belzberg technologies

2006 ANNUAL REPORT

The Science of Trading

CONTENTS

Dear Shareholders,

In 2006 we again delivered record revenues and earnings. We increased our revenues to $37.4 million and increased our earnings, before income taxes, to $7.6 million. This is an increase of 13% and 85% respectively over the previous year, resulting in diluted earnings per share of $0.61 and working capital of $22.2 million.

Notable operational highlights for 2006 included the release of new products that truly make the phrase "hybrid trading" meaningful. Our definition of hybrid trading is that of a hybrid between automatic electronic matching of trades and a trader working an order on the customer's behalf.

We introduced a product known as Chat Trader™, through which a customer chatting with a trader, using any standard instant messaging product, can send buy or sell orders electronically to an exchange. These orders can be sent directly to the exchange from the messaging window, or can be directed to their trader's order management system. The fills from these orders are visible in the customer's web browser. The power of this system is that it is rapidly deployable. Our customers can also blast out indications of interest to many instant message users simultaneously.

Additionally, we introduced the Belzberg ALGO product, which allows traders to utilize pre-defined algorithms and strategies to assist them in working and managing orders.

Amongst others, these powerful products have proven to be useful in increasing the volumes customers will execute with floor based technologies. In short, it is a marriage of the old world of floor based and upstairs trading, with the new world of electronic trading.

In 2006 we acquired the business of a NYSE floor brokerage operation, our goal being to use this operation as a marketing platform for our technology based products and services, in addition to traditional trader assisted services.

In January 1999, Belzberg received a U.S. Patent Number 5,864,827, recognizing its exclusive rights to intellectual property for a System and Method for Providing a Protocol Transaction Gateway. In August 2004, Belzberg was granted European Patent Number 0992014 for a System and Method for Providing an Information Gateway.

These patents protect Belzberg's Transactions Gateway, a system that translates the protocol of incoming transaction messages from customers, into the appropriate protocol used by various exchanges and market makers. This technology facilitates electronic stock trading by allowing customers to execute trades on any market they choose, from a single screen.

During the last year we retained world-class patent attorney Donald Stout to advise us on strategies with respect to our intellectual property. We are currently reviewing with our counsel how best to proceed with enforcing our patents.

The Company initiated a strategic process in August 2006 and retained New York based Putnam Lovell to look at various strategic opportunities for the Company to increase shareholder value that could include either a merger or the sale of the entire company. The Company continues to be in discussions with a number of parties; however no assurances can be made that these discussions will result in strategic opportunities for the Company.

As always, we are proud of our team of dedicated and talented employees, and thankful of the continuing support of our shareholders, and patronage from all our customers.

Yours truly,

Sid H. Belzberg
Chairman and CEO

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, 2006. 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 1, 2007.

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 provider of technology-based brokerage services, trading equities and options through its wholly owned subsidiary, Electronic Brokerage Systems ("EBS"), an agency-only broker-dealer. EBS is a member of most North American stock exchanges, options exchanges and clearing organizations, including the NYSE, NASDAQ, CBOE, NSCC and OCC. Using Belzberg's suite of integrated trading tools and network connectivity to all North American Exchanges, the Company's customers have direct access to all equities and options markets. Belzberg's products enable traders to execute and manage large volumes of transactions with great reliability and security.

Major financial institutions, broker-dealers, buy-side institutions, banks, and others use EBS trade execution services and all or a subset of Belzberg trading products to automate their order execution, algorithmic trading, 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, 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

2006 Highlights and Summary

- Revenue increased by 13% for the year ended December 31, 2006 to $37.4 million from $33.0 million for the year ended December 31, 2005.
- Earnings of $9.2 million (including $1.5 million related to a net income tax recovery and $0.8 million related to the recognition of federal ITC's) or $0.61 per share for the year ended December 31, 2006 as compared to earnings of $4.1 million or $0.30 per share for the year ended December 31, 2005.
- Positive cash flow from operations of $8.3 million for the year ended December 31, 2006 compared to cash flow from operations of $4.3 million for the year ended December 31, 2005.
- Working capital position of $22.2 million at December 31, 2006 as compared to $10.5 million at December 31, 2005.

The Company continued to grow both its revenues and net earnings in the 2006 year although at a slower growth rate than the prior year. Our floor brokerage options business showed strong year over year growth where the average contracts per day executed increased by 50%. The electronic options business also showed reasonable year over year growth where the average contracts per day executed increased by 28%. Our U.S. equity orderflow business continued to experience pressure on pricing in the 2006 year even though total volumes executed increased by 49% year over year. At the end of the third quarter of 2006 the Company acquired the business and assets of the Nandra Group, Inc. that contributed approximately $0.6 million to the U.S. equity orderflow revenue in the fourth quarter. A strengthening Canadian Dollar adversely affected our year over year revenue growth by approximately $1.4 million. Net earnings for the year increased to $9.2 million (including $1.5 million related to a net income tax recovery and $0.8 million related to the recognition of federal ITC's) or $0.61 per share (2005– earnings of $4.1 million or $0.30 per share)

The Company's year-end financial position improved with cash and cash equivalents of $16.4 million (2005 - $7.1 million) and working capital of $22.2 million (2005 - $10.5 million). Cash generated by operations improved to $8.3 million for the year from $4.3 million in the prior year.

On August 9, 2006, the Company announced that its Board of Directors had formed a special committee ("Special Committee") of its independent directors with a mandate of pursuing strategic alternatives to maximize the value of the Company's common shares, including seeking proposals involving the purchase or other acquisition of all of the Company's outstanding common shares.

Growth Strategy

The Company's core strategy continues to be to offer to its customers order execution combined with cutting edge technology. The Company's growth strategy for 2007 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 as well as offering new services to additional institutional buy-side customers. The Company has partnered with third parties to develop new algorithms and services to target algorithmic traders and new institutional traders that 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 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)	2006	2005	2004
Revenue	$ 37,366	$ 33,020	$ 25,919
Net earnings (loss)	9,167 (a)	4,122	(1,382)(b)
Basic earnings (loss) per share	0.65	0.30	(0.10)
Diluted earnings (loss) per share	0.61	0.30	(0.10)
Total assets	31,103	16,539	12,979
Long term lease obligations	$ 32	$ 185	$ 87

(a) Includes $1,548 of net income tax recovery and $778 of federal ITC's not previously recognized. (b) Includes $155 of restructuring charges and $238 of write-down of leasehold improvements.

Results of Operations

Total Revenues

Total revenue increased by 13% from $33.0 million in 2005 to $37.4 million in 2006. In 2006, the Company generated approximately 72% (2005 - 68%) of its revenues in the United States and 28% (2005 - 32%) of its revenues in Canada. Revenues in the United States increased by 19% in 2006 (increased by 33% in 2005) and revenues in Canada increased by 1% in 2006 (increased by 17% in 2005).

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 8% from $14.5 million in 2005 to $15.7 million in 2006. The major contributor to the equity order flow revenue growth was our Canadian equity order flow growth which grew by 31% year over year mainly as a result of increased trading volumes from existing customers. The U.S. equity order flow revenue continued to experience pressure from a strengthening Canadian dollar and the loss of certain higher revenue but low margin accounts that were mostly replaced with increased volumes from lower commission rate customers. 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

	2006			2005		
($000s)	Canada	USA	Total	Canada	USA	Total
Transaction fees – core						
Equity order flow	$ 2,749	$ 12,941	**$ 15,690**	$ 2,099	$ 12,419	**$ 14,518**
Electronic option and futures contracts	7	7,998	**8,005**	5	6,004	**6,009**
Total transaction fees – core	2,756	20,939	**23,695**	2,104	18,423	**20,527**
Transaction fees – brokerage	–	4,850	**4,850**	–	2,748	**2,748**
Subscription fees	6,726	665	**7,391**	6,586	977	**7,563**
Other revenue	1,057	373	**1,430**	1,758	424	**2,182**
Total	**$ 10,539**	**$ 26,827**	**$ 37,366**	**$ 10,448**	**$ 22,572**	**$ 33,020**

U.S. Equity order flow revenue on a year over year basis was adversely affected by approximately $0.8 million from a strengthening Canadian dollar.

