

Consolidated Financial Statements

BELZBERG TECHNOLOGIES INC.

March 31, 2003

(in Canadian Dollars)

Unaudited

BELZBERG TECHNOLOGIES INC.

Consolidated Balance Sheets

(Unaudited)

(in Canadian dollars)

	March 31, 2003	December 31, 2002
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 10,168,903	\$ 13,088,698
Accounts receivable	3,353,635	3,149,016
Government assistance receivable	52,706	52,706
Prepaid expenses and other receivables	720,830	663,015
	<u>14,296,074</u>	<u>16,953,435</u>
CAPITAL ASSETS	5,403,568	5,835,643
GOODWILL	755,239	755,239
	<u>\$ 20,454,881</u>	<u>\$ 23,544,317</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 2,057,862	\$ 2,444,773
Accrued restructuring charges	355,791	523,986
Deferred revenue	-	9,200
Bank loan	467,579	553,706
Current portion of obligations under capital lease	1,485,317	1,617,620
	<u>4,366,549</u>	<u>5,149,285</u>
OBLIGATIONS UNDER CAPITAL LEASE	886,049	1,208,087
	<u>5,252,598</u>	<u>6,357,372</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	34,575,877	34,638,877
CONTRIBUTED SURPLUS (Note 3 and Note 4)	304,084	315,259
WARRANTS (Note 4)	2,571,885	2,573,085
DEFICIT	(22,249,563)	(20,340,276)
	<u>15,202,283</u>	<u>17,186,945</u>
	<u>\$ 20,454,881</u>	<u>\$ 23,544,317</u>

Commitments and contingencies (Note 10)

See accompanying notes to the consolidated financial statements

APPROVED ON BEHALF OF THE BOARD

"Sidney H. Belzberg"

..... Director

"Alicia Belzberg"

..... Director

BELZBERG TECHNOLOGIES INC.
Consolidated Statements of Operations and Deficit
For the three months ended March 31, 2003 and March 31, 2002
(Unaudited)
(in Canadian dollars)

	2003	2002
REVENUE	\$ 6,009,055	\$ 7,101,601
COST OF REVENUE	3,558,323	3,774,303
GROSS MARGIN	2,450,732	3,327,298
EXPENSES		
Sales and marketing	922,252	771,915
Research and development	1,055,814	1,159,982
Administration	1,270,653	1,477,400
Foreign exchange loss	54,595	6,258
Non - recurring Philadelphia expenses	-	302,053
	3,303,314	3,717,608
EARNINGS (LOSS) BEFORE UNDERNOTED ITEMS	(852,582)	(390,310)
Amortization	733,813	488,669
Interest expense, net	49,608	115,370
Restructuring charges (Note 6)	273,284	842,620
LOSS BEFORE INCOME TAXES	(1,909,287)	(1,836,969)
INCOME TAXES	-	16,872
NET LOSS	(1,909,287)	(1,853,841)
DEFICIT, BEGINNING OF PERIOD	(20,340,276)	(13,791,444)
DEFICIT, END OF PERIOD	\$ (22,249,563)	\$ (15,645,285)
LOSS PER SHARE		
Basic and diluted	\$ (0.14)	\$ (0.17)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	13,719,885	11,060,924

See accompanying notes to the consolidated financial statements

BELZBERG TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
For the three months ended March 31, 2003 and March 31, 2002
(Unaudited)
(in Canadian dollars)

	2003	2002
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Net loss	\$ (1,909,287)	\$ (1,853,841)
Items not affecting cash		
Amortization of capital assets	733,813	488,669
Amortization of gain on sale and leaseback of capital assets	(9,200)	(26,384)
Compensation expense for stock options granted to consultants	3,875	-
Changes in non-cash working capital items (Note 7)	(821,415)	1,170,692
	(2,002,214)	(220,864)
INVESTING ACTIVITIES		
Payment of consideration on acquisition of Robert C. Sheehan & Associates, Inc.	-	(362,674)
Purchase of capital assets	(301,738)	(558,902)
	(301,738)	(921,576)
FINANCING ACTIVITIES		
Repayment of obligations under capital lease	(454,341)	(365,849)
Proceeds from bank loan	-	255,558
Repayment of bank loan	(86,127)	(82,908)
Repurchase of common shares	(75,375)	-
	(615,843)	(193,199)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,919,795)	(1,335,639)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	13,088,698	6,361,427
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 10,168,903	\$ 5,025,788
CASH EQUIVALENTS:		
Cash	\$ 5,902,137	\$ 3,099,661
Cash equivalents	4,266,766	1,926,127
	\$ 10,168,903	\$ 5,025,788
SUPPLEMENTAL CASH FLOW INFORMATION		
Acquisition of capital assets with capital leases	\$ -	\$ 179,046
Interest paid	\$ 84,963	\$ 138,151
Interest received	\$ 35,355	\$ 22,781
Income taxes paid	\$ -	\$ 16,872

