

Consolidated Financial Statements of

WELLPOINT SYSTEMS INC.

Three months ended March 31, 2008

WELLPOINT SYSTEMS INC.

Consolidated Balance Sheets

	March 31 2008 (Unaudited)	December 31 2007
Assets		
Current assets:		
Accounts receivable	\$ 6,962,207	\$ 7,584,610
Prepaid expenses	1,749,652	273,930
Fair value of foreign exchange risk management contracts	-	176,000
	<u>8,711,859</u>	<u>8,034,540</u>
Property and equipment	1,084,017	1,038,175
Deferred development costs	5,441,233	4,753,447
Intangible assets	15,969,598	16,599,520
Goodwill (note 10(b))	21,086,094	19,916,094
	<u>\$52,292,801</u>	<u>\$50,341,776</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 1,515,871	\$ 1,204,188
Accounts payable and accrued liabilities	5,885,049	4,841,221
Current income tax liability	389,231	419,231
Deferred revenue	2,284,220	2,144,633
Other deferred credits	54,558	54,558
Current portion of long term notes payable (note 3)	991,687	15,980,281
Convertible debentures (notes 4, 11)	-	6,605,733
	<u>11,120,616</u>	<u>31,249,845</u>
Long term notes payable (note 3)	5,041,177	4,877,299
Other deferred credits	118,210	131,850
Convertible debentures (note 4)	20,406,246	377,311
Future income tax liability (note 5)	45,551	422,079
	<u>36,731,800</u>	<u>37,058,384</u>
Shareholders' equity:		
Share capital (note 6)	14,497,433	14,497,433
Warrants/compensation options (note 6)	457,246	1,058,050
Contributed surplus (note 6)	1,418,531	760,828
Convertible debentures (note 4)	5,788,923	1,222,922
Accumulated other comprehensive loss (note 7)	(429,125)	(389,856)
Deficit	(6,172,007)	(3,865,985)
	<u>(6,601,132)</u>	<u>(4,255,841)</u>
	<u>15,561,001</u>	<u>13,283,392</u>
	<u>\$52,292,801</u>	<u>\$50,341,776</u>

See accompanying notes to consolidated financial statements.

Approved by the Board:

"Wanda M. Dorosz" Director
"A. Frank Stanford" Director

WELLPOINT SYSTEMS INC.

Consolidated Statements of Operations and Deficit

For the three months ended March 31

	2008	2007
	(Unaudited)	
Revenue (note 8):		
License	\$ 2,959,771	\$ 1,438,339
Maintenance	2,363,293	1,506,139
Professional services	4,197,174	1,978,573
	<u>9,520,238</u>	<u>4,923,051</u>
Direct costs	<u>4,127,573</u>	<u>1,990,100</u>
	5,392,665	2,932,951
Expenses:		
Sales, general and administrative	3,273,982	1,779,549
Facilities	436,830	275,424
Research and development	1,024,527	399,777
Depreciation and amortization	1,150,363	408,960
Financing and amortization of debt and note payable issue costs	93,061	22,223
Interest	931,521	143,553
Foreign exchange loss (gain)	545,394	(7,140)
Fees and expenses on settlement of long term note payable (note 3)	614,505	-
	<u>8,070,183</u>	<u>3,022,346</u>
Loss before income taxes	<u>(2,677,518)</u>	<u>(89,395)</u>
Income taxes		
Future expense (reduction) (note 5)	(371,496)	-
Loss for the period	<u>(2,306,022)</u>	<u>(89,395)</u>
Deficit, beginning of period	(3,865,985)	(192,167)
Deficit, end of period	<u>\$ (6,172,007)</u>	<u>\$ (281,562)</u>
Loss per share, basic and diluted	<u>\$ (0.05)</u>	<u>\$ 0.00</u>

See accompanying notes to consolidated financial statements.

WELLPOINT SYSTEMS INC.

Consolidated Statements of Comprehensive Income (Loss)

For the three months ended March 31

	2008	2007
	(Unaudited)	
Loss	\$ (2,306,022)	\$ (89,395)
Other comprehensive income (loss)		
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations (note 7)	(39,269)	19,063
Comprehensive loss	\$ (2,345,291)	\$ (70,322)

See accompanying notes to consolidated financial statements.

