

**Automated Benefits Corp.**

Consolidated Financial Statements

**December 31, 2009 and 2008**

## AUDITORS' REPORT

**To the Shareholders of  
Automated Benefits Corp.**

We have audited the consolidated balance sheets of **Automated Benefits Corp.** as at December 31, 2009 and 2008 and the consolidated statements of operations, deficit and comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,  
April 22, 2010.

*Ernst & Young LLP*

Chartered Accountants  
Licensed Public Accountants

**Automated Benefits Corp.**  
**Consolidated Balance Sheets**  
**As at December 31, 2009 and 2008**

	2009 \$	2008 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	869,133	1,546,197
Accounts receivable (Note 12)	1,000,093	714,361
Inventory	2,337	-
Prepaid expenses and other assets (Notes 12 and 16)	414,646	142,711
	<u>2,286,209</u>	<u>2,403,269</u>
<b>Restricted cash deposits</b> (Note 8)	212,000	212,000
<b>Property and equipment</b> (Notes 2)p)i) and 4)	107,534	182,327
<b>Intangible assets</b> (Notes 2)p)i) and 5)	41,708	67,689
	<u>2,647,451</u>	<u>2,865,285</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	1,370,644	974,826
Deferred revenue	701,580	75,803
	<u>2,072,224</u>	<u>1,050,629</u>
<b>Long-term liabilities</b>		
Deferred revenue	168,575	-
Capital lease obligations (Note 6)	3,065	12,373
Other long-term liabilities	-	7,351
	<u>2,243,864</u>	<u>1,070,353</u>
<b>Shareholders' equity</b>		
<b>Share capital</b> (Note 10)	15,952,925	16,730,232
<b>Contributed surplus</b> (Note 10)	8,891,465	7,561,463
<b>Deficit</b>	<u>(24,440,803)</u>	<u>(22,496,763)</u>
	<u>403,587</u>	<u>1,794,932</u>
	<u>2,647,451</u>	<u>2,865,285</u>

*Commitments* (Notes 6 and 7)

*See accompanying notes*

**Approved on behalf of the Board of Directors:**

\_\_\_\_\_  
 (Signed) James R. Swayze  
 Director

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 (Signed) Alan Ryder  
 Director

**Automated Benefits Corp.****Consolidated Statements of Operations, Deficit and Comprehensive Loss****For the years ended December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	4,586,000	3,891,226
<b>Cost of sales</b>	1,040,293	1,058,188
	<u>3,545,707</u>	<u>2,833,038</u>
<b>Expenses</b>		
General and administration	2,829,390	2,339,614
Research and development (Note 16)	679,837	1,034,195
Sales and marketing	1,294,929	1,008,845
Stock-based compensation	535,766	147,808
Amortization for property and equipment	118,770	119,976
Amortization for intangible assets	25,078	27,253
Impairment loss on intangible (Note 5)	6,840	-
	<u>5,490,610</u>	<u>4,677,691</u>
<b>Loss before interest and other income</b>	(1,944,903)	(1,844,653)
Interest and other income	863	70,187
	<u>(1,944,040)</u>	<u>(1,774,466)</u>
<b>Net loss and comprehensive loss for the year</b>	(1,944,040)	(1,774,466)
<b>Deficit-Beginning of year</b>	<u>(22,496,763)</u>	<u>(20,722,297)</u>
<b>Deficit-End of year</b>	<u>(24,440,803)</u>	<u>(22,496,763)</u>
	<b>\$</b>	<b>\$</b>
<b>Basic and diluted loss and comprehensive loss per common share (Note 11)</b>	<u>(0.02)</u>	<u>(0.02)</u>
	<b>#</b>	<b>#</b>
<b>Weighted average number of common shares outstanding (Note 11)</b>	<u>113,802,690</u>	<u>110,130,245</u>

*See accompanying notes*

**Automated Benefits Corp.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the years ended December 31, 2009 and 2008**