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

March 31, 2003

(Unaudited)

(in Canadian dollars)

1. DESCRIPTION OF BUSINESS

Belzberg Technologies Inc. and its wholly-owned subsidiaries (the "Company" or "Belzberg") is a leading provider of trade execution, order management and routing software for the financial industry. The Company'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 Company also operates a floor brokerage that provides the execution of exchange-traded equity and index options on the Chicago Board Options Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of generally accepted accounting principles (GAAP) for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2002.

The unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary to present fairly the financial position of the Company as at March 31, 2003 and the results of operations and cash flows for the three months ended March 31, 2003 and 2002.

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual consolidated financial statements.

3. CAPITAL STOCK

Authorized

Unlimited number of common shares

Issued	Number of Common Shares	Amount
Balance at December 31, 2002	13,738,424	\$ 34,638,877
Repurchase of common shares for cancellation (note 3 (a))	(25,000)	(63,000)
Balance at March 31, 2003	13,713,424	\$ 34,575,877

- (a) During the three month period ended March 31, 2003, the Company, pursuant to a Normal Course Issuer Bid, repurchased and cancelled 25,000 common shares for a total cash consideration of \$75,375. The excess of the purchase cost of these shares over their historical carrying value, in the amount of \$12,375, was charged to contributed surplus.

Belzberg Technologies Inc.
Notes to the Consolidated Financial Statements
 March 31, 2003

(Unaudited) (in Canadian dollars)

4. WARRANTS

A summary of the Company's share purchase warrants for the period ended March 31, 2003 is as follows:

Share Purchase Warrants

	Number		Weighted Average Exercise Price
Outstanding, December 31, 2002	2,476,867	\$	6.10
Warrants expired (note 4 (a))	(600,000)		10.00
Outstanding, March 31, 2003	1,876,867	\$	4.85

- (a) On February 14, 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.

5. STOCK BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

A summary of the Company's stock option activity for the period ended March 31, 2003 is as follows:

	Number		Price
Outstanding, December 31, 2002	4,526,267	\$	6.63
Options granted	75,000		3.13
Options cancelled	(258,067)		7.72
Outstanding, March 31, 2003	4,343,200	\$	6.51
Options exercisable at March 31, 2003	3,748,733	\$	6.62

(a) Options granted to non-employees

For the three month period ended March 31, 2003, the Company recognized \$3,875 (March 31, 2002 – nil) of compensation expense relating to options granted to consultants in the prior year. There were no options granted to non-employees in the current period..

(b) Options granted to employees

For stock options granted to employees on or after January 1, 2002, had the Company recorded compensation expense based on the fair value of the options at the grant dates, results would have been as follows:

	Three months ended March 31,	
	2003	2002
Net Loss		
As reported	\$ (1,909,287)	\$ (1,853,841)
Pro Forma	(1,962,619)	(1,855,184)
Basic and diluted loss per share		
As reported	\$ (0.14)	\$ (0.17)
Pro Forma	\$ (0.14)	\$ (0.17)

The weighted average estimated fair value at the date of the grants for employee options granted for the three months ended March 31, 2003 was \$1.26 per share (three months ended March 31, 2002 - \$2.18 per share). The fair

Notes to the Consolidated Financial Statements

March 31, 2003

(Unaudited)

(in Canadian dollars)

value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions at the measurement dates:

Risk-free interest rate	3.9%
Expected life of the options	3 years
Expected volatility	55.1%
Expected dividend yield	0%

For the purposes of proforma disclosures, the estimated fair value of the options is amortized to expense over their vesting period on a straight-line basis.