WELLPOINT SYSTEMS INC.

Consolidated Statements of Cash Flows

For the three months ended March 31 (unaudited)

	2008	2007
	(Unaudited)	
Cash provided from (used in):		
Operations:		
Net loss	\$(2,306,022)	\$ (89,395)
Items not affecting cash:		
Accretion of interest on convertible debt	99,618	23,982
Amortization of convertible debt issuance costs	93,061	22,223
Rent inducement	(13,640)	(13,639)
Depreciation and amortization	1,150,363	408,960
Stock-based compensation	33,023	36,713
Future income tax recovery	(371,496)	-
Interest on settlement of long term note payable	413,701	-
Fees and expenses on settlement of long term note payable	614,505	-
Unrealized foreign exchange (gain) loss	616,327	(3,546)
	<u>329,440</u>	<u>385,298</u>
Net change in non-cash working capital items (note 9)	(693,907)	(1,447,693)
	<u>(364,467)</u>	<u>(1,062,395)</u>
Financing:		
Bank indebtedness	311,683	-
Settlement of long term note payable	(16,217,677)	-
Issuance of convertible debentures, net of cash costs	17,926,125	4,211,678
Redemption of convertible debentures	(410,000)	(400,000)
Change in non-cash working capital	-	628,397
Proceeds from issuance of common shares, net	-	84,000
	<u>1,610,131</u>	<u>4,524,075</u>
Investing:		
Deferred development costs	(1,125,991)	(448,200)
Purchases of property and equipment	(101,275)	(228,256)
Business acquisitions	-	(3,575,748)
Deferred charges	-	(545,981)
	<u>(1,227,266)</u>	<u>(4,798,185)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	(18,398)	14,366
Change in cash and cash equivalents	-	(1,322,139)
Cash and cash equivalents, beginning of period	-	2,929,267
Cash and cash equivalents, end of period	<u>\$ -</u>	<u>\$ 1,607,128</u>

See accompanying notes to consolidated financial statements.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements

Three months ended March 31, 2008 and 2007

1. Basis of presentation:

These unaudited consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements and are based on accounting policies and practices consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2007 except as noted in Note 2. The disclosures herein are incremental to those included with the annual audited consolidated financial statements. These interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2007.

2. Changes in accounting policies:

Effective January 1, 2008, the Company adopted the following new CICA Handbook sections:

- Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments – Presentation.

These new accounting standards replaced Section 3861, Financial Instruments - Disclosure and Presentation. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements. The additional disclosure necessary to comply with these standards is provided in note 10 to these consolidated financial statements. Certain information related to comparative years is not prescribed by these standards and accordingly has not been presented; and,

- Section 1535 - Capital Disclosures.

This new accounting standard requires companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures include whether companies have complied with externally imposed capital requirements. Note 11 in these consolidated financial statements provides the qualitative disclosures and quantitative data on capital as of March 31, 2008.

3. Long term notes payable:

Summary of Long Term Notes Payable

	March 31 2008	December 31 2007
Note payable, former owners of IDEAS-note (a)	\$ 865,044	\$ 821,539
Note payable, issued on acquisition of Bolo-note (b)	-	15,158,742
Note payable, issued to former owners of Bolo-note (c)	5,167,820	4,877,299
	6,032,864	20,857,580
Current portion	(991,687)	(15,980,281)
Long term portion	\$ 5,041,177	\$ 4,877,299

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Notes to Consolidated Financial Statements, page 2

Three months ended March 31, 2008 and 2007 (Unaudited)

(a) Pursuant to the March 10, 2006 acquisition of IDEAS International, Inc. ("IDEAS") and in satisfaction of a portion of the purchase consideration, the Company issued a note payable (the "Ideas Note") to the former shareholders of IDEAS for a principal amount of USD \$750,000 with a March 10, 2008 maturity date and with interest at 6% per annum. On February 20, 2008, the maturity date on the Ideas Note was extended to April 30, 2008 at which time the Company agreed to pay USD \$866,411 being the principal amount, interest to April 30, 2008 and all other amounts due and payable under the Ideas Note. On April 30, 2008 the maturity date on the Ideas Note was extended to not later than May 30, 2008. The Company will make payments of USD \$50,000 on each of May 2, 2008 and May 9, 2008 and USD \$770,000 plus all interest and other amounts due and payable under the Ideas Note no later than May 30, 2008.

