



Smart Employee Benefits Inc.

**Unaudited Condensed Interim Consolidated Financial Statements
February 28, 2014**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of unaudited condensed interim consolidated financial statements by an entity's auditor.

To the Shareholders of Smart Employee Benefits Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the financial statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditor.

MNP LLP, an independent firm of Chartered Accountants, was appointed by the shareholders to audit the annual consolidated financial statements and report directly to them.

MNP LLP has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of unaudited condensed interim consolidated financial statements by an entity's auditor.

April 24, 2014

John McKimm

Chief Executive Officer

Robert Prentice

Chief Financial Officer

	Page
Unaudited Condensed Interim Consolidated Financial Statements	
Unaudited Condensed Interim Consolidated Statements of Financial Position	4
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity	5
Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss	6
Unaudited Condensed Interim Consolidated Statements of Cash Flows	7
Notes to Unaudited Condensed Interim Consolidated Financial Statements	8 – 22

Smart Employee Benefits Inc.
 Unaudited Condensed Interim Consolidated Statements of Financial Position

	<i>February 28, 2014 (unaudited)</i>	<i>November 30, 2013</i>
Cash and cash equivalents	\$ 707,687	\$ 257,608
Short term investments	202,302	-
Accounts receivable	3,203,255	2,551,968
Prepays and deposits	79,511	82,188
Total Current Assets	4,192,755	2,891,764
Advances to Inforica Inc. (Note 4)	-	749,892
Equipment (Note 5)	550,654	472,343
Software (Note 6)	2,862,007	1,740,584
Customer relationships (Note 7)	1,029,017	1,094,167
Trade names (Note 8)	662,900	704,800
Goodwill (Note 4)	1,325,310	1,147,793
Total Assets	\$ 10,622,643	\$ 8,801,343
Bank loan (Note 9)	\$ 722,836	\$ 846,819
Accounts payable and accrued liabilities (Note 19)	2,023,736	1,896,195
Deferred revenue (Note 10)	243,495	356,289
Current portion of leases payable (Note 11)	67,830	96,659
Current portion of equipment loans (Note 12)	56,583	73,708
Government remittances and current taxes payable (Note 4)	752,660	20,186
Due to shareholders (Note 14)	135,537	5,100
Total Current Liabilities	4,002,677	3,294,956
Leases payable (Note 11)	38,273	36,546
Convertible debt (Note 13)	3,868,038	2,628,045
Deferred income taxes	571,214	571,214
Total Long Term Liabilities	4,477,525	3,235,805
Minority interest in Inforica (Note 4)	(246,962)	-
Inforica preferred shares (Note 4)	350,000	-
Share capital (Note 15)	8,538,149	7,878,625
Share Issue costs (Note 15)	(504,580)	(504,580)
Contributed surplus (Note 13 and 15)	779,501	724,486
Warrants (Note 15)	2,699,971	2,552,739
Options (Note 15)	311,397	311,397
Deficit	(9,785,035)	(8,692,085)
Total Shareholders' Equity	2,039,403	2,270,582
Total Liabilities and Shareholders' Equity	\$ 10,622,643	\$ 8,801,343

Going concern (Note 2), Related party transactions (Note 18), Commitments (Note 20)

Approved on behalf of the Board:

Stephen Peacock
 Director

John McKimm
 Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Smart Employee Benefits Inc.