	Common shares \$	Warrants \$	Broker warrants \$	Preferred Series A \$	Contributed surplus \$	Deficit and comprehensive loss \$	Total shareholders' equity \$
<b>December 31, 2007</b>	15,902,508	4,837,672	1,294,164	62	2,076,055	(20,722,297)	3,388,164
Share issuance for services	34,106	-	-	-	-	-	34,106
Conversion of preferred shares	24	-	-	(24)	-	-	-
Share issuance costs	(680)	-	-	-	-	-	(680)
Warrants forfeited	-	(4,078,300)	(1,259,300)	-	5,337,600	-	-
Stock-based compensation	-	-	-	-	147,808	-	147,808
Net loss for the year	-	-	-	-	-	(1,774,466)	(1,774,466)
<b>December 31, 2008</b>	15,935,958	759,372	34,864	38	7,561,463	(22,496,763)	1,794,932
Share issuance for services	22,458	-	-	-	-	-	22,458
Conversion of preferred shares	38	-	-	(38)	-	-	-
Share issuance costs	(5,529)	-	-	-	-	-	(5,529)
Warrants forfeited	-	(759,372)	(34,864)	-	794,236	-	-
Stock-based compensation (Note 10)	-	-	-	-	535,766	-	535,766
Net loss for the year	-	-	-	-	-	(1,944,040)	(1,944,040)
<b>December 31, 2009</b>	<b>15,952,925</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,891,465</b>	<b>(24,440,803)</b>	<b>403,587</b>

*See accompanying notes*

**Automated Benefits Corp.**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2009 and 2008**

	2009 \$	2008 \$
<b>Operating activities</b>		
Net loss for the year	(1,944,040)	(1,774,466)
Items not affecting cash		
Stock-based compensation	535,766	147,808
Issuance of shares for services	22,458	34,106
Loss on disposal of property and equipment	-	7,704
Amortization for property and equipment	118,770	119,976
Amortization for intangible asset	25,078	27,253
Impairment loss on intangible	6,840	-
	<u>(1,235,128)</u>	<u>(1,437,619)</u>
Net change in non-cash working capital items (Note 15)	626,446	(153,439)
<b>Cash used in operating activities</b>	<u>(608,682)</u>	<u>(1,591,058)</u>
<b>Investing activities</b>		
Purchase of property and equipment	(43,976)	(22,517)
Purchase of intangible assets	(5,936)	(29,139)
Proceeds on disposal of property and equipment	-	869
<b>Cash used in investing activities</b>	<u>(49,912)</u>	<u>(50,787)</u>
<b>Financing activities</b>		
Repayments of capital lease obligations	(12,941)	(14,348)
Release of restricted cash deposits	-	113,750
Cost of issuance of shares	(5,529)	(680)
<b>Cash provided by (used in) financing activities</b>	<u>(18,470)</u>	<u>98,722</u>
<b>Net decrease in cash</b>	(677,064)	(1,543,123)
<b>Cash and cash equivalents-Beginning of year</b>	<u>1,546,197</u>	<u>3,089,320</u>
<b>Cash and cash equivalents-End of year</b>	<u>869,133</u>	<u>1,546,197</u>
<b>Supplementary cash flow information</b>		
Interest paid	<u>13,886</u>	<u>5,174</u>
Interest received	<u>13,512</u>	<u>102,534</u>

*See accompanying notes*

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**1) Basis of presentation**

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

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

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

**2) Significant accounting policies**

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Because the precise determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and cash equivalents

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

b) Revenue recognition

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

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

- i) Claims transaction fees and user-based license fees are recorded as revenue in the month that the services are provided.
- ii) Professional services are recognized either when the service is delivered (in the case of training) or on a percentage of completion basis for each programming services contract.
- iii) Resale of premium insurance products is billed to the customer at the beginning of the policy and a deferred revenue account is established. Revenue is recognized evenly over the term of the policy until it expires or a new policy is established.
- iv) Resale of cards for processing prescriptions and dental services are recognized as revenue in the month the services are provided.