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

	Year Ended December 31			
U.S. Equity Order Flow	2006	2005	change	% change
Total trading volume (in billions of shares)	10.4	7.0	3.4	49%
Avg trading volume per day (in millions of shares)	41.4	28.0	13.5	48%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 51.6	$ 49.3	$ 2.3	5%
Avg transaction fee revenue per share	$ 0.001244	$ 0.001761	$(0.000517)	(29)%
U.S. market trading days	251	252	(1)	–

(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 33% from $6.0 million in 2005 to $8.0 million in 2006. A strengthening Canadian dollar adversely affected options and futures contracts execution revenue on a year over year basis by approximately $0.4 million. The increase in the average transaction fee revenue per contract resulted from the Company receiving payment from the various option exchanges and from a specialist for certain of its orderflow. Our CBOE HyTs program accounted for approximately 99% 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:

	Year Ended December 31			
U.S. Electronic Options Contracts Executed	2006	2005	change	% change
Total trading volume (in millions of contracts)	49.9	39.1	10.8	28%
Avg trading volume per day (in thousands of contracts)	198.9	155.5	43.4	28%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 31.9	$ 23.8	$ 8.0	34%
Avg transaction fee revenue per contract	$ 0.160	$ 0.153	$ 0.007	5%
U.S. market trading days	251	252	(1)	–

Transaction Fee Revenue - Brokerage

Transaction fee revenue from the brokerage segment (including the recovery of pass through costs) increased by 76% from $2.7 million in 2005 to $4.9 million in 2006. The total volume of floor option exchange contracts executed increased by 50% on a year over year basis. A strengthening Canadian dollar 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:

	Year Ended December 31			
U.S. Floor Options Contracts Executed	2006	2005	change	% change
Total trading volume (in millions of contracts)	15.7	10.5	5.2	50%
Avg trading volume per day (in thousands of contracts)	62.5	41.8	20.8	50%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 19.3	$ 10.9	$ 8.4	77%
Avg transaction fee revenue per contract	$ 0.309	$ 0.261	$ 0.048	18%
U.S. market trading days	251	252	(1)	–

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, decreased by 2% in 2006 to $7.4 million from $7.6 million in 2005. Subscription fee revenue in the U.S. decreased by $0.3 million or 32% year over year as a result of the cancellation by 3 customers during the 2005 year as well as a strengthening Canadian dollar that adversely affected U.S. subscription fee revenue by approximately $45,000. Subscription fee revenue in Canada increased by $0.1 million or 2% year over year mostly as a result of 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, decreased by 34% to $1.4 million in the year ended December 31, 2006 from $2.2 million in the year ended December 31, 2005. Approximately $0.3 million of the decrease resulted from the receipt of a customer contractual obligation in the 2005 year that did not recur in the 2006 year. The balance of the decrease resulted from a reduction in information distribution recoveries ($0.2 million), a reduction in custom programming work performed and installations ($0.1 million), a reduction in customer connectivity recoveries ($0.1 million) and a reduction in license fee redistribution revenue ($47,000). The Company transitioned its datafeed suppliers at the end of 2005 reducing the cost of datafeeds passed through to its customers in the 2006 year.

Expenses (Income)

Expenses (Income) for the Years Ended December 31								
	2006				2005			
($000s)	Core	Brokerage	Total	% of Revenues	Core	Brokerage	Total	% of Revenues
Exchange, clearing and brokerage fees	$ 9,594	$ 2,005	$11,599	31 %	$ 7,946	$ 719	$ 8,665	26 %
Compensation and related benefits	7,547	1,455	9,002	24 %	6,798	1,349	8,147	25 %
Telecommunication and datafeed services	4,968	144	5,112	14 %	6,314	173	6,487	20 %
Administrative and other expenses	3,516	148	3,664	10 %	3,556	188	3,744	11 %
Strategic process expenses	248	–	248	1 %	–	–	–	–
Amortization of capital assets	1,301	4	1,305	3 %	1,761	20	1,781	5 %
Amortization of intangible asset	16	–	16	–	–	–	–	–
Foreign exchange loss (gain)	63	(38)	25	–	199	49	248	1 %
Government assistance	(885)	–	(885)	(2) %	(160)	–	(160)	–
Interest expense	39	–	39	–	52	1	53	–
Interest income	(343)	(34)	(377)	(1) %	(65)	(3)	(68)	–
	$ 26,064	**$ 3,684**	**$29,748**	**80%**	**$ 26,401**	**$ 2,496**	**$28,897**	**88%**

Exchange, Clearing and Brokerage Fees

Exchange, clearing and brokerage fees are comprised of:

(i) the transaction fees we pay to the various exchanges, ECN's and clearing organizations for the execution and clearing of our customer equity and option orders;

(ii) the commissions we pay to other brokers and specialists for execution services and/or for the introduction of orderflow;

(iii) the cost of our exchange and clearing organization memberships;

(iv) the cost of seat leases, trading licenses and other brokerage fees;

(v) the cost of any trading errors that may arise.

Exchange, clearing and brokerage fees increased by 34% to $11.6 million for the year ended December 31, 2006 from $8.7 million for the year ended December 31, 2005. The increase can be attributed to:

(i) increased equity exchange fees in the core business of approximately $2.6 million from higher trading volumes in the 2006 year and from the new exchange fee structure implemented on the NYSE in the third quarter of 2006.

(ii) Increased option exchange fees of approximately $1.6 million mainly from higher trading volumes in the brokerage business.

(iii) An unusual gain of approximately $0.1 million in the brokerage business in the 2005 year that did not recur in the 2006 year.

(iv) A trading error of $0.1 million in the core business in 2006 year that did not occur in the 2005 year.

(v) An accrual of $0.2 million in the core business in the 2006 year for a contingent liability that did not occur in the 2005 year.

The above increases were offset by lower commissions of $0.8 million in the core business paid to other brokers for the introduction of business, lower specialist fees paid in the core business of $0.6 million and lower fees paid in the core business for execution services of $0.2 million.

Compensation and Related Benefits

Compensation and related benefits comprise the payroll cost of our headcount, incentive compensation to employees and any stock based compensation related to the grant of stock options to employees and directors.

Compensation and related benefits increased by 10% to $9.0 million for the year ended December 31, 2006 from $8.1 million for the year ended December 31, 2005. The increase can be attributed to:

(i) Headcount additions in the core business from the acquisition of the business of the Nandra Group, Inc. in the fourth quarter of 2006 that added approximately $0.4 million to compensation expense.

(ii) Increased bonuses of $0.3 million paid in 2006 as compared to those paid in 2005. Approximately $0.1 million of the increase related to the brokerage business.

(iii) Increased stock compensation expenses of $0.1 million in the core business from additional option grants

Our average headcount in 2006 was 89 employees as compared to 85 employees in the prior year.

Telecommunication and Datafeed Services

Telecommunication services comprise of the cost of the communication lines to connect our customers and our offices to each other and to the various exchanges, ECN's and datafeed suppliers. Datafeed service costs comprise of the cost of receiving datafeeds from the various exchanges and other providers to redistribute to our customers.

Telecommunication and datafeed services decreased by 21% to $5.1 million for the year ended December 31, 2006 from $6.5 million for the year ended December 31, 2005. Approximately $0.8 million of the year over year decrease resulted from the Company transitioning its datafeed suppliers at the end of the 2005 year. Approximately $0.5 million of the year over year decrease resulted from the Company reorganizing its core and market dataline connections. The balance of the year over year decrease of $0.1 million related to a reduction in customer connectivity charges from cancellations in the core business. The Company expects that its telecommunication and datafeed costs will increase in the 2007 year from increased capacity required to handle greater volumes of datafeeds provided by the exchanges.

Administrative and Other Expenses

Administrative and other expenses comprise of our occupancy costs, professional fees for legal and audit services, insurance costs and other office and general expenses.

Administrative and other expenses decreased by $0.1 million or 2% to $3.66 million for the year ended December 31, 2006 from $3.74 million for the year ended December 31, 2005. The primary factors that contributed to the year over year decrease were (i) reduced occupancy costs in the core business of $0.1 million resulting from the full effect of the corporate office space reduction that occurred during the 2005 year; (ii) reduced professional fees of $0.1 million relating to legal fees incurred in the 2005 year for a non-solicitation suit initiated by the Company that did not recur in the 2006 year and (iii) reduced travel expenses of $20,000 year over year.

These cost reductions were partially offset by increased advertising and promotional costs of $0.1 million year over year and an increase in equipment maintenance and repair costs of $59,000 year over year.

Strategic Process Expenses

On August 9, 2006, the Company announced that its Board of Directors had formed a special committee ("Special Committee") of its independent directors with a mandate of pursuing strategic alternatives to maximize the value of the Company's common shares, including seeking proposals involving the purchase or other acquisition of all of the Company's outstanding common shares.

