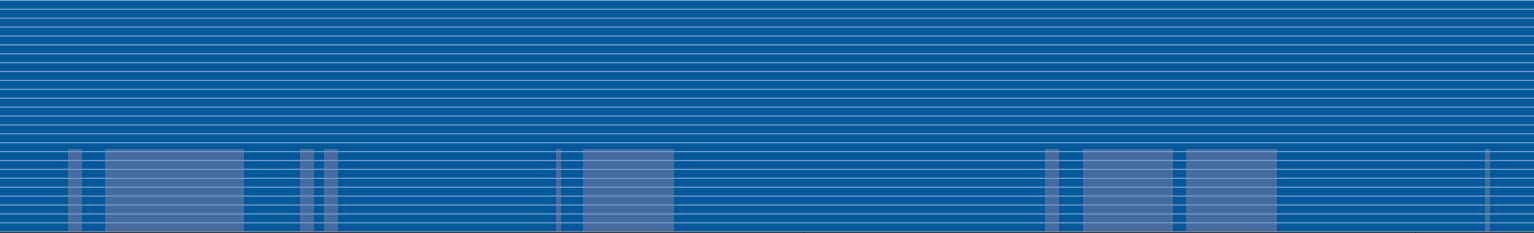


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REPORT TO SHAREHOLDERS

I am pleased to report that our strategy in 2003, of transitioning the company from technology based revenue to order execution based revenue, has been successful—leading to a profitable first quarter in 2004, and \$1.0 million in positive cash flow generated from operations. Order flow grew from 270 million shares in Q1 2003, to over 1.2 billion shares in Q1 2004.

2003 was also a year of building market share for the company, despite unfavorable market conditions that saw revenue decline from \$29.6 million in 2002 to \$22.7 million in 2003. In order to meet this challenge, we restructured the company throughout the year; balancing the need to reduce costs while maintaining our ability to increase order flow and deliver outstanding customer service and software products.

Early in Q1 2003, we appointed a new head of sales, and rebuilt our sales team from the ground up. By emphasizing trading over technical expertise within the group, we were able to realize our strategy of moving the company from a predominantly subscription-based revenue model to an execution based model. Furthermore, by keeping the entire team focused on direct sales, rather than on marketing, we kept our sales costs to a minimum while adding 60 new clients in 2003, and 35 during Q1, 2004.

With the successful rollout of the HyTS options terminal, in partnership with the CBOE, Belzberg Technologies has become the premier provider of electronic options execution in North America, while continuing to be the premium provider of value priced equities order execution. Because of the quality of our trading technology and service, our customer base grew to over 200 firms that use our systems to trade their stocks and options orders on a daily basis.

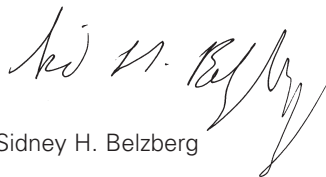
With our technology foundation firmly in place and self clearing well-established in our daily brokerage operations, the groundwork has been laid that will lead to higher incremental margins from each new dollar of revenue added in 2004.

I would like to thank our management team and staff for their tireless efforts in staying the course during 2003. Because of your hard work, we have achieved a profitable first quarter in 2004, and I look forward to reporting more of the same throughout the current fiscal year.

I would also like to communicate our thanks to the customers who have used our services during the more than ten years that we have been in business, and extend a warm welcome to the many new customers we added to our roster during 2003 and early 2004.

Finally, to our shareholders we extend our sincere gratitude for your investment in our Company. It is your loyalty and support that will allow us to achieve our goals in 2004 and beyond.

Sincerely yours,



Sidney H. Belzberg
Chairman and CEO

May 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Corporation and the notes thereto for the year ended December 31, 2003.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. Additional information concerning such risks and uncertainties is contained in the Corporation's filings with Canadian securities regulatory authorities.

Safe Harbor: Except for historical information, this annual report contains forward-looking statements that reflect the Corporation's current expectation regarding future events. These forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those statements. Those risks and uncertainties include, but are not limited to, changing market conditions, economic, competitive, governmental and technological factors affecting the Corporation's operations, markets, products and prices and other factors and other risks detailed from time-to-time in the Corporation's quarterly reports, annual reports and other publications. Although the Corporation believes that such statements contained in this report are reasonable, it can give no assurance that the Corporation's expectations are correct. All forward-looking statements are expressly qualified in their entirety by this Cautionary Statement.

General

Belzberg Technologies Inc. owns an agency only broker-dealer and is a leading provider of trade execution, order management and routing software for the financial industry. The Corporation's customers, who include both broker-dealers and their customers, use Belzberg trading software to buy and sell equities and stock options on exchanges such as the NYSE and the CBOE, electronic markets known as ECNs, and NASDAQ market makers. Belzberg products enable traders to execute and manage large volumes of transactions at high speed, and with great reliability and security.

Major financial institutions, broker-dealers, buy-side institutions, banks, and others use all or a subset of Belzberg trading products to automate their order execution, basket trading, arbitrage, retail order management, and real-time inventory management, as demanded by each situation.

In 2000, we formed EBS, an agency-only broker-dealer to execute order flow under the regulations of the Chicago Board Options Exchange ("CBOE") and to facilitate transaction-based revenues. EBS, as a member of the NYSE, CBOE, NASD and the ISE, allows us to offer competitively priced order executions to our clients. In 2002, EBS became a member of the National Securities Clearing Corporation ("NSCC"). This membership enabled the Corporation to become self-clearing, which significantly enhanced our competitive position in the marketplace.

In 2001, the Corporation further expanded its business by acquiring a CBOE floor brokerage operation that provides order execution of exchange-traded equity and index options.

Critical Accounting Policies and Estimates

The Corporation's Consolidated Financial Statements are prepared in accordance with GAAP. The preparation of the Consolidated Financial Statements in accordance with GAAP necessarily requires the Company to make estimates and judgments that affect the reported amounts on assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Corporation evaluates its estimates, including those related to revenues, bad debts, income taxes and stock based compensation. The Corporation bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Under different assumptions or conditions, the actual results will differ, potentially materially, from those previously estimated. Many of these conditions impacting these assumptions and estimates are outside of the Corporation's control.

The Corporation believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its Consolidated Financial Statements.

Revenue

The Corporation derives its revenues from three primary sources. Subscription fees are charged for providing routing software and services, used for equity and options trading, on a flat fee per terminal or per month basis. Transaction fees are charged for providing routing software and services, used for equity and options trading, on a per share/option or per trade basis and transaction fees for the execution of exchange traded equity and index options from the floor brokerage. Lastly, other revenue is derived from the development and installation of software for equity and options trading as well as other revenue from the distribution of financial information and other services.

Selected Financial Data (unaudited)

For the three-month periods ended (in thousands of dollars, except per share amounts)

2003	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Revenues	\$ 6,038	\$ 5,253	\$ 5,715	\$ 5,672
Gross margin	2,451	1,969	2,084	2,112
Net loss before the undernoted	(1,638)	(2,140)	(1,754)	(1,236)
Restructuring charges	273	-	254	219
Net loss	(1,911)	(2,140)	(2,008)	(1,455)
Basic and diluted loss per common share	\$ (0.14)	\$ (0.16)	\$ (0.15)	\$ (0.11)
2002	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Revenues	\$ 7,102	\$ 7,817	\$ 8,011	\$ 6,664
Gross margin	3,327	3,655	3,683	2,588
Net loss before the undernoted	(1,011)	(826)	(345)	(2,834)
Restructuring charges	843	-	422	268
Net loss	(1,854)	(826)	(767)	(3,102)
Basic and diluted loss per common share	\$ (0.17)	\$ (0.07)	\$ (0.06)	\$ (0.23)

Numbers may not total due to rounding. Certain figures have been reclassified for comparative purposes to conform to the year-end financial statement presentation.

Revenue is recognized from subscription fees and transaction fees on a monthly basis as the services are provided once evidence of an arrangement exists, the software has been delivered and accepted and collectibility is assured.

Transaction fees from both the broker dealer and floor brokerage operations are recognized once the trades have been executed and collectibility is assured.

Revenue derived from the development of software for equity and options trading execution is recognized on a percentage of completion or completed contract basis, as applicable.

Revenue from the distribution of financial information and other services is recognized on a monthly basis as the services are provided once a contract has been signed and collectibility is assured.

Allowance for Doubtful Accounts

The Corporation maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Corporation performs ongoing credit evaluations of its customer's financial condition and if the financial condition of the Corporation's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would likely be required. Actual collections could differ materially from our estimates.

Stock Based Compensation

On October 15, 2003, the Canadian Institute of Chartered Accountants ("CICA") amended Handbook Section 3870 Stock-Based Compensation and Other Stock-Based Payments to require expensing of all stock-based compensation awards in the financial statements for fiscal years beginning on or after January 1, 2004 with early adoption encouraged. Under this method of adoption, compensation expense will be recognized based on the fair value of stock options granted for fiscal 2003 and future years over the related service period. Under this approach, management employs

considerable judgment in estimating, on the date of grant, the options expected life and expected volatility. Additionally, management estimates the number of options that are expected to vest based on the expected outcomes of the performance related conditions.

Income Taxes

The Corporation records a valuation allowance against deferred income tax assets when management believes it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Management considers factors such as the reversal of deferred income tax liabilities, projected taxable income, the character of the income tax asset and tax planning strategies. A change to these factors could impact the estimated valuation allowance and income tax expense.

Overview of Year 2003

2003 was a challenging year for the Corporation and the industry. Revenue decreased from \$29.6 million in 2002 to \$22.7 million in 2003, a decrease of 23%. Economic conditions at the beginning of the year and geopolitical events beyond the Corporation's control contributed to uncertainty in capital markets. This led to lower trading volumes in the beginning of the year as well as some legacy subscription clients of the Corporation moving towards in-house solutions. However, despite this environment, Belzberg successfully grew its client base at a record rate in 2003.

The Corporation's core strategy continues to be to offer to its clients low cost order execution combined with outstanding technology. With over ten years of experience in the industry, Belzberg's technology solutions are considered to be at the forefront of the marketplace. However, it is the unique combination of our technology combined with very competitive pricing on order execution that is allowing the Corporation to continue to grow its market share. Our focus is growth from our order flow business for both equities and options, primarily in the United States.

