

Automated Benefits Corp.

Interim Consolidated Financial Statements
(Unaudited)
Quarter ended March 31, 2011

Automated Benefits Corp.
Interim Consolidated financial statements
(Unaudited)
March 31, 2011

Notice

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

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

<i>(In Canadian dollars)</i>	March 31, 2011	December 31, 2010 (Note 20)	January 1, 2010 (Note 20)
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents	1,008,646	1,292,516	869,133
Accounts receivable and others (Note 12)	1,590,082	1,164,558	1,000,093
Inventory	2,106	2,681	2,337
Prepaid expenses and other assets (Notes 12 and 19)	606,541	316,189	414,646
	<u>3,207,375</u>	<u>2,775,944</u>	<u>2,286,209</u>
Restricted cash deposits (Note 8)	207,000	207,000	212,000
Property and equipment (Note 4)	70,664	50,812	107,534
Intangible assets (Note 5)	26,845	21,142	41,708
	<u>3,511,884</u>	<u>3,054,898</u>	<u>2,647,451</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (Note 6)	1,699,250	1,572,190	1,370,644
Current portion of deferred revenue	790,577	696,113	701,580
	<u>2,489,827</u>	<u>2,268,303</u>	<u>2,072,224</u>
Long-term liabilities			
Deferred revenue	217,793	76,549	168,575
Finance lease obligations (Note 6)	17,400	-	3,065
Customer deposit	70,000	70,000	-
	<u>2,795,020</u>	<u>2,414,852</u>	<u>2,243,864</u>
Shareholders' equity			
Share capital (Note 10)	16,325,999	16,325,999	15,952,925
Contributed surplus	9,018,769	8,999,137	8,871,692
Deficit	<u>(24,627,904)</u>	<u>(24,685,090)</u>	<u>(24,421,030)</u>
	<u>716,864</u>	<u>640,046</u>	<u>403,587</u>
	<u>3,511,884</u>	<u>3,054,898</u>	<u>2,647,451</u>

Commitments (Notes 6 and 7)

See accompanying notes

Automated Benefits Corp.**Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Unaudited)**

	Three-month period ended March 31, 2011	Three-month period ended March 31, 2010 (Note 20)
<i>(In Canadian dollars, except per share amounts)</i>		
	\$	\$
Revenue	1,666,776	1,257,870
Cost of sales	342,972	284,043
	<u>1,323,804</u>	<u>973,827</u>
Expenses		
General and administration (Note 10)	668,460	645,774
Research and development (Notes 10 and 19)	280,589	241,366
Sales and marketing (Note 10)	298,949	297,778
Other operating expenses (Note 16)	22,837	(5,861)
	<u>1,270,835</u>	<u>1,179,057</u>
Income (loss) before finance income (costs) and other income	52,969	(205,230)
Finance income and other income (Notes 8 and 17)	4,309	10,177
Finance costs (Note 18)	(92)	(395)
Net income (loss) and comprehensive income (loss) for the period	57,186	(195,448)
Deficit-Beginning of period	<u>(24,685,090)</u>	<u>(24,421,030)</u>
Deficit-End of period	<u>(24,627,904)</u>	<u>(24,616,478)</u>
Basic and diluted earnings (loss) and comprehensive income (loss) per common share (Note 11)	\$	\$
	0.00	(0.00)
Weighted average number of common shares outstanding (Note 11)	#	#
Basic	<u>118,313,811</u>	<u>115,252,680</u>
Diluted	<u>120,463,880</u>	<u>115,252,680</u>

See accompanying notes

Automated Benefits Corp.

Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

	Common shares	Contributed surplus (Note 20)	Deficit and comprehensive income (loss) (Note 20)	Total shareholders' equity (Note 20)
<i>(In Canadian dollars)</i>	\$	\$	\$	\$
January 1, 2010	15,952,925	8,871,692	(24,421,030)	403,587
Share issuance for services (Note 3)	16,291	-	-	16,291
Share issuance costs	(4,255)	-	-	(4,255)
Stock-based compensation (Note 10)	-	23,679	-	23,679
Net loss for the period	-	-	(195,448)	(195,448)
March 31, 2010	15,964,961	8,895,371	(24,616,478)	243,854
January 1, 2011	16,325,999	8,999,137	(24,685,090)	640,046
Stock-based compensation (Note 10)	-	19,632	-	19,632
Net income for the period	-	-	57,186	57,186
March 31, 2011	16,325,999	9,018,769	(24,627,904)	716,864