The strategic process expenses of $0.2 million include the legal, investment banker and other costs related to the strategic process announced.

Amortization of Capital Assets

Consolidated amortization of capital assets decreased by $0.5 million or 27% to $1.3 million for the year ended December 31, 2006 from $1.8 million for the year ended December 31, 2005. The year over year decrease resulted from computer and network equipment becoming fully depreciated mainly in the core business in the 2005 and 2006 years.

Amortization of Intangible Asset

Amortization of the intangible asset relates to the amortization of the portion of the Nandra purchase price allocated to a customer list. The intangible is being amortized on a straight line basis over 5 years.

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 $25,000 of which a loss of approximately $63,000 related to the core business and a gain of $38,000 related to the brokerage business for the year ended December 31, 2006. 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, 2006, the Company had option exchange contracts outstanding for the purchase of $9.5 million Canadian dollars at US$.85 expiring in March 2007. These outstanding option exchange contracts had an unrealized loss of approximately $174,000 at the 2006 year-end.

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 $9.5 million Canadian dollars at US$.84 expiring in March 2006. These outstanding option exchange contracts had an unrealized gain of approximately $52,000 at the 2005 year-end.

Government Assistance

The Company recognized provincial scientific research and experimental development ("SR&ED") tax credits in the 2006 year of $107,000 of which $67,000 related to its 2005 tax year and $40,000 related to its 2003 and 2004 tax years. Provincial SR&ED tax credits are refundable in cash to the Company. The Company also recorded previously unrecognized federal SR&ED tax credits in the 2006 year of $778,000 based upon management's best estimate of federal ITC's that would be utilized to offset future Canadian federal income tax liabilities. The Company utilized $247,000 of the federal ITC's in the 2006 year. The Company has approximately $687,000 of unrecorded federal ITC's. Any change in management's estimate relating to the use of federal ITC's could result in additional income or expense for the Company in the future.

The Company recognized $160,000 of provincial SR&ED tax credits in the 2005 year that related to its 2003 and 2004 tax years.

During 2006, the Company collected $200,000 of provincial SR&ED tax credits relating to the 2003 and 2004 tax years. Government assistance relates to the core business.

Interest Expense

Consolidated interest expense, decreased by $14,000 to $39,000 for the year ended December 31, 2006 from $53,000 for the year ended December 31, 2005. 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.

Interest Income

Consolidated interest income increased by $309,000 to $377,000 for the year ended December 31, 2006 from $68,000 for the year ended December 31, 2005. The increase resulted mainly from investing excess cash in the current year.

Income Taxes

The Company recorded a current tax expense of $0.2 million related to the utilization of Canadian federal ITC's in the 2006 year. The Company also recorded a future income tax recovery of $1.8 million in fiscal 2006 based upon management's best estimate, more likely than not, of prior year tax attributes that will be utilized against future taxable income. Management's estimate considered factors by taxing jurisdiction, such as estimated taxable income, the history of losses for tax purposes and the growth of the Company. Any change in management's estimates could result in an additional income tax recovery or expense in the future. Refer to Note 12 in the consolidated financial statements for further details.

The Company has net operating loss carry forwards in the United States of approximately $8.7 million that may be used to offset future taxable earnings. The losses expire in the United States beginning in 2020. The Company also has an accumulated federal SR&ED expenditure pool in Canada of approximately $4.0 million that may be used to reduce future taxable income in Canada. The SR&ED expenditure pool can be carried forward indefinitely. The Company believes that sufficient uncertainty exists regarding the realization of certain future income tax assets that a valuation allowance is required. The Company also has investment tax credits of approximately $1.2 million in Canada that may be used to offset future federal income taxes payable in Canada and that expire beginning in 2010. Approximately $0.7 million of the federal ITC's have not been recorded. Refer to Note 12 in the consolidated financial statements for further details.

Net Earnings

The net earnings for the year ended December 31, 2006 increased to $9.2 million (including $1.5 million related to a net income tax recovery and $0.8 million related to the recognition of federal ITC's) from net earnings of $4.1 million for the year ended December 31, 2005. The Diluted earnings per share for the year ended December 31, 2006, increased to $0.61 per share from earnings of $0.30 per share for the year ended December 31, 2005.

Summary of Quarterly Results (unaudited)

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

				2006				2005
($ 000s except per share amounts)	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1
Revenue								
Transaction fees								
Equity order flow	$ 4,515	$ 3,709	$ 3,870	$ 3,596	$ 3,994	$ 3,692	$ 3,769	$ 3,062
Electronic option and futures contracts	2,062	1,671	2,050	2,221	1,889	1,559	1,352	1,210
Floor brokerage option contracts	1,395	1,247	1,312	896	756	664	727	601
	7,972	**6,627**	**7,232**	**6,713**	**6,639**	**5,915**	**5,848**	**4,873**
Subscription fees	1,872	1,846	1,848	1,825	1,908	1,890	1,910	1,855
Other	345	324	409	353	426	475	890	390
Total Revenue	**10,189**	**8,797**	**9,489**	**8,891**	**8,973**	**8,280**	**8,648**	**7,118**
Expenses (Income)								
Exchange, clearing and other brokerage fees	3,464	2,700	2,966	2,469	2,452	2,366	2,332	1,515
Compensation and related benefits	2,654	2,040	2,097	2,211	2,045	2,062	2,028	2,012
Telecommunication and datafeed services	1,370	1,224	1,239	1,279	1,465	1,560	1,782	1,680
Administrative and other expenses	1,001	894	926	843	898	851	958	1,037
Strategic process expenses	34	214	–	–	–	–	–	–
Amortization of capital assets	322	326	333	324	383	423	477	498
Amortization of intangible asset	16	–	–	–	–	–	–	–
Foreign exchange loss (gain)	(93)	35	97	(14)	79	128	29	11
Government assistance	(778)	–	(107)	–	–	(160)	–	–
Interest expense	20	5	6	8	13	15	12	14
Interest income	(154)	(121)	(71)	(31)	(25)	(17)	(14)	(12)
	7,856	7,317	7,486	7,089	7,310	7,228	7,604	6,755
Earnings before income taxes	**2,333**	**1,480**	**2,003**	**1,802**	**1,663**	**1,052**	**1,044**	**363**
Provision for (recovery of) income taxes								
Current	247	–	–	–	–	–	–	–
Future	(1,795)	–	–	–	–	–	–	–
	(1,548)	–	–	–	–	–	–	–
Net earnings	**$ 3,881**	**$ 1,480**	**$ 2,003**	**$ 1,802**	**$ 1,663**	**$ 1,052**	**$ 1,044**	**$ 363**
Earnings (loss) per share:								
Basic	$ 0.27	$ 0.10	$ 0.14	$ 0.13	$ 0.12	$ 0.08	$ 0.08	$ 0.03
Diluted	0.25	0.10	0.13	0.12	0.12	0.08	0.08	0.03

Equity order flow revenue in the fourth quarter of 2006 increased by approximately $0.6 million from the acquisition of the business and assets of the Nandra Group, Inc. Other 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.

Compensation and related benefits in the fourth quarter of 2006 increased by approximately $0.4 million from additional headcount related to the acquisition of the business and assets of the Nandra Group, Inc.

Government assistance in the fourth quarter of 2006 relates to the recording of federal SR&ED tax credits not previously recognized based upon management's best estimate of federal ITC's that would be utilized to offset future Canadian federal income tax liabilities.

Fourth Quarter Analysis

Revenue

2006	Canada	USA	Total
Transaction Fees – core Equity order flow	$ 663	$ 3,851	**$ 4,514**
Electronic option and futures contracts	1	2,061	**2,062**
Total transaction fees – core	$ 664	$ 5,912	**$ 6,576**
Transaction fees – brokerage	–	1,395	**1,395**
Subscription fees	1,708	164	**1,872**
Other revenue	235	110	**345**
Total	**$ 2,607**	**$ 7,581**	**$ 10,188**

2005	Canada	USA	Total
Transaction Fees – core Equity order flow	$ 614	$ 3,379	**$ 3,993**
Electronic option and futures contracts	5	1,884	**1,889**
Total transaction fees – core	$ 619	$ 5,263	**$ 5,882**
Transaction fees – brokerage	–	756	**756**
Subscription fees	1,690	219	**1,909**
Other revenue	343	83	**426**
Total	**$ 2,652**	**$ 6,321**	**$ 8,973**

Total Revenue increased by $1.2 million to $10.2 million in the fourth quarter of 2006 from $9.0 million in the fourth quarter of 2005.