MANAGEMENT DISCUSSION AND ANALYSIS

Two key steps in the implementation of our strategy were achieved in late 2002, that drove new client growth of 2003. In September, 2002, Belzberg announced that its wholly owned subsidiary, Electronic Brokerage Systems, LLC ("EBS"), had become a member of the National Securities Clearing Corporation ("NSCC"). In November, 2002, the Corporation announced that EBS also became a member of the New York Stock Exchange ("NYSE"). These memberships allowed the Corporation to become self-clearing, which significantly reduced the Corporation's costs. We expect that as revenue grows in 2004, we will see improving gross margins in the future as there is no need to pay an intermediary to clear a client's trades.

Revenues in the United States were Cdn\$14.2 million in 2003 as compared to Cdn\$20.3 million in 2002, a reduction of 30%. Subscription fee revenue was down by \$2.3 million or 54% as certain clients went out of business or moved toward in-house solutions. Transaction fee revenue also decreased by Cdn\$3.8 million, or 24%, primarily due to reduced trading volumes with certain higher revenue per share accounts due to market conditions. Lastly, the impact of the strengthening Canadian dollar had an adverse impact on our revenue. Of the decline of \$6.1 million described above in both subscription fees and transaction fees, the impact of the strengthening Canadian dollar contributed \$1.6 million of the decrease. The Corporation anticipates that revenues from transaction fees in the United States will be the primary growth driver of the business in 2004 as the benefit of the new clients in 2003 are realized and new clients are added in 2004.

With the decline in revenue on a year over year basis, the loss from continuing operations was \$7.5 million as compared to \$6.5 million in 2002. Gross margin in dollar terms declined by \$4.6 million to \$8.6 million in 2003 compared to \$13.3 million in 2002 and as a percentage of sales to 38% in 2003 from 45% in 2002 due primarily to the reduction in revenue. Despite the benefits of reduced costs as a result of self-clearing, this was more than offset by the revenue reduction. This margin decline is expected to reverse in 2004 as the Corporation sees revenue growth from 2003 levels. Operating expenses declined to \$12.5 million in 2003 from \$15.8 million in 2002, a decrease of 21%, due primarily to headcount reductions.

Included in the loss is \$0.7 million relating to restructuring during the year. As revenues declined throughout the year, the Corporation reduced costs primarily by reducing headcount in research and development, administration, floor brokerage operations and customer support.

The Corporation had negative cash flow from operations during the year of \$3.1 million as it funded its operating loss. The Corporation continued to pay down its lease and bank loan obligations throughout the year in the amount of \$1.9 million. Lastly, the Corporation used approximately \$1.0 million in cash to acquire new fixed assets in 2003 to continue to build out its network infrastructure in the United States to address expected increases in order flow volume. The overall cash position decreased by \$6.4 million in 2003.

Consolidated Results of Operations

Revenues

Total revenues decreased to \$22.7 million in 2003 from \$29.6 million in 2002 (a decrease of 23%) and increased from \$24.5 million in 2001 to \$29.6 million in 2002 (an increase of 21%).

Subscription fee revenue in the core business, which is based on customers paying a fixed monthly fee for each terminal connected to the Belzberg Gateway, decreased by 26% in 2003 compared to 2002, and increased by 1% in 2002 compared to 2001. The decline in 2003 was caused by client cancellations as a result of their businesses being impacted by a slow down in the financial services industry or as a result of clients using alternative in house solutions. This subscription revenue accounted for 35% of total revenues in 2003 (2002 - 36%; 2001 - 43%). The Corporation expects subscription fee revenue as a percentage of total revenues to decrease in the future as more customers are expected to switch to a transaction fee model.

Transaction fee revenue from the core business, which includes customers paying a fee per transaction routed through the Belzberg Gateway, decreased by 24% in 2003 compared to 2002, and increased by 51% in 2002 compared to 2001. The decline in 2003 was caused by adverse market trading conditions in the first half of the 2003 year as well as a strengthening Canadian dollar. This core transaction fee revenue accounted for 45% of total revenues in 2003 (2002 - 45%; 2001 - 36%), and is expected to increase in the future as a percentage of the Corporation's business.

In April 2001, the Corporation acquired Robert C. Sheehan and Associates, Inc. ("RCS"), a broker-dealer that executes exchange-traded equity and index options on the Chicago Board Options Exchange.

Transaction fee revenue from the brokerage segment decreased by 21% in 2003 compared to 2002 and increased by 24% in 2002 as compared to the nine month period in 2001. The decline in 2003 was mainly as a result of downward pricing pressure on contract execution. RCS accounted for 16% of total revenues in 2003 (2002 - 15%; 2001 - 15%).

Other revenues include software development fees, installation fees, revenue from connectivity to the Belzberg Gateway as well as revenue from information distribution. Other revenue increased by 4% in 2003 compared to 2002, and decreased by 27% in 2002 compared to 2001. In 2002, the decline was caused by a shift away from customized development and implementation projects as the Corporation focused on delivering more packaged solutions to the market. Other revenues accounted for 4% of total revenues in 2003 (2002 - 4%; 2001 - 6%).

Total Revenues (for the Years Ended December 31)

(\$ 000s)	2003	% of Revenue	2002	% of Revenue	2001	% of Revenue
Subscription fees	\$ 7,956	35%	\$ 10,721	36%	\$ 10,596	43%
Transaction fees - core	10,152	45%	13,407	45%	8,900	36%
Transaction fees - brokerage	3,534	16%	4,468	15%	3,594	15%
Other	1,036	4%	998	4%	1,370	6%
Total revenues	\$ 22,678		\$ 29,594		\$ 24,460	

Revenues by Country (for the Years Ended December 31)

(\$ 000s)	2003	% of Revenue	2001	% of Revenue	2001	% of Revenue
Canada						
Subscription fees	\$ 6,058	71%	\$ 6,571	71%	\$ 6,512	74%
Transaction fees - core	1,597	19%	1,953	21%	1,336	15%
Other	866	10%	793	8%	937	11%
Revenues from Canada	\$ 8,521		\$ 9,317		\$ 8,785	
(\$ 000s)	2003	% of Revenue	2002	% of Revenue	2001	% of Revenue
United States						
Subscription fees	\$ 1,898	13%	\$ 4,150	20%	4,084	26%
Transaction fees - core	8,555	61%	11,454	57%	7,563	48%
Transaction fees - brokerage	3,534	25%	4,468	22%	3,594	23%
Other	170	1%	205	1%	434	3%
Revenues from United States	\$14,157		\$ 20,277		\$15,675	

In 2003, the Corporation generated approximately 62% (2002 - 69%; 2001 - 64%) of its revenues in the United States and 38% (2002 - 31%; 2001 - 36%) of its revenues in Canada. Revenues in the United States decreased by 30% in 2003 (increased by 29% in 2002) and decreased in Canada by 9% in 2003 (increased by 6% in 2002). The Corporation anticipates that revenues from the United States will increase at a greater rate than revenues from Canada as the direct sales force focuses on attracting order flow revenue from U.S. based customers.

Gross Margin

Gross Margin (for the Years Ended December 31)

	2003	2002	2001
Revenue	\$ 22,678	\$ 29,594	\$ 24,460
Cost of revenue	14,062	16,341	10,812
Gross margin	\$ 8,616	\$ 13,253	\$ 13,648
Gross margin %	38%	45%	56%

Gross margin as a percentage of sales declined to 38% in 2003 (2002 - 45%; 2001 - 56%). The decline in margin in both 2003 compared to 2002 and 2002 compared to 2001 is attributable to downward pricing pressure in both the brokerage business and in the core transaction flow business as well as a loss of revenue from the subscription business. The Corporation expects the margin on the core business to improve in future years as the Corporation continues to reduce its costs while growing its transaction flow business.

Operating Expenses

Operating expenses (for the Years Ended December 31)

(\$ 000s)	2003	% of Revenue	2002	% of Revenue	2001	% of Revenue
Sales and marketing	\$ 4,246	19%	\$ 4,208	15%	\$ 4,381	18%
Research and development	3,645	16%	5,270	18%	3,695	15%
Government assistance	(303)	(1)%	(219)	(1)%	-	-
Administration	5,234	23%	6,219	21%	6,264	25%
Foreign exchange gain	(322)	(2)%	(29)	-	(363)	(1)%
Non-recurring Philadelphia expenses	-	-	302	1%	440	2%
Total operating expenses	\$ 12,500	55%	\$15,751	54%	\$14,417	59%

Sales and Marketing Expenses

Sales and marketing expenses were essentially the same between 2003 and 2002 and decreased by \$0.2 million or 5% in 2002 compared to 2001 primarily due to reduced advertising and promotion in 2002. In the fourth quarter of 2003, there were approximately \$0.2 million of costs associated with a specific marketing promotion. The terms of the promotion arrangement included a services agreement that was to extend into early 2004, but a decision was taken to terminate the relationship early, and the balance of the obligation was written off in the fourth quarter of 2003.

Research and Development Expenses and Government Assistance

Research and development expenses decreased by \$1.6 million or 31% in 2003 over 2002, and increased by \$1.6 million or 43% in 2002 over 2001. The primary factor that contributed to the decrease in research and development expenses in 2003 was headcount reductions. In 2002, the increase related to headcount additions as the Corporation expanded its product capabilities and connectivity to additional markets in order to increase its customer base.

The Corporation recognized \$0.3 million in the fourth quarter of 2003 relating to government assistance for research and development expenditures incurred in the 2000 and 2001 taxation years. Subsequent to the year-end the Corporation received the amount as a cash refund.

In 2002, the Corporation recognized \$0.2 million relating to government assistance for research and development expenditures incurred in the 1999 taxation year. This latter amount was received as a cash refund.

MANAGEMENT DISCUSSION AND ANALYSIS

Administration Expenses

Administration expenses decreased by \$1.0 million or 16% in 2003 over 2002 and were essentially the same between 2002 and 2001. The primary factors that contributed to the decrease in administration expenses in 2003 were headcount reductions, a reduction in executive compensation and reduced professional fees.