(b) Pursuant to the August 13, 2007 purchase of substantially all of the assets of Bolo Systems Inc. ("Bolo") the Company borrowed the sum of USD \$15.0 million from Crown Advisory Services Inc. ("Crown") with a maturity date of August 10, 2010 (the "Crown Note"). The note payable is repayable in one balloon payment on the maturity date, or earlier as provided in the credit agreement, with interest at a rate equal to 15% per annum. On March 7, 2008, the Company issued a notice of prepayment which requires the Company to pay all amounts due to Crown within 30 days of the notice date. On March 11, 2008, the Company paid the lender USD \$16.2 million, in respect of the principal, interest, fees and all other amounts due under the Crown Note as a full and final discharge of all amounts owing to Crown. Accretion of \$1.6 million was reflected in the note payable as at December 31, 2007 to account for the face value of the debt ultimately paid on March 11, 2008. Fees and expenses in the amount of \$614,505 were paid on March 11, 2008 in connection with the extinguishment of this note payable and have been included in the consolidated statement of operations during the three month period ended March 31, 2008.

In connection with the Crown Note, the Company issued 2.7 million common share purchase warrants, each of which expires three years from the date of issue and entitles the holder to purchase one common share at an exercise price of USD\$0.50 per common share. 900,000 warrants were exercisable on August 13, 2007 with the balance exercisable in equal installments on the sixth month and twelve month anniversary of the closing date. With the extinguishment of the note on March 11, 2008, 900,000 of these warrants expired unexercised.

(c) Pursuant to the August 13, 2007 acquisition of Bolo, and in satisfaction of a portion of the purchase consideration, the Company issued a note payable (the "Bolo Note") to the shareholders of Bolo for a principal amount of US \$5.0 million. The Bolo Note matures on August 10, 2010. On March 7, 2008, the Company and the former shareholders of Bolo agreed to amend the Bolo Note. Under the terms of the amendment, the Company has agreed to pay all interest on a quarterly basis in arrears on March 31, June 30, September 30 and December 31 of each year. In addition, the Company agreed to pay all of the accrued interest up the date of the amendment in the amount of US\$202,329 in 10 equal quarterly payments of \$20,233 commencing March 31, 2008 and to increase the interest rate on the Note from 7.00% to 7.75%.

The obligations under the Bolo Note are secured by all of the assets of the Company and its material operating subsidiaries. The Bolo Note is subordinated to the bank indebtedness, the

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Notes to Consolidated Financial Statements, page 3

Three months ended March 31, 2008 and 2007 (Unaudited)

US\$15.2 million convertible secured debenture (note 4 (c)) and ranks pari pasu with the August 25, 2005 \$3.0 million and the March 12, 2007 \$4.5 million convertible secured debentures. The effective annual interest rate, including the issue costs is 9.4%.

4. Convertible debentures:

	March 31 2008	December 31 2007
December 2004 and January 2005	\$ 375,982	\$ 783,947
August 25, 2005	2,808,985	2,783,254
March 12, 2007	3,475,558	3,415,843
March 10, 2008-note (a)	822,679	-
March 10, 2008-note (b)	2,225,349	-
March 10, 2008-note (c)	10,697,693	-
	20,406,246	6,983,044
Current portion	-	(6,605,733)
Long term portion	\$ 20,406,246	\$ 377,311

a) On March 10, 2008, the Company issued convertible debentures for total gross proceeds of \$1.1 million. The convertible debentures bear interest at a rate of 7.75% per annum and mature on July 31, 2009. Interest for the first year was paid on March 10, 2008 and the balance of the interest is payable quarterly in arrears on the last day of each quarter. The net proceeds of the offering were \$0.8 million, net of prepaid interest, corporate finance and agent's fees and legal fees, and were used for general corporate purposes.