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 13% from $4.0 million in the fourth quarter of 2005 to $4.5 million in the fourth quarter of 2006. The major contributor to the equity order flow revenue growth was the acquisition of the business of the Nandra Group Inc. which added approximately $0.6 million to the U.S. equity order flow. U.S. Equity order flow revenue on a year over year basis was adversely affected by approximately $0.1 million from a strengthening Canadian dollar.

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

	Fourth Quarter Ended December 31			
U.S. Equity Order Flow	2006	2005	change	% change
Total trading volume (in billions of shares)	2.6	2.0	0.64	32%
Avg trading volume per day (in millions of shares)	41.7	31.5	10.2	32%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 61.1	$ 53.6	$ 7.5	14%
Avg transaction fee revenue per share	$ 0.001467	$ 0.001702	$(0.000235)	(14)%
U.S. market trading days	63	63	–	–

(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 9% from $1.9 million in the fourth quarter of 2005 to $2.1 million in the fourth quarter of 2006. A strengthening Canadian dollar adversely affected options and futures contracts execution revenue on a year over year basis by approximately $56,000. The increase in the average transaction fee revenue per contract resulted from the Company receiving payment from the various option exchanges and from a specialist for certain of its orderflow. The following table summarizes key performance indicators relating to our U.S. electronic options contracts executed:

	Fourth Quarter Ended December 31			
U.S. Electronic Options Contracts Executed	2006	2005	change	% change
Total trading volume (in millions of contracts)	10.0	13.6	(3.6)	(26%)
Avg trading volume per day (in thousands of contracts)	158.4	215.2	(56.8)	(26%)
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 32.7	$ 29.9	$ 2.8	9%
Avg transaction fee revenue per contract	$ 0.207	$ 0.139	$ 0.068	49%
U.S. market trading days	63	63	–	–

Transaction Fee Revenue - Brokerage

Transaction fee revenue from the brokerage segment (including the recovery of pass through costs) increased by 85% from $0.8 million in the fourth quarter of 2005 to $1.4 million in the fourth quarter of 2006. The total volume of floor option exchange contracts executed increased by 58% on a year over year basis. A strengthening Canadian dollar adversely affected the floor brokerage segment revenue on a year over year basis by approximately $22,000.

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

U.S. Floor Options Contracts Executed	Fourth Quarter Ended December 31 2006	2005	change	% change
Total trading volume (in millions of contracts)	4.6	2.9	1.69	58%
Avg trading volume per day (in thousands of contracts)	72.9	46.1	26.8	58%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 22.1	$ 12.0	$ 10.1	85%
Avg transaction fee revenue per contract	$ 0.304	$ 0.260	$ 0.044	17%
U.S. market trading days	63	63	–	–

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, decreased by 2% in the fourth quarter of 2006 to $1.87 million from $1.9 million in the fourth quarter of 2005. Subscription fee revenue in the U.S. decreased by $55,000 or 25% year over year as a result of the cancellation by 3 customers during the 2005 year. Subscription fee revenue in Canada increased by 1% year over year mostly as a result of 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, decreased by 19% to $0.3 million in the fourth quarter ended December 31, 2006 from $0.4 million in the fourth quarter ended December 31, 2005. The decrease resulted from a reduction in information distribution recoveries ($16,000), a reduction in custom programming work performed ($44,000), a reduction in customer connectivity recoveries ($17,000) and a reduction in license fee redistribution revenue ($25,000). The Company transitioned its datafeed suppliers at the end of 2005 reducing the cost of datafeeds passed through to its customers in the 2006 year.

Exchange Clearing and Brokerage Fees

Exchange clearing and brokerage fees increased by $1.0 million to $3.5 million in the fourth quarter of 2006 from $2.5 million in the fourth quarter of 2005. The increase can be attributed to:

(i) increased equity exchange fees in the core business of approximately $0.8 million from higher trading volumes in the fourth quarter of 2006 and from the new exchange fee structure implemented on the NYSE in the third quarter of 2006.

(ii) Increased option exchange fees of approximately $0.4 million mainly from higher trading volumes in the brokerage business.

(iii) An unusual gain of approximately $0.1 million in the brokerage business in the fourth quarter of 2005 that did not recur in the fourth quarter of 2006.

(iv) A trading error of $0.1 million in the core business in the fourth quarter of 2006 that did not occur in the fourth quarter of 2005.

(v) An accrual of $0.2 million in the core business in the fourth quarter of 2006 for a contingent liability that did not occur in the fourth quarter of 2005.

The above increases were offset by lower commissions of $0.2 million paid to other brokers in the core business for the introduction of business and lower fees of $0.5 million paid for execution services in the core business that decreased.

Compensation and Related Benefits

Compensation and related benefits increased by $0.6 million to $2.6 million in the fourth quarter of 2006 from $2.0 million in the fourth quarter of 2005. The increase can be attributed to:

(i) Headcount additions in the core business from the acquisition of the business of the Nandra Group, Inc. in the fourth quarter of 2006 that added approximately $0.4 million to compensation expense.

(ii) Increased bonuses of $0.2 million paid in the fourth quarter of 2006 as compared to the fourth quarter of 2005. Approximately $55,000 of the increase related to the brokerage business.

Our average headcount in the fourth quarter of 2006 was 95 employees as compared to 87 employees in the fourth quarter of the prior year.

Expenses (Income)

Expenses (Income) for the fourth quarter ended December 31

	2006				2005			
($ 000s)	Core	Brokerage	Total	% of Revenues	Core	Brokerage	Total	% of Revenues
Exchange, clearing and brokerage fees	$ 2,861	$ 603	$ 3,464	34 %	$ 2,322	$ 130	$ 2,452	27 %
Compensation and related benefits	2,259	395	2,654	26 %	1,709	336	2,045	23 %
Telecommunication and datafeed services	1,331	39	1,370	13 %	1,427	38	1,465	16 %
Administrative and other expenses	945	56	1,001	10 %	846	52	898	10 %
Strategic process expenses	34	–	34	–	–	–	–	–
Amortization of capital assets	321	1	322	3 %	382	1	383	4 %
Amortization of intangible asset	16	–	16	–	–	–	–	–
Foreign exchange loss (gain)	5	(98)	(93)	–	77	2	79	1 %
Government assistance	(778)	–	(778)	(8) %	–	–	–	–
Interest expense	20	–	20	–	11	2	13	–
Interest income	(139)	(15)	(154)	(2)%	(22)	(3)	(25)	–
	$ 6,875	$ 981	$ 7,856	77%	$ 6,752	$ 558	$ 7,310	81%

Telecommunication and Datafeed Services
Telecommunication and datafeed services decreased by $0.1 million to $1.4 million in the fourth quarter of 2006 from $1.5 million in the fourth quarter of 2005. The decrease related to the reduction in datafeed costs of $47,000 from the termination of a datafeed supplier at the end of 2005 and a reduction in telecommunication costs of $47,000 mainly from the cancellation of customer connections. The Company expects telecommunication costs and datafeed costs to increase in 2007 as a result of increases by the exchanges of their datafeed costs and the increased bandwidth of datalines required to handle the increased capacity of data output by the exchanges.

Administrative and Other Expenses
Administrative and other expenses increased by $0.2 million to $1.0 million in the fourth quarter of 2006 from $0.9 million in the fourth quarter of 2005. The increase is mainly attributable to (i) higher advertising and promotional costs of $48,000, (ii) higher office and general expenses of $36,000 and (iii) higher occupancy costs of $17,000 from increased operating costs. The increases mainly relate to the core business.

Strategic Process Expenses
On August 9, 2006, the Company announced that its Board of Directors had formed a special committee ("Special Committee") of its independent directors with a mandate of pursuing strategic alternatives to maximize the value of the Company's common shares, including seeking proposals involving the purchase or other acquisition of all of the Company's outstanding common shares.

The strategic process expenses of $34,000 include the legal, investment banker and other costs related to the strategic process announced.

Amortization of Capital Assets
Amortization of capital assets decreased by $0.1 million to $0.3 million in the fourth quarter of 2006 from $0.4 million in the fourth quarter of 2005. The year over year decrease resulted mainly from computer and network equipment becoming fully depreciated in the core business during the 2005 and 2006 years.

Amortization of Intangible Asset
Amortization of the intangible asset relates to the amortization of the portion of the Nandra purchase price allocated to a customer list. The intangible is being amortized on a straight line basis over 5 years.