Foreign Exchange Gain

Foreign exchange gains increased by \$0.3 million in 2003 compared to 2002 and decreased by \$0.3 million in 2002 compared to 2001. These changes were caused by changes in the value of the Canadian dollar relative to the US dollar during the year. The Corporation enters into forward contracts to hedge its foreign exchange exposure to the US dollar. As at December 31, 2003, the Corporation had forward contracts outstanding for the purchase of \$4.5 million at US\$.725 expiring in December 2004. These forward contracts had an unrealized gain of approximately \$220,000 at the year-end. Throughout the majority of 2002, and all of 2001, the Corporation did not hedge its foreign exchange exposure.

Non-recurring Philadelphia expenses

In September 2001, the Corporation opened a subsidiary in Philadelphia, Belzberg Technologies (Philadelphia) Inc. and located there a new President for the Corporation together with a new Vice President of Sales and supporting staff. Unfortunately, no additional revenues were generated, nor were any cost efficiencies achieved, and this office was closed in March 2002, and the relationship with the new President and other staff ended, resulting in a restructuring charge of \$0.8 million for employee severance, lease termination and other costs. Prior to making that decision, \$0.3 million in 2002 and \$0.4 million in 2001 of Philadelphia related expenses were included in operating expenses during the respective periods.

Stock-based compensation

On October 15, 2003, the Canadian Institute of Chartered Accountants ("CICA") amended Handbook Section 3870 Stock-Based Compensation and Other Stock-Based Payments to require expensing of all stock-based compensation awards in the financial statements for fiscal years beginning on or after January 1, 2004 with early adoption encouraged. In accordance with the transitional provisions of this section, the Corporation adopted the prospective method of application and recorded compensation expense of \$79,821 for all stock-based compensation granted during the twelve month period ended December 31, 2003 without restatement of prior years (refer note 9(h)). However, the Corporation is still required to provide pro-forma disclosures relating to net loss and net loss per share as if stock-based compensation costs had been recognized in the financial statements using the fair value method for options granted in 2002 (refer note 1(i)).

Other Income and Expenses

Amortization of Capital Assets

Amortization of capital assets increased by \$0.5 million or 23% in 2003 over 2002 and by \$0.6 million or 37% in 2002 over 2001. The increase in amortization of capital assets in both periods resulted mainly from acquisitions of both owned and leased computer equipment, of approximately \$1.2 million in 2003 and \$3.4 million in 2002 respectively. The computer equipment additions improved our high-speed connectivity between customers, the Corporation and a multitude of exchanges and other markets for live trade execution. Capital expenditures were also incurred in 2003 to build out our infrastructure to support our CBOE HyTS project.

Interest Expense, net

Interest expense, net of interest income decreased by \$0.1 million in 2003 compared to 2002 and increased by \$0.1 million in 2002 compared to 2001. The decrease in 2003 resulted from the maturity of certain older capital lease obligations resulting in a lower interest expense. The increase in 2002 resulted from additional capital lease obligations and interest on a term loan used to finance leasehold improvements in Canada incurred in the latter part of 2001.

Restructuring Charges

During the quarter ended March 31, 2003, the Corporation completed the restructuring of certain of its finance, sales and research and development operations announced in the fourth quarter of 2002 and recorded an additional restructuring charge of \$273,284 for employee severances and benefits. Responding to a difficult economic environment, the Corporation continued to reduce its workforce in the third and fourth quarters of 2003 recording additional restructuring charges of \$472,857 for employee severances and benefits.

In September 2001, the Corporation opened a subsidiary in Philadelphia, Belzberg Technologies (Philadelphia) Inc. and located there a new President for the Corporation together with a new Vice President of Sales and supporting staff. Unfortunately, no additional revenues were generated, nor were any cost efficiencies achieved, and this office was closed in March 2002, and the relationship with the new President and other staff ended, resulting in a restructuring charge of \$0.8 million for employee severance, lease termination and other costs. In the latter part of the 2002 year, responding to a more difficult economic environment, the Corporation continued to reduce its workforce as it focused its resources on research and development projects that would deliver revenue in the shorter term, and restructured its finance, administrative and floor brokerage operations to streamline operations, resulting in a restructuring charge of \$0.7 million for employee severances.

Other income and expenses (for the Years Ended December 31)

(\$ 000s)	2003	% of Revenue	2002	% of Revenue	2001	% of Revenue
Amortization of capital assets	\$ 2,767	12%	\$ 2,249	8%	\$ 1,646	6%
Amortization of goodwill	-	-	-	-	153	1%
Write-down of leasehold improvements	-	-	-	-	153	1%
Interest expense, net	116	1%	228	1%	154	1%
Restructuring charges	746	3%	1,533	5%	-	-
Other expenses, net	\$ 3,629	16%	\$ 4,010	14%	\$ 2,106	9%

Amortization of Goodwill

Effective January 1, 2002 the Corporation adopted the new Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3062, Goodwill and Other Intangible Assets. Under the new recommendations, goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment is tested by comparing the fair value of goodwill assigned to a particular reporting unit to its carrying value. The Corporation has concluded that no provision for impairment was required at December 31, 2003.

Amortization of goodwill totaled \$153,000 in 2001. The increase in goodwill amortization in 2001 resulted from the acquisition of Robert C. Sheehan & Associates, Inc.

Write-down of Leasehold Improvements

During 2001 the Corporation completed its leasehold improvements on its new expanded facilities in Toronto and rebuilt a portion of its existing facilities. The rebuild of the existing facilities resulted in a write-down of the old leasehold improvements of approximately \$0.2 million.

Income Taxes

Income taxes totaled nil, \$40,725 and \$15,685 in 2003, 2002 and 2001 respectively. The Corporation has net operating loss carry forwards in Canada of approximately \$5.2 million and in the United States of approximately \$15.2 million that may be used to offset future taxable earnings. The benefits of these losses have not been reflected in the consolidated financial statements as the Corporation has recorded a valuation allowance against the tax benefit of these losses. The losses expire in Canada beginning in 2007 and expire in the United States beginning in 2011.

Net Loss from Continuing Operations

As a result of the factors discussed above, the net loss from continuing operations increased to \$7.5 million in 2003 from \$6.5 million in 2002 and from \$2.9 million in 2001. The loss per share from continuing operations increased to \$0.55 per share as compared to a loss of \$0.52 per share in 2002 and a loss of \$0.26 per share in 2001.

Loss from Discontinued Operations

In September 2001, the Corporation ceased operations of its wholly-owned subsidiary, eContracts, Inc. ("eContracts"), a developer and supplier of on-line procurement and supply chain integration solutions. Accordingly, the consolidated financial statements for all periods presented have reflected this business separately from continuing operations. The Corporation recorded a loss from discontinued operations in 2001 of \$1.2 million that included an impairment charge for goodwill of \$0.3 million, a stock compensation expense of \$0.1 million relating to contingent stock consideration paid and a loss from the operations of eContracts of \$0.8 million.

Transactions with Related Parties

During 2003, the Corporation purchased technical consulting services in the amount of \$36,000 (2002-\$93,000; 2001 – nil) from a company of which a director is a principal shareholder. Management consulting services from the same director were also purchased for \$216,000 (2002 - \$262,000; 2001 – nil). These services were purchased in the normal course of business and have been recorded at the exchange amount. The management consulting services arrangement with the director was terminated in Q3 2003.

Acquisition

Robert C. Sheehan & Associates, Inc.

In April 2001, the Corporation acquired all of the outstanding shares of Robert C. Sheehan & Associates, Inc. ("RCS") for cash consideration of \$1.7 million. As of December 31, 2001, \$0.4 million of the cash consideration remained payable to the vendor of RCS, which amount was subsequently paid in January 2002.

RCS is a broker-dealer that executes exchange-traded equity and index options on the Chicago Board Options Exchange and is a key component of the Corporation's strategy of being able to provide customers with connectivity to both equity and options markets from one trading platform.

Liquidity and Capital Resources

As of year-end the Corporation had cash and cash equivalents of \$4.3 million, a decrease of \$6.4 million or 60% from the \$10.7 million at the 2002 year-end. Cash utilized by continuing operations was \$3.1 million in 2003 as compared to \$2.4 million in 2002 and \$1.2 million in 2001. The Corporation had a demand Canadian operating facility of \$1 million and has an additional facility of US \$0.6 million that may be used to finance leasehold improvements in the Corporation's U.S. operations. As of year-end, the Corporation had fully utilized the Canadian facility, and was repaying the loan in blended monthly payments of principal and interest of approximately \$31,000. The Corporation believes that its working capital of \$4.8 million will be sufficient to meet the anticipated daily cash requirements throughout fiscal 2003, although the Corporation may raise additional capital in 2003 to fund potential acquisitions.

The Corporation used \$1.0 million for investing activities in 2003 as compared to using \$2.2 million in 2002 and \$2.1 million in 2001. During 2003, the Corporation acquired computer and network equipment for its CBOE HyTS project and added additional backup capabilities to its network infrastructure. The Corporation paid \$1.0 million in cash for capital asset expenditures in 2003 with an additional \$0.3 million of capital asset expenditures being financed through a capital lease program. During 2002 the Corporation built out its network infrastructure and acquired computer and network equipment for \$1.8 million in cash with an additional \$1.6 million of capital asset expenditures being financed through a capital lease program. The Corporation also made a final payment in 2002 relating to the acquisition of Robert C. Sheehan & Associates of \$363,000. In 2001, capital expenditures on leasehold improvements and furniture and equipment at the Toronto corporate office were made of approximately \$1.3 million. The Corporation also incurred significant capital expenditures for computer equipment in 2001 of approximately \$1.4 million, of which approximately \$1.2 million was financed through a capital leasing program. The Corporation also made the initial acquisition of Robert C. Sheehan in April 2001, resulting in a cost of \$683,000 in 2001.

The Corporation operates a large enterprise network providing connectivity between its clients, its offices and high-speed access to a multitude of destinations for live trade execution and as a result anticipates continuing capital expenditures on computer and network equipment during 2004, such capital expenditures to be funded through a combination of cash and capital leases. Expenditure levels should be consistent with 2003 levels as the company maintains its infrastructure rather than builds it out significantly.