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

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

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

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c) Property and equipment

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

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

d) Intangible assets

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

Indefinite life intangible assets consists of trademarks and copyrights. The Corporation will assess these assets for impairment on an annual basis and when events or changes in circumstances indicate that the asset might be impaired.

e) Impairment of long-lived assets

The Corporation performs a recoverability evaluation when events or circumstances indicate that the carrying value of the Corporation's long-lived assets, which include property and equipment and definite life intangible assets, may be impaired. If the evaluation indicates that the carrying amount of the asset is not recoverable from the undiscounted cash flows to be received from that asset over its estimated useful life, an impairment loss is then calculated as the difference between the carrying value of the asset and its fair value. Any impairment loss is included in income for the year.

f) Leases

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

g) Inventory

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

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h) Income taxes

The asset and liability method is used for determining income taxes. Under this method, future tax assets and liabilities are recognized for the estimated tax recoverable or payable that would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes to these tax rates are recognized in income in the period in which they occur. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

i) Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. The treasury stock method is used for the calculation of diluted loss per common share under which deemed proceeds on the exercise of options and warrants are considered to be used to re-acquire common shares at an average share price.

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

Stock-based transactions are accounted for in accordance with the fair value method of accounting for stock-based compensation and results in the recording of compensation expense and contributed surplus. The amount of compensation is measured at the date the option is granted. The expense is recognized in income over the vesting period of the option. Any consideration paid on exercise of stock options is credited to share capital.

k) Foreign currency translation

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

l) Research and development cost

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

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m) Investment tax credits

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

n) Financial instruments

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

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

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

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

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

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o) Use of estimates

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

p) Changes in accounting policies

i) Goodwill and intangible assets

The CICA issued Handbook Section 3064 ["CICA 3064"], "Goodwill and Intangible Assets". CICA 3064 replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". It establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Corporation's interim and annual consolidated financial statements commencing January 1, 2009. The adoption of these standards required the Corporation to retroactively reclassify its computer software asset on its consolidated balance sheet from property and equipment to intangible asset. As at December 31, 2008, the net book value of computer software reclassified was \$44,612 and amortization for intangible assets reclassified was \$27,253.

ii) Credit risk and the fair value of financial assets and financial liabilities

Effective January 1, 2009, the Corporation adopted CICA Emerging Issues Committee ["EIC"] abstract EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under CICA Section 3855, "Financial Instruments - Recognition and Measurement". It states that an entity's own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 should be applied retrospectively, without restatement of prior periods, to all financial assets and financial liabilities measured at fair value. The adoption of this guidance had no material impact on the Corporation's consolidated financial statements.

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iii) Financial instruments - Disclosures

Effective December 31, 2009, the Corporation adopted the amendments to CICA Handbook Section 3862, "Financial Instruments – Disclosures". The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. In addition, the amendments require enhanced disclosures regarding the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. Comparative information is not required in the year of adoption. The adoption of the new standard resulted in additional disclosures in note 12 to the consolidated financial statements.

q) Changes in accounting policies not yet adopted

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

i) International Financial Reporting Standards ["IFRS"]

In 2006, the CICA Accounting Standards Board ratified a strategic plan that will result in the adoption by Canadian public companies of IFRS. The Corporation will be required to report using the converged standards effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Corporation has not determined the impact of adopting IFRS.

ii) Business combinations, consolidated financial statements and non-controlling interests

In October 2008, the CICA issued Section 1582, business combinations concurrently with Section 1601, consolidated financial statements, and Section 1602, non-controlling interests. Section 1582, which replaces Section 1581, business combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaces Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Corporation's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Corporation is assessing the impact of the new standards on its consolidated financial statements.

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iii) Multiple deliverable revenue arrangements

In December 2009, the CICA issued EIC-175, Multiple Deliverable Revenue Arrangements which replaced EIC-142, Revenue Arrangements with Multiple Deliverables and may be applied prospectively and will apply to the Corporation effective January 1, 2011. The abstract includes updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated. The Corporation is reviewing the guidance to assess the potential impact on its consolidated financial statements.

**3) Related party transactions**

For the year ended December 31, 2009, the Corporation expensed \$59,250 (2008 - \$24,500) for services provided by the Directors of the Corporation. These fees were recorded at the exchange amount, which is the estimated fair value of the services rendered to the Corporation by the Directors.