Unaudited Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

	Share Capital		Warrants		Options		Contributed Surplus	Issue Costs	Deficit	Total Equity (Deficiency)
	Number	\$	Number	\$	Number	\$				
Balances September 30, 2011	3,000,001	36,500	-	-	-	-	49,191	-	(509,609)	(423,918)
Reverse Take-over	38,893,009	2,581,900	1,605,000	195,750	580,000	-	-	-	-	2,777,650
Equity financing July 11, 2012	6,491,667	1,039,158	7,140,834	1,012,029	-	-	-	(306,012)	-	1,745,175
Issuance of warrants July 11, 2012	-	-	1,695,000	254,250	-	-	-	-	-	254,250
Issue of options	-	-	-	-	800,000	64,518	-	-	-	64,518
Net loss for the period	-	-	-	-	-	-	-	-	(4,221,765)	(4,221,765)
Balances November 30, 2012	48,384,677	3,657,558	10,440,834	1,462,029	1,380,000	64,518	49,191	(306,012)	(4,731,374)	195,910
Convertible debt financing Dec 27, 2012	-	-	99,777	16,224	-	-	56,516	-	-	72,740
Acquisition of QLogitek	6,698,173	2,143,415	1,000,000	159,500	-	-	303,437	-	-	2,606,352
Equity financing Feb 27, 2013	3,160,000	727,632	3,446,000	416,120	-	-	-	(130,880)	-	1,012,872
Acquisition of Somos	2,500,000	875,000	1,000,000	174,100	-	-	186,199	-	-	1,235,299
Convertible debt financing May 13, 2013	-	-	1,025,000	75,850	-	-	143,656	-	-	219,506
Convertible debt financing Sep 6, 2013	-	-	1,075,000	74,073	-	-	132,861	-	-	206,934
Equity financing November 18, 2013	1,250,000	334,352	1,325,000	178,593	-	-	-	(67,688)	-	445,257
Exercise of warrants	325,000	71,250	(325,000)	(3,750)	-	-	-	-	-	67,500
Issue of options	-	-	-	-	1,569,000	265,717	-	-	-	265,717
Exercise of options	340,150	69,418	-	-	(340,150)	(825)	-	-	-	68,593
Expiration of options	-	-	-	-	(256,600)	(18,013)	18,013	-	-	-
Deferred tax impact on convertible debt	-	-	-	-	-	-	(165,387)	-	-	(165,387)
Net loss for the year	-	-	-	-	-	-	-	-	(3,960,711)	(3,960,711)
Balances November 30, 2013	62,658,000	7,878,625	19,086,611	2,552,739	2,352,250	311,397	724,486	(504,580)	(8,692,085)	2,270,582
Convertible debt financing Feb	-	-	320,000	147,232	-	-	211,960	-	-	359,192
Conversion of debt to equity Feb	888,887	400,000	-	-	-	-	(156,945)	-	-	243,055
Options issued	-	-	-	-	940,000	-	-	-	-	-
Options exercised	13,500	4,725	-	-	(13,500)	-	-	-	-	4,725
Warrants exercised	676,222	254,800	(676,222)	-	-	-	-	-	-	254,800
Net loss for the period	-	-	-	-	-	-	-	-	(1,092,950)	(1,092,950)
Balances February 28, 2014	64,236,609	8,538,150	18,730,389	2,699,971	3,278,750	311,397	779,501	(504,580)	(9,785,035)	2,039,404

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Smart Employee Benefits Inc.

Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss

	<i>Dec 1, 2013 to Feb 28, 2014 (unaudited)</i>	<i>Dec 1, 2012 to Feb 28, 2013 (unaudited)</i>
Revenue (Note 18)	\$ 4,257,290	\$ 343,141
Cost of revenues		
Compensation	3,356,047	169,887
Other	61,107	86,392
	<u>3,417,154</u>	<u>256,279</u>
Gross Margin	840,136	86,862
Expenses		
Salaries and other compensation costs (Note 18)	844,577	502,241
Professional fees	175,595	146,120
Office and general	464,537	137,245
Loss before the following items	(644,573)	(698,744)
Share-based compensation (Note 15)	-	36,650
Interest	105,079	80,977
Amortization (Note 6, 7 and 8)	197,084	39,455
Depreciation of equipment (Note 5)	25,228	8,249
Accretion of interest (Notes 13)	90,431	15,634
Loss before minority interest in Inforica	(1,062,395)	(879,709)
Minority interest in Inforica	30,555	-
Net loss and comprehensive loss	\$ (1,092,950)	\$ (879,709)
Weighted average number of shares outstanding for the period (basic) (Note 15)	<u>63,149,123</u>	<u>56,065,961</u>
Loss from operations per common share (basic)	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Smart Employee Benefits Inc.

