2005 ANNUAL REPORT

CONTENTS

Letter to Shareholders	1
Management's Discussion and Analysis	2-14
Consolidated Financial Statements	
Management's Responsibility for Financial Reporting	15
Auditors' Report	15
Consolidated Financial Statements	16-19
Notes to Consolidated Financial Statements	20-27
Shareholder Information	28
Board of Directors	28

2005 was a milestone year for Belzberg Technologies Inc. We continued to develop for our investors a new economy company in a fast growing market, backed by old economy fundamentals with record revenue, strong earnings, excellent cash flow and a strengthened balance sheet.

We advanced our position in the multi-billion-dollar electronic options and equities market during 2005, processing and executing approximately 39.1 million electronic options contracts (up by 215% over 2004) as well as processing and executing approximately 6.9 billion shares in the United States (up by 44% over 2004).

The electronic options market has grown exponentially in the last three years and continues to be a source of revenue growth for the Company.

For Belzberg Technologies and our investors, it is about creating value. Our financial performance in 2005 is a clear indication that our strategy is successful. Belzberg Technologies' revenues grew to a record $33.0 million up 27% over 2004. Earnings in 2005 improved significantly to $4.1 million from a loss of $1.4 million in the prior year. Working capital increased to $10.5 million at the end of 2005.

Most encouraging is that every quarter last year showed increased earnings. The recurring nature of our revenues allowed the Company to continually build on prior strengths as was evidenced in our steady quarter over quarter growth in earnings throughout 2005.

Average daily volume of electronic equity and index options contracts traded increased by 178% to 214,000 electronic option contracts in the fourth quarter of 2005 compared to 77,000 contracts in the same year-ago quarter;

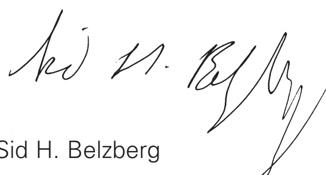
Average daily volume of equity order flow executed by Belzberg's wholly owned U.S. broker-dealer subsidiary increased by 36% to 30.8 million shares in the fourth quarter of 2005 compared to 22.7 million shares in the same year-ago quarter;

Our success is driven purely by customer and market driven priorities. We strive to continually adapt to the needs of our customers and structure the designs of new product releases accordingly.

Our customers consist of the largest financial institutions in the United States and Canada, both on the sell and buy side, in addition to major exchanges such as the CBOE. We have grown both by expanding our relationship with our existing customers and by gaining new customers.

This success would not have been possible without the support of our shareholders, our board and the exceptional group of our talented and committed employees who have worked hard to ensure customer satisfaction. I express my sincere thanks to all of these people.

Respectfully,



Sid H. Belzberg
Chairman and Chief Executive Officer.

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations should be read in conjunction with the audited consolidated financial statements of Belzberg Technologies Inc. (the "Company" or "Belzberg") and the notes thereto for the year ended December 31, 2005. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The reporting currency in this MD&A is Canadian dollars. Additional information relating to the Company, including the Company's Annual Information Form is on SEDAR at www.sedar.com. The MD&A is as of March 8, 2006.

Caution regarding forward-looking statements:
This MD&A contains certain forward-looking statements that reflect Management's expectations, estimates, forecasts and projections about future performance, opportunities for growth and the Company's future plans and intentions. Forward-looking statements are typically identified by words such as "believe", "expect", "may", "intend" and "plan". Forward-looking statements involve significant risk, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by these forward-looking statements. Some of the factors that could cause such differences include: the regulations governing the securities industry, competition for global trading solutions and intelligent order routing systems, customer dependence, ability to attract and retain key employees, technological changes, uncertainty of the ability to protect proprietary technology and product and service liability. The preceding list is not exhaustive of all possible factors. Other factors could also affect the Company's results. For a more detailed discussion of these factors refer to the section titled "Risks and Uncertainties" in this MD&A. All factors should be considered carefully when making decisions with respect to the Company and undue reliance should not be placed on the Company's forward-looking statements. The Company does not undertake to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Nature of Business

Belzberg Technologies Inc. is a leading provider of exchange connectivity, trade execution, order management and routing software for the financial industry. In addition to its technology, through one of its wholly owned subsidiaries, an agency-only broker-dealer, the Company offers low cost trade execution. 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, 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 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 Company announced that EBS also became a member of the New York Stock Exchange ("NYSE"). These memberships allowed the Company to become self-clearing, which significantly reduced the Company's clearing costs.

In 2001, the Company expanded its business by acquiring a broker-dealer that provides the execution of exchange-traded equity and index options on the Chicago Board Options Exchange.

Overview

2005 Highlights and Summary

- Revenue increased by 27% for the year ended December 31, 2005 to $33.0 million from $25.9 million for the year ended December 31, 2004.
- Earnings of $4.1 million or $0.30 per share for the year ended December 31, 2005 as compared to a loss of $1.4 million or $0.10 per share for the year ended December 31, 2004.
- Positive cash flow from operations of $4.3 million for the year ended December 31, 2005 compared to cash flow from operations of $1.8 million for the year ended December 31, 2004.
- Working capital position of $10.5 million at December 31, 2005 as compared to $5.2 million at December 31, 2004.

2005 was a record year for the Company with both revenue and earnings up significantly from 2004. Revenue for the year increased by 27% to $33.0 million (2004 - $25.9 million) as a result of significant growth in both our U.S. equity order flow volumes (up by 44% over 2004) and our electronic option contract volumes (up by 215% over 2004). Although volumes increased significantly, revenue did not increase by the same magnitude due to continued pricing pressure from competition for electronic order flow from other broker-dealers and electronic execution providers. A strengthening Canadian Dollar also adversely affected our year over year revenue growth by approximately $1.1 million. Net earnings for the year increased to $4.1 million or $0.30 per share (2004 – loss of $1.4 million or $0.10 per share) from a combination of revenue growth together with cost rationalization with respect to datafeed and occupancy costs. Our headcount costs also decreased as a result of restructuring done in the prior year. During

2005, the Company reduced its corporate office space and as a result expects to achieve annualized occupancy cost savings of approximately $450,000. The Company expects to have completed the transition of its datafeed suppliers by the first quarter of fiscal 2006 and expects that its datafeed costs will decrease in fiscal 2006. The Company also continues to review its telecommunication costs and expects to be able to reduce these costs in the 2006 fiscal year by negotiating better rates on the renewal of contracts.

The Company's year end financial position improved with cash and cash equivalents of $7.1 million (2004 - $4.1 million) and working capital of $10.5 million (2004 - $5.2 million). Cash generated by operations improved to $4.3 million for the year from $1.8 million in the prior year.

Growth Strategy

The Company's core strategy continues to be to offer to its customers low cost order execution combined with outstanding technology. The Company's growth strategy for 2006 is to increase its U.S. order flow for both equities and options by developing and or offering new software products to enhance the functionality of its options and equities trading platforms. The Company may partner with third parties to develop new algorithms to target algorithmic traders which may increase order flow volumes in the future. The Company may also seek to diversify its current revenue stream by offering its customers new products other than equity and option contract execution.

Key Performance Indicators

Management regularly reviews the following key performance indicators to measure our progress and success:

- Average daily volumes of U.S. equity order flow and electronic option contracts executed;
- Average daily revenue of U.S. equity order flow and electronic option contracts executed;
- Days sales outstanding.

Management analyzes the average daily volumes in relation to volumes traded on major exchanges and ECN's including but not limited to the New York Stock Exchange, NASDAQ, Chicago Board of Options Exchange, International Securities Exchange and the Options Clearing Corporation to determine the strength of the business.

Management reviews average daily revenues to assist it in determining customer mix for forecasting the profitability of the Company.

Management reviews days sales outstanding of its receivables on a quarterly basis as a tool to improve its cash flow from operations.

Selected Annual Information

The table below sets out selected annual information for the Company.

	Year ended December 31		
($000s except per share amounts)	2005	2004	2003
Revenue	$ 33,020	$ 25,919	$ 22,678
Net earnings (loss)	4,122	(1,382)(a)	(7,513)(b)
Basic and diluted earnings (loss) per share	0.30	(0.10)	(0.55)
Total assets	16,539	12,979	15,374
Long term lease obligations	$ 185	$ 87	$ 465

(a) Includes restructuring charges of $155 and write-down of leasehold improvements of $238 (b) Includes restructuring charges of $746

Results of Operations

Total Revenues

Total revenue increased by 27% from $25.9 million in 2004 to $33.0 million in 2005. In 2005, the Company generated approximately 68% (2004 - 66%) of its revenues in the United States and 32% (2004 - 34%) of its revenues in Canada. Revenues in the United States increased by 33% in 2005 (increased by 20% in 2004) and revenues in Canada increased by 17% in 2005 (increased by 5% in 2004). The Company expects 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.

Transaction Fee Revenue - Core

(i) Equity Order Flow

Transaction fee revenue (including the recovery of pass through costs) from the routing of equity order flow through the Belzberg Gateway increased by 30% from $11.1 million in 2004 to $14.5 million in 2005. The major contributor to the equity order flow revenue growth was our U.S. equity order flow growth which grew by 32% year over year. The total volume of shares executed by our wholly owned U.S. broker-dealer increased by approximately 44% year over year. Approximately 10% of the U.S. equity order flow revenue for the 2005 year can be attributed to the introduction of Guaranteed Volume Weighted Average Price ("VWAP") order execution that did not exist in the 2004 year. Equity order flow revenue on a year over year basis was adversely affected by approximately $0.6 million from a strengthening Canadian dollar. In addition, the Company continues to experience pricing pressure in the U.S. equity markets as a result of competition from electronic execution providers and traditional broker-dealers.

Total Revenues for the Years Ended December 31

($000s)	2005 Canada	2005 USA	2005 Total	2004 Canada	2004 USA	2004 Total
Transaction fees - core						
Equity order flow	$ 2,099	$ 12,419	**$ 14,518**	$ 1,750	$ 9,394	**$ 11,144**
Electronic option and futures contracts	5	6,004	**6,009**	-	3,125	**3,125**
Total transaction fees - core	2,104	18,423	**20,527**	1,750	12,519	**14,269**
Transaction fees - brokerage	-	2,748	**2,748**	-	2,732	**2,732**
Subscription fees	6,586	977	**7,563**	6,162	1,258	**7,420**
Other revenue	1,758	424	**2,182**	1,016	482	**1,498**
Total	**$ 10,448**	**$ 22,572**	**$ 33,020**	**$ 8,928**	**$ 16,991**	**$ 25,919**

The following table summarizes key performance indicators relating to our U.S. equity order flow:

US Equity Order Flow	2005	2004	change	% change
	Year Ended December 31			
Total trading volume (in billions of shares)	6.9	4.8	2.1	44%
Avg trading volume per day (in millions of shares)	27.6	19.1	8.5	44%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 49.3	$ 37.3	$ 12.0	32%
Avg transaction fee revenue per share	$ 0.001786	$ 0.001947	$(0.000161)	(8)%
U.S market trading days	252	252	–	–

Our Canadian equity order flow revenue increased by 20% on a year over year basis mainly as a result of increased trading volumes from existing customers.

