belzberg technologies

2008 ANNUAL REPORT

CONTENTS

Dear Shareholders,

In 2008, the Company's revenue grew by 3% to $41.8 million; however profitability declined to $0.1 million after restructuring charges. The Company's financial position remained strong with cash and cash equivalents of $19.5 million and working capital of $25.0 million.

The Company's core business came under pressure in 2008. Revenues were negatively affected by the market downturn, while investments were made to support increased trade and data volumes and clearing. The dislocation in the investment dealer market had a particularly severe impact on the Company in the fourth quarter as clients reduced headcount and trading activity.

On December 29, 2008 the Company announced several changes to the senior management and Board of Directors of the Company. I replaced Sidney H. Belzberg as President and Chief Executive Officer and Cam MacDonald, an independent Director of the Company, replaced Sidney H. Belzberg as Chairman on an interim basis.

The new management team is focused on reversing the decline in profitability and positioning Belzberg for future growth.

Our core strength is providing tools and services to professional traders. Our clients use Belzberg for execution management, market connectivity and/or execution services in equities and options for all major markets in Canada and the US. Our products are reliable, flexible and low cost.

Several initiatives are already underway to align the Company with this vision:

- Strengthened leadership of Canadian business - Chris Jackson, President, Canadian Operations joined Belzberg on December 30, 2008. Chris has overall responsibility for strategy, sales and service delivery for the Canadian business;

- Narrowed strategic focus - Closed London, UK office and suspended international marketing efforts to provide full focus to North American growth;

- Enhanced new product introduction and system reliability – The Company revamped the development queue process and re-assigned resources to product development to enhance innovation and delivery;

- Consolidated sales strategy in the US – The Company realigned its sales presence and leadership to focus on electronic products and the Company's strength in options;

- Controlled delivery of clearing services – The Company received regulatory approval in September 2008 to hold customer deposits and positions. In response to increased demand, the Company reassigned resources to enhance delivery of clearing services. A tightly controlled launch of our first clearing client is expected in the second quarter 2009;

- Conservative cost control – the Company has taken several measures to conserve cash and control costs while preserving the ability to grow and introduce new products. These initiatives include salary freezes, selective terminations and reduced spending on administrative services.

Notwithstanding the challenging market conditions, Belzberg is well-positioned as a low cost provider to build on its large installed base and its strengths in electronic trading and the options markets. The negative trends evident in the 4th quarter results will take some time to reverse, however we are already making significant improvements in operations and client service which are expected to show results in the second half of 2009.

The Company would like to thank Sid and Alicia Belzberg for their many contributions to the Company over the past 16 years. We look forward to their continuing support as Board members and shareholders.

Yours truly,

Judith Robertson
President 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, 2008. 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. All amounts in this MD&A are in thousands of Canadian Dollars except where otherwise indicated and per share amounts. 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 9, 2009.

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, a broker-dealer. Electronic Brokerage Systems is a member of most North American stock exchanges, options exchanges and clearing organizations, including the New York Stock Exchange ("NYSE"), Chicago Board Options Exchange ("CBOE"), National Securities Clearing Corporation ("NSCC"), Options Clearing Corporation ("OCC") and NASDAQ. Using Belzberg's suite of integrated trading tools and network connectivity, the Company's customers have direct access to North American equities and options markets. Belzberg's products enable traders to execute and manage large volumes of transactions with reliability and security.

Major financial institutions, broker-dealers, buy-side institutions, banks, and others use Electronic Brokerage Systems' 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 2001, the Company acquired a broker-dealer that provides the execution of exchange-traded equity and index options on the Chicago Board Options Exchange.

In 2002, the Company's wholly owned subsidiary, Electronic Brokerage Systems, became a member of both the NSCC and the NYSE. These memberships allowed the Company to become self-clearing, which significantly reduced the Company's clearing costs.

In 2006, the Company acquired the business and assets of a direct access New York floor broker.

In 2008, the Company was approved by the Financial Industry Regulatory Authority ("FINRA") to provide full clearing services.

Market and Economic Situation Review

The Company is negatively affected by the current difficult economic situation generally, and the strong contraction in the financial services industry in particular. The Company loses subscription based revenue when its customers downsize their trading desks and loses transaction based revenues through lower trading volumes. In the US, we have also experienced the permanent loss of clients through the bankruptcy, amalgamation and reorganization of large banks and brokers. Corporate mergers and restructuring may continue in the US and occur amongst our Canadian clients in 2009 if the economic environment does not improve. Clients are also keenly focused on cost cutting measures that result in downward pressure on pricing. Upward pressure on expenses continues as market data and telecom prices and capacity requirements continue to increase.

The Company is well-positioned to weather the current economic downturn. Our capital reserves are strong and our operating expenses are tightly controlled. Management has already taken steps to focus the Company's operations on its core strategy and will closely manage operating expenses to fit the environment. Opportunities for growth may arise as those who have been downsized create new, smaller trading groups. This type of professional trader is the ideal target market for the Company's products and is expected to grow. In addition, the extension of the Company's product set to include clearing will facilitate new client acquisition.

Strategy

The Company's strategy is to supply tools and services to professional traders and their clients. Our clients use the Company's products for front end execution management, market connectivity and/or execution services in equities and options for all major markets in Canada and the US. The Company's strategy for 2009 is to improve its service and reliability, expand its product offering to include other asset classes, focus its sales strategy on the Company's strength in the options market, and provide full clearing services to targeted US based equity customers. The Company will partner with its clients and other third parties for the development of new products and features, such as algorithms, enabling the Company to enrich its suite of products and enhance its service offering.

Financial Overview

2008 Financial Highlights and Summary

- Revenue increased by 3% for the year ended December 31, 2008 to $41,761 from $40,653 for the year ended December 31, 2007.
- Earnings of $118 (including a $1,052 restructuring charge and including $936 related to a net income tax recovery) or $0.01 per share for the year ended December 31, 2008 as compared to earnings of $7,263 (including $140 related to a net income tax recovery and $848 related to the recognition of federal investment tax credits ("ITC's")) or $0.48 per share for the year ended December 31, 2007.
- Cash flow utilized by operations of $367 for the year ended December 31, 2008 compared to cash flow generated by operations of $7,345 for the year ended December 31, 2007.
- Working capital position of $24,980 at December 31, 2008 as compared to $28,721 at December 31, 2007.

The Company continued to grow its revenues in the 2008 year although most of the revenue growth came from low margin US equity execution and the recovery of exchange fee pass-throughs on which the Company makes no margin. Our Canadian equity execution business experienced a 32% decline in revenues from the cancellation of buy-side accounts as well as the internalization of orderflow by a large broker. Revenue from the electronic options business remained relatively flat year over year even though average contracts executed per day increased by 4%. This resulted mostly from receiving lower payments from the various option exchanges and from a specialist for certain of the options orderflow. The floor brokerage options business experienced a 27% decline in revenues mainly due to the loss of customers either in financial difficulty or merging with competitors that provide option execution services.

A strengthening Canadian dollar through to the end of the third quarter of 2008, negatively impacted year over year revenue growth by approximately $331.

The Company was approved to provide full clearing services at the end of the third quarter of 2008 and this should enable it to be more competitive by offering a combination of higher margin full clearing services together with execution to U.S. customers.

The Company's year-end financial position included cash and cash equivalents of $19,452 (2007 - $21,081).

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)	2008	2007	2006
Revenue	$ 41,761	$ 40,653	$ 37,366
Net earnings	118 (a)	7,263 (b)	9,167 (c)
Basic earnings per share	0.01	0.49	0.65
Diluted earnings per share	0.01	0.48	0.61
Total assets	41,958	41,272	31,275
Long term lease obligations	$ –	$ –	$ 32

(a) Includes $936 of income tax recovery and $1,052 of restructuring charges.
(b) Includes $140 of income tax recovery and $848 of federal ITC's not previously recognized.
(c) Includes $1,548 of income tax recovery and $778 of federal ITC's not previously recognized.

Results of Operations

Total Revenues for the Years Ended December 31

($000s)	2008 Canada	2008 USA	2008 Total	2007 Canada	2007 USA	2007 Total
Transaction fees – core						
Equity order flow	$ 2,103	$ 15,839	**$ 17,942**	$ 3,073	$ 12,129	**$ 15,202**
Electronic option and futures contracts	25	11,095	**11,120**	10	11,016	**11,026**
Total transaction fees – core	2,128	26,934	**29,062**	3,083	23,145	**26,228**
Transaction fees – brokerage	–	4,100	**4,100**	–	5,618	**5,618**
Subscription fees	6.616	471	**7,087**	6,881	574	**7,455**
Other revenue	1,117	395	**1,512**	946	406	**1,352**
Total	**$ 9,861**	**$ 31,900**	**$ 41,761**	**$ 10,910**	**$ 29,743**	**$ 40,653**

Total Revenues

Total revenue increased by 3% from $40,653 in 2007 to $41,761 in 2008. In 2008, the Company generated approximately 76% (2007 - 73%) of its revenues in the United States and 24% (2007 - 27%) of its revenues in Canada. Revenues in the United States increased by 7% in 2008 (increased by 11% in 2007) and revenues in Canada decreased by 10% in 2008 (increased by 4% in 2007).

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 18% from $15,202 in 2007 to $17,942 in 2008. A strengthening Canadian dollar through to the end of the third quarter in 2008 adversely impacted U.S. equity order flow revenue by approximately $70 on a year over year basis. Total US trading volumes increased by 71% year over year mainly due to increased trading volumes from low margin accounts. 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.

Canadian equity order flow revenue decreased by 32% year over year mainly as a result of the loss of buy-side clients and a sell side customer internalizing certain of its orderflow.

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

U.S. Equity Order Flow (Year Ended December 31)	2008	2007	change	% change
Total trading volume (in billions of shares)	14.0	8.2	5.8	71%
Avg trading volume per day (in millions of shares)	55.2	32.5	22.7	70%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 62.6	$ 48.3	$ 14.3	30%
Avg transaction fee revenue per share	$ 0.0011	$ 0.0015	$ (0.0004)	(27%)
US market trading days	253	251	2	

(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 1% from $11,026 in 2007 to $11,120 in 2008. A strengthening Canadian dollar through to the end of the third quarter in 2008 adversely impacted options and futures contracts execution revenue on a year over year basis by approximately $191. The decrease in the average transaction fee revenue per contract resulted from the Company receiving lower payments from the various option exchanges and from a specialist for certain of its options orderflow.