Unaudited Condensed Interim Consolidated Statements of Cash Flows

	<i>December 1, 2013 to February 28, 2014 (unaudited)</i>	<i>December 1, 2012 to February 28, 2013 (unaudited)</i>
Net loss for the period	\$ (1,092,950)	\$ (879,709)
Add items not involving cash:		
Amortization of acquired software, customer relationships and trade names	197,084	39,455
Depreciation of equipment	25,228	8,249
Accretion of interest	90,431	15,634
Share-based compensation	-	36,650
Non-cash working capital (Note 19)	(730,775)	35,056
Total adjustments	(418,032)	135,044
Cash used in operating activities	(1,510,982)	(744,665)
Cash flows from investing activities		
Advances to acquisition target	-	(60,000)
Purchase of software	-	(160,000)
Purchase of equipment	(26,625)	(2,786)
Net cash on investment in Inforica	29,064	-
Net cash on acquisition of Logitek	-	90,628
Cash flows (used in) from investing activities	2,439	(132,158)
Cash flows from financing activities		
Proceeds from equity financings	-	1,106,000
Proceeds from \$554k convertible financing	-	524,000
Proceeds from \$2 million convertible financing	1,751,809	-
Proceeds from exercised warrants	254,800	-
Proceeds from exercised options	4,725	-
Proceeds from convertible debt financings	-	524,000
Shareholder loans	(8,486)	-
Repayment of capital leases	(27,101)	(2,732)
Repayment of equipment loans	(17,125)	(11,778)
Funds held in trust	-	(742,421)
Cash provided by financing activities	1,958,622	1,397,069
Net increase (decrease) in cash and cash equivalents	450,079	520,246
Cash and cash equivalents, beginning of period	257,608	135,189
Cash and cash equivalents, end of period	\$ 707,687	\$ 655,435

Supplemental Information:

\$70,163 in interest was paid in cash during the three months ending February 28, 2014.

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
February 28, 2014

1. Nature of Operations

Smart Employee Benefits Inc. (the "Company" or "SEB") is a technology company providing software-enabled services in the areas of healthcare transaction processing, software solutions, and professional services for corporate and government clients.

These financial statements are the unaudited condensed interim consolidated financial statements of Smart Employee Benefits Inc. and its subsidiary companies, all incorporated in Canada:

- Logitek Technology Ltd.,
- SOMOS Consulting Group Ltd.,
- Smart Employee Solutions Inc.,
- SES Benefits Canada Corporation,
- SES Financial Corporation,
- SES International Inc.
- Inforica Inc.

SES Financial Corporation and SES International Inc. have no material assets and have engaged in no activities up to the date of the unaudited condensed interim consolidated statements of financial position.

SES Financial Corporation is owned 50% by the Company and 50% by certain shareholders of the Company on an individual basis. SES Financial Corporation had no significant operations during the period and had no assets or liabilities and therefore, the non-controlling interest is determined to be nil.

The Company's head office is Suite 100, 125 Commerce Valley Drive West, Markham, Ontario, L3T 7W4 and its registered and records office address is Suite 300, 2355 Skymark Avenue, Mississauga, Ontario, L4W 4Y6.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on April 24, 2014.

2. Going Concern

These consolidated financial statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

The Company has incurred a significant operating loss during the periods of the unaudited condensed interim consolidated financial statements and negative cash flows from operations for the periods. There is no assurance that the Company will be able to generate net income or positive cash flows from operations in the foreseeable future. Based on these events and conditions there are material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
February 28, 2014

To remain a going concern, the Company will require additional capital to enable it to further develop its software and achieve other business objectives. It cannot be determined at this time whether these objectives will be realized. These unaudited condensed interim consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue as a going concern.

3. Basis of Presentation

Statement of Compliance

These unaudited condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements for the year ended November 30, 2013. The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. Furthermore the information on accounting standards effective in future periods and not yet adopted remains unchanged from that disclosed in the annual financial statements.

4. Acquisition

Acquisition of Inforica Inc.

On December 2, 2013 SEB acquired 50% of Inforica Inc. through a share subscription for an amount of \$500,000 made by SEB’s wholly owned subsidiary, Logitek Technology Ltd. As part of the transaction, Inforica and Logitek co-located and SEB has provided additional short-term funding. As a result, for accounting purposes, Inforica is deemed to be controlled by SEB.

The cost to SEB is \$500,000.

The cost to SEB is allocated as follows:

50% of Net liabilities of Inforica on acquisition	\$ (277,517)
Software	600,000
Goodwill	177,517
Total	\$ 500,000

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
February 28, 2014

Net liabilities of Inforica on acquisition December 2, 2013 were as follows:

Assets	
Short Term Investments	\$ 202,302
Cash & Bank	29,064
Accounts Receivable	327,722
Income Tax Receivable	38,541
Prepaid & Others	14,226
Property & Equipment	76,914
Developed software	611,457
Total Assets	\$ 1,300,226
Liabilities	
Bank Indebtness	\$ 174,998
Bank Operating Loan	44,168
Accounts Payable & Accruals	172,399
Government Remittances	724,880
Loan - SEB group	249,892
Due to Related Parties	138,923
Preferred shares	350,000
Total Liabilities	\$ 1,855,260
Net liabilities	\$ (555,034)
Acquired by SEB (50%)	\$ 277,517

Goodwill

Goodwill is made up of amounts from the following acquisitions and investments:

Logitek Technology Ltd.	\$ 878,818
Somos Consulting Group	268,975
Balance November 30, 2013	1,147,793
Inforica Inc.	177,517
Balance February 28, 2014	\$ 1,325,310

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
February 28, 2014

5. Equipment

	Bal Nov 30/13	Invest in Inforica	Additions	Bal Feb 28/14
Cost				
Furniture and office equipment	388,683	-	17,500	406,183
Computer hardware	1,122,164	76,914	9,125	1,208,203
Computer hardware under lease	415,621	-	-	415,621
Total	1,926,469	76,914	26,625	2,030,008
Accumulated depreciation				
Furniture and office equipment	261,206	-	4,801	266,007
Computer hardware	986,473	-	12,900	999,373
Computer hardware under lease	206,446	-	7,527	213,973
Total	1,454,125	-	25,228	1,479,353
Net total	472,343	76,914	1,397	550,654

6. Software

	Cost			Accumulated Amortization			Net Balance		
	Balance Nov 30, 2013	Invest in Inforica	Adds	Balance Feb 28, 2014	Balance Nov 30, 2013	Expense	Balance Feb 28, 2014	Feb 28, 2014	Nov 30, 2013
HCS licence (1)	500,000	-	-	500,000	120,833	12,500	133,333	366,667	379,167
HCS admin system (2)	200,000	-	-	200,000	-	-	-	200,000	200,000
QLogitek software on acquisition (3)	1,267,000	-	-	1,267,000	105,583	31,675	137,258	1,129,742	1,161,417
Inforica software on acquisition (4)	-	1,211,457	-	1,211,457	-	45,859	45,859	1,165,598	-
Total	1,967,000	1,211,457	-	3,178,457	226,416	90,034	316,450	2,862,007	1,740,584

- 1) A licence of software which provides the adjudication of health benefit claims (“Adjudication Software”). The Licence provides (a) a perpetual, irrevocable, transferable and exclusive right and license to use the Adjudication Software in Canada; and (b) a perpetual, irrevocable, transferable and non-exclusive right and world-wide license to use the Adjudication Software outside Canada. It is being amortized over 10 years on a straight-line basis.
- 2) The Company has engaged software development companies to develop computer software to be used by the Company to generate revenue. The Company will begin amortizing the software when it is ready to be used by the Company to generate revenue.
- 3) Qlogitek has developed a number of proprietary pieces of software, particularly in the management of customer’s supply-chain in the retail field. The internet-based software is

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
February 28, 2014

used extensively and repeatedly by a number of well-known large retailers to manage their product supply arrangements, incorporating suppliers in 170 countries. The software is being amortized over 10 years on a straight-line basis.

- 4) Inforica has developed proprietary software, particularly in the field of energy management. Its use is being expanded to include significant Middle East business.

7. Customer relationships

	Cost		Accumulated Amortization			Net Balance		
	Balance Nov 30, 2013	Adds	Balance Feb 28, 2014	Balance Nov 30, 2013	Expense	Balance Feb 28, 2014	Feb 28, 2014	Nov 30, 2013
QLogitek	803,000	-	803,000	133,833	40,150	173,983	629,017	669,167
SOMOS	500,000	-	500,000	75,000	25,000	100,000	400,000	425,000
Total	1,303,000	-	1,303,000	208,833	65,150	273,983	1,029,017	1,094,167

8. Trade names

	Cost		Accumulated Amortization			Net Balance		
	Balance Nov 30, 2013	Adds	Balance Feb 28, 2014	Balance Nov 30, 2013	Expense	Balance Feb 28, 2014	Feb 28, 2014	Nov 30, 2013
QLogitek	450,000	-	450,000	75,000	22,500	97,500	352,500	375,000
SOMOS	388,000	-	388,000	58,200	19,400	77,600	310,400	329,800
Total	838,000	-	838,000	133,200	41,900	175,100	662,900	704,800

9. Bank loan

On May 13, 2013, the Company entered into credit facility arrangements (the "Facility") with a leading Canadian Chartered Bank, including a revolving credit facility of \$1,000,000, plus additional ancillary related facilities of approximately \$200,000. The Facility was provided to wholly-owned subsidiaries Somos Consulting Group Ltd. and Logitek Technology Ltd. and was guaranteed by SEB. The facility accrues interest at bank prime +1.875% and is payable monthly in arrears.