MANAGEMENT DISCUSSION AND ANALYSIS

The Corporation utilized cash of \$2.0 million for financing activities in 2003 as compared to generating cash of \$11.1 million and \$3.6 million from financing activities in 2002 and 2001 respectively. In 2003, the Corporation made repayments under capital lease obligations of \$1.6 million, repaid \$0.3 million of its bank loan and repurchased 25,000 common shares for cancellation under a Normal Course issuer Bid for a cost of \$0.1 million. In 2002, the Corporation completed a private placement of common shares and warrants of approximately \$13.1 million, and repurchased 54,500 common shares for cancellation under a Normal Course issuer Bid for a cost of \$0.2 million. In 2001, the Corporation issued 333,334 common shares from treasury for net proceeds of \$4.7 million in private placements and repurchased 91,900 common shares for cancellation under a Normal Course Issuer Bid for a cost of \$0.8 million. The Corporation issued 2,000 common shares in 2002 upon the exercise of stock options by employees for proceeds of \$6,000 and issued 66,600 common shares in 2001 upon the exercise of stock options by employees for proceeds of \$205,000. The Corporation made repayments under capital lease obligations of \$1.7 million in 2002 and repayments under capital lease obligations of \$1.1 million in 2001. The Corporation received proceeds of \$255,000 from a bank loan in 2002 and repaid \$335,000 of the loan in 2002. The Corporation received proceeds of \$744,000 from a bank loan in 2001 and repaid \$111,000 of the loan in 2001.

During 2003, 1,326,887 warrants (2002 – 50,000 warrants) issued in the 2000 and 2002 years expired unexercised (refer note 10(a)).

Subsequent to year-end the Toronto Stock Exchange approved a Normal Course Issuer Bid for the Corporation to repurchase, at its discretion, up to 686,000 of its common shares between April 1, 2004 and March 31, 2005.

Commitments and Contractual Obligations

As of December 31, 2004, the Corporation had future commitments and contractual obligations as summarized in the following table. These commitments are principally comprised of operating leases for the Corporation's leased premises and minimum capital lease obligations for fixed asset purchases already made.

Year	
2004	\$ 3,277,431
2005	2,393,270
2006	2,053,577
2007	1,948,750
2008	1,415,596
2009	982,054
	<u>\$ 12,070,678</u>

The Corporation does not enter into off-balance sheet financing as a matter of practice except for the use of operating leases for office space and vehicles. In accordance with GAAP, neither the lease liability nor the underlying asset is carried on the balance sheet, as the terms of the leases do not meet the criteria for capitalization.

The Corporation typically agrees in its sales contracts to indemnify its customers for any expenses or liability resulting from claimed infringements of patents, trademarks or copyrights of third parties. The term of these indemnification agreements are generally perpetual any time after execution of the agreement. The maximum amount of potential future indemnification is generally limited as specified on a contract by contract basis. To date, the Corporation has not paid any amounts to settle claims or defend lawsuits.

Future Outlook

The Corporation intends to continue its revenue model by concentrating on greater connectivity and promoting charges to customers based upon a transaction based model. While the Corporation expects that subscription fee revenue will decline modestly in dollar terms, transaction based revenue is expected to continue to increase at a far more rapid pace, as evidenced in 2002. As well, continued expansion in the United States is expected to generate an increasing percentage of revenue.

The acquisition of Robert C. Sheehan & Associates, Inc. proved to be a successful strategy in giving the Corporation not only an additional revenue stream but also access to potential new customers. The Corporation will look favourably upon possible future similar acquisitions.

Connectivity to an increasing number of destinations remains a priority and the Corporation feels this will remain a competitive advantage.

The Corporation expects to realize improving gross margins as a result of becoming self-clearing, thereby making each new dollar of transaction revenue more profitable in 2004 than in earlier periods.

**Management’s Responsibility
for Financial Reporting**

Management of Belzberg Technologies (the Company) is responsible for the preparation and integrity of the financial statements as well as the information contained in this report. The following financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and have been audited in accordance with Canadian generally accepted auditing standards that involve management’s best estimates and judgments based on available information.

The Company's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that the financial statements have been prepared according to and within reasonable limits of materiality and that the financial information throughout this report is consistent with these.

The Audit Committee is appointed by the Board and consists of three directors of which two are independent. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters, and financial reporting issues, to satisfy itself that each party is discharging its responsibilities effectively, and to review the annual report, the consolidated financial statements, and the external auditors’ report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

KPMG LLP have been appointed Belzberg Technologies’ auditors. The Board of Directors of Belzberg Technologies and the management team have reviewed and approved the financial statements and information contained in this report. The auditors’ report on the accompanying financial statements follows.

Auditors’ Report

to the Shareholders of Belzberg Technologies Inc.

We have audited the consolidated balance sheets of Belzberg Technologies Inc. as at December 31, 2003 and 2002 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 Corporation as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2001 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated March 1, 2002.



Chartered Accountants

Toronto, Canada
February 13, 2004, except
as to note 9(a) which is
as of March 29, 2004

CONSOLIDATED FINANCIAL STATEMENTS – FINANCIALS

CONSOLIDATED BALANCE SHEETS

BELZBERG TECHNOLOGIES INC | December 31, 2003 and 2002 (in Canadian dollars)

	2003	2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (note 8)	\$ 4,300,798	\$ 10,747,932
Deposits with and receivables from brokers, dealers and clearing organizations (note 2)	1,075,769	2,340,766
Accounts receivable	3,262,955	3,149,016
Government assistance receivable (note 3)	303,832	52,706
Prepaid expenses and other receivables	439,404	612,532
Other (note 4)	602,410	50,483
	9,985,168	16,953,435
CAPITAL ASSETS (note 5)	4,633,610	5,835,643
GOODWILL (note 1(d))	755,239	755,239
	\$ 15,374,017	\$ 23,544,317
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 3,616,986	\$ 2,444,773
Accrued restructuring charges (note 6)	351,869	523,986
Deferred revenue	–	9,200
Bank loan (note 7)	203,352	553,706
Current portion of obligations under capital lease (note 8)	1,058,197	1,617,620
	5,230,404	5,149,285
OBLIGATIONS UNDER CAPITAL LEASE (note 8)	465,388	1,208,087
	5,695,792	6,357,372
SHAREHOLDERS' EQUITY		
Capital Stock (note 9)	34,575,877	34,638,877
Contributed Surplus (notes 9 and 10)	1,290,090	315,259
Warrants (note 10)	1,665,700	2,573,085
Deficit	(27,853,442)	(20,340,276)
	9,678,225	17,186,945
	\$ 15,374,017	\$ 23,544,317

Commitments, contingencies and guarantees (note 14)
 Subsequent event (notes 3, 8 and 9(a))
 See accompanying notes to consolidated financial statements.

APPROVED ON BEHALF OF THE BOARD

..... Director
 Director

CONSOLIDATED FINANCIAL STATEMENTS – FINANCIALS

CONSOLIDATED STATEMENTS OF OPERATIONS

BELZBERG TECHNOLOGIES INC | Years ended December 31, 2003, 2002 and 2001 (in Canadian dollars)

	2003	2002	2001
REVENUE	\$ 22,677,662	\$ 29,593,587	\$ 24,460,071
COST OF REVENUE	14,061,591	16,340,800	10,811,573
GROSS MARGIN	8,616,071	13,252,787	13,648,498
EXPENSES (INCOME):			
Sales and marketing	4,246,358	4,208,184	4,381,560
Research and development	3,645,394	5,269,721	3,694,903
Government assistance	(303,832)	(218,646)	–
Administration	5,234,336	6,218,283	6,263,562
Foreign exchange gain	(321,830)	(28,717)	(363,249)
Non-recurring Philadelphia expenses (note 6)	–	302,053	440,564
	12,500,426	15,750,878	14,417,340
LOSS FROM CONTINUING OPERATIONS BEFORE UNDERNOTED ITEMS	(3,884,355)	(2,498,091)	(768,842)
AMORTIZATION	2,766,621	2,248,642	1,799,338
WRITE-DOWN OF LEASEHOLD IMPROVEMENTS	–	–	153,195
INTEREST EXPENSE, NET	116,049	227,897	154,083
RESTRUCTURING CHARGES (note 6)	746,141	1,533,477	–
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(7,513,166)	(6,508,107)	(2,875,458)
INCOME TAXES (note 11)	–	40,725	15,685
LOSS FROM CONTINUING OPERATIONS	(7,513,166)	(6,548,832)	(2,891,143)
LOSS FROM DISCONTINUED OPERATIONS (note 17)	–	–	(1,193,301)
LOSS FOR THE YEAR	\$ (7,513,166)	\$ (6,548,832)	\$ (4,084,444)
LOSS PER SHARE FROM CONTINUING OPERATIONS:			
Basic and diluted	\$ (0.55)	\$ (0.52)	\$ (0.26)
LOSS PER SHARE:			
Basic and diluted	\$ (0.55)	\$ (0.52)	\$ (0.37)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	13,715,004	12,490,324	10,998,383

See accompanying notes to consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS – FINANCIALS

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

BELZBERG TECHNOLOGIES INC | Years ended December 31, 2003, 2002 and 2001 (in Canadian dollars)