See accompanying notes

Automated Benefits Corp.
Interim Consolidated Statements of Cash Flows
(Unaudited)

<i>(in Canadian dollars)</i>	Three-month period ended March 31, 2011 \$	Three-month period ended March 31, 2010 \$
Operating activities		
Net income (loss) for the period	57,186	(195,448)
Items not affecting cash		
Stock-based compensation	19,632	23,679
Issuance of shares for services	-	16,291
Depreciation, depletion and amortization	11,473	19,508
	<u>88,291</u>	<u>(135,970)</u>
Net change in non-cash working capital items (Note 15)	<u>(352,176)</u>	<u>93,288</u>
Cash used in operating activities	<u>(263,885)</u>	<u>(42,682)</u>
Investing activities		
Purchase of property and equipment	(30,055)	-
Purchase of intangible assets	(6,973)	(808)
Cash used in investing activities	<u>(37,028)</u>	<u>(808)</u>
Financing activities		
Long-term finance lease, net of repayments	17,043	(4,229)
Cost of issuance of shares	-	(4,255)
Cash provided by (used in) financing activities	<u>17,043</u>	<u>(8,484)</u>
Net decrease in cash	(283,870)	(51,974)
Cash and cash equivalents-Beginning of period	<u>1,292,516</u>	<u>869,133</u>
Cash and cash equivalents-End of period	<u>1,008,646</u>	<u>817,159</u>
Supplementary cash flow information		
Interest paid	<u>92</u>	<u>395</u>
Interest received	<u>635</u>	<u>631</u>

See accompanying notes

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

1) Nature of operations and corporate information

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

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

These interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of Automated Benefits Corp. on June 27, 2011.

2) Significant accounting policies

a) Statement of compliance

These interim consolidated financial statements represent the Corporation's initial presentation of its results of operations and financial position under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as its basis of financial reporting commencing into the interim consolidated financial statements for the three months ended March 31, 2011. These interim consolidated financial statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the IASB using the accounting policies the Corporation expects to adopt in its consolidated financial statements as at and for the year ended December 31, 2011.

The Corporation's transition to IFRS is January 1, 2010. An explanation of how the transition to IFRS has affected the consolidated financial statements is included in note 20. This note includes reconciliation of equity and total comprehensive loss for comparative periods, and a reconciliation of equity at the date of the transition from Canadian generally accepted accounting principles ("GAAP") to IFRS.

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

b) Basis of presentation

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

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

c) Cash and cash equivalents

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

d) Revenue recognition

The Corporation owns two subsidiaries, Adjudicare and Symbility, are located in Toronto with a Research and Development Centre in Montreal. All divisions are independently generating revenue sources.

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

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

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

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

Software license arrangements may involve the delivery of multiple services and products occurring at different points in time and/or over different periods of time. Revenue recognition for these arrangements is determined based on evaluation of the individual elements of the arrangements. If the service or product delivered has stand-alone value to the customer and the fair value associated with the product or service can be measured reliably, the amount recognized as revenue for each component is the fair value of the element in relation to the fair value of the arrangement as a whole. Otherwise the entire arrangement is treated as one unit of accounting and revenue is deferred and recognized ratably over the remaining term of the contract, commencing when all elements are delivered.

e) Property and equipment

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

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

f) Intangible assets

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

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

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g) Impairment of non-financial assets

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

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

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

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

h) Leases

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

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

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

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

i) Inventory

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

j) Income taxes

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

k) Earnings (loss) per share

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

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

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

For the Corporation's equity-settled stock-based compensation plan, the transactions are accounted for in accordance with the fair value method of accounting for stock-based compensation and results in the recording of compensation expense and contributed surplus. The amount of compensation is measured at the date the option is granted. The expense is recognized in the interim consolidated statements of income (loss) and comprehensive income (loss) over the vesting period of the option based on the Corporation's best estimate of the number of equity instrument that will ultimately vest. Any consideration paid on exercise of stock options is credited to share capital.

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

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

m) Foreign currency translation

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

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n) Research and development costs

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

o) Investment tax credits

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

p) Financial instruments

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

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The following classifications have been applied:

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

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

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Impairment of financial instruments

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

q) **Significant accounting judgments, estimates and assumptions**

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

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

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

Useful lives of key property and equipment and intangible assets

The depreciation method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Corporation.

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Share-based payments

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of these instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model, including the expected life of the option, volatility and dividend yield.

