

**Q2 2008**

*Interim Consolidated Financial Statements*  
**BELZBERG TECHNOLOGIES INC.**  
*For The Three and Six Months Ended June 30, 2008*

# **BELZBERG TECHNOLOGIES INC.**

Notice of Disclosure of Non-Auditor Review of Interim Financial Statements for the periods ended June 30, 2008 and 2007

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Pursuant to national Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company of the interim periods ended June 30, 2008 and 2007, have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management.

The Company's independent auditors, KPMG LLP, have not performed a review of the interim financial statements for June 30, 2008 and 2007 in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

## Notice

The consolidated financial statements have not been reviewed by an external auditor

### BELZBERG TECHNOLOGIES INC.

#### Consolidated Balance Sheets

(in thousands of Canadian dollars)

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 22,627	\$ 21,081
Cash and cash equivalents on deposit with clearing and depository organizations	1,687	2,971
Receivable from brokers, dealers and clearing organizations (note 3)	481	2,521
Accounts receivable	4,721	4,601
Prepaid expenses and other receivables	577	380
Other assets (note 4)	597	925
Investment tax credits recoverable	529	489
Future income tax assets	1,808	2,201
	33,027	35,169
<b>CAPITAL ASSETS</b>	3,428	2,955
<b>INVESTMENT</b>	38	38
<b>INVESTMENT TAX CREDITS RECOVERABLE</b>	1,049	972
<b>FUTURE INCOME TAX ASSETS</b>	458	290
<b>GOODWILL</b>	1,608	1,608
<b>OTHER INTANGIBLE ASSETS, NET (note 5)</b>	208	240
	\$ 39,816	\$ 41,272
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 3,778	\$ 4,053
Payable to brokers, dealers and clearing organizations (note 3)	-	1,915
Income taxes payable	7	13
Future income tax liabilities	345	439
Obligations under capital lease	-	27
	4,130	6,447
<b>FUTURE INCOME TAX LIABILITIES</b>	236	233
	4,366	6,680
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (note 6)</b>	23,945	39,599
<b>CONTRIBUTED SURPLUS</b>	3,499	3,677
<b>RETAINED EARNINGS (DEFICIT)</b>	8,006	(8,684)
	35,450	34,592
	\$ 39,816	\$ 41,272

Guarantees and contingencies (Note 11)

See accompanying notes to the consolidated financial statements

APPROVED ON BEHALF OF THE BOARD

"Sidney H. Belzberg"

..... Director

"Alicia Belzberg"

..... Director

## Notice

The consolidated financial statements have not been reviewed by an external auditor

## BELZBERG TECHNOLOGIES INC.

### Consolidated Statements of Operations and Retained Earnings (Deficit)

(in thousands of Canadian dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
REVENUE				
Transaction fees:				
Equity order flow	\$ 3,157	\$ 4,142	\$ 6,936	\$ 8,351
Options and futures contracts	3,672	4,778	7,288	9,227
	6,829	8,920	14,224	17,578
Subscription fees	1,787	1,864	3,640	3,749
Other revenue	358	322	700	677
TOTAL REVENUE	8,974	11,106	18,564	22,004
EXPENSES				
Exchange, clearing and brokerage fees	3,136	3,504	5,456	6,734
Compensation and related benefits	2,951	2,716	5,731	5,517
Telecommunication and datafeed services	1,662	1,554	3,216	3,079
Administrative and other expenses	1,416	1,107	2,509	2,322
Strategic process expenses	-	10	-	98
Amortization of capital assets	496	347	981	677
Amortization of intangible assets	16	16	32	32
Foreign exchange loss	58	343	117	531
	9,735	9,597	18,042	18,990
EARNINGS (LOSS) BEFORE THE UNDERNOTED	(761)	1,509	522	3,014
Interest expense	-	2	-	7
Interest income	(149)	(195)	(336)	(376)
	(149)	(193)	(336)	(369)
EARNINGS (LOSS) BEFORE INCOME TAXES	(612)	1,702	858	3,383
PROVISION FOR (RECOVERY OF) INCOME TAXES				
Current	-	-	7	-
Future	(184)	-	161	-
	(184)	-	168	-
NET EARNINGS (LOSS)	(428)	1,702	690	3,383
DEFICIT, BEGINNING OF PERIOD	(7,659)	(14,266)	(8,684)	(15,947)
REPURCHASE OF COMMON SHARES (Note 6(a))	93	-	-	-
REDUCTION OF STATED CAPITAL (Note 6(a))	16,000	-	16,000	-
RETAINED EARNINGS (DEFICIT), END OF PERIOD	8,006	(12,564)	8,006	(12,564)
EARNINGS (LOSS) PER SHARE:				
Basic	\$ (0.03)	\$ 0.12	\$ 0.05	\$ 0.23
Diluted	\$ (0.03)	\$ 0.11	\$ 0.05	\$ 0.22
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING (note 6(b)):				
Basic	14,846	14,665	14,819	14,650
Diluted	14,938	15,208	14,936	15,245