	Number of common shares	Amount	Number of warrants	Amount	Contributed surplus	Deficit	Total
Balance, December 31, 2000	10,731,390	\$ 17,957,181	1,800,000	\$ 1,782,900	\$ –	\$ (9,075,468)	\$ 10,664,613
Issue of common shares:							
For cash in private placement (note 9(c))	333,334	5,000,000	–	–	–	–	5,000,000
Share issuance costs (note 9(c))	–	(301,009)	–	–	–	–	(301,009)
Exercise of stock options (note 9(e))	66,600	205,000	–	–	–	–	205,000
As compensation expense (note 9(c))	21,500	136,560	–	–	–	–	136,560
Repurchase of common shares (note 9(a))	(91,900)	(184,479)	–	–	–	(631,532)	(816,011)
Loss for the year	–	–	–	–	–	(4,084,444)	(4,084,444)
Balance, December 31, 2001	11,060,924	22,813,253	1,800,000	1,782,900	–	(13,791,444)	10,804,709
Issue of common shares:							
For cash in private placement (notes 9(b) & 10(a))	2,730,000	13,484,874	–	–	–	–	13,484,874
Share issuance costs (note 10(a))	–	(1,540,560)	–	–	251,979	–	(1,288,581)
Exercise of stock options (note 9(e))	2,000	6,000	–	–	–	–	6,000
Repurchase of common shares (note 9(a))	(54,500)	(124,690)	–	–	(83,720)	–	(208,410)
Issue of warrants:							
For cash in private placement (note 10(a))	–	–	682,504	847,626	–	–	847,626
As compensation expense (note 10(a))	–	–	44,383	58,559	–	–	58,559
Expiration of warrants (note 10(a))	–	–	(50,000)	(116,000)	116,000	–	–
Stock-based compensation (note 9(g))	–	–	–	–	31,000	–	31,000
Loss for the year	–	–	–	–	–	(6,548,832)	(6,548,832)
Balance, December 31, 2002	13,738,424	34,638,877	2,476,887	2,573,085	315,259	(20,340,276)	17,186,945
Repurchase of common shares (note 9(a))	(25,000)	(63,000)	–	–	(12,375)	–	(75,375)
Expiration of warrants (note 10(a))	–	–	(1,326,887)	(907,385)	907,385	–	–
Stock-based compensation (note 9(h))	–	–	–	–	79,821	–	79,821
Loss for the year	–	–	–	–	–	(7,513,166)	(7,513,166)
Balance, December 31, 2003	13,713,424	\$ 34,575,877	1,150,000	\$ 1,665,700	\$ 1,290,090	\$(27,853,442)	\$ 9,678,225

See accompanying notes to consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS – FINANCIALS

CONSOLIDATED STATEMENTS OF CASH FLOWS

BELZBERG TECHNOLOGIES INC | Years ended December 31, 2003, 2002 and 2001 (in Canadian dollars)

	2003	2002	2001
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES:			
Loss from continuing operations	\$ (7,513,166)	\$ (6,548,832)	\$ (2,891,143)
Items not involving cash:			
Amortization of capital assets	2,766,621	2,248,642	1,646,540
Amortization of goodwill	–	–	152,798
Gain on sale and leaseback of capital assets (note 5)	(9,200)	(105,082)	(104,684)
Write-down of leasehold improvements	–	–	153,195
Unrealized foreign exchange loss (gain)	412,199	2,374	(71,892)
Stock-based compensation (note 9(g) and (h))	95,321	11,625	–
Change in non-cash operating working capital (note 12)	1,163,417	1,946,170	(81,754)
	(3,084,808)	(2,445,103)	(1,196,940)
FINANCING ACTIVITIES:			
Repayment of obligations under capital lease	(1,570,551)	(1,712,966)	(1,122,347)
Proceeds from bank loan	–	255,558	744,442
Repayment of bank loan	(350,354)	(335,063)	(111,231)
Net proceeds from issuance of common shares (note 9(b) and (c))	–	12,254,852	4,698,991
Proceeds from issuance of warrants (note 10 (a))	–	847,626	–
Proceeds from the exercise of stock options (note 9 (e))	–	6,000	205,000
Repurchase of common shares (note 9(a))	(75,375)	(208,410)	(816,011)
	(1,996,280)	11,107,597	3,598,844
INVESTING ACTIVITIES:			
Purchase of capital assets	(953,847)	(1,835,892)	(1,466,424)
Acquisitions, net of cash acquired (note 18)	–	(362,674)	(683,440)
	(953,847)	(2,198,566)	(2,149,864)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(412,199)	(2,374)	71,892
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	(6,447,134)	6,461,554	323,932
CASH USED BY DISCONTINUED OPERATIONS	–	–	(741,476)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,447,134)	6,461,554	(417,544)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,747,932	4,286,378	4,703,922
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,300,798	\$ 10,747,932	\$ 4,286,378
REPRESENTED BY:			
Cash	\$ 2,212,153	\$ 4,058,661	\$ 2,626,065
Cash equivalents	2,088,645	6,689,271	1,660,313
	\$ 4,300,798	\$ 10,747,932	\$ 4,286,378
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest received	\$ 131,354	\$ 245,604	\$ 311,965
Interest paid	247,403	473,501	466,048
Income taxes paid	–	17,761	7,632
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:			
Value of share capital:			
Issued for services (note 9(c))	–	–	136,560
Compensation options issued to consultants (note 9(g))	–	31,000	–
Compensation options issued on private placement (note 10(a))	–	310,538	–
Acquisition of capital assets with capital leases	252,059	1,600,431	1,212,681

See accompanying notes to consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2003, 2002 and 2001

Expressed in Canadian dollars except where otherwise indicated.

Belzberg Technologies Inc. and its wholly owned subsidiaries (the "Corporation") is a leading provider of trade execution, order management and routing software for the financial industry. The Corporation's customers, who include both broker-dealers and their customers, use Belzberg trading software to buy and sell equities and stock options on a variety of stock exchanges, electronic markets known as ECNs and NASDAQ market makers. Belzberg products enable traders to execute and manage large volumes of transactions at high speed, with reliability and security.

The Corporation also operates a floor brokerage that provides the execution of exchange-traded equity and index options on the Chicago Board Options Exchange.

[1] SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies:

(a) Consolidation

The consolidated financial statements of the Corporation include the accounts of Belzberg Technologies Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments having an original term to maturity of less than or equal to 90 days.

(c) Capital assets

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives over the following terms:

Furniture and equipment	10 years
Computer equipment and software	3 years
Computer equipment and software under capital leases	3 years
Leasehold improvements	Term of lease

The gain on sale and leaseback of computer equipment is recorded as deferred revenue and is amortized on a straight-line basis over the term of the lease.

(d) Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired.

Effective January 1, 2002, the Corporation adopted the new Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3062, Goodwill and Other Intangible Assets ("HB 3062"). Under the new recommendations, goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment is tested by comparing the fair value of goodwill assigned to a particular reporting unit to its carrying value.

Prior to the adoption of HB 3062, the Corporation reviewed the carrying value of goodwill for potential impairment on an ongoing basis. In order to determine if such a permanent impairment existed, management considered projected future earnings before income taxes, cash flows and market-related values of the acquired businesses.

Prior to adoption of HB 3062, goodwill was amortized on a straight-line basis over seven years. The following table presents the effect on the prior years as though the Corporation had retroactively adopted the change in accounting policy of not amortizing goodwill:

	2003	2002	2001
Loss for the year:			
As reported	\$ (7,513,166)	\$ (6,548,832)	\$ (4,084,444)
Add back goodwill amortization	–	–	152,798
Adjusted loss for the year	\$ (7,513,166)	\$ (6,548,832)	\$ (3,931,646)
Basic and diluted loss per share:			
As reported	\$ (0.55)	\$ (0.52)	\$ (0.37)
Amortization of goodwill	–	–	0.01
Adjusted basic and diluted loss per share for the year	\$ (0.55)	\$ (0.52)	\$ (0.36)

Goodwill as at December 31, 2003 and 2002 was allocated to the Core reporting unit (\$382,049) and the Brokerage reporting unit (\$373,190).

(e) Revenue recognition and deferred revenue

The Corporation's revenue is derived primarily from:

[I] Subscription fees for providing routing software and services, used for equity and options trading, on a flat fee per terminal or per month basis;

[II] Transaction fees for providing routing software and services, used for equity and options trading, on a per share/option or per trade basis and transaction fees for the execution of exchange traded equity and index options from the floor brokerage; and

[III] Other revenue from the development and installation of software for equity and options trading and other revenue from the distribution of financial information and other services.

Revenue is recognized from subscription fees and transaction fees on a monthly basis as the services are provided once evidence of an arrangement exists, the software has been delivered and accepted, and collectibility is assured.

Transaction fees from both the broker-dealer and floor brokerage operations are recognized once the trades have been executed and collectibility is assured.

Revenue derived from the development and installation of software for equity and options trading execution is recognized on a percentage-of-completion basis.

Revenue from the distribution of financial information and other services is recognized on a monthly basis as the services are provided once a contract has been signed and collectibility is assured.

Deferred revenue represents billings in advance of the provision of services.

(f) Research and development and government assistance

The Corporation expenses research and development costs as incurred unless they meet the criteria under generally accepted accounting principles for deferral and amortization. Government assistance for research and development is recognized when earned and when the amount and timing of realization is reasonably determinable.

(g) Foreign currency translation

The Corporation's foreign operating subsidiaries are considered to be integrated operations and are translated into Canadian dollars using current rates of exchange for monetary assets and liabilities, historical rates of exchange for non-monetary assets and liabilities, and average rates for revenue and expenses, except amortization,

which is translated at the rates of exchange applicable to the related assets. Gains or losses resulting from these translation adjustments are included in income.

Current monetary assets and liabilities of the Corporation that are denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet dates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. Any resulting foreign currency translation gains or losses are included in income in the current year.

(h) Income taxes

The Corporation uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Valuation allowances are established when necessary to reduce future income tax assets to the amounts expected to be realized. Income tax expense consists of the income taxes payable for the year and the change during the year in future income tax assets and liabilities.

(i) Stock-based compensation and other stock-based payments

During 2003, the Corporation adopted the revised CICA HB 3870, Stock-Based Compensation and Other Stock-based Payments, which requires that a fair value method of accounting be applied to all stock-based compensation payments to both employees and non-employees. In accordance with the transitional provisions of HB 3870, the Corporation has prospectively applied the fair value method of accounting for stock option awards granted after January 1, 2003 and, accordingly, has recorded compensation expense in 2003. Prior to January 1, 2003, the Corporation accounted for its employee stock options using the settlement method and no compensation expense was recognized. For awards granted in 2002, the standard requires the disclosure of pro forma loss and loss per share information as if the Corporation had accounted for employee stock options under the fair value method. The pro forma effect of awards granted prior to January 1, 2002 has not been included in the pro forma loss for the year and loss per share information.