Taxes

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

r) Changes in accounting policies not yet adopted

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

i) Financial instruments

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

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ii) Consolidated financial statements

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

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

iii) Fair value measurement

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

3) Related party transactions

For the three-month period ended March 31, 2011, the Corporation expensed \$20,500 (2010 - \$16,000) for services provided by the Directors of the Corporation.

For the three-month period ended March 31, 2010, the Corporation issued 135,761 common shares with an estimated weighted average fair value of \$0.12 per share for an aggregate value of \$16,291 to the Directors of the Corporation for services provided. The issuance of these common shares to the Directors was approved by the TSX Venture Exchange. The estimated fair value was determined based on the share price on the date of issuance.

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

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March 31, 2011**Compensation of key management personnel**

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

<i>(In Canadian dollars)</i>	Three-month period ended March 31, 2011 \$	Three-month period ended March 31, 2010 \$
Salaries, fees and other short-term employee benefits	219,765	251,108
Share-based payments	10,678	20,512
Total	230,443	271,620

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

Issuance date	Expiry date	Exercise price \$	March 31, 2011 Number outstanding	December 31, 2010 Number outstanding	January 1, 2010 Number outstanding
April 28, 2010	April 28, 2015	0.11	298,932	298,932	-
November 25, 2010	November 25, 2020	0.20	35,000	35,000	-
Total			333,932	333,932	-

4) Property and equipment

<i>(In Canadian dollars)</i>	Furniture and fixtures \$	Computer equipment \$	Equipment under finance lease \$	Leasehold improvements \$	Total \$
Cost					
At January 1, 2010	130,660	407,325	42,907	63,911	644,803
Additions	1,492	9,729	-	-	11,221
At December 31, 2010	132,152	417,054	42,907	63,911	656,024
Additions	-	8,671	21,384	-	30,055
Disposals	-	-	(28,523)	-	(28,523)
At March 31, 2011	132,152	425,725	35,768	63,911	657,556

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<i>(In Canadian dollars)</i>	Furniture and fixtures	Computer equipment	Equipment under finance lease	Leasehold improvements	Total
Accumulated depreciation, depletion and impairment losses	\$	\$	\$	\$	\$
At January 1, 2010	109,027	350,635	34,375	43,232	537,269
Depreciation and depletion expense	15,438	31,488	7,341	13,676	67,943
At December 31, 2010	124,465	382,123	41,716	56,908	605,212
Depreciation and depletion expense	1,417	5,092	1,017	2,677	10,203
Disposals	-	-	(28,523)	-	(28,523)
At March 31, 2011	125,882	387,215	14,210	59,585	586,892

<i>(In Canadian dollars)</i>	Furniture and fixtures	Computer equipment	Equipment under finance lease	Leasehold improvements	Total
Carrying value	\$	\$	\$	\$	\$
At January 1, 2010	21,633	56,690	8,532	20,679	107,534
At December 31, 2010	7,687	34,931	1,191	7,003	50,812
At March 31, 2011	6,270	38,510	21,558	4,326	70,664

5) Intangible assets

<i>(In Canadian dollars)</i>	Computer software	Trademarks	Total
Cost	\$	\$	\$
At January 1, 2010	130,119	25,664	155,783
Additions	-	2,284	2,284
At December 31, 2010	130,119	27,948	158,067
Additions	-	6,973	6,973
At March 31, 2011	130,119	34,921	165,040

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

<i>(In Canadian dollars)</i>	Computer software	Trademarks	Total
Accumulated depreciation, depletion and impairment losses	\$	\$	\$
At January 1, 2010	107,235	6,840	114,075
Depreciation and depletion expense	16,724	-	16,724
Impairments	-	6,126	6,126
At December 31, 2010	123,959	12,966	136,925
Depreciation and depletion expense	1,270	-	1,270
At March 31, 2011	125,229	12,966	138,195

<i>(In Canadian dollars)</i>	Computer software	Trademarks	Total
Carrying value	\$	\$	\$
At January 1, 2010	22,884	18,824	41,708
At December 31, 2010	6,160	14,982	21,142
At March 31, 2011	4,890	21,955	26,845

6) Finance lease obligations

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

<i>(In Canadian dollars)</i>	March 31, 2011		December 31, 2010	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	\$	\$	\$	\$
Within one year	5,101	3,647	3,186	3,065
After one year but not more than five years	19,127	16,462	-	-
More than five years	-	-	-	-
Total minimum lease payments	24,228	20,109	3,186	3,065
Less finance costs	(4,119)	-	(121)	-
Present value of minimum lease payments	20,109	20,109	3,065	3,065

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

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March 31, 2011

7) Operating lease obligation

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

(In Canadian dollars)

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
	\$	\$
Within one year	248,728	254,283
After one year but not more than five years	1,000,102	1,024,196
More than five years	53,213	93,122
	<u>1,302,043</u>	<u>1,371,601</u>

For the three-month period ended March 31, 2011, the Corporation has expensed \$69,559 related to the operating leases.