The debentures are convertible into common shares of the Company at a conversion price of \$0.60 per common share. If the debentures are not converted prior to the July 31, 2009 maturity date, the Company will issue to the holders of the debentures an additional 308,000 common shares of the Company which if issued would result in an effective interest rate of 15.75% per annum. The convertible debentures are a direct obligation of the Company and are unsecured.

Pursuant to the completion of this offering, the Company granted the agent options to purchase 100,000 common shares of the Company at a price of \$0.60 per common share, expiring on July 31, 2009.

b) On March 10, 2008, the Company issued a convertible secured debenture for total gross proceeds of \$2.7 million. The convertible debenture bears interest at a rate of 7.75% per annum and matures on August 31, 2009. Interest for the first year was paid on March 10, 2008 and the balance of the interest is payable quarterly in arrears on the last day of each calendar quarter. The net proceeds of the offering were \$2.3 million net of prepaid interest, fees of \$81,000 and legal fees. The net proceeds were used to repay a portion of Crown Note on March 11, 2008.

The debentures are convertible into common shares of the Company at a conversion price of \$0.60 per common share. If the debenture is not converted prior to the August 31, 2009 maturity

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Notes to Consolidated Financial Statements, page 4

Three months ended March 31, 2008 and 2007 (Unaudited)

date, the Company will issue to the holder of the debenture an additional 797,425 common shares of the Company which if issued would result in an effective interest rate of 15.75% per annum.

The convertible debenture is a direct obligation of the Company. The Company and its subsidiaries granted security interest over all of their real and personal property as security for the payment and performance of the Company's obligations and liabilities under the debenture. The convertible secured debenture is subordinated to the bank indebtedness, the US\$15.2 million convertible secured debenture (note 4 (c)), the US\$5.0 million BOLO Note (note 3 (c)), and the August 25, 2005 \$3.0 million and the March 12, 2007 \$4.5 million convertible secured debentures.

c) On March 10, 2008 the Company issued a convertible secured debenture for total gross proceeds of US\$15.2 million. The convertible debenture bears interest at a rate of 7.75% per annum and matures on April 10, 2013. Interest for the first year was paid on March 10, 2008 and the balance of the interest is payable quarterly in arrears on the last day of each calendar quarter. The net proceeds of the offering were \$13.3 million, net of prepaid interest, fees \$456,000 and legal fees, were used to repay a portion of the Crown Note on March 11, 2008.

The debentures are convertible into common shares of the Company at a conversion price of \$0.90 per common share. The Company requires the consent of the holder to issue any additional debt or equity securities. The Company shall have the right to repay the debenture at any time during the period from March 10, 2010 to April 10, 2013 at an amount equal to the principal amount of the debenture plus an internal rate of return of 20% to the holder. The Company may effect conversion of the debentures into common shares if the internal rate of return of 20% to holder is achieved and minimum daily trading volumes of the Company's common shares are attained over a specified period.

The convertible debentures are a direct obligation of the Company. The Company and its subsidiaries granted security interest over all of their real and personal property as security for the payment and performance of the Company's obligations and liabilities under the debenture. The convertible secured debenture is subordinated to the bank indebtedness.

d) On March 10, 2008 the Company also amended the financial covenants in the \$3.0 million, \$4.5 million convertible debentures to be in agreement with the financial covenants in the new US\$15.2 million and \$2.7 million convertible debentures noted above.

e) The convertible debentures are presented in the financial statements in their component parts, measured at their respective fair values at the time of issue or renegotiation. The debt component has been calculated as the present value of the required interest and principal payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debenture was issued. Interest expense is determined on the debt component. The difference between the debt component and the face value of the debenture is classified as shareholders' equity-convertible debentures, net of issue costs and adjusted for income taxes. The debentures are accreted to their fair value over their term with a charge to operations included in interest expense. The effective annual interest rate of all of the Company's convertible debentures, including the issue costs is 17.2%.