See accompanying notes to the consolidated financial statements

## Notice

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### **BELZBERG TECHNOLOGIES INC.** **Consolidated Statements of Shareholders Equity** **For the six months ended June 30, 2008** (in thousands of Canadian dollars) (Unaudited)

	Number of common shares (000's)	Amount	Contributed Surplus	Retained Earnings (Deficit)	Total
Balance, December 31, 2007	14,791	\$ 39,598	\$ 3,677	\$ (8,684)	\$ 34,591
Issue of common shares:					
Exercise of stock options (note 6 (a) and (c))	115	364	-	-	364
Stock compensation benefit on exercise of stock options	-	139	(139)	-	-
Stock-based compensation (note 6 (d))	-	-	78	-	78
Repurchase of common shares (notes 6 (a))	(61)	(156)	(117)	-	(273)
Reduction of stated capital (note 6(a))	-	(16,000)	-	16,000	-
Net earnings and comprehensive income	-	-	-	690	690
<b>BALANCE, JUNE 30, 2008</b>	<b>14,845</b>	<b>\$ 23,945</b>	<b>\$ 3,499</b>	<b>\$ 8,006</b>	<b>\$ 35,450</b>

See accompanying notes to the consolidated financial statements

## Notice

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### BELZBERG TECHNOLOGIES INC. Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
<b>CASH PROVIDED BY (USED FOR)</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings (loss)	\$ (428)	\$ 1,702	\$ 690	\$ 3,383
Items not affecting cash				
Amortization of capital assets	496	347	981	677
Amortization of intangible assets	16	16	32	32
Unrealized foreign exchange loss (gain)	49	620	(195)	695
Stock-based compensation (note 6(d))	39	43	78	86
Future income taxes	(178)	125	134	140
Changes in non-cash working capital items (note 7)	(568)	(1,158)	1,021	(1,644)
	(574)	1,695	2,741	3,369
<b>INVESTING ACTIVITIES</b>				
Purchase of capital assets	(389)	(756)	(1,454)	(1,121)
	(389)	(756)	(1,454)	(1,121)
<b>FINANCING ACTIVITIES</b>				
Repayment of obligations under capital lease	-	(35)	(27)	(65)
Repurchase of common shares (note 6(a))	(37)	-	(273)	-
Proceeds from the exercise of stock options (note 6(a))	14	40	364	202
	(23)	5	64	137
Effect of exchange rate changes on cash and cash equivalents	(49)	(620)	195	(695)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,035)</b>	<b>324</b>	<b>1,546</b>	<b>1,690</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>23,662</b>	<b>17,802</b>	<b>21,081</b>	<b>16,436</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 22,627</b>	<b>\$ 18,126</b>	<b>\$ 22,627</b>	<b>\$ 18,126</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Cash	\$ 4,983	\$ 4,824	\$ 4,983	\$ 4,824
Cash equivalents	17,644	13,302	17,644	13,302
	\$ 22,627	\$ 18,126	\$ 22,627	\$ 18,126
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>				
Interest received	\$ 164	\$ 164	\$ 345	\$ 346
Interest paid	-	2	-	7
Income taxes paid	77	-	130	-

See accompanying notes to the consolidated financial statements

# **BELZBERG TECHNOLOGIES INC.**

Notes to the Interim Consolidated Financial Statements  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

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## **1. Description of business:**

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

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

## **2. Summary of significant accounting policies:**

### **(a) Basis of presentation:**

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with Canadian generally accepted accounting principles have been condensed to include only the notes related to elements which have significantly changed in the interim period. As a result, these interim financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the fiscal year ended December 31, 2007.