8) Restricted cash deposits

On November 23, 2010, the Corporation entered into a cash collateral agreement with the Royal Bank of Canada for \$22,500 to secure certain corporate credit cards issued with an expiry date of November 23, 2011. The agreement will automatically renew for another 12 months term on the expiry date.

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

On March 31, 2011, the Corporation entered into a third cash collateral agreement with the Royal Bank of Canada for \$167,000 to secure the letter of credit with an expiry date of March 31, 2012.

The interest income earned on these restricted cash deposits accrues to the Corporation at rates ranging from 0.85% to 0.9% annually and is recorded in finance income and other income.

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

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March 31, 2011

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:

(In Canadian dollars)

	March 31, 2011	December 31, 2010
	\$	\$
Combined federal and provincial statutory tax rate	33.75%	28.67%
Expected liability (recovery) for income taxes	19,298	(80,623)
Change in income taxes resulting from		
Non-deductible expenses and other items	8,940	53,133
Change in future tax rate	(5,904)	2,150
Change in valuation allowance	(22,334)	25,340
	<u>-</u>	<u>-</u>

As at March 31, 2011, the consolidated tax liability (recoverable balance) of \$19,298 (December 31, 2010 - \$(80,623)) consists of a tax liability of \$16,137 from the U.S. entity of the Corporation, and a tax liability amount of \$3,161 from its Canadian operations.

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

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

<i>(In Canadian dollars)</i>	March 31, 2011	December 31, 2010
	\$	\$
Deferred tax assets		
Equipment and other	425,961	418,618
Cumulative eligible property	3,852	3,837
Share issue costs	1,862	5,751
Scientific research and experimental development	806,391	644,658
Non-capital losses	4,314,493	4,662,528
Donations	462	2,010
Investment tax credits	915,827	717,366
Valuation allowance	<u>(6,468,848)</u>	<u>(6,454,768)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>

The Corporation has determined that the recognition of its net deferred tax assets does not meet the criteria of recognition being "probable". Management has provided a valuation allowance equivalent to the gross deferred 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 \$16,246,689 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.

Non-capital losses	Expiry date
\$	
538,537	2014
3,759,640	2015
5,317,452	2026
3,241,632	2027
1,273,139	2028
1,195,995	2029
908,114	2030
12,180	2031
<u>16,246,689</u>	

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

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March 31, 2011

10) Share capital

Authorized

Unlimited number of common shares, no par value

Unlimited number of preferred shares, no par value

Issued

	Common shares	
	#	\$
Balance - January 1, 2010	115,147,088	15,952,925
Shares issued for services rendered	3,166,723	381,573
Share issuance costs		(8,499)
Balance - December 31, 2010	118,313,811	16,325,999
Shares issued for services rendered	-	-
Share issuance costs		-
Balance - March 31, 2011	118,313,811	16,325,999
 Total share capital		16,325,999

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

Stock option plan

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

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

The total stock-based compensation expense for the three-month period ended March 31, 2011 was \$19,632 (2010 – \$23,679) with a corresponding credit to contributed surplus.

Stock-based compensation related to

(In Canadian dollars)

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
	\$	\$
General and administration	11,385	15,776
Research and development	5,743	1,785
Sales and marketing	2,504	6,118
Total	<u>19,632</u>	<u>23,679</u>

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>Year ended</u> <u>December 31, 2010</u>
Risk-free interest rate	2.34%
Expected life	4.6 years
Annualized volatility	124%
Expected dividends	Nil
Weighted average share price	\$0.15

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

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.

There were no options granted during the first three months of 2011 and 2010. During the year ended December 31, 2010, the weighted average fair value of options granted was \$0.13.