10. Deferred revenue

The bulk of this amount arises from Logitek Technology Ltd. receiving advance payments from clients for software development work to be done and for licencing revenues. The amounts are amortized as revenue in accordance with the Company's revenue recognition policy.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements

February 28, 2014

11 Equipment leases

The Company has obligations under capital leases for computer hardware, with various maturity dates and monthly payments:

Maturity	Monthly Payment	Feb 28, 2014	Nov 30, 2013
2014 May	1,800	6,703	11,731
2014 May	633	3,798	5,697
2014 July	494	1,309	2,619
2015 May	3,136	43,908	53,317
2015 Aug	1,106	13,973	17,195
2015 Sep	1,010	14,539	16,399
2016 Oct	789	21,873	26,247
		106,103	133,205
Current portion of leases payable		67,830	96,659
Long term portion of leases payable		38,273	36,546

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
February 28, 2014

12. Equipment loans

The Company finances equipment from time to time using equipment loans secured by the specific pieces of equipment financed by the loans. As the loans are due on demand, the full balance owing has been classified as current.

	February 28,	November 30,
	2014	2013
Demand loan for financing of computer hardware, non-revolving, bearing interest at BMO Bank of Montreal Prime Rate plus 1.75%, maturing in April 2014, repayable in monthly principal payments of \$3,917 plus interest	\$ 7,833	\$ 19,583
Demand loan for financing of computer hardware and software upgrades, non-revolving, bearing interest at BMO Bank of Montreal Prime Rate plus 1.75%, maturing in May 2015, repayable in monthly principal payments of \$750 plus interest	11,250	13,500
Demand loan for financing of computer hardware and software upgrades, non-revolving, bearing interest at BDC floating base rate plus 1%, maturing in February 2017, repayable in monthly principal payments of \$1,042 plus interest	37,500	40,625
	56,583	73,708
Current portion of equipment loans	56,583	73,708
Long-term portion of equipment loans	\$ -	\$ -

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements

February 28, 2014

13. Convertible debt

	Liability at Fair Value				Accreted Interest				
	Face Value of Notes	Equity Component	Warrants	Debt Issue Costs	Liability Component at Fair Value	Balance Nov 30/13	Accretion in period Feb 28/14	Balance Feb 28/14	Balance Nov 30/13
Financing issued December 27, 2012	554,000	(56,516)	(16,224)	(54,392)	426,868	55,033	16,773	498,674	481,901
Acquisition of QLogitek, Feb 6, 2013	651,858	(303,437)	-	-	348,421	39,601	12,940	400,962	388,022
Acquisition of SOMOS, March 5, 2013	400,000	(186,198)	-	-	213,802	21,409	7,844	243,055	235,211
(2) Conversion of SOMOS note Feb 28, 2014	(400,000)	186,198	-	-	(213,802)	-	-	(243,055)	-
Financing May 13, 2013	1,025,000	(143,656)	(75,850)	(87,630)	717,864	49,784	24,169	791,817	767,648
Financing August 30, 2013	725,000	(98,330)	(59,198)	(24,307)	543,165	15,429	15,738	574,332	558,594
Financing September 6, 2013	250,000	(34,531)	(14,875)	(8,540)	192,054	4,615	5,074	201,743	196,669
(1) Financing Feb 14, 2014	2,000,000	(211,960)	(147,232)	(248,191)	1,392,617	-	7,895	1,400,512	-
Totals	5,205,858	(848,430)	(313,379)	(423,060)	3,620,989	185,871	90,433	3,868,040	2,628,045

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
February 28, 2014

- 1) On February 14, 2014 the Company closed a financing of \$2,000,000 of convertible Notes with a term of 2 years, paying 8% interest. The Notes are convertible into common shares of the Company at \$0.50 per share during the first year of the Notes, and \$0.60 during the second year of the Notes. The Company paid finder's fees of \$165,000 in cash and 320,000 share purchase warrants, exercisable at \$0.50 per share for a period of three years.

In arriving at a fair value of the liability component of the convertible Notes, the Company has used a discount rate of 18% to determine a discounted present value of the debt due on conversion. The equity component of \$211,960 at February 12, 2014, arising from the difference between the coupon and effective interest rates, has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method.

The cash issue costs have been recorded as Contributed Surplus.

The warrants were valued at \$147,232 using the Black-Scholes option-pricing model using the following assumptions: expected life of two years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.

- 2) On February 28, 2014 a convertible note payable of \$400,000 was converted to common shares. Per the terms of the note the conversion rate was \$0.45 per share resulting in the issue of 888,887 common shares.