The estimated fair value of the option is amortized to income over the vesting period, on a straight-line basis, and is determined using the Black-Scholes option pricing model.

The pro forma disclosure related to options granted in 2002, using a weighted average grant date fair value of \$2.07 based on the following weighted average assumptions: risk-free interest rate - 4.4%; expected life of options - 4.6 years; expected volatility - 48%; expected dividend yield - 0%, is as follows:

	2003	2002
Loss for the year:		
As reported	\$ (7,513,166)	\$ (6,548,832)
Pro forma	(7,732,643)	(6,922,312)
Basic and diluted loss per share:		
As reported	\$ (0.55)	\$ (0.52)
Pro forma	(0.56)	(0.55)

Share purchase warrants are valued at fair value on the date of issuance using the Black-Scholes option pricing model.

Refer to note 9 for details of stock-based compensation recorded in the statements of operations.

(j) Earnings (loss) per share

Basic earnings (loss) per share are computed by dividing net earnings (loss) by the weighted average shares outstanding during the reporting period. Diluted earnings (loss) per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, warrants and compensation options, if dilutive ("dilutive securities"). The number of additional shares is calculated by assuming that outstanding dilutive securities were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

(k) Foreign exchange risk

The Corporation enters into transactions in multiple currencies (primarily U.S. and Canadian dollars) and is, therefore, subject to gains and losses due to fluctuations between those two currencies. The Corporation has, from time to time, entered into forward contracts intended to manage portions of this risk. The Corporation does not enter into forward contracts for trading or speculative purposes. Forward contracts are not recorded in these consolidated financial statements on their inception. Any unrealized or realized gains or losses from such financial instruments are recognized in income (loss) from operations in the period in which they are incurred.

(l) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the years. Actual results could differ from such estimates.

(m) Workforce reduction and restructuring charges

Effective April 1, 2003, the Corporation adopted the new CICA Emerging Issues Committee Abstracts EIC-134, Accounting for Severance and Termination Benefits, and EIC-135, Accounting for Costs Associated with Exit and Disposal Activities, which establishes standards for recognizing, measuring and disclosing costs relating to an exit or disposal activity. The Corporation has applied the new standards to restructuring plans initiated after March 31, 2003.

These EICs allow recognition of a liability for an exit or disposal activity only when the costs are incurred and can be measured at fair value. Previously, a commitment to an exit or disposal plan was sufficient to record the majority of costs.

(n) Guarantees

Obligations under guarantees are not recognized in the financial statements but are disclosed in accordance with CICA Accounting Guideline 14, Disclosure of Guarantees. The guideline does not apply to product warranties.

[2] DEPOSITS WITH AND RECEIVABLES FROM BROKERS, DEALERS AND CLEARING ORGANIZATIONS

The Corporation is required to maintain certain deposits and has certain receivables with brokers, dealers and clearing organizations to facilitate its clearing and settlement activities. These amounts are made up as follows:

	2003	2002
Cash equivalents on deposit with clearing organization, at market	\$ 194,098	\$ 236,018
Deposits with and receivables from:		
Clearing organizations	19,704	136,087
Brokers and dealers	861,967	1,968,661
	\$ 1,075,769	\$ 2,340,766

CONSOLIDATED FINANCIAL STATEMENTS – NOTES

[3] GOVERNMENT ASSISTANCE

During 2003, the Corporation recognized provincial scientific research and experimental development ("SR&ED") tax credits of \$303,832 relating to its 2000 and 2001 tax years. Provincial SR&ED tax credits are refundable in cash. The amounts were received subsequent to year end. Refer to note 11 for federal SR&ED tax credits.

During 2002, the Corporation recognized federal and provincial SR&ED tax credits of \$218,646 relating to its 1999 tax year. Prior to its 2000 tax year, both the federal and provincial SR&ED tax credits were refundable in cash, as the Corporation was a Canadian controlled private corporation as defined in the Income Tax Act of Canada.

[4] OTHER CURRENT ASSETS

Other current assets consist of a demand note receivable, a portfolio investment and unrealized gains on forward exchange contracts (note 16(b)).

[5] CAPITAL ASSETS

	2003		
	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 626,513	\$ 224,779	\$ 401,734
Computer equipment and software	3,105,104	1,088,053	2,017,051
Computer equipment and software under capital lease	2,995,056	1,805,471	1,189,585
Leasehold improvements	1,512,076	486,836	1,025,240
	\$ 8,238,749	\$ 3,605,139	\$ 4,633,610

	2002		
	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 645,438	\$ 182,756	\$ 462,682
Computer equipment and software	2,198,234	613,699	1,584,535
Computer equipment and software under capital lease	5,386,914	2,870,040	2,516,874
Leasehold improvements	1,504,171	232,619	1,271,552
	\$ 9,734,757	\$ 3,899,114	\$ 5,835,643

The Corporation reduces the cost and accumulated amortization of fully depreciated assets.

In 2000, the Corporation sold and leased back certain computer equipment. The gain on sale of approximately \$259,000 was recorded as deferred revenue and is amortized on a straight-line basis over the thirty-month period of the lease. The Corporation recognized \$9,200 of the gain in 2003 (2002 - \$105,082; 2001 - \$104,684).

Amortization of computer equipment and software under capital lease amounted to \$1,584,150 for the year ended December 31, 2003 (2002 - \$1,628,641; 2001 - \$1,204,276).

[6] ACCRUED RESTRUCTURING CHARGES

	December 31, 2002	Provision	Cash payment	December 31, 2003
Accrued restructuring charges:				
2002 restructuring (i)	\$ 523,986	\$ 273,284	\$ 770,424	\$ 26,846
2003 restructuring:				
Quarter ended: September 30 (ii)	–	254,232	95,915	158,317
December 31 (iii)	–	218,625	51,919	166,706
	\$ 523,986	\$ 746,141	\$ 918,258	\$ 351,869

2003 restructuring

- (i) During the quarter ended March 31, 2003, the Corporation completed the restructuring of certain of its finance, sales and research and development operations announced in the quarter ended December 31, 2002 and recorded an additional restructuring charge of \$273,284 for employee severances and benefits.
- (ii) During the quarter ended September 30, 2003, the Corporation restructured its research and development operations and recorded a restructuring charge of \$254,232 for employee severances and benefits.
- (iii) During the quarter ended December 31, 2003, the Corporation restructured certain of its research and development, administrative and floor brokerage operations and recorded a restructuring charge of \$218,625 for employee severances and benefits.

2002 restructuring

During the year ended December 31, 2002, the Corporation restructured certain of its finance, administrative and floor broker operations, resulting in a restructuring charge of \$714,355 for employee severance. On March 1, 2002, the Corporation closed its Philadelphia office and ended its relationship with its President and other employees and recorded a restructuring charge of \$819,122 relating to employee severance, lease termination and other costs.

Expenses related to the Philadelphia office prior to its closure were \$302,053 (2001 - \$440,564).

[7] BANK LOAN AND CREDIT FACILITIES

The Corporation had a demand Canadian dollar operating facility of \$1.0 million, and has an additional U.S. \$625,000 that may be used to finance leasehold improvements. The Corporation has fully utilized the Canadian facility, repayable in blended monthly payments of principal and interest of approximately \$31,000. The loan bears interest at the bank's prime rate plus 1.125%. The loan is secured by a general security agreement on the Corporation's assets.

The Corporation's subsidiary, Electronic Brokerage Systems, LLC has available a secured credit facility of U.S. \$5 million that may be used to facilitate its clearing and settlement activities. The facility is collateralized by an equivalent amount of cash or cash equivalents held at the bank. As at December 31, 2003, no amounts were outstanding under this credit facility.

[8] OBLIGATIONS UNDER CAPITAL LEASE

The Corporation is committed to the following minimum payments under capital lease obligations:

2004	\$ 1,132,184
2005	415,649
2006	90,643
	1,638,476
Less interest at average annual rate of 12%	114,891
	1,523,585
Less current portion	1,058,197
	\$ 465,388

Interest expense on capital lease obligations amounted to \$218,696 for the year ended December 31, 2003 (2002 - \$415,461; 2001 - \$451,573).

The Corporation is required to maintain on deposit with a certain financial institution an amount of at least equivalent to two times the outstanding balance at any time of a specific capital lease obligation. As at December 31, 2003, this deposit approximated \$450,000. Subsequent to the year end, the preceding financial covenant was reduced to an amount of at least equivalent to one times the outstanding lease balance at any time.

[9] CAPITAL STOCK AND STOCK OPTIONS

The following summarizes changes to capital stock during the periods:

Authorized:

Unlimited common shares

(a) Normal course issuer bid

During the year ended December 31, 2003, the Corporation, pursuant to a Normal Course Issuer Bid, repurchased and cancelled 25,000 common shares (2002 - 54,500; 2001 - 91,900) for total cash consideration of \$75,375 (2002 - \$208,410; 2001 - \$816,011). The excess of the purchase cost of these shares over their carrying value of \$12,375 (2002 - \$83,720; 2001 - \$631,532) was recorded as a reduction of contributed surplus (2001 - charged to deficit).

In March 2004, The Toronto Stock Exchange approved a Normal Course Issuer Bid for the Corporation to repurchase up to 686,000 of its common shares over the period from April 1, 2004 to March 31, 2005.

(b) 2002 activity

On June 21, 2002, the Corporation issued 2,730,000 common shares upon exercise of the special warrants issued on April 16, 2002 in the private placement described in note 10(a).

(c) 2001 activity

Pursuant to a private placement dated as of January 26, 2001, the Corporation sold 333,334 common shares to an investor at a price of \$15 per common share for gross proceeds of \$5,000,000 less cash issuance costs of \$301,009. The Corporation also issued 21,500 common shares as consideration for services rendered, at a cost of \$136,560.

(d) The Corporation has a stock option plan under which the Board of Directors may grant to employees, officers, directors and consultants stock options to purchase from treasury up to 5,032,400 common shares of the Corporation, of which 432,700 (2002 - 506,133; 2001 - 6,250) remained available to be issued at year end.