Foreign Exchange Loss (Gain)
The Company incurred a foreign exchange gain of $93,000 in the fourth quarter of 2006 (of which a gain of $98,000 related to the brokerage business and a loss of $5,000 related to the core business) that arose from gains and losses incurred on option exchange contracts, net of the foreign exchange impact of translating our integrated foreign subsidiaries.

The Company incurred a foreign exchange loss of $79,000 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.

Government Assistance
The Company recorded previously unrecognized federal SR&ED tax credits in the fourth quarter of 2006 in the amount of $778,000 based upon management's best estimate of federal ITC's that would be utilized to offset future Canadian federal income tax liabilities. The Company has approximately $687,000 of unrecorded federal ITC's. Any change in management's estimate relating to the use of federal ITC's could result in additional income or expense for the Company in the future.

Interest Expense
Interest expense increased to $20,000 in the fourth quarter of 2006 from $13,000 in the fourth quarter of 2005. The increase in interest expense resulted mainly from interest assessed on sales tax audits completed in the fourth quarter of 2006 and from an early buyout of a capital lease in the fourth quarter of 2006.

Interest Income
Interest income increased to $154,000 in the fourth quarter of 2006 from $25,000 in the fourth quarter of 2005. The Company earned additional interest income in the 2006 year from excess cash invested.

Income Tax Expense (Recovery)
The Company recorded a current tax expense of $0.2 million in the fourth quarter related to the utilization of Canadian federal ITC's in the 2006 year. The Company also recorded a future income tax recovery in the fourth quarter of $1.8 million in fiscal 2006 based upon management's best estimate, more likely than not, of prior year tax attributes that will be utilized against future taxable income. Management's estimate considered factors by taxing jurisdiction, such as estimated taxable income, the history of losses for tax purposes and the growth of the Company. Any change in management's estimates could result in an additional income tax recovery or expense in the future. The Company believes that sufficient uncertainty exists regarding the realization of certain future income tax assets that a valuation allowance is required. Refer to Note 12 in the consolidated financial statements for further details.

Net Earnings
The net earnings for the fourth quarter of 2006 increased to $3.9 million (including $1.5 million related to a net income tax recovery and $0.8 million related to the recognition of federal ITC's) from net earnings of $1.7 million for fourth quarter of 2005. Diluted earnings per share for the fourth quarter of 2006, increased to $0.25 per share from earnings of $0.12 per share for the fourth quarter of 2005.

Transactions with Related Parties
During 2006, the Company's subsidiary, Electronic Brokerage Systems, LLC ("EBS"), paid seat lease expenses at market rates of approximately $52,000 (2005 - $57,000) to a company controlled by the president of EBS. In addition, EBS recorded transaction fee revenues of approximately $8,000 (2005 - $16,500) from the same company for the year ended December 31, 2006.

Liquidity and Capital Resources

Financial Position

At December 31, 2006 the Company had cash and cash equivalents of $16.4 million, an increase of $9.3 million from the $7.1 million of cash and cash equivalents at December 31, 2005. The Company's working capital improved to $22.2 million at the end of December 31, 2006 from $10.5 million at the end of December 31, 2005.

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, 2006.

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 that requires the maintenance of minimum net capital. Under this rule, EBS is required to maintain net capital equal to the greater of US$500,000 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, 2006, EBS and RCS had net capital of US$8.0 million and US$1.2 million and a net capital requirement of US$500,000 and US$100,000, respectively.

EBS is currently required by the Options Clearing Corporation ("OCC") to maintain minimum net capital of US$2.0 million. At December 31, 2006, EBS had net capital of US$8.0 million.

Operating Activities

The Company generated positive cash flow from operations of $8.3 million for the year ended December 31, 2006 as compared to generating $4.3 million of cash from operations for the year ended December 31, 2005. The year over year improvement of $4.0 million to cash flow from operations is mainly attributable to the increased profitability of the Company and to the increase in net cash flows from non-cash operating working capital. Net cash flows from non-cash operating working capital increased by $1.6 million year over year mainly from:

(i) The Company experienced positive cash inflows from collecting its provincial SR&Ed tax credits of $0.2 million in the 2006 year.

(ii) The Company's accounts payable and accrual balances increased at December 31, 2006 at a greater rate than at December 31, 2005 from higher exchange fee payables and performance based compensation accruals in the fourth quarter of 2006. During 2005 the Company utilized its positive cash flow from operations to bring its accounts payable more current resulting in an outflow of cash in 2005. (positive year over year change of $2.5 million).

These positive operating cash inflows were offset by:

(iii) The Company's accounts receivable balances increased at December 31, 2006 at a greater rate than at December 31, 2005 from higher revenues in the fourth quarter of 2006 as compared to the prior year (adverse year over year change of $0.8 million).

Investing Activities

The Company utilized $1.7 million of cash for investing activities in the year ended December 31, 2006 as compared to utilizing $0.8 million of cash for investing activities in the year ended December 31, 2005. Investing activities in 2006 consisted of the acquisition of network equipment of $1.3 million, the payment of $0.4 million including acquisition costs for the acquisition of the business and assets of the Nandra Group Inc. and the purchase of common shares in the DTCC of $36,000. Investing activities in 2005 consisted mainly of the acquisition of network equipment of $0.8 million. The Company entered into $0.4 million of capital leases in 2005 to acquire network equipment primarily for its Chicago and New York datacenters.

Financing Activities

The Company generated $2.6 million of cash from financing activities in the year ended December 31, 2006 as compared to utilizing $0.3 million of cash for financing activities in the year ended December 31, 2005. Financing activities in the year ended December 31, 2006 included repayment of capital lease obligations of $0.2 million and proceeds from the exercise of employee stock options of $2.8 million. 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.

Liquidity and Sources of Financing

The Company has 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, 2006. There were no amounts outstanding under the operating facility at December 31, 2006.

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, 2006, 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 2007 year.

Commitments and Contractual Obligations

As at December 31, 2006, 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, 2006	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Capital Lease Obligations	$ 156,021	$ 123,511	$ 32,510	$ –	$ –
Operating Leases	5,313,036	1,628,176	2,969,730	715,130	–
Purchase Obligations [1]	2,907,732	1,974,169	889,719	43,844	–
Total Contractual Obligations	$ 8,376,789	$ 3,725,856	$ 3,891,959	$ 758,974	$ –

(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.

Acquisition of the Business and Assets of the Nandra Group, Inc.

On September 29, 2006, the Company closed its acquisition of the business and assets of the Nandra Group, Inc. The transaction involved a purchase price of US$1 million, with US$300,000 payable in cash and US$700,000 in common shares of Belzberg Technologies Inc. The Company also incurred acquisition costs of approximately CDN$63,000.

The Company issued 86,826 common shares on September 29, 2006 to the Nandra Group, Inc. as payment for the US$700,000, while the cash consideration of US$300,000 was paid in the fourth quarter of 2006.

The Company allocated $853,000 of the purchase price to goodwill, $320,000 of the purchase price to an intangible asset and $5,000 of the purchase price to capital assets acquired.

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, 2006 and December 31, 2005 was based upon quoted market prices. As at December 31, 2006, the Company had outstanding foreign exchange option contracts for the purchase of CDN$9,500,000 at U.S.$0.85 maturing in March 2007. The unrealized loss on these outstanding contracts was approximately $174,000. The Company also realized losses in the 2006 year of approximately $31,000 on foreign option exchange contracts that were settled in 2006. 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, 2005, the Company had outstanding foreign option exchange contracts for the purchase of CDN$9,500,000 at U.S.$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.

Normal Course Issuer Bid

In March 2006, the Toronto Stock Exchange approved a Normal Course Issuer Bid for the Company to repurchase up to 701,000 of its common shares over the period from April 1, 2006 to March 31, 2007. As at March 1, 2007, no common shares had been repurchased under this Normal Course Issuer Bid.

Patent Information

The Company announced on May 19, 2006 that it had retained Donald E. Stout as a strategic advisor to handle the Company's patent portfolio. The Company submitted the terms of a potential licensing arrangement with a firm that it believes is infringing on its patent. The Company has not to date received a response to the potential licensing arrangement submitted and is currently reviewing with its counsel on how to proceed.

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 intangible assets 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 these 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 (recovery).

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.

Intangible Asset

The Company has an intangible asset related to a customer list acquired. The determination of the related estimated useful life and whether or not the asset is impaired involves significant judgment. In assessing the recoverability of the intangible asset, the Company must make assumptions regarding estimated future cash flows, market conditions and other factors to determine the fair value of the asset. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for this asset not previously recorded. In fiscal 2006, the Company did not record an impairment charge related to the intangible asset.