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

U.S. Electronic Options Contracts Executed (Year Ended December 31)	2008	2007	change	% change
Total trading volume (in millions of contracts)	48.2	46.0	2.2	5%
Avg trading volume per day (in thousands of contracts)	190.6	183.4	7.2	4%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 43.9	$ 43.9	$ –	–
Avg transaction fee revenue per contract	$ 0.230	$ 0.239	$ (0.009)	(4)%
US market trading days	253	251	2	

Transaction Fee Revenue - Brokerage

Transaction fee revenue from the brokerage segment (including the recovery of pass through costs) decreased by 27% from $5,618 in 2007 to $4,100 in 2008. Approximately $755 of the Brokerage revenue decline resulted from lower pass-through revenues on which the Company makes no mark-up. The average daily volume of floor option exchange contracts executed decreased by 19% on a year over year basis. The majority of the decrease resulted from the loss of customers either in financial difficulty or from mergers with competitors that offer option execution services.

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

U.S. Floor Options Contracts Executed	Year Ended December 31 2008	2007	change	% change
Total trading volume (in millions of contracts)	17.8	21.7	(3.9)	(18)%
Avg trading volume per day (in thousands of contracts)	70.2	86.6	(16.4)	(19)%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 16.2	$ 22.4	$ (6.2)	(28)%
Avg transaction fee revenue per contract	$ 0.231	$ 0.259	$ (0.028)	(11)%
US market trading days	253	251	2	

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 5% in 2008 to $7,087 from $7,455 in 2007. We expect subscription fee revenues to decline further in 2009 as a result of customer cancellations at the end of 2008.

Other Revenue

Other revenue, which includes revenue from information distribution, software development fees, installation fees and revenue from connectivity to the Belzberg Gateway, increased by 12% to $1,512 in the year ended December 31, 2008 from $1,352 in the year ended December 31, 2007. The increase related mainly to higher information distribution revenues as a result of new datafeeds related to the Pure exchange and higher recovery of communication lines to customers which was offset by (i) lower installation revenues and (ii) the cancellation by customers of third party license fees on which the Company made little markup.

Expenses (Income)

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 43% to $16,021 for the year ended December 31, 2008 from $11,203 for the year ended December 31, 2007. The increase can mainly be attributed to:

(i) Higher equity exchange fees of $2,950 in the core business mainly as a result of higher trading volumes from a new high volume low margin customer and from an increase in NYSE exchange fees.

(ii) Higher option exchange fees in the core business of $985 as a result of higher trading volumes and from a change in pricing structure from the various option exchanges including charging for removing liquidity and cancel fees. This was offset by lower option exchange fees in the brokerage business of $746 from reduced trading volumes.

(iii) Higher trading errors of $1,148 resulting mainly from an unusual trading error in the brokerage business of US$800 in the third quarter of 2008. Trading errors also increased as a result of significant volatility in the trading markets in the third quarter of 2008.

Expenses (Income) for the Years Ended December 31

	2008				2007			
($000s)	Core	Brokerage	Total	% of Revenues	Core	Brokerage	Total	% of Revenues
Exchange, clearing and brokerage fees	$ 13,691	$ 2,330	$16,021	38 %	$ 9,076	$ 2,127	$11,203	28 %
Compensation and related benefits	11,019	1,483	12,502	30 %	9,218	1,565	10,783	27 %
Telecommunication and datafeed services	6,772	216	6,988	17 %	5,900	169	6,069	15 %
Administrative and other expenses	4,841	438	5,279	13 %	4,424	181	4,605	11 %
Strategic process expenses	–	–	–	–	191	–	191	–
Amortization of capital assets	2,019	12	2,031	5 %	1,501	6	1,507	4 %
Amortization of intangible assets	71	–	71	–	64	–	64	–
Foreign exchange loss (gain)	(219)	(508)	(727)	(2 %)	408	437	845	2 %
Government assistance	(60)	–	(60)	–	(936)	–	(936)	(2) %
Restructuring Charges	1,052	–	1,052	3 %	–	–	–	–
Interest expense	4	–	4	–	7	3	10	–
Interest income	(556)	(26)	(582)	(1) %	(717)	(94)	(811)	(2) %
	$ 38,634	**$ 3,945**	**$42,579**	**102 %**	**$ 29,136**	**$ 4,394**	**$33,530**	**82 %**

(iv) Higher brokerage costs for seat leases and third party technology fees and higher commissions paid to other brokers for the introduction of business and for execution services. These increases were offset by lower clearing fees in the core business as a result of reduced pricing received from the National Securities Clearing Corporation effective in the 2008 year and from a credit received (year over year increase of $466).

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 16% to $12,502 for the year ended December 31, 2008 from $10,783 for the year ended December 31, 2007. The increase can be attributed to:

(i) Headcount additions in the core business relating to new salespeople and hiring of staff for the anticipated clearing business.

(ii) Payroll increases granted at the beginning of the 2008 year.

(iii) Additional stock based compensation for option grants made at the end of the year.

Our average headcount in 2008 was 109 employees as compared to 100 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 increased by 15% to $6,988 for the year ended December 31, 2008 from $6,069 for the year ended December 31, 2007. Approximately $425 of the year over year increase resulted from datafeeds being provided for the PURE exchange, the increased cost of TSX and NASDAQ INET feeds, and additional cost of Bloomberg terminals. Approximately $494 of the increase resulted from additional capacity required for primary and backup datalines to handle the increased volume of data provided by the exchanges, additional connections to new destinations and increased capacity required for customer connections.

The Company expects that its telecommunication and datafeed costs will increase in the 2009 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 increased by 15% to $5,279 for the year ended December 31, 2008 from $4,605 for the year ended December 31, 2007. The primary factors that contributed to the year over year increase were:

(i) additional doubtful debt provision of $266 mainly as a result of a past due account in the floor brokerage segment and also due to a current challenging financial environment.

(ii) Higher bank charges of $89 for clearing facility fees and use of the facility.

(iii) Higher director expenses of $94 for additional directors and additional director meetings attended.

(iv) increased office, general and maintenance expenses of $288 relating to repairs and maintenance to datacentres, software maintenance fees, conferences attended and various other items incurred.

These increases were offset by lower professional fees of $55.

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.

On September 19, 2007 the Company's Board of Directors ended the strategic process as it believed that there were no indications of interest that reflected a value that was fair and equitable to the Company's shareholders. The Company may revisit a similar process at some point in the future.

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

Amortization of Capital Assets

Consolidated amortization of capital assets increased by 35% to $2,031 for the year ended December 31, 2008 from $1,507 for the year ended December 31, 2007. The increased amortization of capital assets relates mainly to datacentre improvements made in the 2008 year, additional hardware purchased for datafeeds, additional backup equipment purchased and the purchase of hardware and software related to the new clearing initiative. (Refer to investing activities below).

Amortization of Intangible Assets

Amortization of the intangible assets relates to the amortization of the portion of the Nandra purchase price allocated to a customer list and amortization of a customer relationship intangible from an interest in a renewable trading services joint venture. The intangible related to the Nandra purchase price allocation is being amortized on a straight line basis over 5 years. The customer relationship intangible related to the joint venture interest is being amortized on a straight line basis over three 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 gain of $727 of which a gain of approximately $219 related to the core business and a gain of $508 related to the brokerage business for the year ended December 31, 2008. The consolidated foreign exchange gain 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, 2008, the Company had option exchange contracts outstanding for the purchase of $12,000 Canadian dollars at US$.72 expiring in March 2009. These outstanding option exchange contracts had an unrealized gain of approximately $366 at the 2008 year-end. The Company also realized losses of approximately $2,205 on foreign exchange option contracts that were settled during the 2008 year.

The Company incurred a consolidated foreign exchange loss of $845 of which a loss of approximately $408 related to the core business and a loss of $437 related to the brokerage business for the year ended December 31, 2007. 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, 2007, the Company had option exchange contracts outstanding for the purchase of $13,000 Canadian dollars at US$.94 expiring in March 2008. These outstanding option exchange contracts had an unrealized gain of approximately $40 at the 2007 year-end. The Company also realized gains of approximately $555 on foreign exchange option contracts that were settled during the 2007 year and realized gains of approximately $718 on foreign exchange futures contracts that were settled in 2007.

Summary of Quarterly Results (unaudited)

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

				2008				**2007**
($ 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	$ 6,463	$ 4,543	$ 3,157	$ 3,779	$ 3,455	$ 3,396	$ 4,142	$ 4,209
Options and futures contracts	3,679	4,253	3,672	3,616	3,294	4,123	4,778	4,449
	10,142	**8,796**	**6,829**	**7,395**	**6,749**	**7,519**	**8,920**	**8,658**
Subscription fees	1,683	1,764	1,787	1,853	1,885	1,821	1,864	1,885
Other	409	403	358	342	328	347	322	355
Total Revenue	**12,234**	**10,963**	**8,974**	**9,590**	**8,962**	**9,687**	**11,106**	**10,898**
Expenses (Income)								
Exchange, clearing and other brokerage fees	5,371	5,194	3,136	2,320	2,236	2,233	3,504	3,230
Compensation and related benefits	3,610	3,161	2,951	2,780	2,598	2,668	2,716	2,801
Telecommunication and datafeed services	2,051	1,721	1,662	1,554	1,459	1,531	1,554	1,525
Administrative and other expenses	1,511	1,259	1,416	1,093	1,294	989	1,107	1,215
Strategic process expenses	–	–	–	–	–	93	10	88
Amortization of capital assets	544	506	496	485	434	396	347	330
Amortization of intangible assets	23	16	16	16	16	16	16	16
Foreign exchange loss (gain)	(814)	(30)	58	59	156	158	343	188
Government assistance	(60)	–	–	–	(936)	–	–	–
Interest expense	1	3	–	–	2	1	2	5
Interest income	(117)	(129)	(149)	(187)	(220)	(215)	(195)	(181)
Restructuring Charges	1,052	–	–	–	–	–	–	–
	13,172	11,701	9,586	8,120	7,039	7,870	9,404	9,217
Net earnings (loss) before taxes	**(938)**	**(738)**	**(612)**	**1,470**	**1,923**	**1,817**	**1,702**	**1,681**
Provision for (recovery of) income taxes								
Current	(9)	2	–	7	123	–	–	–
Future	(679)	(418)	(184)	345	(263)	–	–	–
	(688)	**(416)**	**(184)**	**352**	**(140)**	**–**	**–**	**–**
Net earnings (loss)	**$ (250)**	**$ (322)**	**$ (428)**	**$ 1,118**	**$ 2,063**	**$ 1,817**	**$ 1,702**	**$ 1,681**
Earnings (loss) per share								
Basic	$ (0.02)	$ (0.02)	$ (0.03)	$ 0.08	$ 0.14	$ 0.12	$ 0.12	$ 0.11
Diluted	(0.02)	(0.02)	(0.03)	0.07	0.14	0.12	0.11	0.11

Options and futures contracts revenue in the first and second quarters of 2007 increased mainly from higher trading volumes in our floor brokerage segment and from receiving additional revenue for certain options orderflow from the various options exchanges and from a specialist.