(ii) Electronic Options and Futures Contracts

Transaction fee revenue (including the recovery of pass through costs) from the electronic execution of options and futures contracts through the Belzberg Gateway increased by 92% from $3.1 million in 2004 to $6.0 million in 2005. A strengthening Canadian dollar adversely affected options and futures contracts execution revenue on a year over year basis by approximately $0.2 million. Although the total volume of our electronic options contracts executed increased by 215% on a year over year basis, we did experience significant pricing pressure from one large volume customer. Our CBOE HyTs program accounted for approximately 70% of the year over year electronic option contract volume growth. The following table summarizes key performance indicators relating to our U.S. electronic options contracts executed:

US Electronic Options Contracts Executed	2005	2004	change	% change
	Year Ended December 31			
Total trading volume (in millions of contracts)	39.1	12.4	26.7	215%
Avg trading volume per day (in thousands of contracts)	155.0	49.3	105.7	215%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 23.8	$ 12.4	$ 11.4	92%
Avg transaction fee revenue per contract	$ 0.154	$ 0.252	$ (0.098)	(39)%
U.S market trading days	252	252	–	–

Transaction Fee Revenue - Brokerage

Transaction fee revenue from the brokerage segment was unchanged at $2.7 million for the years ended December 31, 2005 and 2004. Although the total volume of floor option exchange contracts executed increased by 48% on a year over year basis, revenue growth from the floor operation was minimal as a result of continued downward pricing pressure from the electronic trading of options contracts as well as a strengthening Canadian dollar that adversely affected the floor brokerage segment revenue on a year over year basis by approximately $0.2 million.

The following table summarizes key performance indicators relating to our U.S. floor brokerage options contracts executed:

US Floor Options Contracts Executed	2005	2004	change	% change
	Year Ended December 31			
Total trading volume (in millions of contracts)	10.5	7.1	3.4	48%
Avg trading volume per day (in thousands of contracts)	41.8	28.3	13.5	48%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 10.9	$ 10.8	$ 0.01	0%
Avg transaction fee revenue per contract	$ 0.260	$ 0.383	$ (0.124)	(32)%
U.S market trading days	252	252	–	–

Subscription Fee Revenue

Subscription fee revenue in the core business, which is based on customers paying a fixed monthly fee for connectivity to the Belzberg Gateway on a per terminal or other contracted basis, increased by 2% in 2005 to $7.6 million from $7.4 million in 2004. Subscription fee revenue in the U.S. decreased by $0.3 million or 22% year over year as a result of the cancellation by 2 customers during the 2005 year as well as a strengthening Canadian dollar that adversely affected U.S. subscription fee revenue by approximately $0.1 million. The Company expects subscription fee revenue in the U.S. to decrease further in 2006 as a result of the cancellation of one additional customer at year end. Subscription fee revenue in Canada increased by $0.4 million or 7% year over year as a result of terminals and products installed at 7 new customers in 2005 as well as additional terminals and products installed at our existing customer base.

Other Revenue

Other revenue, which includes revenue from information distribution, software development fees, installation fees and revenue from connectivity to the Belzberg Gateway, increased by 47% to $2.2 million in the year ended December 31, 2005 from $1.5 million in the year ended December 31, 2004. Approximately $0.3 million of the increase resulted from a non-recurring customer contractual obligation that became due in 2005 and that was fully paid for. A further $0.2 million of the year over year other revenue increase related to license fee redistribution on which the Company makes little or no markup. The balance of the other revenue increase related to additional connectivity fees to the Belzberg Gateway on a year over year basis of approximately $0.2 million as well as additional information distribution and installation fees of $0.1 million.

Gross Margin

Gross Margin for the Years Ended December 31

	2005			2004		
($000s)	Core	Brokerage	Total	Core	Brokerage	Total
Revenue	$ 30,272	$ 2,748	$ 33,020	$ 23,187	$ 2,732	$ 25,919
Cost of revenue	15,628	2,257	17,885	11,613	2,654	14,267
Gross margin	$ 14,644	$ 491	$ 15,135	$ 11,574	$ 78	$ 11,652
Gross margin %	**48%**	**18%**	**46%**	**50%**	**3%**	**45%**

Consolidated gross margin as a percentage of sales improved to 46% in 2005 from 45% in 2004. The year over year margin improvement is mainly attributable to the following factors:

(i) an increase in the percentage sales mix in the core business from higher margin electronic option contract revenue;

(ii) non-recurring other revenue of $0.3 million in the core business relating to a customer contractual obligation that had no additional cost attached;

(iii) reduced payroll costs of $0.2 million in the floor brokerage business from headcount terminations;

(iv) reduced seat lease costs of $0.2 million from a reduction in seat lease costs in the core business of $150,000 and in the brokerage business of $50,000.

(v) An unusual gain of approximately $0.1 million in the brokerage business.

The above margin improvements were offset by higher year over year passthrough costs relating to:

(i) increased exchange, clearing and specialist fees of approximately $1.3 million in the core business from higher equity and option order flow volumes;

(ii) increased telecommunication costs of $0.4 million in the core business from the expanded capacity of market connections (not recovered) to handle increased trading volumes as well as new customer connections (recovered);

(iii) increased introducing broker commissions of $1.3 million in the core business related to equity order flow introduced to the Company.

The majority of the exchange, clearing and specialist fees, and customer connection costs are recovered with little or no margin resulting in an effective reduction in gross margin as these costs and related recoveries increase.

Sales and Marketing Expenses

Consolidated sales and marketing expenses decreased by $0.8 million or 26% to $2.3 million for the year ended December 31, 2005 from $3.1 million for the year ended December 31, 2004. The year over year decrease was primarily due to $0.5 million of reduced payroll and sales commissions in the core business from headcount terminations and reduced occupancy allocation costs in the core business of $0.2 million resulting from proportionate headcount changes and from rental and operating cost reductions. The balance of the decrease relates to reduced travel expenses and reduced promotional costs in the core business.

Research and Development Expenses

Consolidated research and development expenses decreased by $0.2 million or 6% to $2.2 million for the year ended December 31, 2005 from $2.4 million for the year ended December 31, 2004. The decrease related to a reduction in the proportionate occupancy cost allocation of $0.1 million from rental and operating cost reductions and a decrease in severance and stock compensation costs of $0.1 million incurred in 2004 but not in 2005. Research and development costs all relate to the core business.

Government Assistance

The Company recognized government assistance of $0.2 million during the 2005 year relating to research and development expenditures incurred in the 2003 and 2004 taxation years. These amounts were outstanding at December 31, 2005 and are refundable in cash to the Company.

The Company recognized and received a cash refund of $0.2 million during the 2004 year relating to government assistance for research and development expenditures incurred in the 2002 taxation year. During 2004 it also collected $303,832 related to its 2001 and 2000 tax years. Government assistance relates to the core business.

Expenses (Income)

Expenses (Income) for the Years Ended December 31

	2005				2004			
($000s)	Core	Brokerage	Total	% of Revenues	Core	Brokerage	Total	% of Revenues
Sales and marketing	$ 2,260	$ 37	$ 2,297	7 %	$ 3,071	$ 32	$ 3,103	12 %
Research and development	2,228	–	2,228	7 %	2,381	–	2,381	9 %
Government assistance	(160)	–	(160)	(1) %	(154)	–	(154)	(1) %
Administration	4,499	134	4,633	14 %	4,902	128	5,030	19 %
Amortization	1,761	20	1,781	5 %	2,160	29	2,189	8 %
Foreign exchange loss (gain)	199	49	248	1 %	(17)	82	65	–
Interest expense	52	1	53	–	104	–	104	1 %
Interest income	(65)	(3)	(68)	–	(76)	–	(76)	–
Write-down of leasehold improvements	–	–	–	–	238	–	238	1 %
Restructuring charges	–	–	–	–	155	–	155	1 %
	$ 10,774	**$ 238**	**$11,012**	**33%**	**$ 12,764**	**$ 271**	**$13,035**	**50%**

Administration Expenses

Consolidated administration expenses decreased by $0.4 million or 8% to $4.6 million for the year ended December 31, 2005 from $5.0 million for the year ended December 31, 2004. The primary factors that contributed to the year over year decrease were (i) reduced occupancy cost allocations in the core business of $0.1 million resulting from rental and operating expense reductions; (ii) reduced bad debt expenses in the core business of $0.2 million from an improvement in the receivables aging; (iii) reduced telecommunication costs of $0.1 million and lower stock-based compensation costs of $0.1 million in the core business from the cancellation of unvested employee and director options. These cost reductions were partially offset by increased professional fees in the core business of $0.1 million relating to legal fees incurred for a non-solicitation suit initiated by the Company.

Amortization of Capital Assets

Consolidated amortization of capital assets decreased by $0.4 million or 19% to $1.8 million for the year ended December 31, 2005 from $2.2 million for the year ended December 31, 2004. The year over year decrease resulted from computer and network equipment becoming fully depreciated mainly in the core business in the 2005 and 2004 years. The Company expects amortization of capital assets to further decrease in fiscal 2006 as computer and network equipment purchased in 2003 becomes fully depreciated in 2006.

Foreign Exchange Loss (Gain)

The Company uses foreign currency futures and options contracts to manage a portion of its exposure to fluctuations in foreign exchange rates. The Company recognizes changes in the fair value of the derivative instruments into income each period.

The Company incurred a consolidated foreign exchange loss of $248,000 of which approximately $49,000 related to the brokerage business for the year ended December 31, 2005. The consolidated foreign exchange loss resulted mainly from gains and losses incurred on option exchange contracts, net of the foreign exchange impact of translating our integrated foreign subsidiaries. As at December 31, 2005, the Company had option exchange contracts outstanding for the purchase of $9.5 million Canadian dollars at US$0.84 expiring in March 2006. These outstanding option exchange contracts had an unrealized gain of approximately $52,000 at the 2005 year-end.

The Company incurred a foreign exchange loss of $65,000 (the brokerage business accounted for an exchange loss of $82,000 and core business accounted for a gain of $17,000) for the year ended December 31, 2004 that arose primarily from exchange rate fluctuations that occurred between the time that the Company closed out its Canadian Dollar forward contract and repurchased a Canadian Dollar options exchange contract, net of the foreign exchange impact of translating our integrated foreign subsidiaries. As at December 31, 2004, the Company had option exchange contracts outstanding for the purchase of $4.5 million Canadian dollars at US$0.84 expiring in September 2005. These outstanding option exchange contracts had an unrealized loss of approximately $2,000 at the 2004 year-end.

Interest Expense

Consolidated interest expense decreased by $51,000 to $53,000 for the year ended December 31, 2005 from $104,000 for the year ended December 31, 2004. The majority of the decrease resulted from the maturity of certain older capital lease obligations resulting in a lower interest expense in the core business. The Company also repaid its bank loan during 2004 resulting in a lower interest expense in the core business in the 2005 year.