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

	<u>March 31, 2011</u>		<u>December 31, 2010</u>	
	Stock options outstanding	Exercise price	Stock options outstanding	Exercise price
	#	\$	#	\$
Balance – Beginning of period	6,737,864	0.20	6,453,932	0.23
Granted	-	-	878,932	0.14
Forfeited and expired	(45,000)	0.16	(595,000)	0.36
	<hr/>			
Balance – End of period	6,692,864	0.20	6,737,864	0.20
	<hr/>			
Balance – Exercisable	5,694,721	0.21	5,603,053	0.22
	<hr/>			

The following table summarizes information about the Corporation's stock options outstanding as at March 31, 2011:

Stock options outstanding	Exercise price	Weighted average remaining contractual life	Number exercisable
#	\$	Years	#
110,000	0.10	2.6	110,000
313,932	0.11	4.1	104,644
400,000	0.12	2.9	400,000
485,000	0.13	3.7	323,334
410,000	0.14	9.2	136,663
750,000	0.19	3.2	499,998
50,000	0.19	1.8	50,000
2,468,932	0.20	3.5	2,365,082
785,000	0.24	1.5	785,000
920,000	0.35	0.5	920,000
<hr/>			<hr/>
6,692,864			5,694,721
<hr/>			<hr/>

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

11) Earnings (loss) per share

<i>(In Canadian dollars)</i>	Three-month period ended March 31, 2011 \$	Three-month period ended March 31, 2010 \$
Income (loss) attributable to common shareholders (numerator)	57,186	(195,448)
Weighted average number of common shares outstanding (denominator)	#	#
Basic	118,313,811	115,252,680
Effect of dilutive securities - stock options	2,150,069	-
Diluted	120,463,880	115,252,680
	\$	\$
Basic and diluted earnings (loss) per common share	0.00	(0.00)

The effect of potentially dilutive share options was not included in the calculation of diluted loss per share in three-month period ended March 31, 2010 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 deposits, accounts receivable, and accounts payable and accrued liabilities approximates the fair value due to the immediate or short-term maturity and these financial instruments are classified as level one - quoted price in the fair value hierarchy. The fair value of currency option contracts has been estimated using the market-quoted currency spot rate and interest rate and are classified as level two - observable market input in the fair value hierarchy. As at January 1, 2010, the Corporation held option contracts to sell 182,250 U.K. pounds sterling for Canadian dollars which had a fair value of \$19,382. As at December 31, 2010 and March 31, 2011, the Corporation had no currency option contracts to sell U.K. pounds sterling for Canadian dollars outstanding.

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

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 March 31, 2011, 43% (December 31, 2010 - 34%) and 7% (December 31, 2010 - 11%), respectively, are denominated in foreign currencies. During the three-month period ended March 31, 2011, approximately 48% (2010 - 41%) of revenue and approximately 6% (2010 - 1%) of expenses were incurred in U.S. dollars and U.K. pound sterling. As of March 31, 2011, the fluctuation of the U.S. dollar and U.K. pound sterling of 1% would have an insignificant impact on net income (loss) and comprehensive income (loss).

The Corporation had entered into derivative currency options to sell U.K. pound sterling and was exposed to foreign currency risk on the fair value of its outstanding derivatives currency option contracts. These currency option contracts had terms ranging from October 21, 2009 to February 21, 2011. As at March 31, 2011, the Corporation had no currency option contracts outstanding.

Credit risk

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

As at March 31, 2011, the largest amount due from one customer accounted for 26% of the Corporation's total accounts receivable (December 31, 2010 - two customers - 10% and 27% respectively).

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

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

<i>(In Canadian dollars)</i>	March 31, 2011
	\$
Current	1,323,927
31 - 60 days	183,502
61 - 90 days	82,737
Over 91 days	1,537
Less: allowance for doubtful accounts	(2,363)
Total accounts receivable, net	1,589,340

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

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Corporation achieves this by maintaining sufficient cash and cash equivalents and through the raising of equity financing. As at March 31, 2011, the Corporation was holding cash and cash equivalents of \$1,008,646 (December 31, 2010 - \$1,292,516).

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

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 March 31, 2011, total managed capital was \$736,973 (December 31, 2010 - \$643,111) comprised of shareholders' equity of \$716,864 (December 31, 2010 - \$640,046) and interest-bearing debt of \$20,109 (December 31, 2010 - \$3,065).

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

The Corporation is not subject to externally imposed capital requirements and the Corporation's overall strategy with respect to capital risk management remains unchanged for the three-month period ended March 31, 2011.