Government assistance in the fourth quarter of 2007 relates mainly 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.

Government Assistance

The Company recognized federal scientific research and experimental development ("SR&ED") tax credits in the 2008 year of $60 related to its 2007 tax year. There were no provincial SR&ED tax credits to the Company related to its 2007 tax year. Any change in management's estimate relating to the use of federal Investment Tax Credits ("ITC's") could result in additional income or expense for the Company in the future.

The Company recognized provincial scientific research and experimental development ("SR&ED") tax credits in the 2007 year of $88 related to its 2006 tax year. 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 2007 year of $848 based upon management's best estimate of federal ITC's that would be utilized to offset future Canadian federal income tax liabilities. 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.

Government assistance relates to the core business.

Restructuring charges

Restructuring charges include the severance payments and legal expenses related to the termination of the former chief executive officer and executive vice-president effective at the end of 2008.

Interest Expense

Consolidated interest expense, decreased to $4 for the year ended December 31, 2008 from $10 for the year ended December 31, 2007. 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 decreased to $582 for the year ended December 31, 2008 from $811 for the year ended December 31, 2007. The decrease resulted mainly from lower yields on T/Bill, money market and Bankers Acceptances (BA) in which excess cash was invested.

Income Taxes

During 2008 the Company recorded a future income tax recovery of approximately $936 based upon management's best estimate, more likely than not, of tax attributes that will be utilized against future taxable income.

During 2007 the Company recorded a current tax expense of $123 related to the use of federal ITC's and the estimated provincial taxes payable for the 2007 year. The Company also recorded a future income tax recovery of $263 in fiscal 2007 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 10 in the consolidated financial statements for further details.

The Company has net operating loss carry forwards in the United States of approximately $5,609 that may be used to offset future taxable earnings. The losses expire in the United States beginning in 2023. The Company has an accumulated SR&ED expenditure pool in Canada of approximately $2,008 that may be used to reduce future taxable income in Canada. The SR&ED expenditure pool can be carried forward indefinitely. The Company also has investment tax credits of approximately $1,332 in Canada that may be used to offset future federal income taxes payable in Canada and that expire beginning in 2021. Refer to Note 10 in the consolidated financial statements for further details.

Net Earnings

The net earnings for the year ended December 31, 2008 decreased to $118 (including restructuring charges of $1,052 and $936 related to a net income tax recovery) from net earnings of $7,263 (including $140 related to a net income tax recovery and $848 related to the recognition of federal ITC's) for the year ended December 31, 2007. The diluted earnings per share for the year ended December 31, 2008, decreased to $0.01 per share from earnings of $0.48 per share for the year ended December 31, 2007.

Fourth Quarter Analysis

Revenue

2008	Canada	USA	**Total**
Transaction Fees – core Equity order flow	$ 393	$ 6,070	**$ 6,463**
Electronic option and futures contracts	8	2,215	**2,223**
Total transaction fees – core	$ 401	$ 8,285	**$ 8,686**
Transaction fees – brokerage	–	1,456	**1,456**
Subscription fees	1,592	91	**1,683**
Other revenue	300	109	**409**
Total	**$ 2,293**	**$ 9,941**	**$ 12,234**

2007	Canada	USA	**Total**
Transaction Fees – core Equity order flow	$ 904	$ 2,551	**$ 3,455**
Electronic option and futures contracts	3	2,375	**2,378**
Total transaction fees – core	$ 907	$ 4,926	**$ 5,833**
Transaction fees – brokerage	–	916	**916**
Subscription fees	1,760	125	**1,885**
Other revenue	238	90	**328**
Total	**$ 2,905**	**$ 6,057**	**$ 8,962**

Total revenue increased by $3,272 to $12,234 in the fourth quarter of 2008 from $8,962 in the fourth quarter of 2007.

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 87% from $3,455 in the fourth quarter of 2007 to $6,463 in the fourth quarter of 2008. Approximately $2,594 of the increase resulted from higher pass-through recoveries on which the Company makes no margin. A strengthening US dollar added approximately $424 to the year over year U.S. equity order flow revenue before pass-through recoveries. The balance of the increase in U.S. equity orderflow revenues after removing the effects of a strengthening US dollar and higher pass-through recoveries was offset by decreases in our Canadian equity orderflow revenues from the loss of Canadian buysides and brokers and internalization of orderflow by a certain broker.

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	2008	2007	change	% change
Total trading volume (in billions of shares)	4.3	2.3	2.0	86%
Avg trading volume per day (in millions of shares)	67.0	36.1	30.9	85%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 94.8	$ 39.9	$ 54.9	138%
Avg transaction fee revenue per share	$ 0.0014	$ 0.0011	$ 0.0003	28%
US market trading days	64	64	–	

(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 decreased by 7% from $2,378 in the fourth quarter of 2007 to $2,223 in the fourth quarter of 2008. A strengthening US dollar added approximately $327 to the year over year options revenue before pass-through recoveries. Pass-through recoveries remained relatively unchanged in the fourth quarter year over year. The decrease in the year over year trading volumes related mainly to slower volumes from our HYTS customers that include large banks and brokerage houses in the US affected by the global credit crisis.

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	2008	2007	change	% change
Total trading volume (in millions of contracts)	7.6	11.2	(3.6)	(32)%
Avg trading volume per day (in thousands of contracts)	119.0	174.6	(55.6)	(32)%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 34.6	$ 37.1	$ (2.5)	(7)%
Avg transaction fee revenue per contract	$ 0.29	$ 0.21	$ 0.08	37%
US market trading days	64	64	–	

Transaction Fee Revenue - Brokerage

Transaction fee revenue from the brokerage segment (including the recovery of pass through costs) increased by 59% from $916 in the fourth quarter of 2007 to $1,456 in the fourth quarter of 2008. A strengthening US dollar added approximately $172 to the year over year floor brokerage revenue before pass-through recoveries. Pass-through recoveries remained relatively unchanged in the fourth quarter year over year.

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

	Fourth Quarter Ended December 31			
U.S. Floor Options Contracts Executed	2008	2007	change	% change
Total trading volume (in millions of contracts)	6.1	3.6	2.5	67%
Avg trading volume per day (in thousands of contracts)	94.7	56.5	38.2	67%
Avg transaction fee revenue per trading day (in thousands CDN$)	$ 22.8	$ 14.3	$ 8.5	59%
Avg transaction fee revenue per contract	$ 0.240	$ 0.253	$ (0.013)	(5%)
US market trading days	64	64	–	

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 11% from $1,885 in the fourth quarter of 2007 to $1,683 in the fourth quarter of 2008. A contracting trader base at the brokerage houses resulting from the global economic crisis as well as competitive pressures resulted in customers canceling terminals and products.

Other Revenue

Other revenue, which includes revenue from information distribution, software development fees, installation fees and revenue from connectivity to the Belzberg Gateway, increased by 25% from $328 in the fourth quarter of 2007 to $409 in the fourth quarter of 2008. The increase related to higher communication line recoveries and increased datafeed recoveries mainly from the new Pure Exchange datafeed.

- Expenses (Income) for the fourth quarter ended December 31

	2008				2007			
($ 000s)	Core	Brokerage	Total	% of Revenues	Core	Brokerage	Total	% of Revenues
Exchange, clearing and brokerage fees	$ 4,934	$ 437	$ 5,371	44 %	$ 1,877	$ 359	$ 2,236	25 %
Compensation and related benefits	3,212	398	3,610	30 %	2,206	392	2,598	29 %
Telecommunication and datafeed services	1,983	68	2,051	17 %	1,415	44	1,459	16 %
Administrative and other expenses	1,369	142	1,511	12 %	1,225	69	1,294	14 %
Amortization of capital assets	540	4	544	4 %	432	2	434	5 %
Amortization of intangible assets	23	–	23	–	16	–	16	–
Foreign exchange loss (gain)	(480)	(334)	(814)	(7) %	231	(75)	156	2 %
Government assistance	(60)	–	(60)	–	(936)	–	(936)	(10) %
Restructuring charges	1,052	–	1,052	9%	–	–	–	–
Interest expense	1	–	1	–	2	–	2	–
Interest income	(112)	(5)	(117)	(1)%	(195)	(25)	(220)	(2)%
	$12,462	**$ 710**	**$13,172**	**108%**	**$ 6,273**	**$ 766**	**$ 7,039**	**79%**

Expenses (Income)

Exchange Clearing and Brokerage Fees

Exchange clearing and brokerage fees increased by 140% to $5,371 in the fourth quarter of 2008 from $2,236 in the fourth quarter of 2007. The increase can be attributed to:

(i) Higher equity exchange fees in the core business of approximately $2,717 mainly as a result of increased volumes from a high volume but low margin customer. Equity exchange fees also increased as a result of lower rebates generated in the fourth quarter of 2008 as compared to 2007.