On April 3, 2009, the Corporation issued 204,167 common shares with a deemed value of \$0.12 per share for an aggregate value of \$24,500 to the Directors of Automated Benefits Corp. for services provided to the Corporation for 2008. Each director received \$5,000 per annum, and an additional \$1,500 is payable to the chairman of each of the Compensation Committee, the Audit Committee and the Board of Directors of the Corporation. The issuance of the 204,167 common shares to the Directors was approved by the TSX Venture Exchange on April 3, 2009 and the shares were issued on April 3, 2009.

On January 25, 2008, the Corporation's President and Chief Executive Officer repaid the promissory note for \$40,000 plus \$2,087 in accrued interest. The Corporation subsequently returned 227,273 common shares that had been held as collateral to secure the loan to the President and Chief Executive Officer.

On February 22, 2008, the Corporation issued 189,476 common shares with a fair value of \$0.19 per share for an aggregate value of \$36,000 to the independent directors of Automated Benefits Corp. for services provided to the Corporation for 2006 and 2007. Each independent director receives \$5,000 per annum, and an additional \$1,500 is payable to the chairman of each of the Compensation Committee and the Audit Committee of the Corporation. The issuance of the 189,476 common shares to the directors was approved by the TSX Venture Exchange on February 20, 2008 and the shares were issued on February 22, 2008.

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On May 30, 2008, a director and officer of the Corporation was issued 918,456 common shares out of the 2,375,357 common shares issued as a result of the conversion of preferred Series A shares. A relative of that director and officer was also issued 128,584 common shares as a result of the conversion of preferred Series A shares.

For the year ended December 31, 2008, the Corporation expensed \$25,000 in consulting fees paid to a private company controlled by a director. The two-month agreement signed November 1, 2008 expired December 31, 2008 and has not been renewed.

These fees were settled for cash consideration and were recorded at the exchange amount, which is the estimated fair value of the services rendered to the Corporation by the director and officer.

**4) Property and equipment**

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

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

	<b>2008</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Furniture and fixtures	129,465	85,344	44,121
Computer equipment	368,301	284,669	83,632
Equipment under capital lease	39,150	20,362	18,788
Leasehold improvements	63,911	28,125	35,786
<b>Total</b>	<b>600,827</b>	<b>418,500</b>	<b>182,327</b>

During the year ended December 31, 2008, amortization expense of \$119,976 was recorded.

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5) Intangible assets

	<b>2009</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Computer software	130,119	107,235	22,884
Trademark	25,664	6,840	18,824
<b>Total</b>	<b>155,783</b>	<b>114,075</b>	<b>41,708</b>

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

	<b>2008</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Computer software	126,769	82,157	44,612
Trademark	23,077	-	23,077
<b>Total</b>	<b>149,846</b>	<b>82,157</b>	<b>67,689</b>

During the year ended December 31, 2008, amortization expense of \$27,253 and impairment loss of Nil were recorded.

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**6) Capital lease obligation**

Lease payments required in each of the next two years ending December 31, 2011 relating to capital leases for furniture and equipment are as follows:

	\$
2010	11,019
2011	3,186
Less: Interest	(827)
Less: current portion	(10,313)
<b>Total capital lease obligation</b>	<u>3,065</u>

The interest charge on these capital leases ranges from 7.75% to 14.18% annually.

**7) Operating lease obligation**

Lease payments required in each of the next three years ending December 31, 2012 relating to operating leases for building and equipment are as follows:

	\$
2010	230,221
2011	133,370
2012	41,209
<b>Total operating lease obligation</b>	<u>404,800</u>

The Corporation also has purchase obligations under a supplier agreement totaling \$150,000 to be paid substantially in equal monthly amounts over the next year ending March 31, 2011.

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**8) Restricted cash deposits**

On March 28, 2008, the Corporation entered into a cash collateral agreement with the Royal Bank of Canada for \$15,000 to secure certain corporate credit cards issued. The agreement was amended to increase the amount to \$22,500 on November 23, 2009.

On November 23, 2009, the Corporation entered into another cash collateral agreement with the Royal Bank of Canada for \$17,500 to secure certain corporate credit cards issued.

On November 7, 2008, the Corporation entered into a third cash collateral agreement with the Royal Bank of Canada for \$179,500 to secure the letter of credit and certain corporate credit cards with the Royal Bank. The agreement was amended to reduce the amount to \$172,000 on November 23, 2009.