These interim financial statements are prepared following accounting policies consistent with the Company's audited annual financial statements and notes thereto for the year ended December 31, 2007, except as described in note 2 (b). The financial information included herein reflects all adjustments, consisting only of normal recurring adjustments, which in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three and six months ended June 30, 2008 are not necessarily indicative of the results to be expected for the full year.

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

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## 2. Significant accounting policies (continued):

(b) Changes in accounting policies:

On January 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

- "Financial Instruments – Presentation", Section 3863 and "Financial Instruments – Disclosures", Section 3862. The new disclosure standard increases Belzberg Technologies' disclosure regarding the nature and extent of the risks associated with financial instruments and how those risks are managed (See Note 9). The new presentation standard carries forward the former presentation requirements.
- "Capital Disclosures", Section 1535. The new standard requires Belzberg to disclose its objectives, policies and processes for managing its capital structure (See Note 8).

(c) Recent accounting pronouncements

As of January 1, 2009, Belzberg will be required to adopt the 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 Belzberg's consolidated financial statements.

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 International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As Belzberg 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.

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

### 3. Receivable from and payable to brokers, dealers and clearing organization:

	June 30, 2008	December 31, 2007
Receivable from:		
Clearing organization	\$ –	\$ 1,915
Brokers and dealers	481	606
	<u>\$ 481</u>	<u>\$ 2,521</u>
Payable to clearing organization	<u>\$ –</u>	<u>\$ 1,915</u>

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

### 4. Other assets:

	June 30, 2008	December 31, 2007
Fair value of foreign exchange option contracts	<u>\$ 597</u>	<u>\$ 925</u>

### 5. Other intangible assets:

	June 30, 2008	December 31, 2007
Customer list	\$ 320	\$ 320
Accumulated amortization	112	80
	<u>\$ 208</u>	<u>\$ 240</u>

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

## 6. Capital stock:

The following summarizes changes to capital stock during 2008:

(a) Authorized:

Unlimited common shares

Issued:

<i>(thousands)</i>	Number of common shares	Amount
Balance at December 31, 2007	14,791	\$ 39,598
Exercise of stock options	111	350
Stock compensation benefit on exercise of stock options	–	135
Common shares repurchased and cancelled	(54)	(143)
Balance at March 31, 2008	14,848	\$ 39,940
Exercise of stock options	4	14
Stock compensation benefit on exercise of stock options	–	4
Common shares repurchased and cancelled	(7)	(13)
Reduction of stated capital		(16,000)
Balance at June 30, 2008	14,845	\$ 23,945

In November 2007, the Toronto Stock Exchange approved a Normal Course Issuer Bid for the Company to repurchase up to 739 thousand of its common shares over the period from November 30, 2007 to November 29, 2008. As at June 30, 2008 the Company has repurchased and cancelled 61.4 thousand common shares for total consideration of approximately \$273. Of the amount paid \$156 was charged to share capital and \$117 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.

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

## 6. Capital stock (continued):

### (b) Earnings per share:

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

<i>(thousands except per share amounts)</i>	Three months ended June 30,	
	2008	2007
Numerator:		
Net earnings (loss) available to common shareholders	\$ (428)	\$ 1,702
Denominator:		
Weighted average number of common shares outstanding - basic	14,846	14,665
Effect of dilutive securities: Employee stock options	92	543
Weighted average number of common shares outstanding - diluted	14,938	15,208
Earnings (loss) per share:		
Basic	\$ (0.03)	\$ 0.12
Diluted	(0.03)	0.11
<i>(thousands except per share amounts)</i> <th colspan="2">Six months ended June 30,</th>	Six months ended June 30,	
	2008	2007
Numerator:		
Net earnings available to common shareholders	\$ 690	\$ 3,383
Denominator:		
Weighted average number of common shares outstanding - basic	14,819	14,650
Effect of dilutive securities: Employee stock options	117	595
Weighted average number of common shares outstanding - diluted	14,936	15,245
Earnings per share:		
Basic	\$ 0.05	\$ 0.23
Diluted	0.05	0.22

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

## 6. Capital stock (continued):

During 2008, options to purchase 260 thousand common shares (2007 – 470 thousand 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 period.