(ii) Higher brokerage expenses of approximately $187 relating to increased seat lease expenses at the CBOE options exchange, an additional trading license at the NYSE and higher third party technology costs mostly related to our clearing operations.

(iii) Higher commissions of approximately $202 paid to other brokers for the introduction of business and for execution services performed.

Compensation and Related Benefits

Compensation and related benefits increased by 39% to $3,610 in the fourth quarter of 2008 from $2,598 in the fourth quarter of 2007. The increase can be attributed to:

(i) Salary increases granted at the beginning of 2008.

(ii) A strengthening US dollar that increased US dollar compensation reported in Canadian dollars.

(iii) Additional headcount related to sales and clearing hires.

(iv) Additional stock based compensation related to option grants in the fourth quarter of 2008.

Our average headcount in the fourth quarter of 2008 was 115 employees as compared to 100 employees in the fourth quarter of the prior year.

Telecommunication and Datafeed Services

Telecommunication and datafeed services increased by 41% to $2,051 in the fourth quarter of 2008 from $1,459 in the fourth quarter of 2007. Approximately $233 of the increase related to higher datafeed costs for pricing increases from various exchanges, new datafeeds for the Pure exchange, additional cost for Bloomberg terminal rentals and additional license fees paid to third parties. Approximately $359 of the increase related to additional capacity required for customer connections, ARCA, INET and OPRA connections for the increase in data supplied by the exchanges and new connections to ALPHA and CHI-X. A strengthening US dollar also increased US dollar costs reported in Canadian dollars.

Administrative and Other Expenses

Administrative and other expenses increased by 17% to $1,511 in the fourth quarter of 2008 from $1,294 in the fourth quarter of 2007. The increase is mainly attributable to (i) an additional doubtful debt provision of $105 in the brokerage segment related to an overdue account, (ii) higher director fees of $29 for additional directors and increased number of meetings, (iii) additional maintenance and repairs of $60, (iv) additional occupancy costs of $68 for additional space at our Chicago location, increased utility costs and the effect of a strengthening US dollar. These increases were offset by lower advertising and promotional costs of $75.

Amortization of Capital Assets

Amortization of capital assets increased by 25% to $544 in the fourth quarter of 2008 from $434 in the fourth quarter of 2007. The year over year increase relates mainly to datacentre improvements made in the 2008 year, additional hardware purchased for datafeeds, additional backup equipment purchased and the purchase of hardware and software related to the new clearing initiative.

Amortization of Intangible Assets

Amortization of intangible assets increased by $7 year over year as a result of an addition to intangibles from a customer relationship intangible created on formation of a joint venture between Belzberg and two external parties. (Refer to Joint Venture below)

Foreign Exchange Loss (Gain)

The Company incurred a foreign exchange gain of $814 in the fourth quarter of 2008 (of which a gain of $334 related to the brokerage business and a gain of $480 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 $156 in the fourth quarter of 2007 (of which a gain of $75 related to the brokerage business and a loss of $231 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.

Government Assistance

The Company recorded federal ITC's of $60 in the fourth quarter of 2008 based upon management's best estimate of federal ITC's that would be utilized to offset future Canadian federal income tax liabilities.

The Company recorded both provincial ITC's of $88 and previously unrecognized federal SR&ED tax credits of $848 in the fourth quarter of 2007.

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.

Restructuring Charges

Restructuring charges include the severance payments and legal expenses related to the termination of the former chief executive officer and executive vice-president effective at the end of 2008.

Interest Expense

Interest expense remained relatively unchanged in the fourth quarters of 2008 and 2007.

Interest Income

Interest income decreased to $117 in the fourth quarter of 2008 from $220 in the fourth quarter of 2007. The decrease resulted mainly from lower yields on T/Bill, money market and Bankers Acceptances (BA) in which excess cash was invested.

Income Taxes

The Company recorded a future tax recovery of $679 in the fourth quarter of 2008 based upon management's best estimate, more likely than not, of tax attributes that will be utilized against future taxable income.

The Company recorded a current tax expense of $123 in the fourth quarter of 2007 related to the use of Canadian federal ITC's and for estimated Canadian provincial tax payable for the 2007 year and recorded a future income tax recovery of $263 in the fourth quarter of 2007 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 10 in the consolidated financial statements for further details.

Net Earnings (Loss)

The net loss for the fourth quarter of 2008 was $250 (including $1,052 related to restructuring charges and $688 related to a net income tax recovery) as compared to net earnings of $2,063 (including $140 related to a net income tax recovery and $848 related to the recognition of federal ITC's). Diluted loss per share for the fourth quarter of 2008, decreased to ($0.02) per share from earnings of $0.14 per share for the fourth quarter of 2007.

Transactions with Related Parties

During 2008, the Company's subsidiary, Electronic Brokerage Systems, LLC, paid seat lease expenses at market rates of approximately $121 (2007 - $52) and paid for execution services in the amount of $180 (2007 – nil) to a company controlled by the president of Electronic Brokerage Systems. In addition, Electronic Brokerage Systems recorded transaction fee revenues of approximately $19 (2007 - $11) from the same company for the year ended December 31, 2008.

Liquidity and Capital Resources

Financial Position

At December 31, 2008 the Company had cash and cash equivalents of $19,452 and working capital of $24,980.

The Company's subsidiaries Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC 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, Electronic Brokerage Systems is required to maintain net capital equal to the greater of US$500 or 2% of aggregate debit balances arising from customer transactions, as defined, and Robert C. Sheehan & Associates is required to maintain net capital equal to the greater of US$100 or 6-2/3% of aggregate indebtedness, as defined. As at December 31, 2008, Electronic Brokerage Systems and Robert C. Sheehan & Associates had net capital of US$9,713 and US$1,687 and a net capital requirement of US$500 and US$100, respectively.

Electronic Brokerage Systems is currently required by the Options Clearing Corporation ("OCC") to maintain a margin deposit of approximately US$1,800. At December 31, 2008, Electronic Brokerage Systems was in compliance with this requirement.

Operating Activities

The Company utilized $367 of cash for operations for the year ended December 31, 2008 as compared to generating $7,345 of cash from operations for the year ended December 31, 2007. The decrease in cash flow from operations is mainly attributable to the $7,145 decline in the profitability of the Company. The change in accounts receivable reduced 2008 cash provided by operating activities by $1,372 and reduced cash flows by $1,476 compared to 2007 while the change in net payable/receivable from brokers, dealers and clearing organizations further reduced cash provided by operating activities by $1,037 in 2008, a decline of $1,137 compared to 2007. Income tax payments and installments reduced 2008 cash provided by operating activities by $102 a decline of $115 compared to 2007. The change in prepaid expenses and other receivables together with other assets reduced 2008 cash provided by operating activities by $794 and reduced cash flows by $71 compared to 2007. The change in investment tax credits reduced 2008 cash provided by operating activities by $203, but an improvement of $660 compared to 2007. Reductions in cash and cash equivalents on deposit with clearing and depository organizations increased 2008 cash provided by operating activities by $982, and increased cash flows by $1,917 compared to 2007. Increases in accounts payable and accrued liabilities increased 2008 cash provided by operating activities by $2,296, an improvement of $2,785 compared to 2007. Foreign exchange gains reduced the reconciliation of net income to cash provided by operating activities by $1,413 compared to an increase of $1,151 in 2007 reflecting a weakening of the Canadian dollar in 2008. The provision for future income taxes reduced the reconciliation of net income to cash provided by operating activities by $1,226 in 2008, which is $1,202 higher than in 2007 reflecting the larger future income tax recovery in 2008.

Investing Activities

The Company utilized $2,706 of cash for investing activities in the year ended December 31, 2008 as compared to utilizing $2,168 of cash for investing activities in the year ended December 31, 2007. Investing activities in 2008 consisted of the acquisition of network equipment of $2,685, and an interest in a joint venture intangible of $21. Investing activities in 2007 consisted of the acquisition of network equipment of $2,166, and the purchase of common shares in the DTCC of $2.

Financing Activities

The Company generated $31 of cash from financing activities in the year ended December 31, 2008 as compared to generating $619 of cash from financing activities in the year ended December 31, 2007. Financing activities in the year ended December 31, 2008 included proceeds from the exercise of employee stock options of $364, repurchase of common shares under a Normal-Course Issuer Bid ("NCIB") of $306 and repayment of capital lease obligations of $27. Financing activities in the year ended December 31, 2007 included repayment of capital lease obligations of $121 and proceeds from the exercise of employee stock options of $740.

Liquidity and Sources of Financing

The Company's subsidiary, Electronic Brokerage Systems, LLC has a secured credit facility of US$25,000 that may only be utilized to facilitate clearing and settlement activities. The facility when utilized is collateralized by marketable securities ("the pledged securities") that are held at the Depository and Trust Company ("DTC") as a result of a clearing break. There were no amounts outstanding under this facility at December 31, 2008.

The Company's wholly owned U.S. broker-dealer, Electronic Brokerage Systems, 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 Electronic Brokerage Systems 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 its cash and cash equivalents together with its clearing facility is sufficient to fund its cash requirements for the 2009 year.

Renewable Trading Services - Joint Venture

In January 2008, the Company acquired a one third interest in Renewable Trading Services, LLC ("RTS"), a joint venture formed for the purposes of trading renewable identification numbers ("RINS"). RINS are the mechanism that the US Environmental Protection Agency created to ensure compliance with the renewable fuels standard. Belzberg contributed US$50 and provided a non-exclusive and non-transferable right to RTS to use Belzberg's proprietary electronic platform ("The Platform") for buying, selling and trading RINS. The second party to the joint venture contributed US$50 while the third party to the joint venture contributed its relationships with a wide range of important industry players in the biodiesel industry that include both customer base and regulatory bodies. RTS has provided a web exchange platform for trading RINS and has been operational since January 30, 2008. The financial results of the joint venture for the 2008 year were nominal.

Commitments and Contractual Obligations

As at December 31, 2008, 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 and purchase obligations for datafeed and telecommunications services.