The interest income earned on these restricted cash deposits accrues to the Corporation at rates ranging from 0.001% to 0.3% annually and is recorded in interest and other income.

**9) Income taxes**

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

	<b>2009</b>	<b>2008</b>
	\$	\$
Combined federal and provincial statutory tax rate	32.91%	33.90%
Expected recovery for income taxes	(639,853)	(601,100)
Change in income taxes resulting from		
Non-deductible expenses and other items	266,662	29,761
Change in future tax rate	75,049	117,089
Change in valuation allowance	298,142	454,250
	-	-

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

	<b>2009</b>	<b>2008</b>
	\$	\$
Future tax assets		
Equipment and other	399,966	416,318
Cumulative eligible property	1,401	1,424
Share issue costs	44,237	96,329
Scientific research and experimental development	508,893	361,859
Non-capital losses	4,672,788	5,048,622
Donations	2,112	-
Investment tax credits	442,522	444,502
Valuation allowance	<u>(6,071,919)</u>	<u>(6,369,054)</u>
<b>Net future tax assets</b>	<u>-</u>	<u>-</u>

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

The Corporation has approximately \$17,876,000 of non-capital losses for income tax purposes, subject to confirmation by taxation authorities, from current and prior years that can be used to reduce future years' taxable income for tax purposes.

<b>Non-capital losses</b>	<b>Expiry date</b>
\$	
142,900	2010
1,620,100	2014
4,290,200	2015
5,557,300	2026
3,194,200	2027
1,529,700	2028
1,541,600	2029
<u>17,876,000</u>	

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**10) Share capital**

Authorized

Unlimited number of common shares  
 Unlimited number of preferred shares

Issued

	<u>Common shares</u>		<u>Warrants</u>		<u>Broker Warrants</u>		<u>Total</u>
	<u>#</u>	<u>\$</u>	<u>#</u>	<u>\$</u>	<u>#</u>	<u>\$</u>	<u>\$</u>
<b>Balance - December 31, 2007</b>	108,591,206	15,902,508	21,167,000	4,837,672	4,019,600	1,294,164	22,034,344
Shares issued for services rendered	189,476	34,106					34,106
Conversion of preferred shares	2,375,357	24					24
Warrants expired			(11,995,000)	(4,078,300)	(3,598,500)	(1,259,300)	(5,337,600)
Share issuance costs		(680)					(680)
<b>Balance - December 31, 2008</b>	<b>111,156,039</b>	<b>15,935,958</b>	<b>9,172,000</b>	<b>759,372</b>	<b>421,100</b>	<b>34,864</b>	<b>16,730,194</b>
Shares issued for services rendered	204,167	22,458					22,458
Conversion of preferred shares	3,786,882	38					38
Warrants expired			(9,172,000)	(759,372)	(421,100)	(34,864)	(794,236)
Share issuance costs		(5,529)					(5,529)
<b>Balance - December 31, 2009</b>	<b>115,147,088</b>	<b>15,952,925</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,952,925</b>
<b>Preferred Series A</b>							
Balance - December 31, 2007	6,162,239						62
Converted to common shares	<u>(2,375,357)</u>						<u>(24)</u>
Balance - December 31, 2008	3,786,882						38
Converted to common shares	<u>(3,786,882)</u>						<u>(38)</u>
Balance - December 31, 2009	<u>-</u>						<u>-</u>
<b>Total share capital</b>							<b><u>15,952,925</u></b>

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Each preferred Series A share is non-voting and is convertible to common shares of the Corporation for each \$0.50 of revenue based on sale of products or services of, or any commissions, license fees or royalties (excluding license fees or royalties in respect of the m.Claim wireless mobile technology) received by Symbility during the five-year period commencing May 31, 2004. Any preferred Series A shares that have not been converted into common shares within a period of one hundred twenty (120) days from the fifth anniversary of closing of the acquisition of Symbility will be cancelled.