(e) Summarized information relative to the Corporation's stock option plan is as follows:

		2003
	Options	Weighted average exercise price
Outstanding, beginning of year	4,526,267	\$6.63
Granted	494,500	3.44
Exercised	—	—
Cancelled/expired	(421,067)	8.65
Outstanding, end of year	4,599,700	6.10
Options exercisable, end of year	3,820,634	\$6.50

		2002
	Options	Weighted average exercise price
Outstanding, beginning of year	5,028,150	\$6.44
Granted	521,000	4.64
Exercised	(2,000)	3.00
Cancelled/expired	(1,020,883)	4.63
Outstanding, end of year	4,526,267	6.63
Options exercisable, end of year	3,853,050	\$6.68

		2001
	Options	Weighted average exercise price
Outstanding, beginning of year	3,889,500	\$6.83
Granted	1,582,050	6.05
Exercised	(66,600)	3.08
Cancelled/expired	(376,800)	9.98
Outstanding, end of year	5,028,150	6.44
Options exercisable, end of year	3,597,067	\$6.17

(f) The following table summarizes information about stock options outstanding at December 31, 2003:

Range of exercise prices	Options outstanding		Options exercisable	
	Number outstanding	Weighted average remaining life (years)	Number exercisable	Weighted average exercise price
\$ 2.97 - \$ 5.50	3,229,700	3.50	2,511,801	\$ 4.63
\$ 7.00 - \$ 10.00	968,000	1.87	906,833	8.04
\$ 12.00 - \$ 18.00	402,000	2.88	402,000	14.74
	4,599,700	3.10	3,820,634	6.50

(g) On March 23, 2002, the Corporation granted certain compensatory stock options to an outside consultant for services to be rendered. The fair value of the options was estimated at the date of the grant to be \$31,000 or \$1.55 per share using the Black-Scholes option pricing model with the following assumptions at the measurement date: risk-free interest rate - 4.5%; expected life of options - 2 years; expected volatility - 52%; expected dividend yield - 0%.

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The estimated fair value of the options of \$31,000 was recorded in contributed surplus and is being amortized as compensation expense over the period during which the services are being rendered. During the year ended December 31, 2003, the Corporation recognized \$15,500 (2002 - \$11,625) of the compensation expense.

- (h) For stock options granted to employees on or after January 1, 2003, the Corporation recorded compensation expense of \$79,821, of which \$54,820 is recorded in administration expense, \$19,947 in sales and marketing expense, \$3,361 in cost of revenue and \$1,693 in research and development expense.

The weighted average grant date fair value for employee options granted during the year ended December 31, 2003 was \$1.44, valued using the following weighted average assumptions: risk-free interest rate - 3.6%; expected life of the options - 3 years; expected volatility - 58%; expected dividend yield 0%.

[10] WARRANTS

The following summarizes share purchase warrants outstanding:

	2003		2002	
	Number of warrants	Weighted average price per common share to be purchased	Number of warrants	Weighted average price per common share to be purchased
Outstanding, beginning of year	2,476,887	\$ 6.10	1,800,000	\$ 6.38
Granted	–	–	726,887	5.50
Expired	(1,326,887)	7.53	(50,000)	7.76
Outstanding, end of year	1,150,000	4.43	2,476,887	6.10

(a) 2003 and 2002 activity

In February 2003, a total of 600,000 share purchase warrants issued in 2000 for proceeds of \$1,200 expired unexercised. Accordingly, \$1,200 has been reclassified from warrants to contributed surplus.

Pursuant to a private placement dated April 16, 2002, the Corporation sold 2,730,000 special warrants to investors at a price of \$5.25 per special warrant for gross proceeds of \$14,332,500, less cash issuance costs of \$1,230,022. Each special warrant consisted of one common share and one-quarter of one share purchase warrant equivalent to 682,504 whole share purchase warrants. The fair value of the share purchase warrants was estimated at the date of the grant to be \$847,626 using the Black-Scholes option pricing model and, accordingly, \$847,626 of the gross proceeds was allocated to the share purchase warrants. On June 21, 2002, the Corporation issued the 2,730,000 common shares and 682,504 share purchase warrants upon exercise of the special warrants. The 682,504 warrants expired unexercised in October 2003 and the allocated value was transferred to contributed surplus.

The Corporation also granted to the underwriters compensation options that entitled the holders to purchase 177,450 units at a price of \$5.25 per unit expiring October 16, 2003. Each unit consisted of one common share and one-quarter of one share purchase warrant, or 44,383 equivalent whole share purchase warrants. Each whole share purchase warrant entitled the holder to purchase an additional common share at a price of \$5.50 per share expiring October 16, 2003. The fair value of the compensation options was estimated at the date of the grant to be \$310,538 using the Black-Scholes option

pricing model of which \$58,559 was allocated to the share purchase warrants and the balance of \$251,979 to contributed surplus. The fair value of the compensation options was included in the share issuance costs. The 44,383 equivalent whole share purchase warrants expired unexercised on October 16, 2003 and the \$58,559 in allocated value was transferred to contributed surplus.

In March 2002, a total of 50,000 share purchase warrants issued in 2000 for proceeds of \$116,000 expired unexercised. Accordingly, \$116,000 was reclassified from warrants to contributed surplus.

- (b) The following table summarizes information about share purchase warrants outstanding at December 31, 2003:

Number of warrants	Price of common share to be purchased per warrant	Expiry date
550,000	\$4.00	February 10, 2005
500,000	5.00	February 14, 2005
100,000	4.00	June 30, 2005
1,150,000	4.43	

[11] INCOME TAXES

The provision for income taxes reported differs from the amount computed by applying the Canadian statutory rate to income before taxes for the following reasons:

	2003	2002	2001
Loss before income taxes	\$ (7,513,166)	\$(6,508,107)	\$(4,068,759)
Combined basic federal and provincial rate	36.62%	38.62%	41.75%
Recovery based on statutory income tax rate	\$ (2,751,321)	\$(2,513,431)	\$ (1,698,707)
Decrease in tax benefit resulting from:			
Losses and temporary differences incurred in the year not tax-affected	2,631,428	2,486,393	1,668,900
Permanent differences	119,893	27,038	29,807
U.S. corporate and minimum tax	–	40,725	15,685
	\$ –	\$ 40,725	\$ 15,685

The Corporation has accumulated income tax losses of approximately \$20,464,000 as at December 31, 2003 that may be used to reduce future taxable income. The benefit of these losses has not been reflected in these financial statements. The loss carryforwards expire as follows:

	Canada	United States	Total
2007	396,000	–	396,000
2008	893,000	–	893,000
2009	1,877,000	–	1,877,000
2010	2,048,000	–	2,048,000
2011	–	233,000	233,000
2012	–	1,748,000	1,748,000
2018	–	197,000	197,000
2019	–	422,000	422,000
2020	–	1,958,000	1,958,000
2021	–	2,738,000	2,738,000
2022	–	3,588,000	3,588,000
2023	–	4,366,000	4,366,000
	\$ 5,214,000	\$ 15,250,000	\$ 20,464,000

As at December 31, 2003, the Corporation had unrecorded investment tax credits of \$688,894 available to offset future federal income tax liabilities, of which \$296,720 expire in 2010 and \$392,174 expire in 2011.

The tax effect of loss carryforwards and significant temporary differences representing future income tax assets at December 31, 2003 and 2002 are as follows:

	2003	2002
Future income tax asset		
Tax benefit of loss carryforwards	\$ 7,983,418	\$ 6,822,571
Capital assets	200,598	235,534
Share issue costs	443,185	535,393
Research and development tax pool	733,984	362,144
Other	217,917	61,820
	9,579,102	8,017,462
Less valuation allowance	9,579,102	8,017,462
Future income tax asset	\$ -	\$ -

The Corporation has determined that realization of the future income tax asset does not meet the more-likely-than-not criterion for recognition and, therefore, a valuation allowance has been recorded against this future income tax asset.

[12] CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	2003	2002	2001
Accounts receivable	\$ (113,939)	\$ 1,566,190	\$ (208,195)
Government assistance receivable	(251,126)	(52,706)	1,149,779
Prepaid expenses and other receivables	173,998	423,332	(642,389)
Other current assets	(551,927)	(50,483)	-
Deposits with and receivables from brokers, dealers and clearing organizations	1,264,997	(265,717)	(1,056,046)
Accounts payable and accrued liabilities	822,731	483,380	917,887
Accrued restructuring charges	(172,117)	523,986	-
Deferred revenue	(9,200)	(681,812)	(242,790)
	\$ 1,163,417	\$ 1,946,170	\$ (81,754)

[13] RELATED PARTY TRANSACTIONS

During 2003, the Corporation purchased services in the amount of \$36,000 (2002 - \$93,000; 2001 - nil) from a company of which a director is a principal shareholder. Consulting services from the same director were also purchased for \$216,000 (2002 - \$262,000; 2001 - nil). These services were purchased in the normal course of business and have been recorded at the exchange amount.

[14] COMMITMENTS, CONTINGENCIES AND GUARANTEES

(a) The Corporation's commitments, primarily for occupancy costs, require future minimum payments, as summarized below at December 31, 2003:

2004	\$ 2,145,247
2005	1,977,621
2006	1,962,934
2007	1,948,750
2008	1,415,596
Thereafter	982,054
	\$ 10,432,202

(b) The Corporation has provided routine indemnifications to its customers against liability if the Corporation's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated. In some cases, the Corporation has recourse against other parties to mitigate its risk of loss from these guarantees. Historically, the Corporation has made no payments relating to these indemnifications and the Corporation is not subject to any pending litigation on this matter.

(c) Net capital requirements:

The Corporation's subsidiaries, Electronic Brokerage Systems, LLC ("EBS") and Robert C. Sheehan & Associates, LLC ("RCS") are subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital. Under this rule, EBS is required to maintain "net capital" equal to the greater of U.S. \$250,000 or 2% of aggregate debit balances arising from customer transactions, as defined, and RCS is required to maintain net capital equal to the greater of \$100,000 or 6-2/3% of "aggregate indebtedness", as defined.

As at December 31, 2003, EBS and RCS had net capital of U.S. \$1,762,928 and U.S. \$429,982, and a net capital requirement of U.S. \$250,000 and U.S. \$100,000, respectively.