(c) A summary of the Company's stock option activity for the period ended June 30, 2008 is as follows:

	Number <i>(thousands)</i>	Weighted average exercise price
Outstanding, December 31, 2007	593	\$ 6.11
Options exercised	(111)	3.15
Outstanding, March 31, 2008	482	4.70
Options granted	115	4.60
Options exercised	(4)	3.25
Outstanding, June 30, 2008	593	4.69
Options exercisable at June 30, 2008	403	\$ 4.23

(d) Options granted to employees and directors on or after January 1, 2003:

For stock options granted to employees and directors on or after January 1, 2003, the Company recorded compensation expense for the three months ended June 30, 2008 of \$39 (three months ended June 30, 2007 - \$43) and for the six months ended June 30, 2008 of \$78 (six months ended June 30, 2007 - \$86). These amounts are included in compensation and related benefits.

The weighted average grant date fair value for director options granted in the three and six months ended June 30, 2008 was \$1.86 per share (three and six months ended June 30, 2007 - \$2.34 per share).

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

## 6. Capital stock (continued):

The fair value of each option granted was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended		Six months ended	
	2008	June 30, 2007	2008	June 30, 2007
Risk-free interest rate	3.1%	4.4%	3.1%	4.4%
Expected life of the options	5 years	3 years	5 years	3 years
Expected volatility	40.9%	43.5%	40.1%	43.5%
Expected dividend yield	–%	–%	–%	–%

The estimated fair value of the options is amortized to expense over their vesting period on a straight-line basis.

## 7. Changes in non-cash working capital items:

	Three months ended		Six months ended	
	2008	June 30, 2007	2008	June 30, 2007
Accounts receivable	\$ (424)	\$ 550	\$ (120)	\$ (687)
Investment tax credits recoverable	(77)	–	(117)	67
Prepaid expenses and other receivables	(123)	(41)	(197)	(106)
Receivables from brokers, dealers and clearing organizations	365	(205)	2,040	(205)
Other assets	(70)	63	328	(19)
Cash and cash equivalents on deposit with clearing and depository organizations	678	(1,299)	1,284	(1,345)
Payable to brokers, dealers and clearing organizations	(236)	–	(1,915)	–
Accounts payable and accrued liabilities	(681)	(226)	(276)	651
Income taxes payable	–	–	(6)	–
	\$ (568)	\$ (1,158)	\$ 1,021	\$ (1,644)

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

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## 8. 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, and 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, buyback 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 thousand 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 thousand or 6-2/3% of aggregate indebtedness", as defined.

As at June 30, 2008, Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC had net capital of U.S.\$12.6 million and U.S.\$1.6 million and a net capital requirement of U.S.\$500 thousand and U.S.\$100 thousand respectively.

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

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## 9. Financial instruments:

### *Financial Risk Management:*

Financial instruments of the Company consist primarily of cash and cash equivalents, cash and cash equivalents on deposit with clearing and depository organizations accounts receivable, receivables from brokers, dealers and clearing organization, other asset, investment, accounts payable and accrued liabilities, payables to brokers, dealers and clearing organization and taxes payable. The Company designated its cash and cash equivalents, cash and cash equivalents on deposit with clearing and depository organizations, receivables from brokers, dealers and clearing organization and other asset (that includes foreign exchange future and option contracts) as held-for-trading. The carrying value of the held for trading financial instruments approximates their fair value because of the relatively short periods to maturity of these 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, income taxes payable and payables to brokers, dealers and clearing organization are classified as other financial liabilities. The carrying value of the other financial liabilities approximates their fair value because of the relatively short periods to maturity of these instruments. The Company had no other comprehensive income or loss transactions during the three and six months ended June 30, 2008 and no opening or closing balances for accumulated other comprehensive income or loss.

### *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 allowances 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

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

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## 9. Financial instruments (continued):

includes the analysis of the financial position of its customers, subscribing to an outside credit bureau and account monitoring procedures. As at June 30, 2008, \$498 of the Company's accounts receivable are past due. Subsequent to the quarter end \$129 of the past due was collected. Of the remaining past due balances \$260 have been fully provided for and the \$109 balance is estimated to be fully recoverable. All the Company's receivables have been reviewed for indicators of impairment.

