-month period ended</b> |             | <b>Nine-month period ended</b> |             |
|---|-------------|---------------------------------|-------------|--------------------------------|-------------|
|   |             | <b>September 30,</b>            |             | <b>September 30,</b>           |             |
|   |             | <b>2012</b>                     | <b>2011</b> | <b>2012</b>                    | <b>2011</b> |
| <b>Revenue</b>  |             | <b>4,933,706</b>                | 2,020,018   | <b>11,881,073</b>              | 5,700,829   |
| <b>Cost of sales</b>  |             | <b>882,608</b>                  | 357,994     | <b>2,232,680</b>               | 1,047,287   |
|   |             | <b>4,051,098</b>                | 1,662,024   | <b>9,648,393</b>               | 4,653,542   |
| <b>Expenses</b>   |             |                                 |             |                                |             |
| General and administration  | 6           | <b>1,808,162</b>                | 826,055     | <b>4,472,460</b>               | 2,379,404   |
| Research and development  | 6, 12       | <b>534,879</b>                  | 325,481     | <b>1,577,752</b>               | 914,614     |
| Sales and marketing   | 6           | <b>1,771,318</b>                | 457,227     | <b>4,228,685</b>               | 1,159,618   |
| Transaction related expenses  |             | <b>33,895</b>                   | -           | <b>1,832,751</b>               | -           |
| Other operating expenses  | 11          | <b>62,140</b>                   | (36,019)    | <b>167,438</b>                 | 5,489       |
|   |             | <b>4,210,394</b>                | 1,572,744   | <b>12,279,086</b>              | 4,459,125   |
| <b>Income (loss) before<br/>finance income (costs)</b>  |             | <b>(159,296)</b>                | 89,280      | <b>(2,630,693)</b>             | 194,417     |
| Finance income  |             | <b>1,863</b>                    | 1,005       | <b>3,352</b>                   | 6,383       |
| Finance costs   |             | <b>(1,526)</b>                  | (1,853)     | <b>(5,025)</b>                 | (3,758)     |
| <b>Net income (loss) and<br/>comprehensive income<br/>(loss) for the period</b>                       |             | <b>(158,959)</b>                | 88,432      | <b>(2,632,366)</b>             | 197,042     |
| <b>Basic and diluted<br/>earnings (loss) and<br/>comprehensive income<br/>(loss) per common share</b> | 7           | <b>(0.00)</b>                   | 0.00        | <b>(0.02)</b>                  | 0.00        |
| <b>Weighted average number<br/>of common shares<br/>outstanding</b>                                   | 7           |                                 |             |                                |             |
| <b>Basic</b>  |             | <b>180,573,533</b>              | 118,317,188 | <b>157,270,055</b>             | 118,314,949 |
| <b>Diluted</b>  |             | <b>180,573,533</b>              | 120,592,724 | <b>157,270,055</b>             | 120,492,100 |

See accompanying notes

**Symbility Solutions Inc.**

(FKA "Automated Benefits Corp.")

## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - In Canadian dollars)

|   | Note | Common shares     | Contributed surplus | Deficit             | Total shareholders' equity |
|---|------|-------------------|---------------------|---------------------|----------------------------|
| <b>January 1, 2011</b>                  |      | 16,325,999        | 8,999,137           | (24,685,090)        | 640,046                    |
| Share issuance for services             | 4    | 20,888            | -                   | -                   | 20,888                     |
| Share options exercised                 | 6    | 13,000            | (3,500)             | -                   | 9,500                      |
| Share issuance costs                    |      | (1,202)           | -                   | -                   | (1,202)                    |
| Stock-based compensation                | 6    | -                 | 199,142             | -                   | 199,142                    |
| Net income for the period               |      | -                 | -                   | 197,042             | 197,042                    |
| <b>September 30, 2011</b>               |      | 16,358,685        | 9,194,779           | (24,488,048)        | 1,065,416                  |
| <b>December 31, 2011</b>                |      | 16,358,685        | 9,246,924           | (24,779,315)        | 826,294                    |
| Share issuance for services             | 4    | 132,819           | -                   | -                   | 132,819                    |
| Share options exercised                 | 6    | 1,123,080         | (620,127)           | -                   | 502,953                    |
| Share issuance for business combination | 3, 6 | 20,723,786        | -                   | -                   | 20,723,786                 |
| Share issuance costs                    |      | (50,130)          | -                   | -                   | (50,130)                   |
| Stock-based compensation                | 6    | -                 | 745,941             | -                   | 745,941                    |
| Dividends paid                          | 6    | -                 | -                   | (1,186,529)         | (1,186,529)                |
| Net loss for the period                 |      | -                 | -                   | (2,632,366)         | (2,632,366)                |
| <b>September 30, 2012</b>               |      | <b>38,288,240</b> | <b>9,372,738</b>    | <b>(28,598,210)</b> | <b>19,062,768</b>          |