Interest Income

Consolidated interest income decreased by $8,000 to $68,000 for the year ended December 31, 2005 from $76,000 for the year ended December 31, 2004. During the 2004 year the Company received interest income on the receipt of R&D tax credits of $34,000 in the core business which did not occur in 2005. This was offset by additional interest income of $26,000 in the core business from higher cash balances in the 2005 year.

Write-down of Leasehold Improvements

At December 31, 2004, the Company recorded a write-down of leasehold improvements in the core business of $0.2 million after it vacated a portion of its corporate office space.

Restructuring Charges

2004 Restructuring

During the quarter ended June 30, 2004, the Company restructured its broker-dealer operation as management believed that the operation could continue to be reorganized for increased efficiencies and improved future profitability and as a result recorded a restructuring charge of $180,665 in the core business for employee severances and benefits.

During the quarter ended December 31, 2004, the Company reversed $26,127 of re-structuring accruals relating to employee severances and benefits in the core business that were settled for amounts lower than originally estimated.

Income Taxes

The Company has net operating loss carryforwards in the United States of approximately $11.8 million and in Canada of approximately $1.9 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 Company has recorded a valuation allowance against the tax benefit of these losses. The losses expire in Canada beginning in 2010 and expire in the United States beginning in 2020. The Company also has an accumulated SR&ED expenditure pool in Canada of approximately $3.9 million that may be used to reduce future taxable income in Canada. The SR&ED expenditure pool can be carried forward indefinitely. The Company also has investment tax credits of approximately $1.4 million in Canada that may be used to offset future taxes payable in Canada and that expire beginning in 2010. In the United States, the Company has New York Liberty Zone Business Employee tax credits of approximately $0.9 million that may be used to offset future taxes payable and that expire beginning in 2022. Refer to Note 11 in the consolidated financial statements for further details.

Net Earnings (Loss)

The net earnings for the year ended December 31, 2005 increased to $4.1 million from a net loss of $1.4 million for the year ended December 31, 2004. The basic and diluted earnings per share for the year ended December 31, 2005, increased to $0.30 per share from a loss of $0.10 per share for the year ended December 31, 2004.

Summary of Quarterly Results (unaudited)

The table below sets out selected quarterly information for the Company.

	2005				2004			
($ 000s except per share amounts)	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1
Revenue	$ 8,973	$ 8,280	$ 8,648	$ 7,118	$ 6,529	$ 6,422	$ 6,258	$ 6,710
Cost of revenue	4,702	4,650	4,681	3,851	3,743	3,434	3,642	3,448
Gross margin	4,271	3,630	3,967	3,267	2,786	2,988	2,616	3,262
Expenses (Income)								
Sales and marketing	532	555	606	605	750	730	818	805
Research and development	538	555	556	579	710	541	550	579
Government assistance	-	(160)	-	-	-	(154)	-	-
Administration	1,087	1,079	1,257	1,209	1,361	1,252	1,242	1,175
Foreign exchange loss (gain)	80	128	29	11	2	1	69	(7)
Amortization	383	423	477	498	519	531	560	579
Interest expense	13	15	12	14	15	22	30	38
Interest income	(25)	(17)	(14)	(12)	(19)	(10)	(10)	(38)
Restructuring charges	-	-	-	-	(26)	-	181	-
Write-down of leasehold improvements	-	-	-	-	238	-	-	-
Total expenses	2,608	2,578	2,923	2,904	3,550	2,913	3,440	3,131
Net earnings (loss)	$ 1,663	$ 1,052	$ 1,044	$ 363	$ (764)	$ 75	$ (824)	$ 131
Earnings (loss) per share:								
Basic	$ 0.12	$ 0.08	$ 0.08	$ 0.03	$ (0.06)	$ 0.01	$ (0.06)	$ 0.01
Diluted	$ 0.12	$ 0.08	$ 0.08	$ 0.03	$ (0.06)	$ 0.01	$ (0.06)	$ 0.01

Revenue in the fourth quarter of 2005 increased significantly as a result of higher trading volumes for each of U.S. equity order flow, electronic option contract execution and our floor brokerage execution (see fourth quarter analysis of revenue). Gross margins improved in the fourth quarter of 2005 from a combination of higher revenues, an unusual gain of $0.1 million and continued cost savings from the transitioning of our datafeed suppliers. Revenue in the second quarter of 2005 included a non-recurring amount of $0.3 million relating to the settlement of a customer contractual obligation.

Fourth Quarter Analysis

Revenue

Total Revenue increased by $2.5 million to $9.0 million in the fourth quarter of 2005 from $6.5 million in the fourth quarter of 2004.

(i) Transaction fee revenue from equity order flow (including the recovery of pass through costs) increased by $1.2 million to $4.0 million in the fourth quarter of 2005 from $2.8 million in the fourth quarter of 2004. Approximately $1.0 million of the increase related to U.S. equity order flow. U.S. Equity order flow volumes increased to 1.9 billion shares executed in the fourth quarter of 2005 from 1.5 billion shares executed in the fourth quarter of 2004. A strengthening Canadian dollar adversely affected U.S. equity order flow revenue by $0.1 million year over year in Q4.

(ii) Transaction fee revenue from the execution of electronic option contracts (including the recovery of pass through costs) increased by $0.8 million to $1.9 million in the fourth quarter of 2005 from $1.1 million in the fourth quarter of 2004. Electronic option contracts executed in the fourth quarter of 2005 increased to 13.5 million contracts from 4.9 million contracts executed in the fourth quarter of 2004.

Total Revenues for the fourth quarter ended December 31

	2005			2004		
($ 000s)	Canada	USA	Total	Canada	USA	Total
Transaction Fees - core						
Equity order flow	$ 614	$ 3,379	**$ 3,993**	$ 434	$ 2,354	**$ 2,788**
Electronic option and futures contracts	5	1,884	**1,889**	–	1,044	**1,044**
Total transaction fees - core	$ 619	$ 5,263	**$ 5,882**	$ 434	$ 3,398	**$ 3,832**
Transaction fees - brokerage	–	742	**742**	–	512	**512**
Subscription fees	1,690	219	**1,909**	1,542	301	**1,843**
Other revenue	343	97	**440**	245	97	**342**
Total	**$ 2,652**	**$ 6,321**	**$ 8,973**	**$ 2,221**	**$ 4,308**	**$ 6,529**

(iii) Transaction fee revenue from the brokerage business increased by $0.2 million to $0.7 million in the fourth quarter of 2005 from $0.5 million in the fourth quarter of 2004. Floor brokerage option contracts executed in the fourth quarter of 2005 increased to 2.9 million contracts from 1.6 million contracts in the fourth quarter of 2004.

(iv) Subscription fee revenue increased by $0.1 million to $1.9 million in the fourth quarter of 2005 from $1.8 million in the fourth quarter of 2004. The increase resulted from new customers as well as additional terminals and products installed at our existing customer base.

(v) Other revenue increased by $0.1 million to $0.4 million in the fourth quarter of 2005 from $0.3 million in the fourth quarter of 2004. The increase resulted from custom programming work completed in the fourth quarter of 2005 that did not occur in the fourth quarter of 2004 as well as from license fee redistribution fees earned in the fourth quarter of 2005 and not earned in the fourth quarter of 2004.

Gross Margin

Gross Margin for the fourth quarter ended December 31

($ 000s)	2005 Core	2005 Brokerage	2005 Total	2004 Core	2004 Brokerage	2004 Total
Revenue	$ 8,231	$ 742	$ 8,973	$ 6,018	$ 511	$ 6,529
Cost of revenue	4,189	513	4,702	3,237	506	3,743
Gross margin	$ 4,042	$ 229	$ 4,271	$ 2,781	$ 5	$ 2,786
Gross margin %	**49%**	**31%**	**48%**	**46%**	**1%**	**43%**

Consolidated gross margin as a percentage of sales improved to 48% in the fourth quarter of 2005 from 43% in the fourth quarter of 2004. The year over year quarterly margin improvement is mainly attributable to:

(i) increased mix of revenues from option contract execution in the core and brokerage business and increased revenue from equity order flow in the core business;

(ii) decreased datafeed costs in the core business of $0.1 million as we continued to transition our datafeed suppliers;

(iii) an unusual gain of approximately $0.1 million in the brokerage business occurring in the fourth quarter of 2005 that did not occur in the fourth quarter of 2004.

Sales and Marketing

Consolidated sales and marketing expenses decreased by $0.2 million to $0.5 million in the fourth quarter of 2005 from $0.8 million in the fourth quarter of 2004. The year over year quarterly decrease resulted from $150,000 of reduced payroll, sales commissions and stock based compensation from headcount terminations in the core business and reduced occupancy allocation costs in the core business of $50,000 resulting from proportionate headcount changes and from rental and operating cost reductions.

Research and Development

Consolidated research and development expenses decreased by $0.2 million to $0.5 million in the fourth quarter of 2005 from $0.7 million in the fourth quarter of 2004. The decrease is attributable to a severance payment of $0.1 million made to a senior project manager in the fourth quarter of 2004 not recurring in the fourth quarter of 2005. The balance of the decrease of $0.1 million resulted from reduced occupancy allocation costs in the core business resulting from proportionate headcount changes and from rental and operating cost reductions and reduced datafeed cost allocations.

Administration

Consolidated administration costs decreased by $0.3 million to $1.1 million in the fourth quarter of 2005 from $1.4 million in the fourth quarter of 2004. The decrease is mainly attributable to reduced telecommunication costs of $0.1 million, reduced professional fees of $0.1 million and reduced occupancy allocation costs of $0.1 million resulting from proportionate headcount changes and from rental and operating cost reductions. All these cost reductions occurred in the core business.

Amortization

Consolidated amortization decreased by $0.1 million to $0.4 million in the fourth quarter of 2005 from $0.5 million in the fourth quarter of 2004. The year over year decrease resulted mainly from computer and network equipment becoming fully depreciated in the core business during 2005.

Foreign Exchange Loss

The Company incurred a consolidated foreign exchange loss of $80,000 in the fourth quarter of 2005 (of which $2,000 related to the brokerage business) that arose from gains and losses incurred on option exchange contracts, net of the foreign exchange impact of translating our integrated foreign subsidiaries.