14. Due to Shareholders

The funds were advanced by individuals who were founding shareholders of subsidiaries of the Company; the advances have no set terms of repayment and do not bear interest.

15. Share Capital

(a) Authorized

Unlimited number of common shares

(b) Common shares issued and outstanding

	Number of shares	Amount \$
Balance November 30, 2013	62,658,000	7,878,625
Exercise of warrants	676,222	254,800
Exercise of options	13,500	4,725
Conversion of debt (1)	888,887	400,000
Balance February 28, 2014	64,236,609	8,538,150

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
February 28, 2014

- 1) On February 28, 2014 a convertible note payable of \$400,000 was converted to common shares. Per the terms of the note the conversion rate was \$0.45 per share resulting in the issue of 888,887 common shares.

(c) Share purchase warrants

	Exercise Price	Expiry	Number of Warrants Outstanding					
			Nov 30, 2013 Outstanding	Activity During Period			Feb 28, 2014 Outstanding	Exercisable
	\$ 0.50	May 13, 2014	1,025,000	-	-	-	1,025,000	1,025,000
	\$ 0.50	May 13, 2014	725,000	-	-	-	725,000	725,000
	\$ 0.50	May 13, 2014	250,000	-	-	-	250,000	250,000
	\$ 0.30	May 31, 2014	1,280,000	-	-	-	1,280,000	1,280,000
(1)	\$ 0.30	May 31, 2014	1,695,000	-	-	-	1,695,000	1,695,000
	\$ 0.30	July 11, 2014	649,167	-	-	330,000	319,167	319,167
	\$ 0.45	Dec 27, 2014	99,777	-	-	21,222	78,555	78,555
	\$ 0.35	Feb 27, 2015	286,000	-	-	-	286,000	286,000
(2)	\$0.55 to July 11, 2014 \$0.65 to July 11, 2015	Jul 11, 2015	6,491,667	-	-	-	6,491,667	6,491,667
	\$ 0.35	Aug 30, 2015	100,000	-	-	-	100,000	100,000
	\$ 0.40	Nov 14, 2015	75,000	-	-	-	75,000	75,000
	\$0.45 to Feb 6, 2014 \$0.55 to Feb 6, 2015 \$0.65 to Feb 6, 2016 \$0.75 to Aug 6, 2016	Aug 6, 2016	1,000,000	-	-	-	1,000,000	-
	\$0.50 to Nov 14, 2015 \$0.55 to Nov 14, 2016 \$0.65 to Nov 14, 2017	Nov 14, 2016	1,250,000	-	-	-	1,250,000	1,250,000
(3)	\$ 0.50	Feb 12, 2017	-	320,000	-	-	320,000	100,000
	\$0.50 to Feb 27, 2014 \$0.55 to Feb 27, 2015 \$0.65 to Feb 27, 2016 \$0.75 to Feb 27, 2017	Feb 27, 2017	3,160,000	-	-	-	3,160,000	3,160,000
	\$0.45 to Mar 1, 2014 \$0.55 to Mar 1, 2015 \$0.65 to Mar 1, 2016 \$0.70 to Mar 1, 2017 \$0.75 to Mar 1, 2018	Mar 1, 2018	1,000,000	-	-	325,000	675,000	675,000
			19,086,611	320,000	-	676,222	18,730,389	17,510,389
	Weighted average exercise price per share		\$ 0.54	\$ 0.50	N/A	\$ 0.38	\$ 0.54	\$ 0.53

- 1) Of the balance of 1,695,000 warrants exercisable at February 28, 2014 a balance of 766,500 is escrowed, to be released from escrow per the terms of the TSX-V Tier 2 escrow rules.
- 2) Of the balance of 6,491,667 warrants exercisable at February 28, 2014 a balance of 1,674,167 is escrowed, to be released from escrow per the terms of the TSX-V Tier 2 escrow rules.
- 3) On February 12, 2014 the Company closed a financing of \$2,000,000 Company closed a financing of \$2,000,000 of convertible Notes with a term of 2 years, paying 8% interest.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
February 28, 2014

The Company paid to the agent 320,000 share purchase warrants, exercisable at \$0.50 per share for a period of three years. (See Note 13).

(d) Share purchase options

The SEB stock option plan (the “Plan”) is administered by the Board of Directors of the Company which establishes the exercise prices, vesting conditions and expiry date of the options. The number of common shares reserved for issuance under the Plan at February 28, 2014 is 6,423,660. At February 14, 2014, the Company had 3,278,750 options issued and outstanding under the terms of the Plan. In addition, 1,695,000 share purchase warrants, as shown in Note 14 (c) are considered to be part of the Plan.