*See accompanying notes*

**Symbility Solutions Inc.**  
(FKA "Automated Benefits Corp.")  
Interim Condensed Consolidated Statements of Cash Flows  
(Unaudited - In Canadian dollars)

|  | Note | Three month period ended<br>September 30, |           | Nine month period ended<br>September 30, |           |
|--|------|---|-----------|--|-----------|
|  |      | 2012                                      | 2011      | 2012                                     | 2011      |
| <b>Operating activities</b>                              |      |   |           |  |           |
| Net income (loss) for the period                         |      | (158,959)                                 | 88,432    | (2,632,366)                              | 197,042   |
| Items not affecting cash                                 |      |   |           |  |           |
| Stock-based compensation                                 | 6    | 236,877                                   | 44,459    | 745,941                                  | 199,142   |
| Issuance of shares for services                          |      | 64,438                                    | 20,888    | 132,819                                  | 20,888    |
| Depreciation and amortization                            |      | 359,191                                   | 14,555    | 728,011                                  | 38,999    |
| Transaction related expenses                             |      | -   | -         | 561,722                                  | -         |
|  |      | <b>501,547</b>                            | 168,334   | <b>(463,873)</b>                         | 456,071   |
| Net change in non-cash working capital items             | 10   | <b>(154,276)</b>                          | 319,629   | <b>266,407</b>                           | (367,018) |
| <b>Cash provided by (used in) operating activities</b>   |      | <b>347,271</b>                            | 487,963   | <b>(197,466)</b>                         | 89,053    |
| <b>Investing activities</b>                              |      |   |           |  |           |
| Purchase of property and equipment                       |      | (41,240)                                  | (99,846)  | (132,598)                                | (154,898) |
| Purchase of intangible assets                            |      | (47,358)                                  | (12,429)  | (80,900)                                 | (20,668)  |
| Loans receivable   |      | (926)                                     | -         | (148,746)                                | -         |
| Note receivable  |      | -   | (40,172)  | 40,424                                   | (40,172)  |
| Transaction related payables                             |      | 25,752                                    | -         | (426,639)                                | -         |
| Business combination                                     | 3, 6 | -   | -         | 3,182,548                                | -         |
| <b>Cash provided by (used in) investing activities</b>   |      | <b>(63,772)</b>                           | (152,447) | <b>2,434,089</b>                         | (215,738) |
| <b>Financing activities</b>                              |      |   |           |  |           |
| Proceeds from borrowings                                 |      | -   | -         | -  | 102,000   |
| Repayment of borrowings                                  |      | -   | (63,000)  | -  | (63,000)  |
| Long-term finance lease payments                         |      | (10,041)                                  | (903)     | (33,694)                                 | 15,255    |
| Dividends paid   |      | -   | -         | (1,186,529)                              | -         |
| Proceeds from exercise of share options                  |      | 12,300                                    | 9,500     | 502,953                                  | 9,500     |
| Cost of issuance of shares                               |      | (1,391)                                   | (1,202)   | (50,130)                                 | (1,202)   |
| <b>Cash provided by (used in) financing activities</b>   |      | <b>868</b>                                | (55,605)  | <b>(767,400)</b>                         | 62,553    |
| <b>Net increase (decrease) in cash during the period</b> |      | <b>284,367</b>                            | 279,911   | <b>1,469,223</b>                         | (64,132)  |
| Cash and cash equivalents-<br>Beginning of period        |      | <b>2,486,085</b>                          | 948,473   | <b>1,301,229</b>                         | 1,292,516 |
| <b>Cash and cash equivalents-End of period</b>           |      | <b>2,770,452</b>                          | 1,228,384 | <b>2,770,452</b>                         | 1,228,384 |
| <b>Supplementary cash flow information</b>               |      |   |           |  |           |
| Interest paid  |      | 1,525                                     | 1,853     | 5,026                                    | 3,758     |
| Interest received  |      | 561                                       | 366       | 1,797                                    | 1,605     |
| <i>See accompanying notes</i>                            |      |   |           |  |           |

## **Symbility Solutions Inc.**

(FKA "Automated Benefits Corp.")