Expenses (Income) for the fourth quarter ended December 31

($ 000s)	2005 Core	2005 Brokerage	2005 Total	2005 % of Revenues	2004 Core	2004 Brokerage	2004 Total	2004 % of Revenues
Sales and marketing	$ 514	$ 18	$ 532	6 %	$ 738	$ 12	$ 750	11 %
Research and development	538	-	538	6 %	710	-	710	11 %
Administration	1,060	27	1,087	12 %	1,335	26	1,361	21 %
Amortization	382	1	383	4 %	512	7	519	8 %
Foreign exchange loss (gain)	78	2	80	1 %	(53)	55	2	-
Interest expense	11	2	13	-	15	-	15	-
Interest income	(22)	(3)	(25)	-	(19)	-	(19)	-
Write-down of leasehold improvements	-	-	-	-	238	-	238	4 %
Restructuring charges	-	-	-	-	(26)	-	(26)	(1)%
	$ 2,561	**$ 47**	**$ 2,608**	**29%**	**$ 3,450**	**$ 100**	**$ 3,550**	**54%**

The Company incurred a consolidated foreign exchange loss of $2,000 (of which the brokerage business accounted for loss of $55,000 and the core business accounted for a gain of $53,000) in the fourth quarter of 2004 that arose from gains and losses incurred on option exchange contracts, net of the foreign exchange impact of translating our integrated foreign subsidiaries.

Interest Expense

Consolidated interest expense decreased to $13,000 in the fourth quarter of 2005 from $15,000 in the fourth quarter of 2004. The decrease in interest expense resulted from the maturity of certain older capital lease obligations in the core business.

Interest Income

Consolidated interest income increased to $25,000 in the fourth quarter of 2005 from $19,000 in the fourth quarter of 2004. In the fourth quarter of 2004, the Company received interest income of $8,000 on its 2002 research and development tax refund that did not occur in the fourth quarter of 2005. In the fourth quarter of 2005, the Company earned additional interest income on excess cash invested.

Write-down of Leasehold Improvements

At December 31, 2004, the Company recorded a write-down of leasehold improvements of $0.2 million in the core business after it vacated a portion of its corporate office space.

Restructuring Charges

During the fourth quarter of 2004, the Company reversed $26,127 of restructuring accruals relating to employee severances and benefits that were settled for amounts lower than originally estimated. There were no restructuring charges in the fourth quarter of 2005.

Net Earnings (Loss)

The consolidated net earnings for the fourth quarter of 2005 increased to $1.7 million from a net loss of $0.8 million for fourth quarter of 2004. The basic and diluted earnings per share for the fourth quarter of 2005, increased to $0.12 per share from a loss of $0.06 per share for the fourth quarter of 2004.

Transactions with Related Parties

(a) During 2004 the Company paid an introducing broker commission in the amount of $9,627 to a previous director of the Company. There were no similar amounts paid in the 2005 year.

(b) The Company leased its corporate premises on a month-to-month basis from a company ("The Related Company") controlled by certain members of senior management of Belzberg who are also directors of Belzberg. The Related Company leased the corporate premises from an unrelated third party ("the landlord"). The Company paid the monthly corporate premises rental directly to the landlord and there was no mark-up received by the Related Company. During 2005, the Related Company surrendered a portion of its corporate premises to the landlord and assigned the lease for the remainder of the corporate premises to the Company. The term of the lease was extended with the landlord to expire on September 30, 2011 from an original expiry date of September 30, 2009. The above noted transaction was completed on an arms length basis at current market rates. The reduced corporate office space is expected to result in annualized savings to Belzberg of approximately $450,000.

(c) During 2005, the Company's subsidiary, Electronic Brokerage Systems, LLC ("EBS"), paid seat lease expenses at market rates of approximately $57,000 (2004 - $52,000) to a company controlled by the president of EBS. In addition, EBS recorded transaction fee revenues of approximately $16,500 (2004 - $2,200) from the same company for the year ended December 31, 2005.

Liquidity and Capital Resources

Financial Position

At December 31, 2005 the Company had cash and cash equivalents of $7.1 million, an increase of $3.0 million from the $4.1 million of cash and cash equivalents at December 31, 2004. The Company's working capital improved to $10.5 million at the end of December 31, 2005 from $5.2 million at the end of December 31, 2004.

The Company is required to maintain certain financial covenants at the end of each fiscal quarter relating to its operating line of credit with a Canadian Chartered Bank. The Company was compliant with these financial covenants at December 31, 2005.

The Company'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 US$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 US$100,000 or 6-2/3% of aggregate indebtedness, as defined. As at December 31, 2005, EBS and RCS had net capital of US$5.2 million and US$663,000 and a net capital requirement of US$250,000 and US$100,000, respectively.

EBS is currently required by the Options Clearing Corporation ("OCC") to maintain minimum net capital of US$2 million. At December 31, 2005, EBS had net capital of US$5.2 million.

Operating Activities

The Company generated positive cash flow from operations of $4.3 million for the year ended December 31, 2005 as compared to generating $1.8 million of cash from operations for the year ended December 31, 2004. When comparing the year ended December 31, 2005 to the year ended December 31, 2004, the positive impact to cash flow from operations resulting from the significant improvement in the profitability of the company was offset by an adverse change in non-cash working capital items of $2.3 million. The adverse change in non-cash working capital items resulted mainly from:

(i) The Company experienced positive cash inflows from collecting its government assistance receivables of $0.3 million in the 2004 year while at the end of 2005 it still had outstanding government assistance receivables of $0.2 million (adverse year over year change of $0.5 million);

(ii) The Company had higher revenues at the end of 2005 as compared to the end of 2004 resulting in larger accounts receivable balances outstanding at December 31, 2005 as compared to December 31, 2004 (adverse year over year change of $0.8 million);

(iii) The Company utilized its positive cash flow from operations in 2005 to bring its accounts payable more current at the end of 2005 (adverse year over year change of $1.1 million).

(iv) The Company experienced net positive cash inflows in 2004 of $358,000 from the receipt of a demand note receivable, the sale of a portfolio investment and the closing out of forward exchange contracts. In 2005 the Company experienced net cash outflows of $34,000 as the receipt of a demand note receivable was offset by the purchase of additional option foreign exchange contracts (adverse year over year change of $0.4 million).

These negative cash outflows were offset by the payment of restructuring accruals of $0.4 million in the 2004 year which did not occur in the 2005 year.

Investing Activities

The Company utilized $0.8 million of cash for investing activities in the year ended December 31, 2005 as compared to utilizing $0.9 million of cash for investing activities in the year ended December 31, 2004. Investing activities consisted primarily of the acquisition of network equipment required to maintain high-speed connectivity between customers, the Company and a multitude of exchanges and other markets for live trade execution. The Company entered into $0.4 million of new capital leases in 2005 to acquire network equipment primarily for its Chicago and New York datacenters.

Financing Activities

The Company utilized $0.3 million of cash for financing activities in the year ended December 31, 2005 as compared to utilizing $1.0 million of cash for financing activities in the year ended December 31, 2004. Financing activities in the year ended December 31, 2005 included repayment of capital lease obligations of $0.6 million and proceeds from the exercise of employee stock options of $0.3 million. Financing activities in the year ended December 31, 2004 included repayment of capital lease obligations of $1.0 million, repayment of a bank loan of $0.2 million and proceeds from the exercise of stock options of $0.2 million.

Liquidity and Sources of Financing

During 2005 the Company secured an operating line of credit of $2 million and a lease line of credit of $0.5 million with a Canadian Chartered Bank. The credit facilities are secured by a general security agreement on the Company's assets and subject the Company to certain financial covenants which it was compliant with at December 31, 2005. There were no amounts outstanding under the operating facility at December 31, 2005.

The Company's subsidiary, Electronic Brokerage Systems, LLC has available a secured credit facility of US$5 million that may be utilized to facilitate clearing and settlement activities. The facility is collateralized by an equivalent amount of cash or cash equivalents held at the bank. At December 31, 2005, no amounts were outstanding under this credit facility.

The Company is currently generating positive cash flow from operations that it is using to fund working capital requirements, purchase capital assets and pay off its capital lease obligations. The Company's wholly owned U.S. broker-dealer, EBS, is required by the SEC and OCC to maintain specific levels of net capital (refer to financial position above) defined as assets minus liabilities less deductions for certain types of assets. Any changes in such net capital rules or the maintenance of the existing levels of net capital or any additional fund deposits required by the OCC as a result of the growth in the Company's options business may restrict the Company's ability to withdraw capital from its brokerage subsidiary to fund its working capital requirements.

The Company is dependant upon EBS to fund a certain portion of its working capital requirements and to fund a certain amount of its capital asset expenditures.

The Company believes that the positive cash flow generated from operations together with its operating credit facility and its lease line of credit is sufficient to fund its cash requirements for the 2006 year.

Commitments and Contractual Obligations

As at December 31, 2005, the Company had future commitments and contractual obligations as summarized in the following table. These commitments are principally comprised of operating leases for the Company's leased premises, purchase obligations for datafeed and telecommunications services and capital lease obligations for fixed asset purchases already made.

	Payments due by Period				
Contractual Obligations as at December 31, 2005	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Capital Lease Obligations	$ 402,414	$ 217,605	$ 184,809	$ -	$ -
Operating Leases	6,800,021	1,579,035	2,598,842	1,907,014	715,130
Purchase Obligations [1]	2,803,981	1,598,828	1,154,804	50,349	-
Total Contractual Obligations	$10,006,416	$3,395,468	$ 3,938,455	$1,957,363	$ 715,130

(1) Purchase obligations consist of an agreement to purchase certain services that are enforceable and legally binding. The purchase obligations relate primarily to datafeed and telecommunication services.

Off-Balance Sheet Arrangements

The Company does not enter into off-balance sheet financing as a matter of practice except for the use of operating leases for office space and certain nominal equipment. 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 Company 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 Company has not paid any amounts to settle claims or defend lawsuits.

Derivative Financial Instruments

Derivative financial instruments are utilized by the Company in the management of its foreign currency exposures (primarily U.S. and Canadian dollars). The Company has from time to time, entered into forward and option foreign exchange contracts intended to manage portions of this risk. The Company's financial derivative instruments are marked to market and are carried at fair value as assets or liabilities, as appropriate, with changes in fair value recognized in the statement of operations in the period in which they occur. The fair value of outstanding derivative financial instruments at December 31, 2005 and December 31, 2004 was based upon quoted market prices. As at December 31, 2005, the Company had outstanding foreign exchange option contracts for the purchase of CDN$9,500,000 at US$0.84 maturing in March 2006. The unrealized gain on these outstanding contracts was approximately $52,000. The Company

also realized losses in the 2005 year of approximately $116,000 on foreign option exchange contracts that were settled in 2005. Gains or losses on foreign option exchange contracts are netted against gains or losses on the translation of our integrated foreign subsidiaries in the consolidated statement of operations.

As at December 31, 2004, the Company had outstanding foreign option exchange contracts for the purchase of CDN$4,500,000 at US$0.84 maturing in September 2005. The unrealized loss on these outstanding contracts was approximately $2,000. The Company also realized gains in the 2004 year of approximately $241,000 on forward and foreign option exchange contracts that were settled in 2004.

Normal Course Issuer Bid

In March 2005, the Toronto Stock Exchange approved a Normal Course Issuer Bid for the Company to repurchase up to 688,000 of its common shares over the period from April 1, 2005 to March 31, 2006. As at March 8, 2006, no common shares had been repurchased under this Normal Course Issuer Bid.