	Payments due by Period				
Contractual Obligations as at December 31, 2008	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating Leases	$ 5,570	$ 1,661	$ 3,091	$ 731	$ 87
Purchase Obligations (1)	2,308	1,793	515	–	–
Total Contractual Obligations	$ 7,878	$ 3,454	$ 3,606	$ 731	$ 87

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

Off-Balance Sheet Arrangements

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

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

Derivative Financial Instruments

Derivative financial instruments are utilized by the Company in the management of its foreign currency exposures (primarily U.S. and Canadian dollars). The Company has from time to time, entered into foreign exchange forward and option 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, 2008 and December 31, 2007 was based upon quoted market prices.

As at December 31, 2008, the Company had outstanding foreign exchange option contracts for the purchase of CDN$12,000 at U.S.$0.72 maturing in March 2009. The unrealized gain on these outstanding contracts was approximately $366. The Company realized losses in the 2008 year of approximately $2,205 on the settlement of foreign exchange option contracts. Gains or losses on foreign exchange option and futures 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, 2007, the Company had outstanding foreign exchange option contracts for the purchase of CDN$13,000 at U.S.$0.94 maturing in March 2008. The unrealized gain on these outstanding contracts was approximately $40. The Company realized gains in the 2007 year of approximately $718 on the settlement of foreign exchange futures contracts and realized gains of approximately $515 on the settlement of foreign exchange option contracts. Gains or losses on foreign exchange option and futures contracts are netted against gains or losses on the translation of our integrated foreign subsidiaries in the consolidated statement of operations.

Reduction of Stated Capital

At the annual general meeting of shareholders held on May 15, 2008, a Special Resolution was carried by the shareholders of the Company reducing the stated capital account maintained in respect of the common shares of the Company by $16,000. The Company's board of directors discussed the realizable value of the Company's assets, its liabilities and its stated capital at a meeting held on December 13, 2007. In order to give the Company's board of directors flexibility in managing the Company's capital structure going forward, the board decided to submit the Special Resolution to the Shareholders for their approval of the reduction of the stated capital of the Common Shares to address limitations under the Ontario Business Corporations Act which result from the historically high stated capital amount of the Common Shares. By reducing the stated capital of the Common Shares of the Company by $16,000 and by reducing the deficit of the Company by the corresponding amount, the Company would have flexibility for purchases of shares or payment of dividends.

Normal Course Issuer Bid

During 2008 the Company repurchased 71 common shares at an average price of $4.33 per share under a Normal Course Issuer Bid ("NCIB") approved by the Toronto Stock Exchange over the period from November 30, 2007 to November 29, 2008.

In November 2008, the Toronto Stock Exchange approved a Normal Course Issuer Bid for the Company to repurchase up to 742 of its common shares over the period from December 1, 2008 to November 30, 2009. As at March 9, 2009, no common shares had been repurchased under this Normal Course Issuer Bid.

Patent Information

The Company is actively considering a process to realize the value of its patents through an arrangement with a third party. Under this arrangement the Company would incur no costs to prosecute the patent and would share in any returns the third party was able to generate. The arrangement has not been finalized and further disclosure will be made once available.

Critical Accounting Policies and Estimates

The Company's consolidated financial statements are prepared in accordance with Canadian 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

The Company accounts for stock option grants using the fair value method. Under this method, compensation expense for options is measured at the grant date using the Black-Scholes option pricing model based on certain estimates and assumptions and is recognized on a straight-line basis over the vesting period. 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. If estimates or assumptions change in the future, the Company could be required to reduce or increase contributed surplus, resulting in compensation expense or recovery.

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 Assets

The Company has intangible assets related to customer relationships. The determination of the related estimated useful lives and whether or not the assets are impaired involves significant judgment. In assessing the recoverability of the intangible assets, the Company must make assumptions regarding estimated future cash flows, market conditions and other factors to determine the fair value of the assets. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for the assets not previously recorded. In fiscal 2008, the Company did not record an impairment charge related to the intangible assets.

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.

Changes in Accounting Policies

Financial Instruments - Disclosure and Presentation

On January 1, 2008, the Company adopted Sections 3862 and 3863 of the Canadian Institute of Chartered Accountants ("CICA") handbook, which replace Section 3861, "Financial Instruments – Disclosure and Presentation". These sections require the disclosure of additional information about financial asset and liability categories as well as a detailed discussion on the risks associated with the company's financial instruments and how they are managed. This standard harmonizes disclosures with International Financial Reporting Standards ("IFRS"). The adoption of these sections had no material impact on the Company's consolidated earnings. The new disclosure requirements are presented in note 16 to the consolidated financial statements. The Company had no "other comprehensive income or loss" transactions during the year ended December 31, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

Capital Disclosures

On January 1, 2008, the Company adopted Section 1535, "Capital Disclosures". This section establishes standards for disclosures about an entity's capital and how it is managed. The information provided by an entity should include its objectives, policies and processes for managing capital, and present the status of compliance of the entity for capital requirements to which it is subject and the consequences of a situation of non-compliance with these requirements. Further to the adoption of this section, information on capital management is now included in the note 14 to the consolidated financial statements.

Recent Accounting Pronouncements

Goodwill and Intangibles

In 2008, the CICA issued Handbook Section 3064, Goodwill and intangible assets, replacing CICA Handbook Section 3062, Goodwill and other intangible assets and CICA Handbook Section 3450, Research and development costs. The new Section will be applicable to the Company's financial statements for its fiscal year beginning on January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Handbook Section 3062. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning on January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, presentation and disclosures. The Company is currently assessing the date it intends to adopt IFRS.

Impact of Adoption of IFRS

During 2008 the Company's finance team proceeded with a stage 1 diagnostic and scoping phase for the adoption of IFRS which has identified the main differences between the accounting treatments applied by the Company under Canadian GAAP and IFRS as well as the practical implications related to the measure. The differences have been classified according to the degree of complexity and by the amount of work to implement. The changeover to IFRS will result in certain changes to our accounting system and we are currently assessing the complexity of these changes and will provide updated disclosure when available. While the adoption of IFRS is not expected to have a material impact on the reported cash flows of the Company, it is expected to have a material impact on the Company's consolidated balance sheets and consolidated statements of operations and deficit. Set out below are the key areas where changes in accounting policies are expected that may impact the Company's consolidated financial statements. The list and comments should not be regarded as a complete list of changes that will result from transition to IFRS. It is intended to highlight those areas that we believe will be the most significant. At this stage the Company is not able to reliably quantify the impacts expected on our consolidated financial statements for these differences.

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 under Canadian GAAP.

Under IAS 21 there is no definition of integrated and self-sustaining operations. Instead the results and financial position of foreign operating subsidiaries that have a functional currency different from the presentation currency are translated as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet (there are no historical rates of exchange for non-monetary assets and liabilities when compared with integrated operations under Canadian GAAP);

(ii) Income and expenses for each income statement are translated at average exchange rates (Amortization is no longer translated at the rates of exchange applicable to the related assets when compared with integrated operations under Canadian GAAP);

(iii) All resulting exchange differences are recognized as a separate component of equity (Gains and losses from translation are no longer included in income when compared with integrated operations under Canadian GAAP)

Impairment of Assets
Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. International Accounting Standard (IAS) 36, "Impairment of Assets", uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. However, the extent of any new write-downs may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

Share-Based Payment
The Company issues stock-based awards in the form of stock options that vest evenly over a three-year period. Under Canadian GAAP, the Company recognizes the fair value of the award, determined at the time of the grant, on a straight-line basis over the three-year vesting period. Under IAS 19, the fair value of each option is determined with respect to when it vests as well as when it is issued. As such, the fair value of each vested tranche is considered a separate option grant. The expense associated with each grant is recognized as compensation expense over the term of its respective vesting period. Accordingly, this will result in a faster recognition of the cost of each option issuance than under Canadian GAAP.

First-time Adoption of International Financial Reporting Standards
IFRS 1, First-time Adoption of International Financial Reporting Standards, provides guidance for the initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS standards effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. The Company is currently evaluating the exceptions and exemptions under IFRS 1 and will provide updated disclosure when available.

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 Electronic Brokerage Systems, LLC or Robert C. Sheehan & Associates, LLC (both USA subsidiaries of the Company) fails to comply with these regulations, it may be subject to disciplinary or other action by regulatory organizations.

Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC must comply with rules of the SEC and FINRA 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, Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC 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 Electronic Brokerage Systems, LLC or Robert C. Sheehan & Associates, LLC 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, FINRA, 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, FINRA 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, Fidessa Corporation 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, 2008, five customers accounted for approximately 27% of total revenue (year ended December 31, 2007- five customers for approximately 28%). 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, 2008, the Company generated approximately 76% (year ended December 31, 2007 – approximately 73%) of its revenue in the United States and corresponding trade receivables due from customers in the United States at December 31, 2008 accounted for approximately 89% (December 31, 2007 – approximately 79%) 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 9, 2009.

Common Shares:	14,835
Options to Purchase Common Shares:	
Issued and Outstanding	937

Appointments to Management
In December 2008 the Board of Directors appointed Judith Robertson as President and CEO of the Company. Ms. Robertson replaced Sidney H. Belzberg who remains as a director of the Company. Ms. Robertson as President and CEO of Markets Inc. was responsible for the launch of BlockBook™, one of the first alternative markets in Canada. She was also an Executive Vice President responsible for product development and strategic initiatives with Perimeter Financial Corp. Prior to 2003 Ms. Robertson was a Managing Director with Barclays Global Investors.

In January 2009, the Company appointed Chris Jackson as President, Canadian Operations. Mr. Jackson was Managing Director, Perimeter Markets Inc where he was responsible for the sales and marketing for all of Perimeter's alternative marketplaces and previously was President and CEO for IA Sciences, Perimeter's business process outsourcing service for discretionary managed account/wrap programs.

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, 2008, Belzberg's management, with the participation of the President and CEO and the CFO, evaluated the effectiveness of Belzberg's disclosure controls and procedures as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators and concluded that such controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

At December 31, 2008, an evaluation was carried out of the effectiveness of the design and operation 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 and operation 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, 2008 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 three 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.