Exercise Price	Expiry	Number of Options Outstanding					
		Nov 30, 2013 Outstanding	Activity During Period			Feb 28, 2014	
			Issued	Expired	Exercised	Outstanding	Exercisable
\$ 0.34	May 31, 2014	50,000	-	-	-	50,000	50,000
\$ 0.33	May 31, 2014	50,000	-	-	-	50,000	50,000
\$ 0.35	May 31, 2014	50,000	-	-	-	50,000	50,000
\$ 0.33	Aug 16, 2015	400,000	-	-	-	400,000	320,000
\$ 0.34	Sep 13, 2015	200,000	-	-	-	200,000	120,000
\$ 0.40	Nov 23, 2015	-	240,000	-	-	240,000	240,000
\$ 0.60	Feb 7, 2016	-	400,000	-	-	400,000	100,000
\$ 0.35	Mar 15, 2016	300,000	-	-	-	300,000	240,000
\$ 0.20	Apr 5, 2016	87,000	-	-	-	87,000	87,000
\$ 0.35	Apr 23, 2016	1,115,250	-	-	(13,500)	1,101,750	277,500
\$ 0.35	Apr 23, 2016	100,000	-	-	-	100,000	40,000
\$ 0.50	Feb 7, 2017	-	300,000	-	-	300,000	-
		2,352,250	940,000	-	(13,500)	3,278,750	1,574,500
Weighted avg exercise price		\$ 0.34	\$ 0.52	-	\$ 0.35	\$ 0.39	\$ 0.36

(e) Loss per Share

The weighted average number of common shares outstanding for the three months ending February 28, 2014 was 63,149,123 (56,065,691 for the three months ending February 28, 2013).

The dilutive effect of options and warrants outstanding was not included as it would serve to reduce the loss per share reported.

16. Financial Instruments

Fair Values

The Company's financial instruments consist of cash, accounts receivable, advances to Inforica Inc., bank loan, accounts payable and accrued liabilities, convertible debt, equipment loans and amounts due to shareholders. The fair value of convertible debt is estimated to approximate its carrying value based on borrowing rates currently available to

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
February 28, 2014

the Company. The fair values of the remaining financial instruments approximate their carrying values due to the short-term nature of these financial instruments.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company is not exposed to any significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company is not exposed to any significant interest rate risk.

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 currently settles its financial obligations such as accounts payable out of cash.

The Company is not exposed to any material foreign exchange or price risk.

17. Capital Management

The Company's capital consists of share capital, contributed surplus, options and warrants in the amount of \$16,197,059 at February 28, 2014 (\$14,095,292 at November 30, 2013). The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Company is not subject to any externally imposed capital requirements. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

18. Related Party Transactions

Bevertec CST Inc.

Bevertec is a related party to the Company by virtue of holding approximately 16% of the common shares of the Company at February 28, 2014. A Director of the Company is also an officer and director of Bevertec. In addition, \$42,420 in revenue recorded by the Company in these unaudited condensed interim consolidated financial statements was derived from transactions with Bevertec.

Other

Two shareholders of the Company, one acting in the capacity of President, Chief Executive Officer and Chief Information Officer and the other acting as Chief Financial Officer, Chief

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
February 28, 2014

Operating Officer and Corporate Secretary, were paid management fees during the period December 1, 2013 to February 28, 2014 totalling \$106,500 (\$97,500 during the period December 1, 2012 to February 28, 2013). The President, Chief Executive Officer and Chief Information Officer is also a director of the Company.

19. Net Change in Non-cash Working Capital items

	<i>December 1, 2013 to February 28, 2014</i>	<i>December 1, 2012 to February 28, 2013</i>
Accounts receivable	\$ (285,024)	\$ 90,210
Prepaid and deposits	16,903	(29,373)
Bank loan	(343,149)	54,088
Accounts payable and accrued liabilities	(14,305)	(1)
Deferred revenue	(112,794)	(54,476)
Government obligations	7,594	(25,392)
Total	\$ (730,775)	\$ 35,056

20. Commitments

Commitments at February 28, 2014 consist of the following:

	Convertible loans	Equipment leases	Premise leases	Equipment loans	Total
Fiscal 2014	-	67,830	168,008	23,958	259,797
Fiscal 2015	554,000	32,610	98,892	17,000	702,502
Fiscal 2016	4,000,000	5,663	98,892	12,500	4,117,055
Fiscal 2017	-	-	8,241	3,125	11,366
Fiscal 2018	651,858	-	-	-	651,858
Total	\$ 5,205,858	\$ 106,103	\$ 374,033	\$ 56,583	\$ 5,742,578