Investment Tax Credits

The Company applies for investment tax credits from both the Canadian federal and provincial tax authorities relating to amounts expended on scientific research and development ("SR&ED). The amount of investment tax credits recorded represents management's best estimate based on its interpretation of current legislation. However, the amount ultimately received could be materially different from the amount recorded once the claims are assessed by Canada Revenue Agency.

Recent Accounting Changes

Financial instruments

In April 2005, the CICA issued three new standards to be applied prospectively, Section 3855 Financial Instruments – Recognition and Measurement, Section 3865 Hedges and Section 1530 Comprehensive Income, effective for years starting on or after October 1, 2006. The Company will adopt these standards on January 1, 2007. The new rules will require the Company to classify all financial instruments as held for trading, held to maturity, available for sale or as loans and receivables. Upon transition a separate statement of comprehensive income will be presented, in which certain gains and losses that must be temporarily presented outside of net income will be presented.

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, 2006, five customers accounted for approximately 34% of total revenue (year ended December 31, 2005 - five customers for approximately 27%). 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 short-term arrangements with our customers. If we are unable to renew these arrangements, our future operating results may suffer.

Foreign Exchange

In the year ended December 31, 2006, the Company generated approximately 72% (year ended December 31, 2005 – approximately 68%) of its revenue in the United States and corresponding trade receivables due from customers in the United States at December 31, 2006 accounted for approximately 79% (December 31, 2005 – 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 1, 2007.

Common Shares:	14,627,974
Options to Purchase Common Shares:	
Issued and Outstanding	1,860,417

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, 2006, 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.

Managements Report on Internal Control Over Financial Reporting

At December 31, 2006, an evaluation was carried out of the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting. Based on that evaluation the President and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) concluded that the design of controls over financial reporting was effective. These evaluations were conducted in accordance with the standards of COSO, a recognized control model, and the requirements of Multilateral Instrument 52-109.

There were no changes over the Company's internal controls over financial reporting during the year ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 1, 2007

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Belzberg Technologies Inc. as at December 31, 2006 and 2005 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
February 16, 2007

CONSOLIDATED BALANCE SHEETS

BELZBERG TECHNOLOGIES INC | December 31, 2006 and 2005 (in Canadian dollars)

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 16,435,704	$ 7,052,641
Deposits with and receivables from brokers, dealers and clearing organizations (note 4)	2,741,562	2,232,350
Accounts receivable	4,704,665	3,470,577
Prepaid expenses and other receivables	406,349	335,863
Other current assets (note 6)	176,034	277,317
Investment tax credits recoverable	597,835	160,215
Future income tax asset (note 12)	1,795,754	–
	26,857,903	13,528,963
CAPITAL ASSETS (note 7)	2,296,813	2,254,346
INVESTMENT	35,978	–
GOODWILL (note 2)	1,608,471	755,239
OTHER INTANGIBLE ASSETS, NET (note 3)	303,970	–
	$ 31,103,135	$ 16,538,548
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 4,542,478	$ 2,780,646
Current portion of obligations under capital lease (note 9)	116,473	217,605
	4,658,951	2,998,251
OBLIGATIONS UNDER CAPITAL LEASE (note 9)	32,059	184,809
SHAREHOLDERS' EQUITY:		
Capital Stock (note 10)	38,840,032	35,088,972
Contributed Surplus	3,518,871	3,379,968
Deficit	(15,946,778)	(25,113,452)
	26,412,125	13,355,488
	$ 31,103,135	$ 16,538,548

Credit facilities (note 8)

Commitments, contingencies and guarantees (note 15)

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, 2006 and 2005 (in Canadian dollars)

	2006	2005
REVENUE		
Transaction fees:		
Equity order flow	$ 15,690,345	$ 14,516,794
Electronic option and futures contracts	8,004,606	6,009,818
Floor brokerage option contracts	4,849,977	2,748,301
	28,544,928	23,274,913
Subscription fees	7,391,641	7,563,444
Other revenue	1,429,913	2,181,376
	37,366,482	33,019,733
EXPENSES (INCOME):		
Exchange, clearing and brokerage fees	11,599,458	8,664,004
Compensation and related benefits	9,002,558	8,148,186
Telecommunication and datafeed services	5,111,297	6,485,926
Administrative and other expenses	3,664,381	3,744,603
Strategic process expenses (note 11)	247,843	–
Amortization of capital assets	1,304,675	1,780,508
Amortization of intangible assets	15,998	–
Government assistance (note 5)	(885,336)	(160,215)
Foreign exchange loss	25,855	248,413
	30,086,729	28,911,425
EARNINGS BEFORE THE UNDERNOTED	7,279,753	4,108,308
INTEREST:		
Expense	38,504	53,410
Income	(377,118)	(67,509)
	(338,614)	(14,099)
EARNINGS BEFORE INCOME TAXES	7,618,367	4,122,407
PROVISION FOR (RECOVERY OF) INCOME TAXES (note 12):		
Current	247,447	–
Future	(1,795,754)	–
	(1,548,307)	–
NET EARNINGS	**$ 9,166,674**	$ 4,122,407
EARNINGS PER SHARE (note 10 (c)):		
Basic	**$ 0.65**	$ 0.30
Diluted	**$ 0.61**	$ 0.30
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (note 10 (c))		
Basic	**14,211,693**	13,806,389
Diluted	**15,014,138**	13,825,137

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

BELZBERG TECHNOLOGIES INC | Years ended December 31, 2006 and 2005 (Expressed in Canadian dollars)

	Number of common shares	Amount	Number of warrants	Amount	Contributed surplus	Deficit	Total
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 10(e))	91,166	280,623	–	–	–	–	280,623
Stock compensation benefit on exercise of stock options (note 10(a))	–	37,472	–	–	(37,472)	–	–
Stock-based compensation (note 10(g))	–	–	–	–	182,008	–	182,008
Expiration of warrants	–	–	(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
Issue of common shares Exercise of stock options (note 10(e))	671,558	2,836,977	–	–	–	–	2,836,977
Stock compensation benefit on exercise of stock options (note 10(a))	–	132,883	–	–	(132,883)	–	–
Issued for acquisition (notes 2 & 10(a))	86,826	781,200	–	–	–	–	781,200
Stock-based compensation (note 10(g))	–	–	–	–	271,786	–	271,786
Net earnings	–	–	–	–	–	9,166,674	9,166,674
Balance, December 31, 2006	14,627,974	$ 38,840,032	–	$ –	$ 3,518,871	$(15,946,778)	$ 26,412,125

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

BELZBERG TECHNOLOGIES INC | Years ended December 31, 2006 and 2005 (Expressed in Canadian dollars)

	2006	2005
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net earnings	$ 9,166,674	$ 4,122,407
Items not involving cash:		
Amortization of capital assets	1,304,675	1,780,508
Amortization of intangible assets	15,998	–
Unrealized foreign exchange loss (gain)	(156,831)	207,844
Stock-based compensation (note 10 (g))	271,786	182,008
Gain on disposal of capital assets	(3,476)	–
Future income taxes	(1,795,754)	–
Change in non-cash operating working capital (note 13)	(457,536)	(2,020,695)
	8,345,536	4,272,072
FINANCING ACTIVITIES:		
Repayment of obligations under capital lease	(253,882)	(558,824)
Proceeds from the exercise of stock options (note 10 (a))	2,836,977	280,623
	2,583,095	(278,201)
INVESTING ACTIVITIES:		
Purchase of capital assets	(1,276,558)	(791,307)
Acquisition of business and assets of Nandra Group Inc. (note 2)	(397,580)	–
Proceeds from disposal of capital assets	7,717	–
Purchase of investment	(35,978)	–
	(1,702,399)	(791,307)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	156,831	(207,844)
INCREASE IN CASH AND CASH EQUIVALENTS	**9,383,063**	2,994,720
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**7,052,641**	**4,057,921**
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 16,435,704**	$ 7,052,641
REPRESENTED BY:		
Cash	$ 8,132,595	$ 6,879,553
Cash equivalents	8,303,109	173,088
	$ 16,435,704	$ 7,052,641
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest received	$ 357,475	$ 61,939
Interest paid	38,504	53,410
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	196,867	127,622
Common stock issued for business acquisition (note 2)	781,200	–

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2006 and 2005

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. The Company's 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, 2006 and 2005, goodwill was allocated to the Core reporting unit of $1,235,281 (2005 - $382,049) and the Brokerage reporting unit of $373,190 (2005 - $373,190). The Company tested goodwill for impairment at December 31, 2006 and 2005 and determined that no impairment in the carrying value of the asset existed.