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In Canadian dollars)

**September 30, 2012**

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### **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, Symbility Solutions Inc. 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. 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, Montreal, Québec, Milwaukee, Wisconsin 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 Solutions Ltd. 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". These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors of Symbility Solutions Inc. on November 15, 2012.

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

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

These interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 2012 of the Corporation were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended December 31, 2011, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. Accordingly, these interim condensed consolidated financial statements for the period ended September 30, 2012 should be read together with the annual consolidated financial statements for the year ended December 31, 2011.

The following accounting policies have been implemented in the period ended September 30, 2012:

#### **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 acquisition date fair value. Acquisition costs incurred are expensed in net income (loss). When the Corporation acquires a business, it assesses the fair value of the financial assets and liabilities assumed for appropriate classification in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

## **Symbility Solutions Inc.**

(FKA "Automated Benefits Corp.")

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In Canadian dollars)

**September 30, 2012**

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### **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 licences and customer relationships.

Intangible assets with finite lives, such as customer relationships and database licenses, are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The customer relationships and database licenses are amortized on a straight-line basis over five years and ten years respectively.

### **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 Company's cash generating unit ("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 as 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.

### **Impairment of assets**

The Corporation assesses 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.

## **Symbility Solutions Inc.**

(FKA "Automated Benefits Corp.")

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In Canadian dollars)

**September 30, 2012**

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b) Basis of presentation

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

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for share-based payment transactions and business combinations, 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) New standards, amendments and interpretations adopted by the Corporation

On January 1, 2012, the Corporation adopted revised IAS 12, Income taxes. The revised standard was amended in December 2010 to revise subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces 9 presumptions that an entity will assess whether the carrying value of an asset will be recovered through the sale of its asset. The adoption of the standard did not have a material impact in the interim condensed consolidated financial statements.

### **3) Business combinations**

On April 10, 2012, the Corporation completed the acquisition of MSB's claims division ("MSB Claims Business") from Marshall & Swift/Boeckh ("MSB"), a wholly-owned subsidiary of Decision Insight Information Group ("Decision Insight"), (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 (see Material Contracts on Sedar) a license to utilize the databases currently used in the MSB claims business was granted to the Corporation.

The results of the acquired MSB Claims Division, as well as the assets and liabilities acquired, have been consolidated from April 10, 2012 and are included in the Corporation's results of operations 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 \$18,266,250 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 \$2,457,536 for the Private Placement to Decision Insight and MSB (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.



**Symbility Solutions Inc.**  
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Notes to Interim Condensed Consolidated Financial Statements  
(Unaudited - In Canadian dollars)  
**September 30, 2012**

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The preliminary purchase equation is summarized below:

| <b>Fair value recognized on acquisition</b> | <b>Total</b>      |
|---|-------------------|
| <b>Assets</b>                               |                   |
| Cash  | 3,182,548         |
| Accounts receivable                         | 809,758           |
| Prepaid, capital and other assets           | 630,634           |
| Intangible assets                           | 10,972,638        |
| <b>Liabilities</b>                          |                   |
| Deferred revenue                            | (1,586,338)       |
| Net identifiable assets                     | 14,009,240        |
| Goodwill arising on acquisition             | 6,714,546         |
| <b>Purchase consideration transferred</b>   | <b>20,723,786</b> |

The Corporation identified intangible assets of \$2,175,073 for customer relationships, \$8,797,564 for the database license. Goodwill of \$6,714,546 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 \$1,832,751 have been accounted for as period expenses when the costs were incurred, except for the cost to issue equity of \$50,130, which is recorded as a deduction from share capital.