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Notes to Consolidated Financial Statements, page 5

Three months ended March 31, 2008 and 2007 (Unaudited)

5. Income taxes:

Future income tax expense differs from the result that would be obtained by applying the combined statutory corporate income tax rate to income before income taxes. The reasons for the difference are as follows:

	2008	2007
Income (loss) before income taxes	\$(2,677,518)	\$(89,395)
Statutory income tax rate	29.5%	32.1%
Computed expense (recovery)	(789,867)	(28,696)
Non-deductible expenses	9,742	11,785
Tax rate differences	(74,936)	(5,350)
Change in valuation allowance	483,565	22,261
	<u>\$ (371,496)</u>	<u>\$ -</u>

The Company operates in various tax jurisdictions and, accordingly, the Company's income is subject to varying rates of tax. Losses incurred in one jurisdiction cannot be used to offset income taxes payable in another. The Company's ability to use income tax losses and future income tax deductions is dependent upon the profitable operations of the Company in the tax jurisdictions in which such losses or deductions arise. As at March 31, 2008, the Company had total net future tax assets of \$1,844,791 (December 31, 2007 - \$1,468,263) and total future tax liabilities of \$1,890,342 (December 31, 2007 - \$1,890,342).

In assessing the valuation of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences are deductible. Management considers the scheduled reversals of future income tax liabilities, the character of the income tax assets, and tax planning strategies in making this assessment. To the extent that management believes that the realization of the future income tax assets does not meet the more likely than not realization criterion, a valuation allowance is recorded against the future tax assets.

6. Share capital:

(a) The authorized share capital of the Company consists of an unlimited number of common shares and unlimited number of preferred shares, issuable in series. The issued share capital of the Company is as follows:

	Number of common shares	Total
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WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 6

Three months ended March 31, 2008 and 2007 (Unaudited)

Balance, December 31, 2007 and March 31, 2008	46,090,562	\$14,497,433
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In 2002, the Company granted a share-purchase loan to an officer and director in the amount of \$54,000. The share-purchase loan bears interest at a variable market rate and is repayable no later than December 1, 2011. The loan is secured by 200,000 common shares of the Company for which it was used to purchase. The fair market value of the shares was approximately \$70,000 at March 31, 2008.

(b) Warrants/compensation options:

	Number of warrants/options	Amount
Balance, December 31, 2006	5,977,459	\$ 372,183
Warrants issued with long term note payable	2,700,000	685,867
Balance, December 31, 2007	8,677,459	1,058,050
Warrants issued on private placement expired	(5,000,000)	(250,000)
Compensation options on private placement expired	(977,459)	(122,183)
Warrants issued on long term note payable expired	(900,000)	(228,621)
Balance, March 31, 2008	1,800,000	\$ 457,246

(c) Stock options:

The Company has a stock option plan for employees, directors and consultants. At March 31, 2008, a total of 3,700,000 (3,700,000 at December 31, 2007) shares were reserved for issuance under this plan. Options granted vest over two to four years.

The following tables summarize information regarding stock options:

	2008 Number of options outstanding	2008 Weighted average exercise price
Balance, Beginning of period	2,777,877	\$ 0.44
Forfeited	(30,000)	0.44
Expired	(475,205)	0.56
Balance, End of period	2,272,672	\$ 0.42

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 7

Three months ended March 31, 2008 and 2007 (Unaudited)

Exercise price	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options exercisable
\$ 0.23	250,000	1.6	250,000
0.30	30,000	2.4	30,000
0.35	166,672	2.8	116,672
0.36	300,000	3.7	100,000
0.40	300,000	4.0	-
0.44	640,000	4.3	-
0.45	250,000	2.8	166,667
0.60	336,000	3.0	224,000
	2,272,672	3.4	887,339

Stock-based compensation expense for the three months ended March 31, 2008 was \$33,023 (2007 - \$36,713). This expense was calculated using the Black-Scholes option pricing model with the following assumptions: weighted average risk-free interest rate of 3.85% (2007 - 4.0%), expected life of five years and volatility of 100% (2007 101% - 149%).

(d) Per share amounts:

The weighted average number of common shares outstanding for 2008 was 46.1 million (2007 - 35.5 million). The diluted number of shares for 2008 was 46.2 million (2007 - 35.7 million) reflecting the dilutive effect of the exercise of options outstanding, warrants and convertible debt.