**Share issuances**

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

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

**Stock option plan**

The Corporation has a stock option plan (the "Plan"), which provides that the Board of Directors of the Corporation (the "Board") may grant from time to time, at its discretion, stock options to purchase common shares of the Corporation to directors, senior officers, employees, and consultants. The number of common shares reserved for issuance under the Plan shall not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time. In addition, the number of common shares reserved for issuance to any one person in any 12-month period shall not exceed 5% of the issued and outstanding common shares. There are additional restrictions on the number of options that may be granted to Insiders. The exercise price shall be determined by the Board, but shall not be lower than the lowest price permitted by the TSX Venture Exchange.

The total stock-based compensation expense for 2009 was \$535,766 (2008-\$147,808) with a corresponding credit to contributed surplus.

**Stock-based compensation related to**

	<u>2009</u>	<u>2008</u>
	\$	\$
General and administration	488,053	135,977
Research and development	15,852	66
Sales and marketing	31,861	11,765
<b>Total</b>	<u>535,766</u>	<u>147,808</u>

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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:

	<u>2009</u>	<u>2008</u>
Risk-free interest rate	2.16%	2.98%
Expected life	5.0 years	5.0 years
Annualized volatility	116%	110%
Expected dividends	Nil	Nil

The following table summarizes activity related to stock options for the years ended December 31, 2009 and 2008:

	<u>2009</u>		<u>2008</u>	
	<u>Stock options</u>	<u>Exercise</u>	<u>Stock options</u>	<u>Exercise</u>
	<u>outstanding</u>	<u>price</u>	<u>outstanding</u>	<u>price</u>
	#	\$	#	\$
Balance – Beginning of year	5,797,267	0.27	6,149,767	0.29
Granted	1,815,000	0.15	420,000	0.20
Forfeited and expired	(1,158,335)	0.35	(772,500)	0.35
Balance – End of year	<u>6,453,932</u>	<u>0.23</u>	<u>5,797,267</u>	<u>0.27</u>
Balance – Exercisable	<u>5,129,769</u>	<u>0.24</u>	<u>4,968,060</u>	<u>0.28</u>

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The following table summarizes information about the Corporation's stock options outstanding as at December 31, 2009:

Stock options outstanding #	Exercise price \$	Weighted average remaining contractual life Years	Number exercisable #
130,000	0.10	3.8	82,498
450,000	0.12	4.1	150,001
515,000	0.13	4.9	171,671
800,000	0.19	4.4	266,668
75,000	0.19	3.1	49,999
2,313,932	0.20	4.4	2,276,432
870,000	0.24	2.8	870,000
1,135,000	0.35	1.5	1,097,500
15,000	0.38	1.0	15,000
150,000	0.62	0.5	150,000
<hr/> <b>6,453,932</b> <hr/>			<hr/> <b>5,129,769</b> <hr/>

The weighted average fair value of options granted during the year was \$0.13 per stock option (2008 - \$0.07).

During the year, the board of directors approved to extend the life of 2,193,932 vested options to an officer from five years to ten years. The modification required the Corporation to record an additional compensation expense of \$357,069.

**Warrants**

The following table summarizes activity related to share warrants for the year ended December 31, 2009:

	Number of warrants outstanding #	Weighted average exercise price \$
Balance – Beginning of year	9,172,000	0.25
Expired	<u>(9,172,000)</u>	<u>0.25</u>
Balance – End of year	<hr/> <u>-</u> <hr/>	<hr/> <u>-</u> <hr/>
<b>Broker Warrants</b>		
Balance – Beginning of year	421,100	0.25
Expired	<u>(421,100)</u>	<u>0.25</u>
Balance – End of year	<hr/> <u>-</u> <hr/>	<hr/> <u>-</u> <hr/>

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**Contributed surplus**

The following table summarizes activity related to contributed surplus for the years ended December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
	\$	\$
Balance – Beginning of year	7,561,463	2,076,055
Compensation expense	535,766	147,808
Warrants expired	794,236	5,337,600
	<u>8,891,465</u>	<u>7,561,463</u>
Balance – End of year	<u>8,891,465</u>	<u>7,561,463</u>

**11) Loss per share**

	<b>2009</b>	<b>2008</b>
	\$	\$
Loss attributable to common shareholders (numerator)	<u>(1,944,040)</u>	<u>(1,774,466)</u>
	#	#
Weighted average number of common shares outstanding (denominator)	<u>113,802,690</u>	<u>110,130,245</u>
	\$	\$
Basic and diluted loss per common share	<u>(0.02)</u>	<u>(0.02)</u>

The effect of potentially dilutive share options and warrants was not included in the calculation of diluted loss per share in 2009 and 2008 as the result would be anti-dilutive.