For the three months ended September 30, 2012, revenue of \$1,543,790, expenses of \$1,686,232, which includes intangible asset amortization of \$327,538 and a loss of \$(142,442) have been included in these Consolidated Financial Statements related to the Acquisition. For the nine months ended September 30, 2012, revenue of \$2,819,582, expenses of \$3,308,441, which includes intangible asset amortization of \$620,555 and a loss of \$(488,859) 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 \$14,006,680, expenses of \$16,832,717, which includes intangible asset amortization expense of \$1,402,193, and the net loss for the period would have been \$(2,826,037).

## **Symbility Solutions Inc.**

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Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In Canadian dollars)

**September 30, 2012**

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### **4) Related party transactions**

For the three-month and nine-month periods ended September 30, 2012, the Corporation expensed \$640,528 and \$1,209,149 (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 is on April 10, 2012 and iii) portions of the agreement upon 90 days' notice.

For the three-month and nine-month periods ended September 30, 2012, the Corporation expensed \$52,144 and \$193,661 (2011 - \$26,402 and \$70,402) respectively for services provided by the Directors of the Corporation. For the three-month and nine-month periods ended September 30, 2012, the Corporation paid \$Nil and \$32,500 respectively of these fees in cash.

For the three-month and nine-month periods ended September 30, 2012, the Corporation issued 149,856 and 345,230 (2011 - 80,337 and 80,337) common shares respectively with an estimated weighted average fair value of \$0.43 and \$0.385 (2011 - \$0.255 and \$0.255) per share respectively for an aggregate value of \$64,438 and \$132,914 (2011 - \$20,486 and \$20,486) respectively to the Directors of the Corporation for services provided in 2012, 2011 and 2010. The issuance of these common shares to the Directors was approved by the TSX Venture Exchange. The estimated fair value was determined based on the share price on the date of issuance.

For the three-month and nine-month periods ended September 30, 2012, an officer and a Director exercised 149,856 and 2,243,932 stock options respectively for a value of \$12,000 and \$450,786 respectively.

On July 29, 2011, the Corporation agreed to loan \$40,000 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 \$40,000 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 \$40,000 plus \$677 in accrued interest and the Corporation returned the shares to the Chief Executive Officer.

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 September 30, 2012, the value of these Canadian Restricted Share loans to certain Directors and officers of the Corporation was \$114,483, 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.

**Symbility Solutions Inc.**

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Notes to Interim Condensed Consolidated Financial Statements

(Unaudited - In Canadian dollars)

**September 30, 2012****5) Intangible assets**

|  | <b>Computer software<sup>(1)</sup></b> | <b>Trademarks</b> | <b>Customer relationships</b> | <b>Database license</b> | <b>Total</b>      |
|--|--|-------------------|-------------------------------|-------------------------|-------------------|
| <b>Cost</b>                                  |  |                   |                               |                         |                   |
| At December 31, 2011                         | 158,194                                | 40,402            | -                             | -                       | 198,596           |
| Additions                                    | 50,767                                 | 30,133            | -                             | -                       | 80,900            |
| Additions arising from business combinations | -                                      | -                 | 2,175,073                     | 8,797,564               | 10,972,637        |
| <b>At September 30, 2012</b>                 | <b>208,961</b>                         | <b>70,535</b>     | <b>2,175,073</b>              | <b>8,797,564</b>        | <b>11,252,133</b> |
| <b>Accumulated amortization</b>              |  |                   |                               |                         |                   |
| At December 31, 2011                         | 131,629                                | 12,966            | -                             | -                       | 144,595           |
| Amortization expense                         | 9,173                                  | -                 | 205,423                       | 415,441                 | 630,037           |
| <b>At September 30, 2012</b>                 | <b>140,802</b>                         | <b>12,966</b>     | <b>205,423</b>                | <b>415,441</b>          | <b>774,632</b>    |
| <b>Net book value</b>                        |  |                   |                               |                         |                   |
| At December 31, 2011                         | 26,565                                 | 27,436            | -                             | -                       | 54,001            |
| <b>At September 30, 2012</b>                 | <b>68,159</b>                          | <b>57,569</b>     | <b>1,969,650</b>              | <b>8,382,123</b>        | <b>10,477,501</b> |

<sup>(1)</sup> Includes computer software under financial lease with a cost of \$16,832, accumulated amortization of \$4,629 (December 31, 2011 - \$842) and net book value of \$12,203 (December 31, 2011 - \$15,990).

