

**EZENET INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**

Rubin Cohen, B. Comm., C.A.  
Chartered Accountant

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Chartered Accountant

**EZENET INC.**  
**AUDITOR'S REPORT**

To the Directors of  
Ezenet Inc.

I have audited the balance sheet of Ezenet Inc. as at December 31, 1998 and the statements of retained earnings and income for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the financial principles used and significant estimates made by the corporation's management, as well as evaluating the overall financial presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of Ezenet Inc. as at December 31, 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario  
March 3, 1999

Rubin Cohen, C.A.  
CHARTERED ACCOUNTANT

Rubin Cohen, B. Comm., C.A.  
Chartered Accountant

# EZENET INC.

## BALANCE SHEET

AS AT DECEMBER 31, 1998

ASSETS	1998	1997
<b>CURRENT</b>		
Cash	\$ 95,609	\$ 31,377
Accounts receivable	171,580	97,796
Prepaid expenses and sundry assets	20,229	54,044
Corporation income taxes receivable	<u>29,441</u>	<u>          </u>
	<b>316,859</b>	<b>183,217</b>
<b>CAPITAL ASSETS</b> (Note 2)	<b>434,984</b>	<b>437,296</b>
<b>SOFTWARE DEVELOPMENT COSTS</b> (Note 3)	<u>479,925</u>	<u>          </u>
	<b><u>\$1,231,768</u></b>	<b><u>\$620,513</u></b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 151,614	\$ 130,326
Corporation income taxes payable	<u>          </u>	<u>14,617</u>
	<b><u>151,614</u></b>	<b><u>144,943</u></b>
<b>LONG-TERM</b>		
Loan payable - associated company (Note 4)	-	90,000
Loan payable - related persons (Note 4)	<u>-</u>	<u>16,430</u>
	<u>          </u>	<b><u>106,430</u></b>
<b>DEFERRED INCOME TAXES</b>	<b><u>131,120</u></b>	<u>          </u>
	<b><u>282,734</u></b>	<b><u>251,373</u></b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b> (Note 5)	565,729	264,379
<b>RETAINED EARNINGS</b>	<u>383,305</u>	<u>104,761</u>
	<b><u>949,034</u></b>	<b><u>369,140</u></b>
	<b><u>\$1,231,768</u></b>	<b><u>\$620,513</u></b>

**APPROVED ON BEHALF OF THE BOARD:**

Haron Ezer - Director  
Terence Rogers - Director

Rubin Cohen, B. Comm., C.A.  
Chartered Accountant

# EZENET INC.

## STATEMENT OF RETAINED EARNINGS

DECEMBER 31, 1998

	1998	1997
RETAINED EARNINGS (DEFICIT), beginning of year	\$104,761	(1,592)
Add: Adjustment resulting from amalgamation with Ezer Data Systems Inc. (Note 1(a))	<u>          </u>	<u>58,720</u>
	104,761	57,128
NET INCOME	<u>245,080</u>	<u>47,633</u>
RETAINED EARNINGS, end of year	<u>\$349,841</u>	<u>\$104,761</u>

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**EZENET INC.**  
**STATEMENT OF INCOME**  
**DECEMBER 31, 1998**

	1998	1997
<b>SALES AND SERVICES</b>	<b>\$2,345,708</b>	<b>\$1,842,167</b>
<b>COST OF SALES</b>	<b><u>218,168</u></b>	<b><u>289,333</u></b>
<b>GROSS PROFIT</b>	<b>2,127,540</b>	<b>1,552,834</b>
<b>EXPENSES</b>		
Advertising	12,080	18,748
Amortization	209,422	82,899
Automotive and travel	20,348	17,263
Bank charges and interest	3,150	2,725
Business taxes	623	11,700
Computer supplies	22,692	74,108
General and office	40,413	68,702
Insurance	10,722	13,436
Legal and audit	28,219	55,165
Professional development	7,094	7,468
Rent	123,947	78,444
Repairs and maintenance	56,969	35,069
Salaries and other compensation	1,135,864	973,325
Telephone	<u>61,050</u>	<u>51,532</u>
	<b><u>1,732,593</u></b>	<b><u>1,490,584</u></b>
	<b>394,947</b>	<b>62,250</b>
<b>(RECOVERY OF) PROVISION FOR INCOME TAXES</b>		
Current	(14,717)	14,617
Deferred	<u>131,120</u>	
	<b><u>116,403</u></b>	<b><u>14,617</u></b>
<b>NET INCOME</b>	<b><u>278,544</u></b>	<b><u>47,633</u></b>

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Chartered Accountant

# EZENET INC.

## NOTES TO FINANCIAL STATEMENTS

### DECEMBER 31, 1998

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Operations

On January 1, 1997, the company amalgamated with Ezer Data Systems Inc. and assets were transferred from Ezer and Associates Ltd. into the company by way of a Sec. 85 rollover.

##### (b) Capital Assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Computer equipment	- 30% diminishing balance
Leasehold improvements	- 20% straight line
Computer software	- 100% diminishing balance
Furniture and equipment	- 20% diminishing balance

##### (c) Deferred Taxes

Income taxes are recorded on the tax allocation basis. Deferred income taxes result from the deferral of software development costs for accounting purposes which are deducted for income tax purposes when incurred.

#### 2. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 1998</u>	<u>Net 1997</u>
Computer equipment	\$402,351	\$167,416	\$234,935	\$309,612
Leasehold improvements	43,209	15,455	27,754	36,396
Computer software	222,575	120,044	102,531	8,757
Furniture and equipment	95,856	26,092	69,764	82,531
	<u>\$763,991</u>	<u>\$329,007</u>	<u>\$434,984</u>	<u>\$437,296</u>

#### 3. SOFTWARE DEVELOPMENT COSTS

The company has incurred costs on activities which relate to the research and development of a new database software program. The costs of planning, designing and establishing the technological feasibility of the program (including direct labour and a proportionate share of rent and amortization of computer equipment) have been capitalized. Capitalization of the computer software costs ends and amortization of such costs will begin when the product is available for general release to customers.

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**EZENET INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**

**4. LOANS FROM ASSOCIATED COMPANIES AND RELATED PERSONS**

The loans from associated companies and related persons are non-interest bearing and bear no fixed terms of repayment.

**5. CAPITAL STOCK**

Authorized

Unlimited number of:

Class A common shares

Class B common shares

Class A redeemable, non-cumulative preferred shares

Class B redeemable, non-cumulative preferred shares

Class C-G special shares

		<u>1998</u>	<u>1997</u>
Stated capital			
6,000,000	Class A common shares	\$565,729	\$264,379

**6. COMMITMENTS**

The company is committed to minimum annual lease payments on its premises, off-site backup premises, as well as leased vehicles as follows:

1999	\$165,352
2000	163,844
2001	159,321
2002	37,529
	<u>\$657,166</u>

**7. STATEMENT OF CHANGES IN FINANCIAL POSITION**

The statement of changes in financial position has been omitted as it would not provide information not already available in other parts of these financial statements.

**8. SUBSEQUENT EVENTS**

The company has issued an information circular to informed investors to raise \$ 500,000 through a private placement.

The company's shareholders are considering an agreement to surrender their shares of Ezenet Inc. in exchange for an unspecified number of shares in Norah Capital Corporation, a corporation which has filed a prospectus for the issue and sale of its common shares through the Alberta Stock Exchange.

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