**12) Financial Instruments and Risk Management**

*Fair value*

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximates fair value due to the immediate or short-term maturity and are classified as level one-quoted price in the fair value hierarchy. The fair value of currency option contracts has been estimated using the market-quoted currency spot rate and interest rate and are classified as level two-observable market input in the fair value hierarchy. As at December 31, 2009, the Corporation held option contracts to sell 182,250 U.K. pounds sterling for Canadian dollars which had a fair value of \$19,382.

*Risk arising from financial instruments and risk management*

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

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

*Market risk and foreign currency risk*

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

The Corporation's activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products and services to customers invoiced in foreign currencies and the purchase of services invoiced in foreign currencies. Of the Corporation's accounts receivable and accounts payable at December 31, 2009, 33% (2008 - 10%) and 8% (2008 - 5%), respectively, are denominated in foreign currencies. During the year ended December 31, 2009, approximately 31% (2008 - 21%) of revenue and approximately 5% (2008 - 12%) of expenses were incurred in U.S. dollars and U.K. pound sterling. As of December 31, 2009, the fluctuation of the U.S. dollar and U.K. pound sterling of 1% would have an insignificant impact on net loss and comprehensive loss.

The Corporation has entered into derivative currency options to sell U.K. pound sterling and is exposed to foreign currency risk on the fair value of its outstanding derivatives currency option contracts. These currency option contracts have terms ranging from October 21, 2009 to February 21, 2011.

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*Credit risk*

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

As at December 31, 2009, the two largest amounts due from customers accounted for 29% of the Corporation's total accounts receivable (2008 - 21%).

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

	<b>December 31, 2009</b>
	<b>\$</b>
Current	810,813
31 - 60 days	88,676
61 - 90 days	62,848
Over 91 days	39,029
Less: allowance for doubtful accounts	(4,002)
<b>Total accounts receivable, net</b>	<b>997,364</b>

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

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*Liquidity risk*

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Corporation achieves this by maintaining sufficient cash and cash equivalents and through the raising of equity financing. As at December 31, 2009, the Corporation was holding cash and cash equivalents of \$869,133 (2008 - \$1,546,197).

**13) Management of capital**

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

As at December 31, 2009, total managed capital was \$416,965 (2008 - \$1,821,251) comprised of shareholders' equity of \$403,587 (2008 - \$1,794,932) and interest-bearing debt of \$13,378 (2008 - \$26,319).

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

The Corporation is not subject to externally imposed capital requirements other than the terms and conditions of its senior lending facility and the Corporation's overall strategy with respect to capital risk management remains unchanged for the year ended December 31, 2009.

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**14) Segmented information**

The Corporation has three reportable segments, two of which offer different products and services: the group insurance division and the property and casualty division. Revenues are generated from external customers in Canada, the United States, and the United Kingdom and all material assets are located in Canada. In fiscal 2009, there was one customer which accounted for more than 10% of the Corporation's revenue. In fiscal 2008, no single customer accounted for 10% or more of the Corporation's revenue.

<b>December 31, 2009</b>	<b>Group insurance software \$</b>	<b>Property and casualty software \$</b>	<b>Head office \$</b>	<b>Total \$</b>
Revenue				
-Transaction and license fees	1,142,197	1,718,261	-	2,860,458
-Resale of premium insurance products	964,371	-	-	964,371
-Resale of processing health and dental services	245,939	-	-	245,939
-Professional services and others	97,468	417,764	-	515,232
Total revenue	2,449,975	2,136,025	-	4,586,000
Cost of sales	1,001,504	38,789	-	1,040,293
Gross margin	1,448,471	2,097,236	-	3,545,707
Expenses	1,320,209	2,531,427	1,638,974	5,490,610
Segment income (loss) before interest and other income (expenses)	128,262	(434,191)	(1,638,974)	(1,944,903)
Interest and other income (expenses)	(8,634)	1,948	7,549	863
Segment income (loss)	119,628	(432,243)	(1,631,425)	(1,944,040)
Property and equipment and intangible assets	24,754	68,741	55,745	149,240