**6) Issued capital**

Authorized

Unlimited number of common shares, no par value

Unlimited number of preferred shares, no par value

Issued (excluding Restricted Shares held in escrow described below)

|   | <b>Common shares</b> |                   |
|---|----------------------|-------------------|
|   | <b>#</b>             | <b>\$</b>         |
| <b>Share Capital Balance - December 31, 2011</b>  | 118,444,148          | 16,358,685        |
| Shares issued for services rendered               | 345,230              | 132,819           |
| Share options exercised                           | 2,658,465            | 1,123,080         |
| Shares issued in business combination             | 59,210,816           | 20,723,786        |
| Share issuance costs                              | -                    | (50,130)          |
| <b>Share Capital Balance - September 30, 2012</b> | <b>180,658,659</b>   | <b>38,288,240</b> |

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### **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 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 Automated Benefits, shall not exceed 10% of the issued and outstanding Common Shares on the date of grant.

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 of Directors 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 Automated Benefits 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 Automated Benefits' twelve month period ended March 31, 2013, 2014, 2015, 2016 and 2017. Such performance goals and financial performance-based targets are set by the Board of Directors 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 Common 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 RS outstanding. As of September 30, 2012, there were 4,343,265 RSs outstanding.

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

The exercise price of the stock options is equal to the 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.

The total stock-based compensation expense for the Stock option plan and the Restricted Share Plans for the nine-month period ended September 30, 2012 was \$745,941 (2011 – \$199,142), with a corresponding credit to contributed surplus.

**Stock-based compensation related to**

|                            | <b>Three month period ended<br/>September 30</b> |             | <b>Nine month period ended<br/>September 30</b> |             |
|----------------------------|--|-------------|---|-------------|
|                            | <b>2012</b>                                      | <b>2011</b> | <b>2012</b>                                     | <b>2011</b> |
| General and administration | <b>105,780</b>                                   | 29,762      | <b>330,657</b>                                  | 149,069     |
| Research and development   | <b>56,856</b>                                    | 3,405       | <b>147,235</b>                                  | 24,947      |
| Sales and marketing        | <b>74,241</b>                                    | 11,292      | <b>268,049</b>                                  | 25,126      |
| <b>Total</b>               | <b>236,877</b>                                   | 44,459      | <b>745,941</b>                                  | 199,142     |

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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          | 1.68%     |
| Expected life                    | 5.5 years |
| Volatility                       | 117%      |
| Expected dividends               | Nil       |
| Weighted average share price     | \$0.39    |
| Weighted average exercised price | \$0.42    |

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 nine-month period ended September 30, 2012, the weighted average fair value of options granted was \$0.32 (2011 – \$0.21).

The weighted average remaining contractual life for the stock options outstanding as at September 30, 2012 is 6.70 years (December 31, 2011 – 4.37 years).

The following table summarizes activity related to stock options for the period ended September 30, 2012 and for the twelve-month period ended December 31, 2011:

|                               | <b>September 30, 2012</b>                  |   | <b>December 31, 2011</b>                   |   |
|-------------------------------|--|---|--|---|
|                               | <b>Stock options<br/>outstanding<br/>#</b> | <b>Weighted average<br/>exercise price<br/>\$</b> | <b>Stock options<br/>outstanding<br/>#</b> | <b>Weighted average<br/>exercise price<br/>\$</b> |
| Balance – Beginning of period | <b>7,143,864</b>                           | <b>0.20</b>                                       | 6,737,864                                  | 0.20  |
| Granted                       | <b>3,070,000</b>                           | <b>0.42</b>                                       | 1,606,000                                  | 0.25  |
| Exercised                     | <b>(2,658,465)</b>                         | <b>0.19</b>                                       | (50,000)                                   | 0.19  |
| Forfeited                     | <b>(13,334)</b>                            | <b>0.26</b>                                       | (23,366)                                   | 0.20  |
| Expired                       | <b>(26,666)</b>                            | <b>0.21</b>                                       | (1,126,634)                                | 0.32  |
| Balance – End of period       | <b>7,515,399</b>                           | <b>0.29</b>                                       | 7,143,864                                  | 0.20  |
| Balance – Exercisable         | <b>4,839,793</b>                           | <b>0.24</b>                                       | 5,793,299                                  | 0.19  |