Critical Accounting Policies and Estimates

The Company'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 Company evaluates its estimates, including those related to revenues, bad debts, income taxes, valuation of goodwill and stock-based compensation. The Company 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 the conditions impacting these assumptions and estimates are outside of the Company's control.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue

The Company 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.

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 Company determines its allowance for doubtful accounts using a combination of factors to ensure that trade receivable balances are not overstated due to uncollectibility. The Company maintains an allowance for doubtful accounts for all customers based on a variety of factors, including the length of time the receivables are outstanding, the current business environment and its historical experience. The Company also records specific provisions for individual accounts when it becomes aware of circumstances that may impair a specific customer's ability to meet its financial obligations to the Company. If the financial condition of the Company's customers deteriorates or if economic conditions worsen, additional allowances may be required.

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. Compensation expense is 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 service related conditions.

Income Taxes

The Company records a valuation allowance against future income tax assets when management believes it is more likely than not that some portion or all of the future income tax assets will not be realized. Management considers factors such as the reversal of future 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.

Valuation of Goodwill

Under Canadian GAAP, goodwill is not amortized, but is instead assessed for impairment at the reporting unit level annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of impairment loss, if any. The fair value of the Company's reporting units utilize a model developed by management that considers various factors such as normalized earnings and price earnings multiples. These factors require management's use of judgment and any imprecision in the estimates and assumptions used in the fair value calculations could influence the determination of goodwill impairment and affect the valuation of goodwill.

Recent Accounting Changes

Financial instruments

In April 2005, the CICA issued Section 1530, "Comprehensive income", Section 3855, "Financial instruments — recognition and measurement", and Section 3865, "Hedges". The new standards will be effective for interim and annual financial statements commencing in 2007. Earlier adoption is permitted. The most significant impact of these standards will be the required presentation of a separate statement of comprehensive income, in which certain gains and losses that must be temporarily presented outside of net income will be presented. We currently are evaluating the impact of adopting these standards on our consolidated financial statements.

Non-monetary Transactions

CICA Section 3831 establishes standards for the measurement and disclosure of non-monetary transactions. It requires non-monetary transactions to be measured at the more reliably measurable of the fair value of the asset given up and the fair value of the asset received, unless the transaction lacks commercial substance; the transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange; neither the fair value of the asset received nor the fair value of the asset given up is reliably measurable; or the transaction is a non-monetary non-reciprocal transfer to owners to which Section 3831.14 applies.

Section 3831 applies to all non-monetary transactions initiated in periods beginning on or after January 1, 2006. Earlier adoption is permitted. We currently are evaluating the impact of adopting these standards on our consolidated financial statements.

Customer Considerations

In September 2005, the Emerging Issues Committee issued EIC-156, "Accounting for consideration given to a customer or reseller by a vendor," which provides guidance to companies that give incentives to customers or resellers in the form of cash, free goods, coupons and other considerations. The standard is effective for 2006. We currently are evaluating the impact of adopting these standards on our consolidated financial statements.

Risks and Uncertainties

An investment in the securities of the Company will involve a number of potential risks. The following risk factors should be carefully considered in evaluating the Company and its business.

Dependency on Securities Trading Activities

Our revenue could decrease if there is a decline in securities trading activity.

Because most of our current customers are financial institutions or securities brokerage firms, and because we intend to rely more heavily on transaction-based billing in our license agreements, our revenue will be sensitive to changes in the amount of securities trading activity.

A decline in securities trading activity may result from:

- loss of confidence in the reliability or security of online systems;
- changes in government regulation of the securities industry or on-line trading activities; or
- a downturn in the stock market.

The market for our product and services may not grow as quickly as we anticipate, which would cause our revenue to fall below expectations.

Regulations

The securities brokerage industry is subject to extensive government regulation under both federal and state laws in the United States of America. If either EBS or RCS (both USA subsidiaries of the Company) fails to comply with these regulations, it may be subject to disciplinary or other action by regulatory organizations.

EBS and RCS must comply with rules of the SEC and NASD state securities commissions and other regulatory bodies charged with safeguarding the integrity of the securities markets and other financial markets and protecting the interests of investors participating in these markets. As registered broker-dealers, EBS and RCS are subject to numerous regulations covering the securities business, including marketing practices, capital structure, including net capital requirements, record keeping and conduct of directors, officers and employees.

Any failure to comply with these regulations could subject either EBS or RCS to censure, fines, the issuance of cease-and-desist orders or the suspension, and/or disqualification of its officers, directors or employees. The Company constantly monitors the above noted securities regulations and believes that it is in compliance with these regulations.

Maintenance of Capital Levels by Regulators and Clearing Organizations

The SEC, NYSE, NASD, OCC and various other regulatory agencies and clearing organizations have stringent rules with respect to the maintenance of specific levels of net capital by broker-dealers. Net capital is the net worth of a broker-dealer (assets minus liabilities), less deductions for certain types of assets. Failure to maintain the required net capital could result in suspension or revocation of registration by the SEC and suspension or expulsion by one or more of the NYSE, NASD and OCC, and could ultimately lead to the Company's liquidation. If such net capital rules are changed or expanded, the Company's ability to withdraw capital from brokerage subsidiaries could be restricted, which could limit the Company's ability to fund its working capital requirements or capital asset expenditures required.

Execution and Clearing Risk

The Company's execution and clearing activities require that the Company execute transactions in accordance with customer instructions and accurately record and process the resulting transactions. Any failure, error or delay in executing, recording and processing transactions, whether due to human error or failure of the Company's information or communication systems could cause substantial losses for the Company if it has to purchase or sell securities at a loss to cover any of the above instances.

Clearing activities include settling each transaction with both the contra broker and the customer's clearing firm. The Company monitors daily its clearing breaks and necessary action is taken to reduce the Company's risk. Credit risk that could result from contra brokers defaulting is minimized since much of the settlement risk for transactions with brokers is essentially transferred to the National Securities Clearing Corporation or the Options Clearing Corporation. The credit risk for the customer's clearing firm is minimized since these clearing firms have been qualified by the Depository Trust Company ("DTC"). Before conducting business with a prospective customer, the Company's compliance department

reviews the prospective customer's experience in the securities industry, financial condition and personal background, including a background check with a risk reporting agency.

Uncertainty of the Ability to Protect Proprietary Technology

The Company's success will depend, in part, on its ability to protect its patents and trade secrets and operate without infringing the exclusive rights of third parties. There is no proof that any patent that is granted to the Company will make the product more competitive, that its patent protection will not be contested by third parties or that the patents of others will not be detrimental to the Company's commercial activities. It cannot be assured that other companies will not independently develop products similar to the Company's products, that they will not imitate any of its products or that its competitors will not manufacture products designed to circumvent the exclusive patent rights granted to the Company. The Company may also be required to obtain licenses under patents or other exclusive rights from third parties. There is no guarantee that any license required under these patents or other exclusive rights will be offered upon conditions acceptable to the Company.

Proprietary Rights

We may be unable to adequately protect our proprietary rights. Our failure to protect these rights may significantly impair our competitive position.

Our success depends to a significant extent on our ability to protect our proprietary software and our other proprietary rights from copying, infringement or use by unauthorized parties. To protect our proprietary rights we rely primarily on a combination of patent, copyright, trade secret and trademark laws, confidentiality agreements with employees and third parties, and protective contractual provisions such as those contained in agreements with consultants, vendors and customers, although we have not signed these types of agreements in every case. Despite our efforts to protect our proprietary rights, unauthorized parties may copy aspects of our products and obtain and use information that we regard as proprietary. Other parties may breach confidentiality agreements and other protective contracts we have entered into. We may not become aware of, or have adequate remedies in the event of, these types of breaches or unauthorized activities.

In addition, any claims relating to the infringement of third-party proprietary rights, even if not successful or meritorious, could result in costly litigation, divert resources and management's attention or require us to enter into royalty or license agreements which are not advantageous to us. Although the Company endeavours to enter into licensing and service agreements with each of its customers in respect of their use of our Trading System, it has presently, and may have in the future, customers for whom the Company provides services and products and with whom it has not entered into written agreements.

Product and Service Liability

We may be exposed to product and service liability in the event that use of our Trading System results, or is alleged to have resulted, in adverse effects. To manage this risk we endeavour to enter into contracts with our customers which include exculpatory clauses. However, we have presently, and may have in the future, customers for whom we provide services and products and with whom we have not entered into written agreements.

Our Foreign Exchange Calculator allows traders to track their positions in real time in order to notify traders how much they need to hedge their current positions. While to date there have been no errors, it is possible that in the future the system may not work effectively, which could result in a loss to a trader. If such an error were to occur, it is possible that the Company may be held liable for any such loss.

Ability to Respond to Markets

Rapidly changing technology and new product introductions characterize the markets for our products. Accordingly, we believe that our future success will depend on our ability to enhance existing products and to develop and introduce in a timely fashion new products that achieve market acceptance. We cannot assure that we will be able to identify, develop, assemble and market or support our products successfully or that we will be able to respond effectively to technological changes or product announcements of our competitors.

Competition

The market for global trading solutions, intelligent order routing systems and integration solutions is intensely competitive, fragmented and rapidly changing. Many of the Company's competitors have longer operating histories, significantly greater financial, technical, product development and marketing resources, greater name recognition and larger customer bases than the Company. It is therefore impossible to guarantee that the products developed by other companies will not cause the Company's products and technologies to become uncompetitive. We face competition from ITG, Inc., NYFIX, Inc., Reuters Group Plc, Bloomberg LLC and other competitors.

The key barriers to entry into the Company's markets include the extensive technical requirements and regulatory requirements necessary for connectivity to various exchanges and other markets to effectively serve a time-sensitive, regulated clientele.

The Company believes that it has the technical know-how, various exchange and clearing memberships, network infrastructure and products with user-friendly interfaces that facilitate easy execution of real time cross-border trading to ensure that it remains a key competitor.

The Company must continue to overcome significant and increasing competition in order to continue its growth and productivity.

Customer Dependence

The Company is dependent on a limited number of customers for a substantial amount of its revenue. The loss of a significant customer would have a material adverse effect on revenue and results of operations. For the year ended December 31, 2005, five customers accounted for approximately 27% of total revenue (year ended December 31, 2004 - five customers for approximately 24%). The Company is attempting to mitigate this risk by aggressively seeking new customers. Our dependence on a limited number of customers for a substantial amount of our revenue could lead to fluctuations in our operating results.

Any of our customers could stop using our products in the future. As a result, a customer that generates substantial revenue for us in one period may not be a source of revenue in subsequent periods. The loss of a significant customer would have a material and adverse effect on our revenue and results of operations.

Our revenue depends on arrangements with our customers, all of which expire within the next two years. If we are unable to renew these arrangements, our future operating results may suffer.

Foreign Exchange

In the year ended December 31, 2005, the Company generated approximately 68% (year ended December 31, 2004 – approximately 66%) of its revenue in the United States and corresponding trade receivables due from customers in the United States at December 31, 2005 accounted for approximately 75% (December 31, 2004 – approximately 75%) of total outstanding trade receivables.