(e) Other intangible assets

Other intangible assets is comprised of an acquired customer list which is recorded at cost. Amortization is provided for on a straight-line basis over the estimated useful life of five years.

(f) Impairment of long-lived assets

Long-lived assets, which consist of capital assets and other intangibles, 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, 2006 and 2005, no events or changes in circumstances had occurred that suggested that the carrying amounts of the long-lived assets may not be recoverable.

(g) 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.

(h) Investment

The investment comprises of common shares held in the Depository Trust and Clearing Corporation and is stated at cost.

(i) 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.

(j) Investment tax credits
Investment tax credits ("ITC's") are accounted for as a reduction of the related expenditure items of a current expense nature or as a reduction of capital assets for items of a capital nature when the Company has reasonable assurance that the credit will be realized.

(k) 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.

(l) 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.

(m) Stock-based compensation and other stock-based payments
The Company has a stock-based compensation plan that is described in note 10. 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.

(n) 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.

(o) 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.

The Company's financial derivative instruments 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.

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

(q) 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, goodwill, and other intangible assets, allowance for doubtful accounts, stock based compensation and valuation allowance for future income taxes. Actual results could differ from such estimates.

[2] ACQUISITIONS

On September 29, 2006 the Company acquired the business and assets of the Nandra Group, Inc. for $1,178,780. The acquisition was recorded as follows:

Goodwill	$	853,232
Intangible		319,968
Computer equipment and software		5,580
	$	1,178,780
Consideration paid:		
Cash	$	334,800
86,826 common shares		781,200
Acquisition costs		62,780
	$	1,178,780

[3] OTHER INTANGIBLE ASSETS

Customer list	$	319,968
Accumulated amortization		15,998
	$	303,970

During 2006, the Company recorded amortization expense of $15,998 on the other intangible assets.

[4] 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:

	2006	2005
Cash equivalents on deposit with clearing organization, at market	$ 2,004,691	$ 1,863,904
Deposits with and receivables from:		
Clearing organizations	29,020	23,260
Brokers and dealers	707,851	345,186
	$ 2,741,562	$ 2,232,350

[5] GOVERNMENT ASSISTANCE

The Company applies for ITC's from both Canadian federal and provincial tax authorities relating to amounts expended on scientific research and experimental development ("SR&ED"). ITC's were applied to reduce operating expenses as follows:

	2006	2005
Provincial ITC's relating to 2003 and 2004 tax years	$ 40,054	$ 160,215
Provincial ITC's relating to 2005 tax year	66,955	–
Federal ITC's not previously recognized	778,327	–
	$ 885,336	$ 160,215

During 2006, the Company collected $200,269 of provincial SR&ED tax credits relating to the 2003 and 2004 tax years.

[6] OTHER CURRENT ASSETS

	2006	2005
Fair value of foreign exchange option contracts	$ 176,034	$ 277,317

[7] CAPITAL ASSETS

2006	Cost	Accumulated amortization	Net book value
Furniture and equipment	$ 627,806	$ 414,626	$ 213,180
Computer equipment and software	2,815,876	1,183,425	1,632,451
Computer equipment and software under capital lease	353,900	205,110	148,790
Leasehold improvements	993,213	690,821	302,392
	$ 4,790,795	**$ 2,493,982**	**$ 2,296,813**

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**

The Company reduces the cost and accumulated amortization of fully depreciated assets. As at December 31, 2006, the Company reduced the cost and accumulated amortization of fully depreciated capital assets by $2,044,858 (2005 - $2,701,263).

Amortization of computer equipment and software under capital lease amounted to $163,805 for the year ended December 31, 2006 (2005 - $426,837).

[8] 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, 2006 and 2005, nil was 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, 2006 and 2005, nil was outstanding under the lease line of credit.

The Company's subsidiary, Electronic Brokerage Systems, LLC ("EBS") has available a secured credit facility of U.S. $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. At December 31, 2006 and 2005, nil was outstanding under this credit facility.

[9] OBLIGATIONS UNDER CAPITAL LEASE

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

2007	$ 123,511
2008	32,510
	156,021
Less interest at weighted average annual rate of 8.3%	7,489
	148,532
Less current portion	116,473
	$ 32,059

Interest expense on capital lease obligations amounted to $25,728 for the year ended December 31, 2006 (2005 - $40,644).

[10] CAPITAL STOCK

The following summarizes changes to capital stock during 2006 and 2005:

(a) Authorized
Unlimited common shares
Issued:

	Number of common shares	Amount
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
Exercise of stock options	671,558	2,836,977
Stock compensation benefit on exercise of stock options	–	132,883
Issued for acquisition	86,826	781,200
Balance at December 31, 2006	**14,627,974**	**$ 38,840,032**

(b) Normal course issuer bid

In March 2006, The Toronto Stock Exchange approved a Normal Course Issuer Bid for the Company to repurchase up to 701,000 of its common shares over the period from April 1, 2006 to March 31, 2007. As at December 31, 2006, no common shares had been repurchased under this Normal Course Issuer Bid.

(c) Earnings per share

The following table sets forth the computation of diluted earnings per share:

	2006	2005
Numerator: Net earnings available to common shareholders	$ 9,166,674	$ 4,122,407
Denominator: Weighted average number of common shares outstanding - basic	14,211,693	13,806,389
Effect of dilutive securities: Employee stock options	802,445	18,748
Weighted average number of common shares outstanding - diluted	15,014,138	13,825,137
Earnings per share: Basic	$ 0.65	$ 0.30
Diluted	0.61	0.30

During 2006, options to purchase 450,000 (2005 - 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.

(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 4,204,676 common shares of the Company, of which 2,344,259 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, 2006, expire on various dates until May 2, 2011.

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

	2006		2005	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	2,729,600	$ 5.76	3,607,100	$ 6.00
Granted	75,000	8.55	180,000	3.23
Exercised	(671,558)	4.22	(91,166)	3.08
Forfeited/expired	(272,625)	7.87	(966,334)	6.43
Outstanding, end of year	1,860,417	6.11	2,729,600	5.76
Options exercisable, end of year	1,641,583	$ 6.26	2,403,599	$ 6.09

(f) The following table summarizes information about stock options outstanding at December 31, 2006:

	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 - $ 4.65	552,917	2.27	$ 3.52	409,083	$ 3.63
$ 5.00 - $ 7.10	862,500	0.77	5.01	857,500	5.00
$ 8.65 - $ 15.00	445,000	1.18	11.47	375,000	12.00
	1,860,417	**1.31**	**6.11**	**1,641,583**	**6.26**

(g) For stock options granted to employees and directors on or after January 1, 2003, the Company recorded compensation expense of $271,786 (2005 - $182,008) included in compensation and related benefits.

The weighted average grant date fair value for employee and director options granted during the year ended December 31, 2006 was $3.00 (2005 - $1.02), valued using the following weighted average assumptions:

	2006	2005
Risk-free interest rate	4.2%	3.4%
Expected life of the options in years	3	3
Expected volatility	45.5%	44.0%

(h) For stock options granted to employees and directors on or after January 1, 2002 and prior to January 1, 2003, 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 and earnings per share for the years ended December 31, 2006 and 2005 would have been reported as the pro forma amounts indicated below:

	2006	2005
Net earnings, as reported	$ 9,166,674	$ 4,122,407
Stock-based compensation income	–	11,578
Pro forma net earnings	$ 9,166,674	$ 4,133,985
Basic earnings per share, as reported	$ 0.65	$ 0.30
Effect of stock-based compensation income	–	–
Pro forma basic earnings per share	$ 0.65	$ 0.30
Diluted earnings per share, as reported	$ 0.61	$ 0.30
Effect of stock-based compensation income	–	–
Pro forma diluted earnings per share	$ 0.61	$ 0.30

[11] STRATEGIC PROCESS EXPENSES

On August 9, 2006 the Company announced that its Board of Directors had formed a special committee ("Special Committee") of its independent directors with a mandate of pursuing strategic alternatives to maximize the value of the Company's common shares, including seeking proposals involving the purchase or other acquisition of all of the Company's outstanding common shares. There can be no assurance that the exploration of strategic alternatives will result in any agreements or transactions. During 2006 the Company has incurred costs of $247,843 related to the strategic process. The nature of these costs are legal, investment banker and other related costs.