21. Segment Disclosures

The Company organizes its reporting structure into four reportable segments. The reportable segments have been adjusted for significant business acquisitions and different revenue streams. For management purposes, the Company is organized into divisions based on their products and services provided. Management monitors the operating results of each division separately for the purpose of making decisions about resource allocation and performance assessment.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
February 28, 2014

The Company has four reportable operating segments as follows:

- Health Benefits Administration division provides software, solutions and services specializing in managing group benefit solutions and healthcare claims processing environments for corporate and government clients.
- Technology Solutions division provides integration solutions surrounding planning, buying, making, paying, moving, and selling through a suite of products and services.
- Project Management division offers management solutions, professional services, training and project management solutions to corporate and government clients in technology, aerospace and defense, and government, both federal and provincial.
- The Corporate division does not represent an operating segment and is included for informational purposes only. Corporate division expenses consist of public company costs, as well as salaries, share-based compensation, interest and finance costs and office and administrative costs relating to corporate employees.

	Health Benefit Administration	Technology Solutions	Project Management	Corporate	Total
Current assets	\$ 102,598	\$ 1,383,804	\$ 2,050,573	\$ 655,779	\$ 4,192,754
Total assets	698,729	6,225,644	3,042,490	655,779	10,622,642
Equipment	29,464	508,648	12,542	-	550,654
Acquired software	566,667	2,295,340	-	-	2,862,007
Customer relationships	-	629,017	400,000	-	1,029,017
Trade names	-	352,500	310,400	-	662,900
Goodwill	-	1,056,335	268,975	-	1,325,310
Current liabilities	39,023	1,942,531	1,803,597	217,524	4,002,675
Total liabilities	39,023	1,980,804	1,803,597	4,656,777	8,480,201
Revenues	\$ 59,883	\$ 1,888,506	\$ 2,308,901	\$ -	\$ 4,257,290
Cost of revenues	(61,107)	(1,383,030)	(1,973,017)	-	(3,417,154)
Operating costs	(317,283)	(501,168)	(293,403)	(372,856)	(1,484,710)
Operating income (loss)	(318,507)	4,308	42,481	(372,856)	(644,574)
Interest	-	-	-	(105,079)	(105,079)
Amortization	(12,500)	(140,184)	(44,400)	-	(197,084)
Depreciation	(3,295)	(21,539)	(394)	-	(25,228)
Accretion of interest	-	-	-	(90,431)	(90,431)
Minority interest	-	(30,555)	-	-	(30,555)
Loss for the period	\$ (334,302)	\$ (187,970)	\$ (2,313)	\$ (568,366)	\$ (1,092,951)

22. Reclassification

Certain amounts in comparative financial statements have been reclassified to conform to current presentation.

23. Subsequent events

Acquisition of Adeeva Nutritionals

On March 14, 2014 the Company acquired Adeeva Nutritionals Canada Inc. (“Adeeva”) and the Wellness assets and business of “Dr. James Meschino Health and Wellness”. The price paid was \$525,000 of value in SEB shares at a price of \$0.51 per share to acquire all of the debt and issued and outstanding shares of Adeeva. The transaction resulted in the issuance of 1,027,418 shares of SEB in consideration for all of the issued debt and shares of Adeeva. In addition, the holders of the debt issued by Adeeva have been issued a royalty agreement whereby they can earn, in the aggregate, up to \$1,000,000 (based on the future revenues of Adeeva only), The SEB shares issued pursuant to this transaction are subject to contractual escrow releases of one third per annum over 36 months. In addition, SEB will be making a working capital injection into Adeeva as may be required to fund growth initiatives.

Acquisition of Antian Professional Services

On March 18, 2014 the Company acquired APS - Antian Professional Services Inc. (“Antian”) through SEB’s wholly owned subsidiary, Somos Consulting Group Ltd. The total value of the Antian transaction was \$682,183 subject to final working capital adjustments post-closing. Per the terms of the share purchase agreement, Antian shareholders received Cash of \$357,701 and a Vendor Take Back Promissory Note (“VTB”) in the principal amount of \$324,482 paying interest at an annualized rate of 3% with quarterly principal repayments over a 5-year period. The VTB is convertible into SEB shares at any time at a value of \$0.75 per SEB share during the term of the VTB.