The Company does not, at present, hedge 100% of the risks associated with fluctuations in exchange rates between the United States dollar and the Canadian dollar and may be exposed in the future to adverse fluctuations between these exchange rates on the unhedged portion of its net asset position denominated in US dollars.

Encryption Technology

Our product contains encryption technology whose export is restricted by law, which may slow our growth or result in significant costs.

The United States and Canadian governments generally limit the export of encryption technology, which our product incorporates. A variety of cryptographic products generally require export approvals from certain United States government agencies in the case of exports from the U.S.A. and from Canadian government agencies in the case of exports from Canada, although there are currently no restrictions on exports of these products from Canada into the United States.

If any export approval that we receive is revoked or modified, if our software is unlawfully exported or if the United States or the Canadian government adopts new legislation or regulations restricting export of software and encryption technology, we may not be able to distribute our products to potential customers, which will cause a decline in our sales. We may need to incur significant costs and divert resources to develop replacement technologies or may need to adopt inferior substitute technologies to satisfy these export restrictions. These replacement or substitute technologies may not be the preferred security technologies of our customers, in which case, our business may not grow. In addition, we may suffer similar consequences if the laws of any other country limit the ability of third parties to sell encryption technologies to us.

New Technology

The market for our products and services is relatively new and evolving. We earn a substantial portion of our revenue from service fees associated with our Transactions Gateway, Order Management System and front-end software. We expect to earn a significant portion of our revenue in the foreseeable future from fees relating to these products and services. Our future financial performance will depend in part on continued growth in the number of organizations demanding software and services for protocol translation and order management services. Many of our potential customers have made significant investments in internally developed systems and would incur significant costs in switching to third-party products, which may substantially inhibit the growth of the market for enterprise infrastructure software. If this market fails to grow, or grows more slowly than we expect, our sales will be adversely affected.

Outstanding Share Data

Set out below is the outstanding share data for the Company as at March 8, 2006.

Common Shares:	13,937,773
Options to Purchase Common Shares:	
Issued and Outstanding	2,659,917

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at December 31, 2005, Belzberg's management, with the participation of the President and CEO and the CFO, evaluated the effectiveness of Belzberg's disclosure controls and procedures as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators and concluded that such controls and procedures were effective.

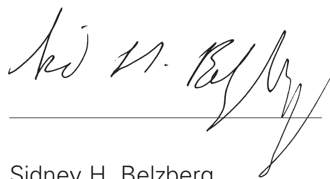
Management's Responsibility for Financial Reporting

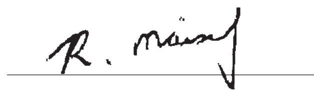
Management of Belzberg Technologies (the Company) is responsible for the preparation and integrity of the financial statements as well as the information contained in this report. The following financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting 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 four independent directors. 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.





Sidney H. Belzberg
Chairman and CEO

Richard Maisel
Chief Financial Officer

Toronto, Canada
March 8, 2006

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Belzberg Technologies Inc. as at December 31, 2005 and 2004 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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 Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Canada
February 27, 2006

CONSOLIDATED BALANCE SHEETS

BELZBERG TECHNOLOGIES INC | December 31, 2005 and 2004 (in Canadian dollars)

	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,052,641	$ 4,057,921
Deposits with and receivables from brokers, dealers and clearing organizations (note 2)	2,232,350	1,693,873
Accounts receivable	3,470,577	2,989,822
Government assistance receivable (note 3)	160,215	–
Prepaid expenses and other receivables	335,863	358,265
Other current assets (note 4)	277,317	243,525
	13,528,963	9,343,406
CAPITAL ASSETS (note 5)	2,254,346	2,880,367
GOODWILL	755,239	755,239
	$ 16,538,548	$ 12,979,012
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 2,780,646	$ 3,672,682
Current portion of obligations under capital lease (note 8)	217,605	449,290
	2,998,251	4,121,972
OBLIGATIONS UNDER CAPITAL LEASE (note 8)	184,809	86,590
SHAREHOLDERS' EQUITY:		
Capital Stock (note 9)	35,088,972	34,770,877
Contributed Surplus (note 10)	3,379,968	1,569,732
Warrants (note 10)	–	1,665,700
Deficit	(25,113,452)	(29,235,859)
	13,355,488	8,770,450
	$ 16,538,548	$ 12,979,012

Credit facilities (note 7)

Commitments, contingencies and guarantees (note 14)

See accompanying notes to consolidated financial statements.

APPROVED ON BEHALF OF THE BOARD

.... Director

.... Director

CONSOLIDATED STATEMENTS OF OPERATIONS

BELZBERG TECHNOLOGIES INC | Years ended December 31, 2005 and 2004 (in Canadian dollars)

	2005	2004
REVENUE	$ 33,019,733	$ 25,919,211
COST OF REVENUE	17,884,588	14,266,784
GROSS MARGIN	**15,135,145**	11,652,427
EXPENSES (INCOME):		
Sales and marketing	2,297,353	3,103,173
Research and development	2,227,826	2,380,735
Government assistance	(160,215)	(153,851)
Administration	4,632,952	5,030,092
Amortization	1,780,508	2,188,646
Foreign exchange loss	248,413	64,648
Write-down of leasehold improvements	–	238,245
Restructuring charges (note 6)	–	154,538
	11,026,837	13,006,226
EARNINGS (LOSS) BEFORE THE UNDERNOTED	4,108,308	(1,353,799)
INTEREST:		
Expense	53,410	104,403
Income	(67,509)	(75,785)
	(14,099)	28,618
NET EARNINGS (LOSS)	$ **4,122,407**	$ (1,382,417)
EARNINGS (LOSS) PER SHARE:		
Basic	**$ 0.30**	$ (0.10)
Diluted	**$ 0.30**	$ (0.10)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (note 9 (c))		
Basic	**13,806,389**	13,762,294
Diluted	**13,825,137**	$ 13,762,294

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

BELZBERG TECHNOLOGIES INC | Years ended December 31, 2005 and 2004 (Expressed in Canadian dollars)

	Number of common shares	Amount	Number of warrants	Amount	Contributed surplus	Deficit	Total
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
Issue of common shares Exercise of stock options (note 9(e))	65,000	195,000	–	–	–	–	195,000
Stock-based compensation (note 9(h))	–	–	–	–	279,642	–	279,642
Loss for the year	–	–	–	–	–	(1,382,417)	(1,382,417)
Balance, December 31, 2004	13,778,424	34,770,877	1,150,000	1,665,700	1,569,732	(29,235,859)	8,770,450
Issue of common shares: Exercise of stock options (note 9(e))	91,166	280,623	–	–	–	–	280,623
Stock compensation benefit on exercise of stock options (note 9(a))	–	37,472	–	–	(37,472)	–	–
Stock-based compensation (note 9(h))	–	–	–	–	182,008	–	182,008
Expiration of warrants (note 10)	–	–	(1,150,000)	(1,665,700)	1,665,700	–	–
Net earnings	–	–	–	–	–	4,122,407	4,122,407
Balance, December 31, 2005	13,869,590	$ 35,088,972	–	$ –	$ 3,379,968	$(25,113,452)	$ 13,355,488

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

BELZBERG TECHNOLOGIES INC | Years ended December 31, 2005 and 2004 (Expressed in Canadian dollars)

	2005	2004
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net earnings (loss)	$ 4,122,407	$ (1,382,417)
Items not involving cash:		
Amortization of capital assets	1,780,508	2,188,646
Write-down of leasehold improvements	–	238,245
Unrealized foreign exchange loss	207,844	214,238
Stock-based compensation (note 9(g) and (h))	182,008	283,517
Change in non-cash operating working capital (note 12)	(2,020,695)	302,304
	4,272,072	1,844,533
FINANCING ACTIVITIES:		
Repayment of obligations under capital lease	(558,824)	(987,705)
Repayment of bank loan	–	(203,352)
Proceeds from the exercise of stock options (note 9 (a))	280,623	195,000
	(278,201)	(996,057)
INVESTING ACTIVITIES:		
Purchase of capital assets	(791,307)	(877,115)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(207,844)	(214,238)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,994,720**	(242,877)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**4,057,921**	4,300,798
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 7,052,641**	$ 4,057,921
REPRESENTED BY:		
Cash	$ 6,879,553	$ 3,558,712
Cash equivalents	173,088	499,209
	$ 7,052,641	$ 4,057,921
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest received	$ 61,939	$ 75,785
Interest paid	53,410	104,403
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Acquisition of capital assets with capital leases	425,358	–
Acquisition of capital assets included in accounts payable and accrued liabilities	127,622	189,800

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2005 and 2004

Expressed in Canadian dollars except where otherwise indicated.

Belzberg Technologies Inc. and its wholly owned subsidiaries (the "Company") 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.

[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 Company 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, predominantly treasury bills, 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 lease	3 years
Leasehold improvements	Estimated useful life, straight-line

(d) Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statements of operations.

As at December 31, 2005 and 2004, goodwill was allocated to the Core reporting unit ($382,049) and the Brokerage reporting unit ($373,190). The Company tested goodwill for impairment at December 31, 2005 and 2004 and determined that no impairment in the carrying value of the asset existed.

(e) Impairment of long-lived assets

Long-lived assets, which consist of capital assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. At December 31, 2005 and 2004, no events or changes in circumstances had occurred that suggested that the carrying amounts of the long-lived assets may not be recoverable.

(f) Revenue recognition and deferred revenue

The Company'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.

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.

(g) Research and development and government assistance

The Company expenses research and development costs as incurred unless they meet the criteria under GAAP 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.

(h) Foreign currency translation

The Company'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.

Monetary assets and liabilities of the Company 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.

(i) Income taxes
The Company 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.

(j) Stock-based compensation and other stock-based payments
The Company has a stock-based compensation plan that is described in note 9. For stock options issued to employees and directors prior to January 1, 2003, no compensation expense was recorded when the stock options were issued. The consideration paid on the exercise of options granted to employees and directors prior to January 1, 2003 was credited to capital stock. On January 1, 2003, the Company adopted the fair value method of accounting for stock options granted on or after January 1, 2003. Stock-based compensation related to those awards is recognized based on the fair value of the options on the date of the grant that is determined by using an option-pricing model. The fair value of the options expected to vest is recognized over the vesting period of the options granted as compensation expense and contributed surplus. The contributed surplus balance is reduced as the options are exercised and the amount initially recorded for the options in contributed surplus is credited to capital stock. The contributed surplus balance is also reduced for unvested options that are cancelled and the amount initially recorded in contributed surplus is credited to compensation expense.

(k) Earnings (loss) per share
Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) 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.

(l) Derivative financial instruments
Derivative financial instruments are utilized by the Company in the management of its foreign currency exposures (primarily U.S. dollars). The Company has, from time to time, entered into forward and option foreign exchange contracts intended to manage portions of this risk.