[12] INCOME TAXES

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

	2006	2005
Earnings before income taxes	$ 7,618,367	$ 4,122,407
Combined basic federal and provincial rate	36.12%	36.12%
Effective income tax expense based on earnings before income taxes	$ 2,751,754	$ 1,489,013
Decrease (increase) in income tax recovery resulting from:		
Non-deductible items	(139,429)	89,632
Non-deductible portion of exchange related transactions on capital account	–	28,828
Change in valuation allowance	(4,155,631)	(1,454,130)
Differences due to higher tax rates for foreign subsidiaries	149,165	72,164
Differences due to changes in exchanges rates	–	159,811
Other items	25,939	(385,318)
Current tax expense	247,447	–
Future tax from ITC's	171,806	–
Effect of changes in opening tax balances not previously recognized	(179,577)	–
Effect of rate changes on future taxes	111,099	–
ITC's recoverable	(530,880)	–
Actual income tax expense (recovery)	$ (1,548,307)	$ –

The Company has accumulated income tax losses of approximately $8,701,000 as at December 31, 2006 that may be used to reduce future taxable income in the United States. The loss carryforwards expire as follows:

	United States
2021	$ 255,000
2022	3,228,000
2023	3,826,000
2024	1,392,000
	$ 8,701,000

As at December 31, 2006, the Company has an accumulated federal SR&ED expenditure pool of $4,033,056 (2005 - $3,867,000) that may be used to reduce future taxable income in Canada. The SR&ED expenditure pool can be carried forward indefinitely.

As at December 31, 2006, the Company has ITC's of $1,218,506 available to offset future Canadian income tax liabilities, of which $687,626 have not been recorded. The Company's ITC's expire as follows:

	Canada
2010	$ 49,273
2011	392,174
2012	280,592
2013	191,400
2014	181,446
2015	123,621
	$ 1,218,506

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

	2006	2005
Future income tax assets		
Tax benefit of loss carryforwards	$ 3,587,109	$ 5,642,853
Capital assets	390,265	510,117
Share issue costs	–	111,290
SR&ED expenditure pool	1,498,220	1,487,014
Other	392,561	304,952
	5,868,155	**8,056,226**
Less valuation allowance	3,900,595	8,056,226
Total future tax assets	1,967,560	–
Future income tax liabilities		
SR&ED ITC's	(171,806)	–
Net future income tax assets	**$ 1,795,754**	**$ –**

The Company believes that sufficient uncertainty exists regarding the realization of certain future income tax assets that a valuation allowance is required. The Company continues to evaluate its taxable position and consider factors by taxing jurisdiction, such as estimated taxable income, the history of losses for tax purposes and the growth of the Company, among others.

[13] CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	2006	2005
Accounts receivable	$ (1,234,088)	$ (480,755)
Investment tax credits recoverable	(437,620)	(160,215)
Prepaid expenses and other receivables	(70,486)	22,402
Other current assets	101,283	(33,792)
Deposits with and receivables from brokers, dealers and clearing organizations	(509,212)	(538,477)
Accounts payable and accrued liabilities	1,692,587	(829,858)
	$ (457,536)	**$ (2,020,695)**

[14] RELATED PARTY TRANSACTIONS

During 2006, EBS paid seat lease expenses at market rates of approximately $52,000 (2005 - $57,000) to a company controlled by the president of EBS. In addition, EBS recorded transaction fee revenue at market rates of approximately $8,000 (2005 - $16,500) from the same company for the year ended December 31, 2006.

[15] COMMITMENTS, CONTINGENCIES & GUARANTEES

(a) The Company's commitments, primarily occupancy, datafeed and telecommunications cost, require future minimum payments, as summarized below at December 31, 2006:

2007	$ 3,602,345
2008	1,905,610
2009	1,000,333
2010	980,533
2011	731,948
	$ 8,220,769

(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 U.S. $500,000 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 U.S. $100,000 or 6-2/3% of "aggregate indebtedness", as defined.

As at December 31, 2006, EBS and RCS had net capital of U.S. $8,017,886 and U.S. $1,236,178 and a net capital requirement of U.S. $500,000 and U.S. $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.

[16] 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 from operations. The Company defines earnings from operations as earnings before amortization, net interest expense, income taxes and other non-recurring items.

(a) Reportable Segments

2006	Core	Brokerage	Total
External revenue:			
Subscription fees	$ 7,391,641	$ –	$ 7,391,641
Transaction fees	23,694,951	4,849,977	28,544,928
Other	1,429,913	–	1,429,913
	$ 32,516,505	**$ 4,849,977**	**$ 37,366,482**
Earnings before the undernoted	$ 7,878,501	$ 969,768	$ 8,848,269
Strategic process expenses	247,843	–	247,843
Amortization of capital assets	1,300,764	3,911	1,304,675
Amortization of intangible assets	15,998	–	15,998
Interest:			
Expense	38,504	–	38,504
Income	(342,669)	(34,449)	(377,118)
Earnings before income taxes	**$ 6,618,061**	**$ 1,000,306**	**$ 7,618,367**
Total assets	**$ 28,474,361**	**$ 2,628,774**	**$ 31,103,135**
Capital asset expenditures	**1,272,035**	**4,523**	**1,276,558**
Goodwill additions	**853,232**	**–**	**853,232**

2005	Core	Brokerage	Total
External revenue:			
Subscription fees	$ 7,563,444	$ –	$ 7,563,444
Transaction fees	20,526,611	2,748,302	23,274,913
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 of capital assets	1,760,683	19,825	1,780,508
Interest :			
Expense	52,092	1,318	53,410
Income	(64,895)	(2,614)	(67,509)
Earnings before income taxes	**$ 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**

(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:

2006	Canada	United States	Total
External revenue:			
Subscription fees	$ 6,726,239	$ 665,402	$ 7,391,641
Transaction fees	2,756,461	25,788,467	28,544,928
Other	1,057,388	372,525	1,429,913
	$ 10,540,088	**$ 26,826,394**	**$ 37,366,482**
Total assets	$ 9,089,166	$ 22,013,969	$ 31,103,135
Capital assets	1,492,506	804,307	2,296,813
Goodwill	–	1,608,471	1,608,471
Other intangible assets	–	303,970	303,970

2005	Canada	United States	Total
External revenue:			
Subscription fees	$ 6,585,584	$ 977,860	$ 7,563,444
Transaction fees	2,103,646	21,171,267	23,274,913
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

[17] 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) Foregin currency risk

The Company operates internationally and, as such, is exposed to fluctuations in foreign exchange rates. The Company uses forward and foreign exchange option contracts to limit its exposure to fluctuations in foreign exchange rates. The fair value of these financial instruments as at 2006 and 2005 is based on quoted market prices and information available at that time. As at December 31, 2006, the Company has entered into foreign exchange option contracts for the purchase of Cdn. $9,500,000 at U.S. $0.85 maturing in March 2007 (2005 - foreign exchange option contracts for the purchase of Cdn. $9,500,000 at U.S. $0.84 maturing March 2006). As at December 31, 2006, the Company has recorded an unrealized loss on the outstanding foreign exchange option contracts of approximately $174,000 (2005 - unrealized gain of approximately $52,000 on outstanding foreign exchange option contracts). The Company also realized losses on foreign exchange option contracts in 2006 of approximately $31,000 (2005 - realized losses of approximately $116,000). Realized and unrealized gains or losses on foreign exchange option contracts are netted against gains or losses on the translation of the Company's integrated foreign subsidiaries in the consolidated statement of operations.

(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, 2006, two customers accounted for approximately 21% of total accounts receivable (2005 - two customers for 28%). For the year ended December 31, 2006, one customer accounted for approximately 8% of total revenue (2005 - one customer for approximately 9%).

[18] FUTURE CHANGE IN ACCOUNTING POLICY

In April 2005, the CICA issued three new standards to be applied prospectively, Section 3855 Financial Instruments - Recognition and Measurement, Section 3865 Hedges and Section 1530 Comprehensive Income, effective for years starting on or after October 1, 2006. The Company will adopt these standards on January 1, 2007. The new rules will require the Company to classify all financial instruments as held for trading, held to maturity, available for sale or as loans and receivables. Upon transition a separate statement of comprehensive income will be presented, in which certain gains and losses that must be temporarily presented outside of net income will be presented.

[19] COMPARITIVE FIGURES

Certain 2005 figures have been reclassified to conform with the financial statement presentation adopted in 2006.

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Auditors

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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.

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