6. RESTRUCTURING CHARGES

During the quarter ended March 31, 2003, the Company 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.

7. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

Three months ended March 31,

	2 0 0 3	2 0 0 2
Accounts receivable	\$ (204,619)	\$ 247,640
Prepaid expenses and other receivables	(61,690)	476,202
Accounts payable and accrued liabilities	(386,911)	(264,090)
Accrued restructuring charges	(168,195)	704,158
Deferred revenue	-	6,782
	\$ (821,415)	\$1,170,692

8. FINANCIAL INSTRUMENTS

The Company uses forward exchange contracts to manage a portion of its exposure to fluctuations in foreign exchange rates. During the three month period ended March 31, 2003, the Company realised a gain of \$505,000 (March 31, 2002 – nil) on the settlement of forward exchange contracts and entered into new forward exchange contracts for the purchase of Cdn\$7.5 million at US\$.6670 maturing in March 2004. As at March 31, 2003, had the Company settled the contracts, a loss of approximately \$7,000 would have been incurred

9. SEGMENTED INFORMATION

The Company operates and manages its business in one industry – the financial services sector. The Company has two reportable operating segments being the Core business and the Brokerage business. In the Core business the Company creates and provides to institutional customers trade execution software 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 Chicago Board Options Exchange.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance of the Core business and the Brokerage business based on several factors, of which the primary financial measures are revenue and earnings (loss) from operations. The Company defines earnings (loss) from operations as earnings (loss) from operations before amortization, net interest expense, income taxes, and other non-recurring items.

Belzberg Technologies Inc.
Notes to the Consolidated Financial Statements
 March 31, 2003

(Unaudited)

(in Canadian dollars)

	Three months ended March 31,					
	2 0 0 3			2 0 0 2		
	Core	Brokerage	Total	Core	Brokerage	Total
External Revenues						
Subscription fees	\$ 2,372,535	\$ -	\$ 2,372,535	\$ 2,851,885	\$ -	\$ 2,851,885
Transaction based fees	2,248,128	1,145,416	3,393,544	3,001,352	998,369	3,999,721
Other	242,976	-	242,976	232,766	17,229	249,995
	\$ 4,863,639	\$ 1,145,416	\$ 6,009,055	\$ 6,086,003	\$ 1,015,598	\$ 7,101,601
Operating earnings (loss) from continuing operations	\$ (916,429)	\$ 63,847	\$ (852,582)	\$ (310,992)	\$ (79,318)	\$ (390,310)
Amortization			733,813			488,669
Interest expense, net			49,608			115,370
Restructuring charges			273,284			842,620
Loss from continuing operations before income taxes			\$ (1,909,287)			\$ (1,836,969)
Total assets	\$ 17,713,455	\$ 2,741,426	\$ 20,454,881	\$ 13,927,055	\$ 1,744,258	\$ 15,671,313
Capital asset expenditures	\$ 301,738	\$ -	\$ 301,738	\$ 727,556	\$ 10,392	\$ 737,948

The following is a breakdown of operations by significant geographic region:

	Three months ended March 31,					
	2 0 0 3			2 0 0 2		
	Canada	United States	Total	Canada	United States	Total
External Revenues						
Subscription fees	\$ 1,535,212	\$ 837,323	\$ 2,372,535	\$ 1,727,659	\$ 1,124,226	\$ 2,851,885
Transaction based fees	461,432	2,932,112	3,393,544	443,163	3,556,558	3,999,721
Other	214,959	28,017	242,976	202,795	47,200	249,995
	\$ 2,211,603	\$ 3,797,452	\$ 6,009,055	\$ 2,373,617	\$ 4,727,984	\$ 7,101,601
Total assets	\$ 10,807,219	\$ 9,647,662	\$ 20,454,881	\$ 8,124,357	\$ 7,546,956	\$ 15,671,313
Capital assets	\$ 4,254,522	\$ 1,149,046	\$ 5,403,568	\$ 3,910,635	\$ 986,606	\$ 4,897,241

10. COMMITMENTS AND CONTINGENCIES

The Company has no guarantees that are required to be disclosed under newly adopted Accounting Guideline 14 "Disclosure of guarantees".

In the normal course of operations the Company 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 Company.

11. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current period's financial statement presentation.