At June 30, 2008, two customers accounted for approximately 15% of total accounts receivable (December 31, 2007 - two customers for 19%). For the three months ended June 30, 2008, one customer accounted for approximately 8% of total revenue (For the three months ended June 30, 2007- one customer for 9%). For the six months ended June 30, 2008, one customer accounted for approximately 6% of total revenue (Six months ended June 30, 2007 – one customer accounted for 11% of total revenue)

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

### *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 revenues and accounts receivable and related expenses are denominated in U.S. dollars and financial results are reported in Canadian dollars. The Company uses foreign currency option and forward 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 June 30, 2008 and June 30, 2007 is based on quoted market prices and information available at that time. As at June 30, 2008, the Company has entered into foreign exchange option contracts for the purchase of Cdn. \$13 million at U.S. \$0.94 maturing in September 2008 ( June 30, 2007 - foreign exchange futures contracts for the purchase of Cdn.\$9.2 million at US\$0.9242 maturing in December 2007). For the three month period ended June 30, 2008, the Company has recorded an unrealized loss on the outstanding foreign exchange option contracts of approximately \$178 and recorded a realized gain on the foreign exchange option contracts that were settled of approximately \$202 (Three months ended June 30, 2007 - unrealized mark-to-market gain of approximately \$199 on the outstanding foreign exchange futures contracts and a realized mark-to-market gain of approximately \$615 on foreign exchange option contracts that were settled). For the six-month period ended June 30, 2008 the Company recorded an unrealized mark-to-market loss of approximately \$178 on the foreign exchange futures contracts and a realized mark-to-market loss of approximately \$266 on foreign exchange option contracts

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

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## 9. Financial instruments (continued):

that were settled. (six-month period ended June 30, 2007 – unrealized mark-to-market gain of approximately \$199 foreign exchange futures contracts and a realized mark-to-market gain of approximately \$586 on foreign exchange option contracts that were settled) . Realized and unrealized gains or losses on foreign exchange option contracts are netted against gains or losses on the translation of the Company's integrated foreign subsidiaries in the consolidated statement of operations.

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 United States dollar. If the Canadian dollar appreciated by 1 cent against the US dollar at June 30, 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 \$108 without factoring any gains on the foreign currency option contracts.

### *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 settlement operations, capital expenditures and working capital needs. The Company uses its operating cash flows, clearing facility and cash balances to maintain its liquidity.

### *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 a 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.

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

## 10. Segmented information:

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

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

	Three months ended June 30,					
	2008			2007		
	Core	Brokerage	Total	Core	Brokerage	Total
External revenue:						
Transaction fees	\$ 6,152	\$ 677	\$ 6,829	\$ 7,282	\$ 1,638	\$ 8,920
Subscription fees	1,787	–	1,787	1,864	–	1,864
Other	358	–	358	322	–	322
	\$ 8,297	\$ 677	\$ 8,974	\$ 9,468	\$ 1,638	\$ 11,106
Earnings (loss) before the undernoted	\$ (61)	\$ (188)	\$ (249)	\$ 1,654	\$ 228	\$ 1,882
Strategic process expenses	–	–	–	10	–	10
Amortization of:						
Capital assets	494	2	496	345	2	347
Intangible assets	16	–	16	16	–	16
Interest expense	–	–	–	2	–	2
Interest income	(143)	(6)	(149)	(171)	(24)	(195)
Net earnings (loss) before tax	\$ (428)	\$ (184)	\$ (612)	\$ 1,452	\$ 250	\$ 1,702
Total assets	\$ 37,739	\$ 2,077	\$ 39,816	\$ 31,577	\$ 3,783	\$ 35,360
Capital asset expenditures	\$ 370	\$ 19	\$ 389	\$ 752	\$ 4	\$ 756