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011**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 the first quarter of 2011, there were two customers which accounted for more than 10% of the Corporation's revenue. The Corporation earned approximately \$177,000 and \$338,000 of its revenue from these two Property and casualty software customers. In the first quarter of March 31, 2010, there was one customer which accounted for 10% or more of the Corporation's revenue. The Corporation earned approximately \$271,000 of its revenue from this Property and casualty software customer.

March 31, 2011	Group insurance software	Property and casualty software	Head office	Total
<i>(In Canadian dollars)</i>				
Revenue	\$	\$	\$	\$
-Transaction and license fees	386,093	855,510	-	1,241,603
-Resale of premium insurance products	269,961	-	-	269,961
-Resale of processing health and dental services	111,341	-	-	111,341
-Professional services and others	10,890	32,981	-	43,871
Total revenue	778,285	888,491	-	1,666,776
Cost of sales	312,442	30,530	-	342,972
Gross margin	465,843	857,961	-	1,323,804
Expenses	319,134	766,097	185,604	1,270,835
Segment income (loss) before finance income (costs) and other income	146,709	91,864	(185,604)	52,969
Finance income and other income	377	51	3,881	4,309
Finance costs	-	(9)	(83)	(92)
Segment income (loss)	147,086	91,906	(181,806)	57,186
Operating assets	1,111,473	1,180,764	211,001	2,503,238
Assets not allocated to segments				
-Cash and cash equivalents	-	-	1,008,646	1,008,646
Total operating assets	1,111,473	1,180,764	1,219,647	3,511,884
Operating liabilities	749,579	1,346,494	698,947	2,795,020
Additions to property and equipment and intangible assets	552	10,897	25,579	37,028

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

March 31, 2010	Group insurance software \$	Property and casualty software \$	Head office \$	Total \$
<i>(In Canadian dollars)</i>				
Revenue				
-Transaction and license fees	317,466	456,713	-	774,179
-Resale of premium insurance products	249,566	-	-	249,566
-Resale of processing health and dental services	77,210	-	-	77,210
-Professional services and others	880	156,035	-	156,915
Total revenue	645,122	612,748	-	1,257,870
Cost of sales	276,189	7,854	-	284,043
Gross margin	368,933	604,894	-	973,827
Expenses	297,922	650,366	230,769	1,179,057
Segment income (loss) before finance income (costs) and other income	71,011	(45,472)	(230,769)	(205,230)
Finance income and other income	129	9,948	100	10,177
Finance costs	(20)	(59)	(316)	(395)
Segment income (loss)	71,120	(35,583)	(230,985)	(195,448)
As at December 31, 2010				
Operating assets	985,939	699,108	77,335	1,762,382
Assets not allocated to segments				
-Cash and cash equivalents	-	-	1,292,516	1,292,516
Total operating assets	985,939	699,108	1,369,851	3,054,898
Operating liabilities	665,503	1,151,500	597,849	2,414,852
Additions to property and equipment and intangible assets	2,284	8,761	2,460	13,505

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

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

Geographic Information as at and for three-month period ended March 31, 2011*(In Canadian dollars)*

	Revenues	Non-current assets
	\$	\$
Canada	863,110	299,646
United States	627,038	4,863
Europe	176,628	-
Total	1,666,776	304,509

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

Geographic Information as at and for the three-month period ended March 31, 2010*(In Canadian dollars)*

	Revenues	Non-current assets
	\$	\$
Canada	736,988	339,124
United States	249,480	3,417
Europe	271,402	-
Total	<u>1,257,870</u>	<u>342,541</u>

15) Net change in non-cash working capital items*(In Canadian dollars)*

	Three-month period ended March 31, 2011	Three-month period ended March 31, 2010
	\$	\$
Accounts receivable and others	(425,524)	130,893
Inventory	575	556
Prepaid expenses and other assets	(290,352)	90,840
Accounts payable and accrued liabilities	127,417	133,314
Deferred revenue	235,708	(262,315)
	<u>(352,176)</u>	<u>93,288</u>

The interim consolidated statements of cash flows excluded non-cash investing transactions related to property and equipment under finance lease obligations of \$(357) (2010 - \$(4,229)).