(e) Contributed surplus:

Contributed surplus represents the cost of the stock-based compensation payments relating to the compensation expense for stock options granted to employees, directors and consultants and the equity component of matured debentures.

The following tables summarize information regarding contributed surplus:

	2008
Balance, Beginning of year	\$ 760,828
Stock option expense	33,023
Expiration of warrants and compensation options	600,804
Maturity of convertible debenture	23,876
Balance, End of period	\$ 1,418,531

(f) Directors' deferred share unit plan:

The Company implemented a Directors' deferred share unit plan effective July 1, 2007. As at March 31, 2008 122,300 (December 31, 2007-92,400) DSU's are issuable to settle \$41,250 (December 31, 2007-\$30,500) of directors' fees.

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 8

Three months ended March 31, 2008 and 2007 (Unaudited)

7. Accumulated other comprehensive income (loss):

	Amount
Balance, December 31, 2007	\$ (389,856)
Unrealized loss on translating financial statements of self-sustaining foreign operations	(39,269)
Balance, March 31, 2008	\$ (429,125)

8. Segmented information:

The Company conducts all of its business in one operating segment: software solutions and services.

Revenue by geographical region:

	2008	2007
Canada	\$ 1,906,502	\$ 2,916,107
United States	6,258,536	1,174,453
Central and South America	720,812	304,091
Other International	634,388	528,400
	\$ 9,520,238	\$ 4,923,051

No customer accounted for more than 10% of revenue in three month period ended March 31, 2008 (2007-11%). No customer accounted for more than 10% of the Company's accounts receivable balance as at March 31, 2008 (December 31, 2007- one customer accounted for 37% of accounts receivable balance).

9. Supplemental cash flow information:

	2008	2007
Interest paid	\$ 831,903	\$ 119,571
Changes in non-cash working capital components:		
Accounts receivable	798,401	(1,053,822)
Prepaid expenses	(1,475,722)	(366,255)
Accounts payable and accrued liabilities	(156,173)	97,956
Deferred revenue	139,587	(125,572)
	\$ (693,907)	\$(1,447,693)

10. Financial Risk Management

The Company has exposure to counterparty credit risk, liquidity risk and market risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Audit Committee which is responsible for

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 9

Three months ended March 31, 2008 and 2007 (Unaudited)

developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's primary risk management objective is to protect earnings and cash flow and ultimately shareholder value. The strategies and policies are designed to ensure that the Company's risks and exposures are in line with the business objectives and risk tolerance.

(a) Counterparty Credit Risk Management

Counterparty credit risk arises from the possibility that a counterparty to which the Company provides software, professional services and maintenance and support services has an amount owing to the Company and is unable or unwilling to meet its obligations in accordance with the terms and conditions of its contracts with the Company, which would result in a financial loss for the Company. This risk is mitigated through established credit management techniques, including conducting financial and other assessment to establish and monitor a counterparty's creditworthiness, setting exposure limits, monitoring exposures against these limits and obtaining financial assurances where warranted. Financial assurances include accounts receivable insurance from the Export Development Canada ("EDC") for customers who operate in high risk countries which in the event of non-payment, entitles the Company to recover 90% of the amount invoiced to the customer.

The maximum counterparty credit exposure at the balance sheet date consists of the carrying amount (net of allowances) of non-derivative financial assets which are trade accounts receivables predominately from oil and gas and mining companies in North and South America. The average credit period on sales is 30 days. Included in trade accounts receivables are \$3.4 million which are past due as at March 31, 2008 for which the Company has not provided an allowance as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances.

The aging of the accounts receivable as at March 31, 2008 is as follows:

	Gross	Impairment	Net
Not past due	\$ 3,541,657		\$ 3,541,657
Past due 1-30 days	1,276,207		1,276,207
Past due 31-60 days	763,053		763,053
Past due 61-150 days	930,487		930,487
Greater than 150 days	755,622	304,819	450,803
	\$ 7,267,026	\$ 304,819	\$ 6,962,207

WELLPOINT SYSTEMS INC.