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

## 10. Segmented information (continued):

	Six months ended June 30,					
	2008			2007		
	Core	Brokerage	Total	Core	Brokerage	Total
External revenue:						
Transaction fees	\$ 12,567	\$ 1,657	\$ 14,224	\$ 14,363	\$ 3,215	\$ 17,578
Subscription fees	3,640	–	3,640	3,749	–	3,749
Other	700	–	700	677	–	677
	\$ 16,907	\$ 1,657	\$ 18,564	\$ 18,789	\$ 3,215	\$ 22,004
Earnings (loss) before the undernoted	\$ 1,581	\$ (46)	\$ 1,535	\$ 3,198	\$ 623	\$ 3,821
Strategic process expenses	–	–	–	98	–	98
Amortization of:						
Capital assets	977	4	981	674	3	677
Intangible assets	32	–	32	32	–	32
Interest expense	–	–	–	4	3	7
Interest income	(321)	(15)	(336)	(334)	(42)	(376)
Net earnings(loss) before taxes	\$ 893	\$ (35)	\$ 858	\$ 2,724	\$ 659	\$ 3,383
Total assets	\$ 37,739	\$ 2,077	\$ 39,816	\$ 31,577	\$ 3,783	\$ 35,360
Capital asset expenditures	\$ 1,434	\$ 20	\$ 1,454	\$ 1,117	\$ 4	\$ 1,121

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

	Three months ended June 30,					
	2008			2007		
	Canada	United States	Total	Canada	United States	Total
External revenues:						
Transaction fees	\$ 515	\$ 6,314	\$ 6,829	\$ 691	\$ 8,229	\$ 8,920
Subscription fees	1,662	125	1,787	1,715	149	1,864
Other	264	94	358	218	104	322
	\$ 2,441	\$ 6,533	\$ 8,974	\$ 2,624	\$ 8,482	\$ 11,106
Total assets	\$ 14,511	\$ 25,305	\$ 39,816	\$ 10,372	\$ 24,988	\$ 35,360
Capital assets	\$ 1,759	\$ 1,669	\$ 3,428	\$ 1,600	\$ 1,141	\$ 2,741
Goodwill	\$ –	\$ 1,608	\$ 1,608	\$ –	\$ 1,608	\$ 1,608
Other intangible assets	\$ –	\$ 208	\$ 208	\$ –	\$ 272	\$ 272

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

## 10. Segmented information (continued):

	Six months ended June 30,					
	2008			2007		
	Canada	United States	Total	Canada	United States	Total
External revenues:						
Transaction fees	\$ 1,314	\$ 12,910	\$ 14,224	\$ 1,444	\$ 16,134	\$ 17,578
Subscription fees	3,391	249	3,640	3,439	310	3,749
Other	502	198	700	463	214	677
	\$ 5,207	\$ 13,357	\$ 18,564	\$ 5,346	\$ 16,658	\$ 22,004
Total assets	\$ 14,511	\$ 25,305	\$ 39,816	\$ 10,372	\$ 24,988	\$ 35,360
Capital assets	\$ 1,759	\$ 1,669	\$ 3,428	\$ 1,600	\$ 1,141	\$ 2,741
Goodwill	\$ –	\$ 1,608	\$ 1,608	\$ –	\$ 1,608	\$ 1,608
Other intangible assets	\$ –	\$ 208	\$ 208	\$ –	\$ 272	\$ 272

## 11. Guarantees and Contingencies:

### (a) Guarantees:

- (i) The Company has no guarantees that are required to be disclosed under Accounting Guideline 14 "Disclosure of guarantees".
- (ii) 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.

# BELZBERG TECHNOLOGIES INC.

Notes to the Interim Consolidated Financial Statements (continued)  
(Expressed in Canadian dollars)

Three and six months ended June 30, 2008 and 2007  
(Unaudited and in thousands of dollars, except where otherwise stated)

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## 11. Guarantees and Contingencies (continued):

### (b) Contingencies

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.

## 12. Subsequent Event:

Subsequent to the quarter ending June 30, 2008 the Company incurred an \$800 one-time pre-tax loss (approximately \$500 after tax loss) due to an error in executing a hand-written, manually executed order for one of its clients, at its subsidiary Robert C. Sheehan & Associates, LLC.

Additional risk management procedures and safe guards have been implemented which we believe should both substantially reduce the likelihood of similar errors occurring in the future and if and when such an error were to occur, reduce the likelihood that the loss involved would be of this size.

## 13. Comparative figures:

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