Judith Robertson
President and CEO

Richard Maisel
Chief Financial Officer

Toronto, Canada
March 9, 2009

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Belzberg Technologies Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations and retained earnings (deficit), 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, 2008 and 2007 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, Licensed Public Accountants

Toronto, Canada
March 9, 2009

CONSOLIDATED BALANCE SHEETS

BELZBERG TECHNOLOGIES INC | December 31, 2008 and 2007 (in thousands of Canadian dollars)

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 19,452	$ 21,081
Cash segregated under regulations and other	184	–
Cash and cash equivalents on deposit with clearing and depository organizations	1,989	2,971
Receivable from brokers, dealers and clearing organization (note 4)	1,774	2,521
Accounts receivable	5,973	4,601
Prepaid expenses and other receivables	534	380
Other asset (note 6)	1,565	925
Income taxes receivable	89	–
Investment tax credits recoverable	84	489
Future income tax assets (note 10)	–	2,201
	31,644	35,169
CAPITAL ASSETS (note 7)	3,609	2,955
INVESTMENT	38	38
INVESTMENT TAX CREDITS RECOVERABLE	1,580	972
FUTURE INCOME TAX ASSETS (note 10)	3,289	290
GOODWILL (note 15)	1,608	1,608
INTANGIBLE ASSETS (note 3)	190	240
	$ 41,958	$ 41,272
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 6,350	$ 4,054
Payable to customers	183	–
Payable to brokers, dealers and clearing organization (note 4)	131	1,915
Income taxes payable	–	13
Future income tax liabilities (note 10)	–	439
Obligations under capital lease	–	27
	6,664	6,448
FUTURE INCOME TAX LIABILITIES (note 10)	244	233
SHAREHOLDERS' EQUITY:		
Capital stock (note 8)	23,930	39,598
Contributed surplus	3,686	3,677
Retained earnings (deficit)	7,434	(8,684)
	35,050	34,591
	$ 41,958	$ 41,272

Commitments, contingencies and guarantees (note 18)

See accompanying notes to consolidated financial statements.

APPROVED ON BEHALF OF THE BOARD

.... Director

.... Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

BELZBERG TECHNOLOGIES INC | Years ended December 31, 2008 and 2007 (in thousands of Canadian dollars, except per share amounts)

	2008	2007
REVENUE		
Transaction fees:		
Equity order flow	$ 17,942	$ 15,202
Options and futures contracts	15,220	16,644
	33,162	31,846
Subscription fees	7,087	7,455
Other revenue	1,512	1,352
	41,761	40,653
EXPENSES (INCOME):		
Exchange, clearing and brokerage fees	16,021	11,203
Compensation and related benefits	12,502	10,783
Telecommunication and datafeed services	6,988	6,069
Administrative and other	5,279	4,605
Strategic process	–	191
Restructuring charges (note 9)	1,052	–
Amortization of capital assets	2,031	1,507
Amortization of intangible assets	71	64
Government assistance (note 5)	(60)	(936)
Foreign exchange loss (gain)	(727)	845
	43,157	34,331
EARNINGS (LOSS) BEFORE THE UNDERNOTED	(1,396)	6,322
INTEREST:		
Expense	4	10
Income	(582)	(811)
	(578)	(801)
EARNINGS (LOSS) BEFORE INCOME TAXES	(818)	7,123
PROVISION FOR (RECOVERY OF) INCOME TAXES (note 10):		
Current	–	123
Future	(936)	(263)
	(936)	(140)
NET EARNINGS	**118**	7,263
DEFICIT, BEGINNING OF YEAR	**(8,684)**	(15,947)
REDUCTION OF STATED CAPITAL	**16,000**	–
RETAINED EARNINGS (DEFICIT), END OF YEAR	**$ 7,434**	$ (8,684)
EARNINGS PER SHARE (note 8 (c)):		
Basic	**$ 0.01**	$ 0.49
Diluted	**0.01**	0.48
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (note 8 (c)):		
Basic	14,829	14,693
Diluted	**14,879**	15,122

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

BELZBERG TECHNOLOGIES INC | Years ended December 31, 2008 and 2007 (in thousands of Canadian dollars)

	Number of common shares	Amount	Contributed surplus	Retained earnings (deficit)	Total
Balance, December 31, 2006	14,628	$ 38,840	$ 3,518	$ (15,947)	$ 26,411
Issue of common shares: Exercise of stock options	163	740	–	–	740
Stock compensation benefit on exercise of stock options	–	18	(18)	–	–
Stock-based compensation	–	–	177	–	177
Net earnings	–	–	–	7,263	7,263
Balance, December 31, 2007	14,791	39,598	3,677	(8,684)	34,591
Issue of common shares: Exercise of stock options	115	364	–	–	364
Stock compensation benefit on exercise of stock options	–	139	(139)	–	–
Stock-based compensation	–	–	283	–	283
Repurchase and cancellation of common shares	(71)	(171)	(135)	–	(306)
Reduction of stated capital	–	(16,000)	–	16,000	–
Net earnings	–	–	–	118	118
Balance, December 31, 2008	14,835	$ 23,930	$ 3,686	$ 7,434	$ 35,050

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

BELZBERG TECHNOLOGIES INC | Years ended December 31, 2008 and 2007 (in thousands of Canadian dollars)

	2008	2007
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net earnings	$ 118	$ 7,263
Items not affecting cash:		
Amortization of capital assets	2,031	1,507
Amortization of intangible assets	71	64
Unrealized foreign exchange loss (gain)	(1,413)	1,151
Stock-based compensation (note 8 (g))	283	177
Future income taxes	(1,226)	(24)
Change in non-cash operating working capital (note 11)	(231)	(2,793)
	(367)	7,345
FINANCING ACTIVITIES:		
Repayment of obligations under capital lease	(27)	(121)
Repurchase and cancellation of common shares (note 8(a))	(306)	–
Proceeds from the exercise of stock options (note 8 (a))	364	740
	31	619
INVESTING ACTIVITIES:		
Purchase of capital assets	(2,685)	(2,166)
Contribution for interest in a joint venture	(21)	–
Purchase of investment	–	(2)
	(2,706)	(2,168)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,413	(1,151)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,629)**	4,645
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**21,081**	**16,436**
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 19,452**	$ 21,081
REPRESENTED BY:		
Cash	$ 2,703	$ 5,676
Cash equivalents	16,749	15,405
	$ 19,452	$ 21,081
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 4	$ 10
Interest received	633	775
Income taxes paid	219	104

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

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 services 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 subsidiaries, all wholly owned. Joint ventures, irrespective of percentage of ownership, are proportionately consolidated to the extent of the Company's participation. The reporting date of the joint venture and the Company are identical and the accounts are prepared on the basis of consistent accounting policies. 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 and bankers' acceptances, 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

(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.

(e) Intangible assets

Intangible assets with finite useful lives consist of customer relationships. These intangibles are recorded at cost and are amortized on a straight-line basis over their estimated useful lives of three to five years.

(f) Impairment of long-lived assets

Long-lived assets, which consist of capital assets and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(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 on a trade date basis once the trades have been executed and collectibility is assured.

Revenue derived from the development and installation of software for equity and option 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 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 ("ITCs") 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 8. 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 per share
Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similarly to basic earnings per share, except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, warrants and compensation options, if dilutive ("dilutive securities"). The number of additional shares is calculated by assuming that outstanding dilutive securities were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

(o) Guarantees
Obligations under guarantees are not recognized in the consolidated financial statements but are disclosed in accordance with The Canadian Institute of Chartered Accountants' ("CICA") Accounting Guideline 14, Disclosure of Guarantees.

(p) Use of estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, goodwill and intangible assets, allowance for doubtful accounts, stock-based compensation and valuation allowance for future income taxes. Actual results could differ from such estimates.

[2] CHANGES IN ACCOUNTING POLICIES & RECENT ACCOUNTING PRONOUNCEMENTS

(a) Changes in accounting policies:
On January 1, 2008, the Company adopted the following CICA Handbook sections:

(i) Section 3863, Financial Instruments - Presentation, and Section 3862, Financia Instruments - Disclosures, which increase the Company's disclosure regarding the nature and extent of the risks associated with financial instruments and how those risks are managed (note 16). The new presentation standard carries forward the former presentation requirements. These standards harmonize disclosures with those required under International Financial Reporting Standards ("IFRS").

The adoption of these sections did not have any impact on the Company's consolidated earnings.

(ii) On January 1, 2008, the Company adopted Section 1535, Capital Disclosures. This section requires the Company to disclose its objectives, policies and processes for managing its capital structure.

Disclosures should include the entity's objectives, policies and procedures for managing capital as well as any externally imposed capital requirements and the consequences of non-compliance.

The adoption of this section implies that information on capital management is now included in the notes to the consolidated financial statements. This information is included in note 14.

(b) Recent accounting pronouncements:
(i) As of January 1, 2009, the Company will be required to adopt CICA Handbook Section 3064, Goodwill and Intangible Assets, which will replace the existing Goodwill and Intangible Assets standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard should not have a material impact on the Company's consolidated financial statements.

(ii) In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan the AcSB confirmed in February 2008 that IFRS will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises. As the Company will be required to report its results in accordance with IFRS starting in 2011, the Company is assessing the potential impacts of this changeover and developing its plan accordingly and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable.

[3] INTANGIBLE ASSETS

	2008	2007
Customer lists	$ 341	$ 320
Less accumulated amortization	151	80
	$ 190	$ 240

During 2008, the Company recorded amortization expense of $71 (2007 - $64) on intangible assets.

During 2008, the Company acquired intangible assets for $21 (2007 - nil).

[4] RECEIVABLE FROM AND PAYABLE TO BROKERS, DEALERS AND CLEARING ORGANIZATION

Amounts receivable from and payable to brokers, dealers and clearing organization include the following:

	2008	2007
Receivable from:		
Clearing organization	$ 124	$ 1,916
Brokers and dealers	1,650	605
	$ 1,774	$ 2,521
Payable to clearing organization	$ 131	$ 1,915

Receivables from/payable to brokers, dealers and clearing organization include amounts relating to open transactions, unsettled trades and margin deposits.

[5] GOVERNMENT ASSISTANCE

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

	2008	2007
Federal ITCs relating to 2007 tax year	$ 72	$ –
Provincial ITCs relating to 2006 tax year	(4)	89
Federal ITCs not previously recognized	(8)	847
	$ 60	$ 936

During 2008, the Company collected nil (2007 - $67) of provincial SR&ED tax credits.