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

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

	Three-month period ended March 31, 2011	Three-month period ended March 31, 2010
	\$	\$
Depreciation, depletion and amortization	11,473	19,508
Foreign exchange (gain) loss, net	11,364	(25,369)
Total other operating expenses	22,837	(5,861)

17) Finance income and other income*(In Canadian dollars)*

	Three-month period ended March 31, 2011	Three-month period ended March 31, 2010
	\$	\$
Interest income on cash and cash equivalents	583	69
Interest income on restricted cash deposits	461	176
Fair value adjustment of currency option contracts	-	9,932
Other finance and other income	3,265	-
Total finance income and other income	4,309	10,177

18) Finance costs*(In Canadian dollars)*

	Three-month period ended March 31, 2011	Three-month period ended March 31, 2010
	\$	\$
Interest expense on finance lease obligations	-	320
Other finance charges	92	75
Total finance costs	92	395

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

19) Scientific research and experimental development tax credits

In the first quarter of 2011, the Corporation has recorded investment tax credits totaling \$75,933 (first quarter of 2010 - \$32,643) and reduced research and development expenditures by this amount. The Corporation has accumulated \$1,163,146 of non-refundable investment tax credits which can be carried forward to reduce future federal income taxes payable and will begin to expire in 2023.

20) Transition to IFRS

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

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

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

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011**Reconciliation of consolidated statement of financial position as at January 1, 2010**

<i>(In Canadian dollars)</i>	Canadian GAAP balance	IFRS adjustments	IFRS balance
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents	869,133	-	869,133
Accounts receivable and others	1,000,093	-	1,000,093
Inventory	2,337	-	2,337
Prepaid expenses and other assets	414,646	-	414,646
	<u>2,286,209</u>	-	<u>2,286,209</u>
Restricted cash deposits	212,000	-	212,000
Property and equipment	107,534	-	107,534
Intangible assets	41,708	-	41,708
	<u>2,647,451</u>	-	<u>2,647,451</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	1,370,644	-	1,370,644
Current portion of deferred revenue	701,580	-	701,580
	<u>2,072,224</u>	-	<u>2,072,224</u>
Long-term liabilities			
Deferred revenue	168,575	-	168,575
Finance lease obligations	3,065	-	3,065
	<u>2,243,864</u>	-	<u>2,243,864</u>
Shareholders' equity			
Share capital	15,952,925	-	15,952,925
Contributed surplus (Note A)	8,891,465	(19,773)	8,871,692
Deficit	(24,440,803)	19,773	(24,421,030)
	<u>403,587</u>	-	<u>403,587</u>
	<u>2,647,451</u>	-	<u>2,647,451</u>

Reconciliation of consolidated statement of changes in shareholders' equity as at January 1, 2010*(In Canadian dollars)*

	Shareholders' equity
	\$
Balance under Canadian GAAP	403,587
Stock-based compensation (Note A)	-
Balance under IFRS	<u>403,587</u>

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011**Reconciliation of consolidated statement of financial position as at March 31, 2010**

<i>(In Canadian dollars)</i>	Canadian GAAP balance \$	IFRS adjustments \$	IFRS balance \$
Assets			
Current assets			
Cash and cash equivalents	817,159	-	817,159
Accounts receivable and others	869,200	-	869,200
Inventory	1,781	-	1,781
Prepaid expenses and other assets	323,806	-	323,806
	<u>2,011,946</u>	-	<u>2,011,946</u>
Restricted cash deposits	212,000	-	212,000
Property and equipment	92,102	-	92,102
Intangible assets	38,439	-	38,439
	<u>2,354,487</u>	-	<u>2,354,487</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	1,499,728	-	1,499,728
Current portion of deferred revenue	452,664	-	452,664
	<u>1,952,392</u>	-	<u>1,952,392</u>
Long-term liabilities			
Deferred revenue	155,176	-	155,176
Finance lease obligations	3,065	-	3,065
	<u>2,110,633</u>	-	<u>2,110,633</u>
Shareholders' equity			
Share capital	15,964,961	-	15,964,961
Contributed surplus (Note A)	8,918,938	(23,567)	8,895,371
Deficit	(24,640,045)	23,567	(24,616,478)
	<u>243,854</u>	-	<u>243,854</u>
	<u>2,354,487</u>	-	<u>2,354,487</u>

Reconciliation of consolidated statement of changes in shareholders' equity as at March 31, 2010

<i>(In Canadian dollars)</i>	Shareholders' equity \$
Balance under Canadian GAAP	243,854
Stock-based compensation (Note A)	-
Balance under IFRS	<u>243,854</u>

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011**Reconciliation of consolidated statement of loss and comprehensive loss for the three-month period ended March 31, 2010**