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**September 30, 2012****7) Earnings (loss) per share**

|  | <b>Three-month period ended<br/>September 30</b> |             | <b>Nine-month period ended<br/>September 30</b> |             |
|--|--|-------------|---|-------------|
|  | <b>2012</b>                                      | <b>2011</b> | <b>2012</b>                                     | <b>2011</b> |
| Income (loss) attributable to common shareholders (numerator)      | <b>(158,959)</b>                                 | 88,432      | <b>(2,632,366)</b>                              | 197,042     |
| Weighted average number of common shares outstanding (denominator) |  |             |   |             |
| Basic  | <b>180,573,533</b>                               | 118,317,188 | <b>157,270,055</b>                              | 118,314,949 |
| Effect of dilutive securities - stock options                      | -  | 2,275,536   | -   | 2,177,151   |
| Diluted  | <b>180,573,533</b>                               | 120,592,724 | <b>157,270,055</b>                              | 120,492,100 |
| Basic and diluted earnings (loss) per common share                 | <b>(0.00)</b>                                    | 0.00        | <b>(0.02)</b>                                   | 0.00        |

The effect of stock options was not included in the calculation of diluted loss per share in the three-month and nine-month period ended September 30, 2012, as the result would be anti-dilutive.

**8) Financial Instruments and Risk Management***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 September 30, 2012, 64% is denominated in U.S. dollars (December 31, 2011 - 60% in U.S. dollars) and 32% is denominated in U.S. dollars (December 31, 2011 - 7% in U.S. dollars), respectively. During the nine-month period ended September 30, 2012, revenue was approximately 65% in U.S. dollars (2011 - 43% in U.S. dollars) and expenses were approximately 33% in U.S. dollars (2011 - 10% in U.S. dollars).

As at September 30, 2012, the fluctuation of the U.S. dollar of 1% will result in a gain or loss of approximately \$48,000 in net loss and comprehensive loss. The Corporation's exposure to foreign currency changes for all other currencies is not material.

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*Credit risk*

As at September 30, 2012, the largest amounts due from three customers accounted for 30%, 16% and 13% respectively of the Corporation's total accounts receivable (December 31, 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:

|                                       | <b>September 30, 2012</b> | <b>December 31, 2011</b> |
|---------------------------------------|---------------------------|--------------------------|
| Current                               | <b>4,257,752</b>          | 1,545,917                |
| 31 - 60 days                          | <b>161,589</b>            | 157,430                  |
| 61 - 90 days                          | <b>204,669</b>            | 1,269,963                |
| Over 91 days                          | <b>681,626</b>            | 7,475                    |
| Less: allowance for doubtful accounts | <b>(41,843)</b>           | (1,972)                  |
| <b>Total accounts receivable, net</b> | <b>5,263,793</b>          | 2,978,813                |

Included in accounts receivable is \$159,253 (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.

**9) Segmented information**

The Corporation has three reportable segments, two of which offer different products and services: the group insurance division and the property and casualty division.

- The Group Insurance software division provides an advanced and practical software solution to a network of Employee Benefits Brokers and Third Party Administrator partners to enable them to adjudicate and pay health and dental claims.
- The Property and casualty division 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.



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In the three month period ended September 30, 2012, there was one customer (2011 - two customers) who accounted for more than 10% of the Corporation's revenue. The Corporation earned approximately \$1,511,772 (2011 - \$722,552) of its revenue from the Property and casualty software customers.

In the nine month period ended September 30, 2012, there was one customer (2011 - two customers) who accounted for more than 10% of the Corporation's revenue. The Corporation earned approximately \$3,870,000 (2011 - \$1,921,000) of its revenue from the Property and casualty software customer.