[6] OTHER ASSET

	2008	2007
Fair value of foreign exchange option contracts	$ 1,565	$ 925

[7] CAPITAL ASSETS

2008	Cost	Accumulated amortization	Net book value
Furniture and equipment	$ 432	$ 328	$ 104
Computer equipment and software	6,132	2,700	3,432
Leasehold improvements	778	705	73
	$ 7,342	**$ 3,733**	**$ 3,609**

2007	Cost	Accumulated amortization	Net book value
Furniture and equipment	$ 631	$ 480	$ 151
Computer equipment and software	4,276	1,675	2,601
Computer equipment and software under capital lease	354	323	31
Leasehold improvements	972	800	172
	$ 6,233	**$ 3,278**	**$ 2,955**

The Company reduces the cost and accumulated amortization of fully depreciated assets. As at December 31, 2008, the Company reduced the cost and accumulated amortization of fully depreciated capital assets by $1,576 (2007 - $723).

Amortization of computer equipment and software under capital lease amounted to $39 for the year ended December 31, 2008 (2007 - $118).

[8] CAPITAL STOCK

The following summarizes changes to capital stock during 2008 and 2007:

(a) Authorized:
Unlimited common shares
Issued:

	Number of common shares (000's)	Amount
Balance at December 31, 2006	14,628	$ 38,840
Exercise of stock options	163	740
Stock compensation benefit on exercise of stock options	–	18
Balance at December 31, 2007	14,791	39,598
Exercise of stock options	115	364
Stock compensation benefit on exercise of stock options	–	139
Common shares repurchased and cancelled	(71)	(171)
Reduction of stated capital	–	(16,000)
Balance at December 31, 2008	**14,835**	**$ 23,930**

(b) Normal Course Issuer Bid
In November 2008, the Toronto Stock Exchange ("TSX") approved a Normal Course Issuer Bid ("NCIB") for the Company to repurchase up to 742 of its common shares over the period from December 1, 2008 to November 30, 2009. As at December 31, 2008, no common shares had been repurchased under this NCIB.

In November 2007, the TSX approved a NCIB for the Company to repurchase up to 739 of its common shares over the period from November 30, 2007 to November 29, 2008. The Company repurchased and cancelled 71 common shares for total consideration of approximately $306. Under the NCIB, of the amount paid, $171 was charged to share capital and $135 was charged to contributed surplus.

On May 15, 2008 at the Company's annual general meeting, a special resolution was approved by the shareholders to reduce the stated capital of the common shares of the Company by $16,000.

(c) Earnings per share

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

	2008	2007
Numerator:		
Net earnings available to common shareholders	$ 118	$ 7,263
Denominator:		
Weighted average number of common shares outstanding - basic	14,829	14,693
Effect of dilutive securities: Stock options	50	429
Weighted average number of common shares outstanding - diluted	14,879	15,122
Earnings per share:		
Basic	$ 0.01	$ 0.49
Diluted	0.01	0.48

At year end, options to purchase 240 (2007 - 145) 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 3,926 common shares of the Company, of which 2,989 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, 2008 expire on various dates until December 2013.

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

	2008		2007	
	Options (000's)	Weighted average exercise price	Options (000's)	Weighted average exercise price
Outstanding, beginning of year	593	$ 4.41	1,861	$ 6.11
Granted	515	2.62	70	6.85
Exercised	(115)	3.15	(163)	4.55
Forfeited/expired	(56)	4.28	(1,175)	7.23
Outstanding, end of year	937	3.59	593	4.41
Options exercisable, end of year	494	$ 3.67	431	$ 3.67

(f) The following table summarizes information about stock options outstanding and exercisable at December 31, 2008:

	Options outstanding			Options exercisable	
Range of exercise price	Number outstanding (000's)	Weighted average remaining life (years)	Weighted average exercise price	Number exercisable (000's)	Weighted average exercise price
$ 2.05 - $ 3.25	579	3.80	$ 2.36	309	$ 2.63
$ 3.75 - $ 4.60	218	2.57	4.18	115	3.82
$ 6.85 - $ 8.65	140	2.86	7.75	70	8.05
	937	**3.37**	**$ 3.59**	**494**	**$ 3.67**

(g) For stock options granted to employees and directors on or after January 1, 2003, the Company recorded compensation expense of $283 (2007 - $177) 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, 2008 was $1.04 (2007 - $2.34), valued using the following weighted average assumptions:

	2008	2007
Risk-free interest rate	2.01%	4.43%
Expected life of the options in years	5	3
Expected volatility	42.44%	43.50%

[9] RESTRUCTURING CHARGES

During the year, the Company restructured its management through the terminations of the Chief Executive Officer and Executive Vice-President. Restructuring charges include the severance payments and legal expenses related to the terminations.

[10] 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:

	2008	2007
Earnings (loss) before income taxes	$ (818)	$ 7,123
Combined basic federal and provincial rate	33.5%	36.12%
Effective income tax expense (recovery) based on earnings (loss) before income taxes	$ (274)	$ 2,573
Decrease (increase) in income tax recovery resulting from:		
Non-deductible items	138	75
Non-deductible portion of exchange related transactions on capital account	378	(172)
Change in valuation allowance	324	(3,900)
Differences due to higher tax rates for foreign subsidiaries	(48)	181
Differences due to changes in exchanges rates	(1,360)	1,214
Other items	(4)	4
Effect of changes in opening tax balances not previously recognized	(82)	6
Effect of rate changes on future taxes	1	(2)
ITC's recoverable	(9)	(119)
Actual income tax recovery	$ (936)	$ (140)

As at December 31, 2008, the Company has available non-capital loss carryforwards for income tax purposes. The following table summarizes the year of expiry of these non-capital loss carryforwards:

	Canada	United States
2023	$ –	$ 2,550
2024	–	1,455
2028	54	1,604
	$ 54	**$ 5,609**

As at December 31, 2008, the Company has an accumulated SR&ED expenditure pool of $2,008 (2007 - $1,979) 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, 2008, the Company has recorded alternative minimum tax credits of $248 available to offset future U.S. and Canadian income tax liabilities and has recorded investment tax credits of $1,332 available to offset future Canadian federal income tax liabilities. These credits expire as follows:

	Canadian alternative minimum tax credits	U.S. alternative minimum tax credits	Canadian investment tax credits
2021	$ –	$ –	$ 331
2022	–	–	281
2023	–	–	191
2024	–	–	181
2025	–	–	124
2026	–	–	152
2027	–	–	72
No expiration	77	171	–
	$ 77	**$ 171**	**$ 1,332**

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

	2008	2007
Future income tax assets		
Tax benefit of loss carryforwards	$ 2,265	$ 1,249
Capital assets	211	310
SR&ED expenditure pool	731	854
Capital loss carryforwards	324	–
Other	82	78
	3,613	**2,491**
Less valuation allowance	324	–
Total future tax assets	3,289	2,491
Future income tax liabilities		
SR&ED ITC's	(205)	(227)
Unrealized foreign exchange	(28)	(338)
Other	(11)	(107)
Total future tax liabilities	(244)	(672)
Net future income tax assets	**$ 3,045**	**$ 1,819**

As a result of harmonization of the Ontario provincial income tax system with the Canadian federal income tax system, effective January 1, 2009, the net future income tax assets shown above include a tax credit of approximately $379 which the Company can use to reduce Ontario income taxes over the next five years.

[11] CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	2008	2007
Cash segregated under regulations and other	$ (184)	$ –
Cash and cash equivalents on deposit with clearing and depository organizations	982	(935)
Receivable from brokers, dealers and clearing organization	747	(1,815)
Accounts receivable	(1,372)	104
Prepaid expenses and other receivables	(154)	26
Other asset	(640)	(749)
Income taxes receivable	(89)	–
Investment tax credits recoverable	(203)	(863)
Accounts payable and accrued liabilities	2,296	(489)
Payable to customers	183	–
Payable to brokers, dealers and clearing organization	(1,784)	1,915
Income taxes payable	(13)	13
	$ (231)	**$ (2,793)**

[12] JOINT VENTURE

In January 2008, the Company acquired a one-third interest in Renewable Trading Services LLC ("RTS"), a joint venture formed for the purposes of trading renewable identification numbers ("RINS"). RINS are the mechanism that the U.S. Environmental Protection Agency created to ensure compliance with the renewable fuels standard. The Company has contributed US $50 and provided a non-exclusive and non-transferable right to RTS to use the Company's proprietary electronic platform (the "Platform") for buying, selling and trading RINS. The second party to the joint venture contributed US $50 while the third party to the joint venture contributed its relationships with a wide range of important industry players in the biodiesel industry that include both customer base and regulatory bodies. RTS has provided a web exchange platform for trading RINS and has been operational since January 30, 2008. The financial impact of the Company's interest in RTS is nominal.

[13] CREDIT FACILITY

During 2008, the Company's subsidiary, Electronic Brokerage Systems, LLC, obtained a revolving credit facility for U.S. $25,000 that may only be used to facilitate its clearing and settlement activities. The facility is collateralized by marketable securities that exist only in the event of a clearing break and which are held at the Depository and Trust Company ("DTC"). The facility is payable on demand and bears interest at a variable rate based on the market rate plus an applicable margin paid monthly. Additionally, a fee of 0.25% on the average daily unused portion of the facility is paid quarterly. The outstanding balance of the facility at December 31, 2008 was nil.

[14] CAPITAL DISCLOSURES

The Company's objectives when managing capital are to efficiently provide for the funding of its clearing and settlement operations, capital expenditures, and working capital while ensuring adequate liquidity and solvency and complying with its regulatory capital requirements. The Company aims to provide a platform to effectively fund new growth initiatives and ensuring flexibility in raising capital from multiple sources and markets.

The Company's capital structure consists of shareholders' equity, cash and cash equivalents and a clearing credit facility. The Company makes adjustments to the capital structure depending on economic conditions and the financial position and performance of the Company. In order to maintain or adjust the capital structure, the Company may issue new shares, buy back shares, or issue debt. The Company does not presently utilize any quantitative measures to monitor its capital.