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<b>December 31, 2008</b>	<b>Group insurance software \$</b>	<b>Property and casualty software \$</b>	<b>Head office \$</b>	<b>Total \$</b>
Revenue				
-Transaction and license fees	1,023,489	1,508,508	-	2,531,997
-Resale of premium insurance products	1,012,777	-	-	1,012,777
-Resale of processing health and dental services	222,558	-	-	222,558
-Professional services and others	16,835	107,059	-	123,894
Total revenue	2,275,659	1,615,567	-	3,891,226
Cost of sales	1,005,653	52,535	-	1,058,188
Gross margin	1,270,006	1,563,032	-	2,833,038
Expenses	1,371,763	2,005,476	1,300,452	4,677,691
Segment loss before interest and other income	(101,757)	(442,444)	(1,300,452)	(1,844,653)
Interest and other income	8,245	1,077	60,865	70,187
Segment loss	(93,512)	(441,367)	(1,239,587)	(1,774,466)
Property and equipment and intangible assets	41,487	107,425	101,105	250,017

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

	<b>2009</b>	<b>2008</b>
	\$	\$
Accounts receivable	(285,732)	(79,032)
Note receivable	-	41,972
Inventory	(2,337)	-
Prepaid expenses and other assets	(271,935)	192,665
Accounts payable and accrued liabilities	399,449	(285,880)
Deferred revenue	794,352	(14,587)
Other long-term liabilities	(7,351)	(8,577)
	<u>626,446</u>	<u>(153,439)</u>

The consolidated statements of cash flows excluded non-cash investing transactions related to property and equipment under capital lease obligations of \$(3,633) (2008 - \$(402)).

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

In 2009, the Corporation has recorded investment tax credits totaling \$344,607 (2008 - \$162,506) and reduced research and development expenditures by this amount. The Corporation has accumulated \$703,975 of non-refundable investment tax credits which can be carried forward to reduce future federal income taxes payable and will begin to expire in 2023.

**17) Restructuring costs**

During the year ended December 31, 2008, the Corporation consolidated its office in Kitchener to its office in Toronto. As a result of the consolidation, the Corporation incurred restructuring costs related to severance cost totaling \$287,430. This was comprised of severance costs of \$263,973, rent expense of \$2,787, and other expenses of \$20,670. The severance costs and the other expenses were paid as at December 31, 2008, and the remaining provision of the rent expense is included in accounts payable and accrued liabilities and other long-term liabilities, and will be paid over the remaining term of the lease which ends on December 30, 2010.

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**18) Comparative consolidated financial statements**

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 consolidated financial statements.

**19) Subsequent events**

On January 21, 2010, the Corporation issued 135,761 common shares with a deemed value of \$0.13 per share for an aggregate value of \$17,649 to the Directors of Automated Benefits Corp. for services provided for the first six months in 2009. Each director receives \$5,000 per annum, and an additional \$1,500 is payable to the chairman of each of the Compensation Committee, the Audit Committee and the Board of Directors of the Corporation. The issuance of the 135,761 common shares to the Directors was approved by the TSX Venture Exchange on January 21, 2010 and the shares were issued on January 21, 2010.

On March 10, 2010, the Corporation announced its intent to issue 174,330 common shares with a deemed value of \$0.10 per share for an aggregate value of \$17,433 to the Directors of Automated Benefits Corp. for services provided for the last six months in 2009. Each director receives \$5,000 per annum, and an additional \$1,500 is payable to the chairman of each of the Compensation Committee, the Audit Committee and the Board of Directors of the Corporation. The issuance of the 174,330 common shares to the Directors was approved by the TSX Venture Exchange on April 7, 2010.

On April 28, 2010, the Corporation announced its intent to issue 2,700,000 common shares with a deemed value of \$0.10 per share for an aggregate value of \$270,000 to a Director and officer and an officer in lieu of cash bonuses for 2009. The issuance of the 2,700,000 common shares to the Director and officer and the officer is subject to TSX approval.