**Three-month period ended September 30, 2012**

|  | <b>Group<br/>insurance<br/>software</b> | <b>Property and<br/>casualty<br/>software</b> | <b>Head office</b> | <b>Total</b> |
|--|---|---|--------------------|--------------|
| Revenue  | 881,760                                 | 4,051,946                                     | -                  | 4,933,706    |
| Cost of sales  | 394,945                                 | 485,620                                       | 2,043              | 882,608      |
|  | 486,815                                 | 3,566,326                                     | (2,043)            | 4,051,098    |
| Expenses   | 520,721                                 | 2,558,368                                     | 1,131,305          | 4,210,394    |
| Segment income (loss) before<br>finance income (costs) | (33,906)                                | 1,007,958                                     | (1,133,348)        | (159,296)    |
| Finance income   | 410                                     | 110   | 1,343              | 1,863        |
| Finance costs  | -                                       | (24)  | (1,502)            | (1,526)      |
| Segment income (loss)                                  | (33,496)                                | 1,008,044                                     | (1,133,507)        | (158,959)    |

**Nine-month period ended September 30, 2012**

|  | <b>Group<br/>insurance<br/>software</b> | <b>Property and<br/>casualty<br/>software</b> | <b>Head office</b> | <b>Total</b> |
|--|---|---|--------------------|--------------|
| Revenue  | 2,672,608                               | 9,208,465                                     | -                  | 11,881,073   |
| Cost of sales  | 1,128,769                               | 1,099,499                                     | 4,412              | 2,232,680    |
|  | 1,543,839                               | 8,108,966                                     | (4,412)            | 9,648,393    |
| Expenses   | 1,367,017                               | 7,534,240                                     | 3,377,829          | 12,279,086   |
| Segment income (loss) before<br>finance income (costs) | 176,822                                 | 574,726                                       | (3,382,241)        | (2,630,693)  |
| Finance income   | 1,038                                   | 217   | 2,097              | 3,352        |
| Finance costs  | (28)                                    | (24)  | (4,973)            | (5,025)      |
| Segment income (loss)                                  | 177,832                                 | 574,919                                       | (3,385,117)        | (2,632,366)  |

**As at September 30, 2012**

|  |           |            |           |            |
|--|-----------|------------|-----------|------------|
| Operating assets   | 1,385,376 | 22,200,630 | 465,785   | 24,051,791 |
| Assets not allocated to segments                                       |           |            |           |            |
| Cash and cash equivalents  | -         | -          | 2,770,452 | 2,770,452  |
| Total operating assets   | 1,385,376 | 22,200,630 | 3,236,237 | 26,822,243 |
| Operating liabilities  | 1,162,530 | 5,614,985  | 981,960   | 7,759,475  |
| Additions to property and equipment,<br>intangible assets and goodwill | 2,914     | 17,839,764 | 94,555    | 17,937,233 |

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**September 30, 2012****Three-month period ended September 30, 2011**

|  | <b>Group<br/>insurance<br/>software</b> | <b>Property and<br/>casualty<br/>software</b> | <b>Head office</b> | <b>Total</b> |
|--|---|---|--------------------|--------------|
| Revenue  | 819,404                                 | 1,200,614                                     | -                  | 2,020,018    |
| Cost of sales  | 339,964                                 | 18,030  | -                  | 357,994      |
|  | 479,440                                 | 1,182,584                                     | -                  | 1,662,024    |
| Expenses   | 436,985                                 | 561,819                                       | 573,940            | 1,572,744    |
| Segment income (loss) before<br>finance income (costs) | 42,455                                  | 620,765                                       | (573,940)          | 89,280       |
| Finance income   | 378                                     | 239   | 388                | 1,005        |
| Finance costs  | (38)                                    | (763)   | (1,052)            | (1,853)      |
| Segment income (loss)                                  | 42,795                                  | 620,241                                       | (574,604)          | 88,432       |

**Nine-month period ended September 30, 2011**

|  | <b>Group<br/>insurance<br/>software</b> | <b>Property and<br/>casualty<br/>software</b> | <b>Head office</b> | <b>Total</b> |
|--|---|---|--------------------|--------------|
| Revenue  | 2,373,819                               | 3,327,010                                     | -                  | 5,700,829    |
| Cost of sales  | 978,198                                 | 69,089  | -                  | 1,047,287    |
|  | 1,395,621                               | 3,257,921                                     | -                  | 4,653,542    |
| Expenses   | 1,166,790                               | 2,152,592                                     | 1,139,743          | 4,459,125    |
| Segment income (loss) before<br>finance income (costs) | 228,831                                 | 1,105,329                                     | (1,139,743)        | 194,417      |
| Finance income   | 1,202                                   | 437   | 4,744              | 6,383        |
| Finance costs  | (1,007)                                 | (905)   | (1,846)            | (3,758)      |
| Segment income (loss)                                  | 229,026                                 | 1,104,861                                     | (1,136,845)        | 197,042      |