<i>(In Canadian dollars)</i>	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
	\$	\$	\$	\$
Revenue	1,257,870	-	-	1,257,870
Cost of sales	284,043	-	-	284,043
	<u>973,827</u>	<u>-</u>	<u>-</u>	<u>973,827</u>
Expenses				
General and administration (Notes A and B)	604,629	(3,407)	44,552	645,774
Research and development (Notes A and B)	239,581	570	1,215	241,366
Sales and marketing (Notes A and B)	291,660	(957)	7,075	297,778
Stock-based compensation (Note B)	27,473	-	(27,473)	-
Amortization for property and equipment (Note B)	15,432	-	(15,432)	-
Amortization for intangible assets (Note B)	4,076	-	(4,076)	-
Other operating expenses (Note B)	-	-	(5,861)	(5,861)
	<u>1,182,851</u>	<u>(3,794)</u>	<u>-</u>	<u>1,179,057</u>
Loss before finance income (costs) and other income	(209,024)	3,794	-	(205,230)
Finance income and other income (Note B)	9,782	-	395	10,177
Finance costs (Note B)	-	-	(395)	(395)
Loss and comprehensive loss for the period	<u>(199,242)</u>	<u>3,794</u>	<u>-</u>	<u>(195,448)</u>
Basic and diluted loss and comprehensive loss per common share	<u>\$</u> (0.00)			<u>\$</u> (0.00)

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011**Reconciliation of consolidated statement of financial position as at December 31, 2010**

<i>(In Canadian dollars)</i>	Canadian GAAP balance	IFRS adjustments	IFRS balance
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents	1,292,516	-	1,292,516
Accounts receivable and others	1,164,558	-	1,164,558
Inventory	2,681	-	2,681
Prepaid expenses and other assets	316,189	-	316,189
	<u>2,775,944</u>	-	<u>2,775,944</u>
Restricted cash deposits	207,000	-	207,000
Property and equipment	50,812	-	50,812
Intangible assets	21,142	-	21,142
	<u>3,054,898</u>	-	<u>3,054,898</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	1,572,190	-	1,572,190
Current portion of deferred revenue	696,113	-	696,113
	<u>2,268,303</u>	-	<u>2,268,303</u>
Long-term liabilities			
Deferred revenue	76,549	-	76,549
Customer deposit	70,000	-	70,000
	<u>2,414,852</u>	-	<u>2,414,852</u>
Shareholders' equity			
Share capital	16,325,999	-	16,325,999
Contributed surplus (Note A)	9,036,017	(36,880)	8,999,137
Deficit	(24,721,970)	36,880	(24,685,090)
	<u>640,046</u>	-	<u>640,046</u>
	<u>3,054,898</u>	-	<u>3,054,898</u>

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

<i>(In Canadian dollars)</i>	Shareholders' equity
	\$
Balance under Canadian GAAP	640,046
Stock-based compensation (Note A)	-
Balance under IFRS	<u>640,046</u>

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011**Reconciliation of consolidated statement of loss and comprehensive loss for the year ended December 31, 2010**

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

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

Exemptions applied under IFRS 1

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

- i) **Estimates** - Hindsight is not used to create or revise estimates. The estimates previously made by the Corporation under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.
- ii) **Share-based payments** - IFRS 2, "Share-based Payments" ("IFRS 2"), encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Corporation elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

IFRS adjustment

A) Share-based payments

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

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

Under IFRS, an estimate of forfeitures must be factored into the calculation of periodic compensation expense. Compensation costs are accrued based on the best estimate of the number of options expected to vest using the Black-Scholes model. Revisions are made to that estimate if subsequent information indicates that actual forfeitures are likely to differ from initial estimates. Also, under IFRS, the fair value of each tranche within a share-based award is treated as a separate award with the fair value determined separately and recognized as compensation expense over the term of its respective vesting period. Accordingly, upon the transition to IFRS, the Corporation recorded a fair value adjustment of \$19,773 as at January 1, 2010 to decrease the contributed surplus with a corresponding charge to deficit. As at March 31, 2010 and December 31, 2010, additional fair value adjustments of \$3,794 and \$17,107 were recorded respectively.

B) IFRS reclassification

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

Automated Benefits Corp.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2011

21) Subsequent events

On April 28, 2011, the Corporation with the approval of the Board of Directors issued 80,337 common shares with an estimated weighted average fair value of \$0.255 per share for an aggregate value of \$20,486 to the Directors of Automated Benefits Corp. for services provided for the last six months in 2010. The issuance of these common shares to the Directors is subject to TSX approval. The estimated fair value was determined based on the share price on the day preceding the Board approval.

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

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