The Company's investment policy is to invest its cash in high grade investment securities with varying terms to maturity, selected with regards to the expected timing of expenditures from continuing operations.

The Company's subsidiaries, Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC, 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, Electronic Brokerage Systems, LLC is required to maintain "net capital" equal to the greater of U.S. $500 or 2% of aggregate debit balances arising from customer transactions, as defined, and Robert C. Sheehan & Associates, LLC is required to maintain net capital equal to the greater of U.S. $100 or 6-2/3% of "aggregate indebtedness", as defined.

As at December 31, 2008, Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC had net capital of U.S. $9,713 and U.S. $1,687, and a net capital requirement of U.S. $500 and U.S. $100, respectively.

[15] SEGMENTED INFORMATION

The Company operates and manages its business in one industry – the financial services sector. The Company has two reportable segments: the Core business and the Brokerage business. In the Core business, the Company creates and provides to institutional customers trade execution software, trade execution services through its 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 before income taxes.

(a) Reportable Segments

2008	Core	Brokerage	Total
External revenue:			
Subscription fees	$ 7,087	$ –	$ 7,087
Transaction fees	29,062	4,100	33,162
Other	1,512	–	1,512
	$ 37,661	**$ 4,100**	**$ 41,761**
Earnings (loss) before the undernoted	$ 1,818	$ (60)	$ 1,758
Restructuring charges	1,052	–	1,052
Amortization of capital assets	2,019	12	2,031
Amortization of intangible assets	71	–	71
Interest:			
Expense	4	–	4
Income	(556)	(26)	(582)
Loss before income taxes	**$ (772)**	**$ (46)**	**$ (818)**
Total assets	**$ 38,768**	**$ 3,190**	**$ 41,958**
Capital asset expenditures	**2,648**	**37**	**2,685**
2007	**Core**	**Brokerage**	**Total**
External revenue:			
Subscription fees	$ 7,455	$ –	$ 7,455
Transaction fees	26,228	5,618	31,846
Other	1,352	–	1,352
	$ 35,035	**$ 5,618**	**$ 40,653**
Earnings before the undernoted	$ 7,117	$ 967	$ 8,084
Strategic process expenses	191	–	191
Amortization of capital assets	1,501	6	1,507
Amortization of intangible assets	64	–	64
Interest:			
Expense	7	3	10
Income	(717)	(94)	(811)
Earnings before income taxes	**$ 6,071**	**$ 1,052**	**$ 7,123**
Total assets	**$ 37,787**	**$ 3,485**	**$ 41,272**
Capital asset expenditures	**2,160**	**6**	**2,166**

As at December 31, 2008, goodwill was allocated to the Core reporting unit of $1,235 (2007 - $1,235) and the Brokerage reporting unit of $373 (2007 - $373).

The Company tested goodwill for impairment at December 31, 2008 and 2007 and determined that no impairment in the carrying value existed.

(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:

2008	Canada	United States	Total
External revenue:			
Subscription fees	$ 6,616	$ 471	$ 7,087
Transaction fees	2,128	31,034	33,162
Other	1,117	395	1,512
	$ 9,861	**$ 31,900**	**$ 41,761**
Total assets	$ 13,194	$ 28,764	$ 41,958
Capital assets	1,892	1,717	3,609
Goodwill	–	1,608	1,608
Intangible assets	–	190	190

2007	Canada	United States	Total
External revenue:			
Subscription fees	$ 6,881	$ 574	$ 7,455
Transaction fees	3,084	28,762	31,846
Other	946	406	1,352
	$ 10,911	**$ 29,742**	**$ 40,653**
Total assets	$ 14,504	$ 26,768	$ 41,272
Capital assets	1,760	1,195	2,955
Goodwill	–	1,608	1,608
Intangible asset	–	240	240

[16] FINANCIAL INSTRUMENTS & RISK MANAGEMENT

(a) Fair values

Financial instruments of the Company consist primarily of cash and cash equivalents, cash segregated under regulations and other, cash and cash equivalents on deposit with clearing and depository organizations, accounts receivable, receivables from brokers, dealers and clearing organizations, other asset, investment, accounts payable and accrued liabilities, payable to customers and payable to brokers, dealers and clearing organization. The Company designated its cash and cash equivalents on deposit with clearing and depository organizations, cash segregated under regulations and other, receivables from brokers, dealers and clearing organizations and other asset (that include foreign exchange option contracts) as held-for-trading. The carrying values of the held-for-trading financial instruments approximate their fair values because of the relatively short periods to maturity of these financial instruments. The investment is classified as available-for-sale, which is stated at cost as it does not have a quoted market price in an active market. Accounts receivable are classified as loans and receivables, which are stated at amortized cost. Accounts payable and accrued liabilities, payable to customers and payable to brokers, dealers and clearing organizations are classified as other financial liabilities. The carrying values of other financial liabilities approximate their fair values because of the relatively short periods to maturity of these financial instruments. The Company had no other comprehensive income or loss transactions during the year ended December 31, 2008 and no opening or closing balances for accumulated other comprehensive income or loss.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligation and arises principally from the Company's cash and cash equivalents and accounts receivable. The amounts reported in the balance sheet for accounts receivable are net of allowance for bad debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The Company minimizes the credit risk of cash and cash equivalents by depositing only with reputable financial institutions, investing in only high grade investment securities and limiting exposure to any one financial institution, commercial issuer, or investment type and limits the term to maturity to less than one year.

The Company believes that its credit risk with respect to accounts receivable is limited for a number of reasons, including dealing primarily with large Canadian and U.S. banks and brokerage houses. The Company manages its risk through credit policies in the U.S., which includes the analysis of the financial position of its customers, subscribing to an outside credit bureau, and account monitoring procedures. As at December 31, 2008, $704 of the Company's accounts receivable is past due. Subsequent to year end, $242 of the past due was collected. The remaining past due balances have been fully provided for. All the Company's receivables have been reviewed for indicators of impairment.

At December 31, 2008, two customers accounted for approximately 22% of total accounts receivable (2007 - two customers for 19%). For the year ended December 31, 2008, one customer accounted for 8% of total revenue (2007 - one customer accounted for 7%). The loss of this significant customer may have a material and adverse effect on the Company's revenue and results of operations.

The Company does not have reason to believe the balances on these accounts are impaired.

(c) Currency risk

The Company is exposed to the risk that future earnings and cash flows will fluctuate as a material amount of the Company's revenue and accounts receivable and related expenses are denominated in U.S. dollars and financial results are reported in Canadian dollars. The Company uses foreign exchange option contracts to partially mitigate its U.S.-dollar denominated net asset exposure, which is translated into Canadian dollars for reporting purposes. The fair value of these financial instruments as at December 31, 2008 and 2007 is based on quoted market prices and information available at that time. As at December 31, 2008, the Company has entered into foreign exchange option contracts for the purchase of Cdn. $12,000 at U.S. $0.72, maturing March 2009 (2007 - Cdn. $13,000 at U.S. $0.94, maturing March 2008). For the year ended December 31, 2008, the Company has recorded an unrealized gain on the outstanding foreign exchange option contracts of approximately $366 and recorded a loss on the foreign exchange option contracts that were settled for approximately $2,205 (2007 - unrealized mark-to-market gain of approximately $40 on outstanding foreign exchange option contracts that were not settled and realized gains of approximately $515 on foreign exchange option contracts and $718 on the settlement of foreign exchange futures contracts that were settled during the year). Realized and unrealized gains or losses on foreign exchange option and future contracts are netted against gains or losses on the translation of the Company's integrated foreign subsidiaries in the consolidated statements of operations.

The Company's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to that of the U.S. dollar. If the Canadian dollar appreciated by 1 cent against the U.S. dollar at December 31, 2008, with all other variables held constant, the impact of the foreign currency change on the U.S.-denominated financial instruments would lead to an additional foreign exchange loss of approximately $116, without factoring any gains on the foreign exchange option contracts.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due over the next 12 to 24 months, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's principal cash requirements are for clearing and settling operations, capital expenditures and working capital needs. The Company uses its operating cash flows, clearing facility and cash balances to maintain its liquidity.

(e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cash and cash equivalents of the Company are invested at interest rates at varying rates and mature at various dates over the current operating period and whereby the Company is exposed in the event of fluctuation of the prime rate. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash equivalents is limited because these cash equivalents, although held-for-trading, are generally held to maturity. The Company does not use financial instruments to mitigate this risk.

[17] RELATED PARTY TRANSACTIONS

During 2008, Electronic Brokerage Systems, LLC paid, at market rates, seat lease expenses of approximately $121 (2007 - $52) and execution services of approximately $180 (2007 - nil) to a company controlled by the president of Electronic Brokerage Systems, LLC. In addition, Electronic Brokerage Systems, LLC recorded transaction fee revenue at market rates of approximately $19 (2007 - $11) from the same company for the year ended December 31, 2008.

[18] COMMITMENTS, CONTINGENCIES & GUARANTEES

(a) The Company's commitments, primarily occupancy, datafeed, and telecommunications costs, require future minimum payments, as summarized below at December 31, 2008:

2009	$	3,454
2010		2,130
2011		1,476
2012		731
Thereafter		87
	$	7,878

(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) 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.

[19] COMPARATIVE FIGURES

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

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Toronto, ON

Legal Counsel

Blake, Cassels & Graydon LLP
Toronto, ON

Market

Toronto Stock Exchange
Symbol: BLZ

Board of Directors

Judith Robertson
President and Chief Executive Officer of the Corporation

Justin Hughes
Managing Member of Philadelphia Financial of San Francisco

Cameron MacDonald
Chairman of the Board; President and CEO of Goodwood Inc.

Sidney H. Belzberg
President and CEO of Infinigon LLC

Alicia Belzberg
President and CEO of 960 Capital LLC

Dr. William Gnam
Economist

Stephen Sadler
Chairman and CEO of Enghouse Systems Limited

Robert Forbes
Partner, McCarthy Tétrault LLP

James Reddy
Chartered Accountant

Officers

Judith Robertson
President and Chief Executive Officer of the Corporation

Chris Jackson
President, Canadian Operations

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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