**As at December 31, 2011**

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Operating assets   | 1,302,859 | 2,530,694 | 319,687   | 4,153,240 |
| Assets not allocated to segments                             |           |           |           |           |
| Cash and cash equivalents                                    | -         | -         | 1,301,229 | 1,301,229 |
| Total operating assets                                       | 1,302,859 | 2,530,694 | 1,620,916 | 5,454,469 |
| Operating liabilities  | 976,690   | 2,173,472 | 1,478,013 | 4,628,175 |
| Additions to property and equipment<br>and intangible assets | 11,220    | 146,891   | 186,636   | 344,747   |

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**September 30, 2012****Geographic Information**

The Corporation's revenues by geographic areas for the nine-month period ended September 30, 2012 and September 30, 2011 and non-current assets as of September 30, 2012 and December 31, 2011 are as follows:

|               | Revenue for the<br>nine-month period ended |                      | Non-current assets as of |                     |
|---------------|--|----------------------|--------------------------|---------------------|
|               | September 30<br>2012                       | September 30<br>2011 | September 30<br>2012     | December 31<br>2011 |
| Canada        | 3,132,340                                  | 2,690,012            | 605,646                  | 552,222             |
| United States | 7,667,523                                  | 2,436,315            | 17,163,063               | 7,265               |
| International | 1,081,210                                  | 574,502              | -                        | -                   |
| <b>Total</b>  | <b>11,881,073</b>                          | <b>5,700,829</b>     | <b>17,768,709</b>        | <b>559,487</b>      |

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

|  | Three-month period ended<br>September 30 |                | Nine-month period ended<br>September 30 |                  |
|--|--|----------------|---|------------------|
|  | 2012                                     | 2011           | 2012                                    | 2011             |
| Accounts receivable and others           | (1,414,423)                              | (98,212)       | (1,492,644)                             | (586,533)        |
| Prepaid expenses and other assets        | (109,693)                                | 63,670         | (261,849)                               | (189,164)        |
| Accounts payable and accrued liabilities | 380,805                                  | 366,713        | 1,055,305                               | 330,528          |
| Deferred revenue                         | 989,035                                  | (12,542)       | 944,595                                 | (14,090)         |
| Other long-term liabilities              | -  | -              | 21,000                                  | 92,241           |
|  | <b>(154,276)</b>                         | <b>319,629</b> | <b>266,407</b>                          | <b>(367,018)</b> |

The net change in non-cash working capital items excluded financing activities related to property and equipment under long-term finance lease obligations of \$1,754 (2011 - \$(2,145)) and investing activities related to transaction related payable of \$(426,639) (2011 - Nil) and note receivables of \$40,424 (2011 - Nil).

**11) Other operating expenses**

|                                       | Three-month period ended<br>September 30 |                 | Nine-month period ended<br>September 30 |              |
|---------------------------------------|--|-----------------|---|--------------|
|                                       | 2012                                     | 2011            | 2012                                    | 2011         |
| Depreciation and amortization         | 33,002                                   | 14,555          | 106,807                                 | 38,999       |
| Foreign exchange (gain) loss, net     | 29,138                                   | (50,574)        | 60,631                                  | (33,510)     |
| <b>Total other operating expenses</b> | <b>62,140</b>                            | <b>(36,019)</b> | <b>167,438</b>                          | <b>5,489</b> |

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

In the nine month period ended September 30, 2012, the Corporation has recorded investment tax credits totaling \$279,105 (2011 - \$278,054) and reduced research and development expenditures by this amount. The Corporation has accumulated \$1,451,370 of non-refundable investment tax credits, which can be carried forward to reduce future federal income taxes payable and will begin to expire in 2023. As at September 30, 2012, the Corporation had \$538,377 (December 31, 2011 - \$344,014) of tax credits recorded within the other assets.