Notes to Consolidated Financial Statements, page 10

Three months ended March 31, 2008 and 2007 (Unaudited)

The movement in the allowance for doubtful accounts for the three month period ended March 31, 2008 is as follows:

	Impairment
Balance, Beginning of period	\$ 251,092
Provision	53,727
Balance, End of period	\$ 304,819

The Company has determined that an allowance of \$304,819 is required in respect of the gross amount of trade accounts receivable past due greater than 150 days. This has been based upon an individual account assessment based upon past credit history and our knowledge of the counterparties. The concentration of credit risk at March 31, 2008 is limited due to the customer base being large and unrelated. Accordingly, the Company believes that there is no further allowance required in excess of the allowance for doubtful accounts.

(b) Liquidity Risk Management

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 have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. This includes daily monitoring of cash requirements by preparing 60 day and longer term cash flow analyses. The Company maintains a revolving credit facility of \$2.5 million with a maximum draw of 75% of allowable Canadian and United States accounts receivable and 90% of EDC insured accounts receivable. At March 31, 2008, the Company had borrowed \$1.5 million (December 31, 2007-\$1.2 million) on this facility. Typically, the Company ensures that it has availability on its operating lines to fund operations for a period of 30 days, including forecasted collections and its requirements for servicing its financial obligations.

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Three months ended March 31, 2008 and 2007 (Unaudited)

The following are the contractual maturities of financial liabilities, including interest payments and excluding the contingent consideration in connection with the 2006 and 2007 acquisitions of the Company.

	Carrying Amount	Contractual Cash Flow	3 months or Less	4 to 9 months	2009	2010-2013
Accounts payable and accrued liabilities	\$ 5,885,049.00	\$ 5,885,049.00	\$ 3,415,049.00	\$ 2,470,000.00	\$ -	\$ -
Current portion of long term notes payable	991,687	1,016,015	955,316	40,466	20,233	-
Long term notes payable	5,041,177	6,179,089	99,443	198,884	458,069	5,422,693
Convertible debentures	20,406,246	34,180,077	158,063	316,125	9,193,552	24,512,337
Purchase commitments	-	5,697,040	444,435	888,869	1,776,021	2,587,715
	<u>32,324,159</u>	<u>52,957,270</u>	<u>5,072,306</u>	<u>3,914,344</u>	<u>11,447,875</u>	<u>32,522,745</u>

Included in accounts payable and accrued liabilities in the above table is a liability of \$1,170,000 in respect of additional consideration earned by the former shareholders of IDEAS and iSoft. This amount has been added to Goodwill in the three month period ended March 2008.

(c) Market Risk Management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

Currency risk-

The Company is exposed to currency risk on sales, purchases and loans that are denominated in a currency other than the Canadian dollar. The primary currency in which these transactions are denominated is the United States dollar. The Company does not currently hedge any of its trade receivables or payables denominated in a foreign currency or its estimated foreign currency exposure in respect of forecasted sales and purchases. Principal and interest payments on United States dollar long term debt and contingent consideration from the 2006 and 2007 acquisitions are matched with the cash flow generated by the United States operations.

The following table summarizes the foreign currency financial instruments as at March 31, 2008:

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Three months ended March 31, 2008 and 2007 (Unaudited)

	March 31, 2008	
	USD	South African Rand
Cash	\$ 526,322	52,468
Accounts receivable	422,476	4,688,106
Accounts payable and accrued liabilities	(2,539,593)	(148,836)
Current portion of long term debt	(969,355)	-
Long term debt	(4,907,765)	-
Convertible debentures	(10,421,523)	-
	\$ (14,089,438)	5,059,738

A 10% strengthening of the Canadian dollar against the United States dollar and South African rand as at March 31, 2008 would have increased net income by approximately \$1.4 million and decreased other comprehensive income by approximately \$198,000. A 10% weakening of the Canadian dollar against the United States dollar and South African rand as at March 31, 2008 would have decreased net income by approximately \$1.4 million and increased other comprehensive income by approximately \$198,000. This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk-

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. As at the reporting date the interest rate profile of the Company's interest bearing financial liabilities was:

	Carrying Amount \$	Carrying Amount %
Fixed rate financial liabilities	\$ 26,439,110	95%
Variable rate financial liabilities	1,515,781	5%
	\$ 27,954,891	100%

The risk is mitigated by maintaining an appropriate mix between fixed and floating rate borrowings. All of the Company's convertible debentures and long term notes payables have fixed interest rates which remain fixed during the term of the obligation other than in the event of default in which case the interest rate on the obligations are increased. The Company's bank indebtedness bears interest at prime plus 1.25%. The Company does not account for any of its fixed rate financial liabilities as held for trading, therefore a change in interest rates at the reporting date would not affect net income with respect to its fixed rate instruments.