Effective January 1, 2004, the Company implemented Accounting Guideline 13, Hedging Relationships ("AcG-13") issued by The Canadian Institute of Chartered Accountants ("CICA") which addresses the identification, designation, documentation and effectiveness of hedging relationships for the purposes of applying hedge accounting and provides guidance with respect to the discontinuance of hedge accounting. Upon adoption of the standard, the Company assessed its financial derivative instruments as not being designated within an AcG-13 compliant hedging relationship. Accordingly, they are marked-to-market and carried at fair value as assets or liabilities, as appropriate, with changes in fair value recognized in the consolidated statement of operations in the period in which they occur.

(m) Guarantees
Obligations under guarantees are not recognized in the financial statements but are disclosed in accordance with CICA Accounting Guideline 14, Disclosure of Guarantees.

(n) Use of estimates
The preparation of financial statements in accordance with GAAP 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. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and goodwill, allowance for doubtful accounts, stock-based compensation and valuation allowance for future income taxes. Actual results could differ from such estimates.

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

The Company 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:

	2005	2004
Cash equivalents on deposit with clearing organization, at market	$ 1,863,904	$ 1,277,743
Deposits with and receivables from:		
Clearing organizations	23,260	24,040
Brokers and dealers	345,186	392,090
	$ 2,232,350	$ 1,693,873

[3] GOVERNMENT ASSISTANCE RECEIVABLE

During 2005, the Company recognized provincial scientific research and experimental development ("SR&ED") tax credits of $160,215 relating to its 2003 and 2004 tax years. Provincial SR&ED tax credits are refundable in cash. Refer to note 11 for federal SR&ED tax credits. During 2004, the Company recognized and collected provincial SR&ED tax credits of $153,851 relating to its 2002 tax year. It also collected $303,832 related to its 2001 and 2000 tax years.

[4] OTHER CURRENT ASSETS

	2005	2004
Demand note receivable	$ –	$ 120,200
Fair value of option foreign exchange contracts	277,317	123,325
	$ 277,317	$ 243,525

[5] CAPITAL ASSETS

	2005		
	Cost	Accumulated amortization	Net book value
Furniture and equipment	$ 626,513	$ 351,265	$ 275,248
Computer equipment and software	3,191,817	2,017,676	1,174,141
Computer equipment and software under capital lease	723,559	354,302	369,257
Leasehold improvements	993,213	557,513	435,700
	$ 5,535,102	**$ 3,280,756**	**$ 2,254,346**

	2004		
	Cost	Accumulated amortization	Net book value
Furniture and equipment	$ 626,513	$ 288,022	$ 338,491
Computer equipment and software	3,586,986	1,975,123	1,611,863
Computer equipment and software under capital lease	1,875,166	1,514,160	361,006
Leasehold improvements	993,213	424,206	569,007
	$ 7,081,878	**$ 4,201,511**	**$ 2,880,367**

The Company reduces the cost and accumulated amortization of fully depreciated assets. As at December 31, 2005, the Company reduced the cost and accumulated amortization of fully depreciated capital assets by $2,701,263 (2004 - $1,311,543).

Amortization of computer equipment and software under capital lease amounted to $426,837 for the year ended December 31, 2005 (2004 - $830,052).

At December 31, 2004, the Company vacated a portion of its corporate office space and recorded a write-down of its leasehold improvements of $238,245.

[6] ACCRUED RESTRUCTURING CHARGES

	Dec 31, 2003	Provision	Cash payment	Adjustments	Dec 31, 2004
Accrued restructuring charges:					
2002 restructuring	$ 26,846	$ –	$ –	$ (26,846)	$ –
2003 restructuring:					
Quarter ended: September 30	158,317	–	151,535	(6,782)	–
December 31	166,706	–	170,126	3,420	–
2004 restructuring (b):					
Quarter ended: June 30	–	180,665	184,746	4,081	–
	$ 351,869	**$ 180,665**	**$ 506,407**	**$ (26,127)**	**$ –**

(a) 2005 restructuring
During the year ended December 31, 2005, the Company did not incur any restructuring charges.

(b) 2004 restructuring

(i) During the quarter ended June 30, 2004, the Company restructured its broker-dealer operation as management believed that the operation could continue to be reorganized for increased efficiencies and improved future profitability and as a result recorded a restructuring charge of $180,665 for employee severances and benefits.

(ii) During the quarter ended December 31, 2004, the Company adjusted $26,127 of restructuring charges relating to employee severances and benefits that were settled for amounts lower than originally estimated.

[7] CREDIT FACILITIES

During the year ended December 31, 2005, the Company secured a revolving demand credit facility of $2,000,000 and a revolving lease line of credit of $500,000 with a Canadian chartered bank (the "Bank"). The revolving demand credit facility bears interest at the Bank's prime rate plus 1.5% per annum and contains certain financial covenants that the Company must comply with on a monthly basis. The credit facility is secured by a general security agreement on the Company's assets. At December 31, 2005, no amounts were outstanding under this credit facility.

The revolving lease line of credit bears interest at the underlying lease market interest rates and is repayable on demand. The lease line of credit is secured by a general security agreement on the Company's assets. At December 31, 2005, $63,216 was outstanding under the lease line of credit and is included in obligations under capital lease.

The Company's subsidiary, Electronic Brokerage Systems, LLC ("EBS") has available a secured credit facility of US $5,000,000 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, 2005, nil (2004 - nil) was outstanding under this credit facility.

[8] OBLIGATIONS UNDER CAPITAL LEASE

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

2006	$ 243,926
2007	153,283
2008	42,464
	439,673
Less interest at weighted average annual rate of 10%	37,259
	402,414
Less current portion	217,605
	$ 184,809

Interest expense on capital lease obligations amounted to $40,644 for the year ended December 31, 2005 (2004 - $93,819).

[9] CAPITAL STOCK

The following summarizes changes to capital stock during 2005 and 2004:

(a) Authorized
Unlimited common shares
Issued:

	Number of common shares	Amount
Balance at December 31, 2003	13,713,424	$ 34,575,877
Exercise of stock options	65,000	195,000
Balance at December 31, 2004	13,778,424	34,770,877
Exercise of stock options	91,166	280,623
Stock compensation benefit on exercise of stock options	–	37,472
Balance at December 31, 2005	**13,869,590**	**$ 35,088,972**

(b) Normal course issuer bid
In March 2005, the Toronto Stock Exchange approved a Normal Course Issuer Bid for the Company to repurchase up to 688,000 of its common shares over the period from April 1, 2005 to March 31, 2006. As at December 31, 2005, no common shares had been repurchased under this Normal Course Issuer Bid.

(c) Earnings (loss) per share:
The following table sets forth the computation of diluted earnings (loss) per share:

	2005	2004
Numerator: Net earnings (loss) available to common shareholders	$ 4,122,407	$ (1,382,417)
Denominator: Weighted average number of common shares outstanding - basic	13,806,389	13,762,294
Effect of dilutive securities: Employee stock options	18,748	–
Weighted average number of common shares outstanding - diluted	13,825,137	13,762,294
Earnings (loss) per share: Basic	$ 0.30	$ (0.10)
Diluted	0.30	(0.10)

During 2005, options to purchase 2,220,600 common shares were excluded from the computation of diluted earnings per share as the exercise price exceeded the average market price of common shares for the year.

As at December 31, 2004, there were 21,154 potentially dilutive shares of common stock from stock options that were excluded from the diluted per share calculation, because the effect would be anti-dilutive.

(d) The Company 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 4,876,234 common shares of the Company, of which 2,146,634 remained available to be issued at year-end. The majority of stock options granted vest over a three-year period, have a term of five years and are granted with an exercise price equal to the closing market price of the shares on the day prior to the date the options are granted. In certain circumstances, stock options are granted with an exercise price that is higher than the closing market price of the shares on the day prior to the date the options are granted. The stock options outstanding at December 31, 2005, expire on various dates until December 7, 2010.

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

	2005		2004	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	3,607,100	$ 6.00	4,599,700	$ 6.10
Granted	180,000	3.23	295,500	3.42
Exercised	(91,166)	3.08	(65,000)	3.00
Forfeited/expired	(966,334)	6.43	(1,223,100)	5.94
Outstanding, end of year	2,729,600	5.76	3,607,100	6.00
Options exercisable, end of year	2,403,599	$ 6.09	3,056,392	$ 6.42

(f) The following table summarizes information about stock options outstanding at December 31, 2005:

	Options outstanding			Options exercisable	
Range of exercise price	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 2.90 - $ 4.50	849,500	2.89	$ 3.43	523,499	$ 3.49
$ 4.65 - $ 5.50	1,240,100	1.44	4.99	1,240,100	4.99
$ 8.00 - $ 15.00	640,000	1.11	10.34	640,000	10.34
	2,729,600	**1.81**	**5.76**	**2,403,599**	**6.09**

(g) During the year ended December 31, 2005, the Company recognized nil (2004 - $3,875) of the compensation expense related to options granted to an outside consultant in 2002.

(h) For stock options granted to employees and directors on or after January 1, 2003, the Company recorded compensation expense as follows:

	2005	2004
Stock-based compensation expense included in:		
Cost of revenue	$ 26,346	$ 42,683
Sales and marketing	27,010	48,733
Research and development	12,949	22,160
Administration	115,703	166,066
	$ 182,008	$ 279,642

The weighted average grant date fair value for employee options granted during the year ended December 31, 2005 was $1.02 (2004 - $1.02), valued using the following weighted average assumptions:

	2005	2004
Risk-free interest rate	3.4%	3.5%
Expected life of the options in years	3	3
Expected volatility	44%	51%

(i) For stock options granted to employees on or after January 1, 2002, had the Company determined compensation expense based on the fair value method at the grant date of such stock option awards, the Company's net earnings (loss) and earnings (loss) per share for the years ended December 31, 2005 and 2004 would have been reported as the pro forma amounts indicated below:

	2005	2004
Net earnings (loss), as reported	$ 4,122,407	$ (1,382,417)
Stock-based compensation income (expense)	11,578	(182,363)
Pro forma net earnings (loss)	$ 4,133,985	$ (1,564,780
Basic and diluted earnings (loss) per share, as reported	$ 0.30	$ (0.10)
Effect of stock-based compensation income (expense)	–	(0.01)
Pro forma basic and diluted earnings (loss) per share	$ 0.30	$ (0.11)

The pro forma earnings for the year ended December 31, 2005, increased as a result of the forfeiture of unvested employee stock options previously expensed.

[10] WARRANTS

The following summarizes share purchase warrants outstanding:

	2005		2004	
	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	1,150,000	$ 4.43	1,150,000	$ 4.43
Expired	(1,150,000)	4.43	–	
Outstanding, end of year	–	–	1,150,000	4.43

For the year ended December 31, 2005, a total of 1,150,000 share purchase warrants with a fair value estimated at the date of the grants of $1,665,700 expired unexercised. Accordingly, the fair value of $1,665,700 was transferred from warrants to contributed surplus.