(d) In the normal course of operations, the Corporation may be subject to litigation and claims. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Corporation.

[15] SEGMENTED INFORMATION

The Corporation operates and manages its business in one industry - the financial services sector. The Corporation has two reportable segments: the Core business and the Brokerage business. In the Core business, the Corporation creates and provides to institutional customers trade execution software, trade execution services through its agency only broker-dealer and a network for connecting to various exchanges and other markets in North America. The Brokerage business involves the execution of exchange-traded equity and index options on the floor of the Chicago Board Options Exchange.

The accounting policies of the segments are the same as those described in the significant accounting policies (note 1).

The Corporation evaluates performance of the Core business and the Brokerage business based on several factors, of which the primary financial measures are revenue and operating earnings (loss) from

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continuing operations. The Corporation defines operating earnings (loss) as earnings (loss) from continuing operations before amortization, net interest expense, income taxes and other non-recurring items.

(a) Industry segments:

2003	Core	Brokerage	Total
External revenue:			
Subscription fees	\$ 7,955,858	\$ –	\$ 7,955,858
Transaction fees	10,152,475	3,533,817	13,686,292
Other	1,035,512	–	1,035,512
	\$ 19,143,845	\$ 3,533,817	\$ 22,677,662
Operating loss from continuing operations	\$ (3,326,667)	\$ (557,688)	\$ (3,884,355)
Amortization			2,766,621
Restructuring charges			746,141
Interest expense, net			116,049
Loss from continuing operations before income taxes			\$ (7,513,166)
Total assets	\$ 13,809,400	\$ 1,564,617	\$ 15,374,017
Capital asset expenditures	1,205,906	–	1,205,906

2002	Core	Brokerage	Total
External revenue:			
Subscription fees	\$ 10,720,695	\$ –	\$ 10,720,695
Transaction fees	13,406,790	4,468,184	17,874,974
Other	929,035	68,883	997,918
	\$ 25,056,520	\$ 4,537,067	\$ 29,593,587
Operating earnings (loss) from continuing operations	\$ (2,879,323)	\$ 381,232	\$ (2,498,091)
Amortization			2,248,642
Restructuring charges			1,533,477
Interest expense, net			227,897
Loss from continuing operations before income taxes			\$ (6,508,107)
Total assets	\$ 20,824,471	\$ 2,719,846	\$ 23,544,317
Capital asset expenditures	3,359,558	76,765	3,436,323

2001	Core	Brokerage	Total
External revenue:			
Subscription fees	\$ 10,595,561	\$ –	\$ 10,595,561
Transaction fees	8,900,156	3,593,898	12,494,054
Other	1,291,143	79,313	1,370,456
	\$ 20,786,860	\$ 3,673,211	\$ 24,460,071
Operating earnings (loss) from continuing operations	\$ (933,546)	\$ 164,704	\$ (768,842)
Amortization			1,799,338
Write down of leasehold improvements			153,195
Interest income, net			154,083
Loss from continuing operations before income taxes			\$ (2,875,458)
Total assets	\$ 14,628,382	\$ 2,822,133	\$ 17,450,515
Capital asset expenditures	2,670,243	8,862	2,679,105
Goodwill additions	–	417,973	417,973

(b) Geographic segments:

The Corporation's external revenue by geographic region is based on the region in which the revenue is transacted. The total assets and capital assets are based on the geographic area in which the Corporation operates:

2003	Canada	United States	Total
External revenue:			
Subscription fees	\$ 6,057,613	\$ 1,898,245	\$ 7,955,858
Transaction fees	1,597,435	12,088,857	13,686,292
Other	865,918	169,594	1,035,512
	\$ 8,520,966	\$ 14,156,696	\$ 22,677,662
Total assets	\$ 6,095,804	\$ 9,278,213	\$ 15,374,017
Capital assets	3,083,306	1,550,304	4,633,610
Goodwill	–	755,239	755,239

2002	Canada	United States	Total
External revenue:			
Subscription fees	\$ 6,570,377	\$ 4,150,318	\$ 10,720,695
Transaction fees	1,952,721	15,922,253	17,874,974
Other	793,382	204,536	997,918
	\$ 9,316,480	\$ 20,277,107	\$ 29,593,587
Total assets	\$ 11,717,447	\$ 11,826,870	\$ 23,544,317
Capital assets	4,667,256	1,168,387	5,835,643
Goodwill	–	755,239	755,239

2001	Canada	United States	Total
External revenue:			
Subscription fees	\$ 6,511,498	\$ 4,084,063	\$ 10,595,561
Transaction fees	1,336,558	11,157,496	12,494,054
Other	936,745	433,711	1,370,456
	\$ 8,784,801	\$ 15,675,270	\$ 24,460,071
Total assets	\$ 8,512,615	\$ 8,937,900	\$ 17,450,515
Capital assets	3,745,797	902,165	4,647,962

[16] FINANCIAL INSTRUMENTS

(a) Fair values of financial instruments:

Cash and cash equivalents, accounts receivable, government assistance receivable, accounts payable and accrued liabilities and bank loan are all short-term in nature and, as such, their carrying values approximate fair values. Other financial instruments are recorded at amounts that approximate fair values.

(b) Foreign currency risk:

The Corporation operates internationally and, as such, is exposed to fluctuations in foreign exchange rates. The Corporation uses forward exchange contracts to limit its exposure to fluctuations in foreign exchange rates. The Corporation has entered into forward exchange contracts for the purchase of Cdn. \$4,500,000 at U.S. \$0.725 maturing in December 2004 (December 31, 2002 - purchase of Cdn. \$4,500,000 at U.S. \$0.634 and Cdn. \$3,000,000 at U.S. \$0.6197). As at December 31, 2003, the Corporation has recorded an unrealized gain of approximately \$220,000, included in other current assets. The unrealized loss at December 31, 2002 was \$7,000.

(c) Credit risk:

The Corporation is subject to risk of non-payment of accounts receivable. The Corporation mitigates this risk by monitoring the creditworthiness of its customers monthly as subscription and transaction fees are generated. At December 31, 2003, amounts due from five customers accounted for 32% of total accounts receivable with one customer accounting for approximately 11% of total accounts receivable (2002 - five customers for 35%). For the year ended December 31, 2003, one customer accounted for approximately 7% of total revenue (2002 - one customer for approximately 11%; 2001 - one customer for approximately 10%).

[17] DISCONTINUED OPERATIONS

On September 30, 2001, the Corporation ceased operations of its wholly owned subsidiary, eContracts, Inc., a developer and supplier of on-line procurement and supply chain integration solutions. Accordingly, the Corporation's consolidated financial statements for all years presented have been reclassified to reflect eContracts, Inc. as a discontinued business segment in accordance with CICA HB 3475.

Summarized financial information for the discontinued operation is as follows:

Revenue	\$ 30,668
<hr/>	
Loss before the following	\$ 746,451
Stock compensation expense (note 6)	136,560
Impairment charge for goodwill	310,290
<hr/>	
Loss from discontinued operations	\$ 1,193,301

[18] ACQUISITION

On April 1, 2001, the Corporation acquired all of the outstanding common shares of RCS for cash consideration of \$1,687,631. The acquisition has been accounted for under the purchase method, whereby the results of operations of RCS are included in the Corporation's results from the date of acquisition. As of December 31, 2001, \$362,674 of the cash consideration remained payable to the vendor, which was subsequently paid in January 2002.

The acquisition was recorded as follows:

Accounts receivable	\$ 786,300
Cash	670,063
Office furniture and equipment	18,558
Other assets	11,585
Accounts payable and accrued liabilities	(188,302)
Goodwill	417,973
Cost of acquisition	\$ 1,716,177
<hr/>	
Consideration paid:	
Cash	\$ 1,324,957
Due to vendor	362,674
Acquisition costs	28,546
	\$ 1,716,177

[19] COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year

Investor Contact

Stephen Wilson
Telephone: 416.360.2920
e-mail: swilson@belzberg.com
website: www.belzberg.com

Corporate Offices

Canada:

Toronto 40 King Street West, Suite 3400
(Head Office) Toronto, ON M5H 3Y2
Telephone: 416.360.1812

Montreal 360 St. Jacques West, Suite 415
Montreal, Quebec H2Y 1P5
Telephone: 519.380.8556

United States:

New York 55 Broad Street 28th Floor
New York, NY 10004
Telephone: 212.943.1400

Chicago 141 West Jackson 35th Floor, Suite 3510
Chicago Board of Trade Building
Chicago, IL 60604
Telephone: 1.866.600.3262

United Kingdom: 75 Cannon St., Suite 212
London EC4N 5BN
Telephone: +44 (0) 20.7556.7695

Transfer Agent

Computershare Trust Company of Canada
100 University Ave., 11th Floor
Toronto, ON M5J 2Y1
Telephone: 416.981.9633 or 800.663.9097
Fax: 416.981.9507
e-mail: Caregistryinfo@computershare.com
Web site: www.computershare.com

Auditors

KPMG LLP
Toronto, ON

Legal Counsel

Blake, Cassels & Graydon LLP
Toronto, ON

Market

Toronto Stock Exchange
Symbol: BLZ

Board of Directors

Sidney H. Belzberg

Chairman of the Board, President and Chief Executive Officer
of the Corporation

John Engels

Vice Chairman of the Board

Alicia Belzberg

Executive Vice President of the Corporation

Dr. William Gnam

Economist

Donald W. Wilson

Chief Operating Officer

Stephen Sadler

Chairman and CEO of Enghouse Systems Limited, a software developer

Officers

Sidney H. Belzberg

President and Chief Executive Officer

Alicia Belzberg

Executive Vice President

Stephen Wilson

Chief Financial Officer

Vice President, Operations

Donald W. Wilson

Chief Operating Officer

Under the rules of the Toronto Stock Exchange (TSX), every listed company must disclose its approach to corporate governance with reference to the guidelines set out by the TSX. The guidelines address matters such as the constitution and independence of the Board of Directors, functions to be performed by each member of the Board, and effectiveness of the Board. The Board of Directors of Belzberg Technologies believes that sound corporate governance practices are essential to the well-being of Belzberg Technologies, and have addressed each of the TSX's guidelines in the Information Circular.

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