The sensitivity analysis has been determined based upon exposure to interest rates. For floating rate financial liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole period. A 1% change in

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interest rate represents management's assessment of the possible change in interest rates and would have increased or decreased net income by \$2,570.

(d) Fair value of financial instruments

Financial instruments included in the balance sheet are measured at fair value upon initial recognition and approximate their fair value as at March 31, 2008. The carrying amount of financial instruments classified as current approximates fair value due to their short term to maturity. Long term notes payable and convertible debentures were initially measured at fair value and subsequently recorded at amortized cost using the effective interest rate method. The carrying amount of long term notes payable and convertible debentures approximates fair value as at March 31, 2008, except for the August 25, 2005 and the March 12, 2007 convertible debentures with a carrying value of \$6,284,543, which have a fair value of \$6,002,195.

11. Capital Disclosures

The Company manages its capital by matching long lived assets with long term financial instruments and equity. All sources of financing, including long term notes payable, convertible debt and other financing related to acquisitions are analyzed by management and approved by the Board of Directors.

The Company's objectives when managing capital are:

- (a) to safeguard the Company's ability to continue as a going concern and provide returns for shareholders;
- (b) to facilitate the acquisition and development of new products consistent with the growth strategy of the Company.

The Company manages capital through its detailed review and performance of all potential acquisitions, preparing short term and long term cash flow analysis to ensure that liquidity is adequate and monthly reviews of financial performance.

The Company considers the following items as capital of the Company:

	Carrying Amount
Long term notes payable	\$ 5,167,820
Convertible debentures	20,406,246
Shareholders' equity	15,561,001
Total capital	41,135,067

The Company has the following externally imposed requirements on its capital as a result of primarily the issuance of the August 25, 2005, March 12, 2007, March 10, 2008 \$2.7 million and

WELLPOINT SYSTEMS INC.

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Three months ended March 31, 2008 and 2007 (Unaudited)

March 10, 2008 US\$15.2 million convertible debentures. These requirements include maintaining certain targets for current assets to current liabilities, debt to equity and trailing 12 month EBITDA ("TTM EBITDA") as defined in the debt agreements.

The Company was not in compliance with the current ratio and TTM EBITDA covenants at March 31, 2008. On May 29, 2008, the Company obtained waivers from its lenders for these covenant violations and entered into amending agreements with its lenders to modify the covenants going forward (Note 13 (a)).

There have been no changes to the Company's approach to capital management from the prior year.

12. Related parties:

One director of the Company is on the Board and is the Managing Director of the Quorum Group of Companies ("Quorum") who manages investment funds which have provided financing to the Company. Quorum as fund manager has received fees from the Company in the amount of \$135,000 in connection with the issuance of the \$4.5 million of convertible debentures on March 12, 2007 and fees of \$537,000 in connection with the issuance of the US\$15.2 million and \$2.7 million convertible debentures on March 10, 2008.

Note 6(a) provides details of a \$54,000 share-purchase loan made in 2002 to an officer and director.

13. Subsequent events:

- a) On May 29, 2008, the Company obtained waivers from its lenders for the covenant violations which existed as at March 31, 2008. The Company and its lenders have agreed to modify the covenants going forward. Management believes that, based upon its current forecasts, the Company will be able to meet these revised covenants and consequently has reflected the related debt as long-term.
- b) On May 20, 2008, the Company entered into an exclusive agreement with a third party for the supply of sales, marketing and support services for the Company's software for a period of five years for the following territories: Mexico, Central America, South America and the countries of the Caribbean including Cuba.

14. Comparative figures:

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