[11] INCOME TAXES

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

	2005	2004
Earnings (loss) before income taxes	$ 4,122,407	$ (1,382,417)
Combined basic federal and provincial rate	36.12%	36.62%
Effective income tax expense (recovery) based on earnings (loss) before income taxes	$ 1,489,013	$ (506,241)
Decrease (increase) in income tax recovery resulting from:		
Non-deductible items	89,632	410,077
Non-taxable items	–	(293,502)
Non-deductible portion of exchange related transactions on capital account	28,828	27,981
Change in valuation allowance	(1,454,130)	(68,746)
Differences due to higher tax rates for foreign subsidiaries	72,164	(74,837)
Differences due to changes in exchanges rates	159,811	433,902
Other items	(385,318)	71,366
Actual income tax expense	**$ –**	**$ –**

The Company has accumulated income tax losses of approximately $13,694,000 as at December 31, 2005 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
2010	$ 1,861,000	$ –	$ 1,861,000
2020	–	1,575,000	1,575,000
2021	–	2,456,000	2,456,000
2022	–	3,222,000	3,222,000
2023	–	3,432,000	3,432,000
2024	–	1,148,000	1,148,000
	$ 1,861,000	**$ 11,833,000**	**$ 13,694,000**

As at December 31, 2005, the Company has an accumulated SR&ED expenditure pool of $3,867,000 (2004 - $3,328,000) that may be used to reduce future taxable income in Canada. The benefit of the SR&ED expenditure pool has not been reflected in these financial statements. The SR&ED expenditure pool can be carried forward indefinitely.

As at December 31, 2005, the Company has unrecorded investment tax credits of $1,373,122 available to offset future federal income tax liabilities, of which $296,720 expire in 2010, $392,174 expire in 2011, $311,362 expire in 2012, $191,400 expire in 2013 and $181,466 expire in 2014.

As at December 31, 2005, the Company has unrecorded New York Liberty Zone Business Employee credits of $867,569 available to offset future United States income taxes payable of which $48,598 expire in 2022, $432,108 expire in 2023, $240,786 expire in 2024 and $146,077 expire in 2025.

The tax effect of loss carryforwards and significant temporary differences representing future income tax assets at December 31, 2005 and 2004 are as follows:

	2005	2004
Future income tax asset		
Tax benefit of loss carryforwards	$ 5,642,853	$ 8,084,639
Capital assets	510,117	329,793
Share issue costs	111,290	244,325
SR&ED expenditure pool	1,487,014	595,207
Other	304,952	256,392
	8,056,226	**9,510,356**
Less valuation allowance	8,056,226	9,510,356
Future income tax asset	$ -	$ -

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

[12] CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	2005	2004
Accounts receivable	$ (480,755)	$ 273,133
Government assistance receivable	(160,215)	303,832
Prepaid expenses and other receivables	22,402	77,264
Other current assets	(33,792)	358,885
Deposits with and receivables from brokers, dealers and clearing organizations	(538,477)	(618,104)
Accounts payable and accrued liabilities	(829,858)	259,163
Accrued restructuring charges	_	(351,869)
	$ (2,020,695)	**$ 302,304**

[13] RELATED PARTY TRANSACTIONS

(a) During 2004, the Company paid an introducing broker commission in the amount of $9,627 to a previous director of the Company. There were no similar payments made during 2005.

(b) The Company leased its corporate premises on a month-to-month basis from a company ("The Related Company") controlled by certain members of senior management of the Company who are also directors of the Company. The Related Company leased the corporate premises from an unrelated third party ("the landlord"). The Company paid the monthly corporate premises rental directly to the landlord and there was no mark-up received by The Related Company. During 2005, The Related Company surrendered a portion of its corporate premises to the landlord and assigned the lease for the remainder of the corporate premises to the Company. The above-noted transaction was completed on an arm's length basis at current market rates.

(c) During 2005, EBS paid seat lease expenses at market rates of approximately $57,000 (2004 - $52,000) to a company controlled by the president of EBS. In addition, EBS recorded transaction fee revenues of approximately $16,500 (2004 - $2,200) from the same company for the year ended December 31, 2005.

[14] COMMITMENTS, CONTINGENCIES AND GUARANTEES

(a) The Company's commitments, primarily occupancy, datafeed and telecommunications cost, require future minimum payments, as summarized below at December 31, 2005:

2006	$ 3,177,863
2007	2,401,546
2008	1,352,099
2009	978,682
2010	978,682
Thereafter	715,130
	$ 9,604,002

(b) The Company has provided routine indemnifications to its customers against liability if the Company'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 Company has recourse against other parties to mitigate its risk of loss from these guarantees. Historically, the Company has made no payments relating to these indemnifications and the Company is not subject to any pending litigation on this matter.

(c) Net capital requirements:
The Company's subsidiaries, 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 US $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 US $100,000 or 6-2/3% of "aggregate indebtedness", as defined.

As at December 31, 2005, EBS and RCS had net capital of US $5,247,693 and US $663,716 and a net capital requirement of US $250,000 and US $100,000, respectively.

(d) 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.

[15] SEGMENTED INFORMATION

The Company operates and manages its business in one industry - the financial services sector. The Company has two reportable segments: the Core business and the Brokerage business. In the Core business, the Company 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 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) before amortization, net interest expense, income taxes and other non-recurring items.

(a) Industry segments

2005	Core	Brokerage	Total
External revenue:			
Subscription fees	$ 7,562,785	$ –	$ 7,562,785
Transaction fees	20,527,270	2,748,302	23,275,572
Other	2,181,376	–	2,181,376
	$ 30,271,431	**$ 2,748,302**	**$ 33,019,733**
Earnings before the undernoted	$ 5,682,062	$ 206,754	$ 5,888,816
Amortization	1,760,683	19,825	1,780,508
Interest:			
Expense	52,092	1,318	53,410
Income	(64,895)	(2,614)	(67,509)
Net earnings	**$ 3,934,182**	**$ 188,225**	**$ 4,122,407**
Total assets	**$ 15,052,362**	**$ 1,486,186**	**$ 16,538,548**
Capital asset expenditures	**789,139**	**2,168**	**791,307**
Acquisition of capital assets with capital leases	**425,358**	**–**	**425,358**

2004	Core	Brokerage	Total
External revenue:			
Subscription fees	$ 7,420,536	$ –	$ 7,420,536
Transaction fees	14,269,638	2,731,814	17,001,452
Other	1,497,223	–	1,497,223
	$ 23,187,397	**$ 2,731,814**	**$ 25,919,211**
Earnings (loss) before the undernoted	$ 1,621,476	$ (393,846)	$ 1,227,630
Amortization	2,159,871	28,775	2,188,646
Write-down of leasehold improvements	238,245	–	238,245
Restructuring charges	150,190	4,348	154,538
Interest :			
Expense	104,403	–	104,403
Income	(75,785)	–	(75,785)
Loss for the year	**$ (955,448)**	**$ (426,969)**	**$ (1,382,417)**
Total assets	**$ 11,760,032**	**$ 1,218,980**	**$ 12,979,012**
Capital asset expenditures	**875,579**	**1,536**	**877,115**

(b) Geographic segments

The Company'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 Company operates:

2005	Canada	United States	Total
External revenue:			
Subscription fees	$ 6,585,584	$ 977,201	$ 7,562,785
Transaction fees	2,103,646	21,171,926	23,275,572
Other	1,757,825	423,551	2,181,376
	$ 10,447,055	**$ 22,572,678**	**$ 33,019,733**
Total assets	$ 4,300,252	$ 12,238,296	$ 16,538,548
Capital assets	1,190,261	1,064,085	2,254,346
Goodwill	–	755,239	755,239

2004	Canada	United States	Total
External revenue:			
Subscription fees	$ 6,162,358	$ 1,258,178	$ 7,420,536
Transaction fees	1,750,271	15,251,181	17,001,452
Other	1,015,552	481,671	1,497,223
	$ 8,928,181	**$ 16,991,030**	**$ 25,919,211**
Total assets	$ 3,579,569	$ 9,399,443	$ 12,979,012
Capital assets	1,630,422	1,249,945	2,880,367
Goodwill	–	755,239	755,239

[16] FINANCIAL INSTRUMENTS

(a) Fair values of financial instruments
Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities 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 Company operates internationally and, as such, is exposed to fluctuations in foreign exchange rates. The Company uses forward and option foreign exchange contracts to limit its exposure to fluctuations in foreign exchange rates. The fair value of these financial instruments as at 2005 and 2004 is based on quoted market prices and information available at that time. As at December 31, 2005, the Company has entered into option foreign exchange contracts for the purchase of Cdn. $9,500,000 at US $0.84 maturing in March 2006 (2004 - option foreign exchange contracts for the purchase of Cdn. $4,500,000 at US $0.84 maturing September 2005). As at December 31, 2005, the Company has recorded an unrealized gain on the outstanding option foreign exchange contracts of approximately $52,000 (2004 - unrealized loss of approximately $2,000 on outstanding option foreign exchange contracts), included in other current assets (note 4).

(c) Credit risk
The Company is subject to risk of non-payment of accounts receivable. The Company mitigates this risk by monitoring the creditworthiness of its customers monthly as subscription and transaction fees are generated. At December 31, 2005, two customers accounted for approximately 28% of total accounts receivable (2004 - one customer for 11%). For the year ended December 31, 2005, one customer accounted for approximately 9% of total revenue (2004 - one customer for approximately 7%).

[17] COMPARATIVE FIGURES

Certain of the 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2005.

Investor Contact

Sidney Belzberg
Telephone: 416.360.1812
e-mail: sbelzberg@belzberg.com
website: www.belzberg.com

Corporate Offices

Canada:

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

Montreal
360 St. Jacques West, Suite 415
Montreal, Quebec H2Y 1P5
Telephone: 514.380.8558

United States:

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

Chicago
141 West Jackson Blvd., Suite 3510
Chicago Board of Trade Building
Chicago, IL 60604
Telephone: 312.986.6250

United Kingdom:
75 Cannon St., Suite 212
London EC4N 5BN
Telephone: +44(0) 20.7556.7694

Transfer Agent

Computershare Investor Services Inc.
100 University Ave., 11th Floor
Toronto, ON M5J 2Y1
Telephone: 1.800.564.6253
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

Alicia Belzberg
Executive Vice President of the Corporation

Dr. William Gnam
Economist

Stephen Sadler
Chairman and CEO of Enghouse Systems Limited

Robert Forbes
Partner, McCarthy Tétrault LLP

James Reddy
Chartered Accountant

Officers

Sidney H. Belzberg
President and Chief Executive Officer

Alicia Belzberg
Executive Vice President

Richard Maisel
Chief Financial Officer

Donald W. Wilson
Chief Operating Officer

Under the rules of the Canadian Securities Administrators, every listed company must disclose its approach to corporate governance with reference to the guidelines set out by Form 58-101F1. 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 Form 58-101F1 guidelines in the Information Circular.

The Science of Trading

www.belzberg.com