PRELIMINARY SHORT FORM PROSPECTUS

New Issue May 8, 2001

COGNICASE

COGNICASE INC.

$28,875,000

3,500,000 Common Shares

This offering (the "Offering") consists of an offering to the public of 3,500,000 common shares (the "Common Shares") of COGNICASE Inc. ("COGNICASE" or the "Corporation"). The offering price of the Common Shares was determined by negotiation among COGNICASE and the Underwriters. The common shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE") under the symbol COG and The Nasdaq National Market ("Nasdaq") under the symbol COGI. The closing price of the common shares of COGNICASE on the TSE on May 3, 2001, the last trading day on the TSE before the announcement of the Offering, was $9.00. The last reported sale price of the common shares of COGNICASE on Nasdaq on May 3, 2001, the last trading day on Nasdaq before the announcement of the Offering, was US$5.86.

The Common Shares will not be precluded for investment under certain statutes as set out under "Eligibility for Investment".

PRICE: $8.25 per Common Share

	Price to the Public	Underwriters' Fee	Net Proceeds to the Corporation(1)
Per Common Share	$8.25	$0.45375	$7.79625
Total(2)	$28,875,000	$1,588,125	$27,286,875

(1) Before deducting the expenses of the Offering estimated at $300,000, which will be paid out of the general corporate funds of the Corporation.

(2) The Corporation has granted the Underwriters an option (the "Over-Allotment Option"), exercisable for a period of 30 days from the closing of the Offering, enabling them to purchase up to 525,000 additional Common Shares (the "Over-Allotment Shares") at the offering price to the public to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total offering price to the public, the Underwriters' fee and the net proceeds to the Corporation will be $33,206,250, $1,826,343.75 and $31,379,906.25. This prospectus qualifies the distribution of the Over-Allotment Option and the Over-Allotment Shares.

Yorkton Securities Inc., National Bank Financial Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc. (collectively, the "Underwriters"), as principals, conditionally offer to the public the Common Shares, subject to prior sale, if, as and when issued and sold by COGNICASE and delivered to and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of COGNICASE by Ogilvy Renault and on behalf of the Underwriters by Fraser Milner Casgrain LLP.

Subscriptions for the Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive certificates evidencing the Common Shares will be available for delivery at the closing of this Offering, which is expected to be on or about May 23, 2001 or on such other date as may be agreed upon, but not later than June 19, 2001.

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Unless otherwise indicated, all dollar amounts in this short form prospectus are in Canadian dollars.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the various securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference in and form an integral part of this short form prospectus:

(a) Renewal Annual Information Form of COGNICASE dated February 16, 2001 for the year ended September 30, 2000;

(b) audited consolidated financial statements of COGNICASE for the years ended September 30, 2000 and 1999, together with the auditors' report thereon included in the Annual Report of COGNICASE for the year ended September 30, 2000;

(c) Management's Discussion and Analysis included in the Annual Report of COGNICASE for the year ended September 30, 2000;

(d) Management Proxy Circular of COGNICASE, used in connection with the annual and special meeting of the shareholders of COGNICASE held on February 13, 2001, other than the sections entitled "Corporate Governance and Compensation Committee Report in Executive Compensation", "Performance Graph" and "Statement of Corporate Governance Practices";

(e) unaudited interim consolidated financial statements of COGNICASE for the three months ended December 31, 2000 and 1999; and

(f) unaudited interim consolidated financial statements of COGNICASE for the six months ended March 31, 2001 and 2000 (including the Management's Discussion and Analysis relating thereto).

Any documents of the type referred to above and any material change reports (excluding confidential material change reports) filed by COGNICASE with a securities commission or any similar authority in Canada, after the date of this short form prospectus and prior to the termination of the Offering, shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or replaces that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this short form prospectus.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the Corporation's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this short form prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Corporation cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus, and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances.

THE CORPORATION

COGNICASE was incorporated in October 1991 under the *Canada Business Corporations Act*, and is a provider of information technology business solutions and software, including the implementation of integrated e-business solutions, technology configuration management, Application Service Provider services, re-engineering of existing applications for e-business, as well as project management and business process improvement consulting services.

The Corporation's sectors of activity are characterized by frequent technological innovations. Presently, there is a trend for the convergence of the Internet and mobile communications, and, as such, demand from customers for technological tools and infrastructure that guarantee rapid network access, secure transactions and business process integration are increasing.

In that context, COGNICASE is continuing the development of integrated products and solutions to provide its customers with the means to compete in their particular marketplaces. These products and solutions are part of the Corporation's technology platform that takes into account the business objectives and performance requirements of businesses. Real time transactional models are now required and the Corporation's technology platform seeks to ensure security and confidentiality of information while providing increased efficiency and productivity.

The Corporation's head office and principal place of business is located at 111 Duke Street, 9th Floor, Montréal, Québec, H3C 2M1.

RECENT DEVELOPMENTS AND SIGNIFICANT ACQUISITION

Results for the period ending March 31, 2001

On May 3, 2001, the Corporation announced its results for the six-month period ended March 31, 2001. During this period, revenues increased 55% to $104.8 million in the second quarter of fiscal 2001 from $67.8 million in the corresponding period in fiscal 2000. This increase is a result of both internal and external growth. On a sequential basis, revenues increased 13% compared to $93.1 million in the first quarter ended December 31, 2000.

EBITDA (earnings before interest, taxes, depreciation and amortization) increased to $6.6 million compared to EBITDA of $5.4 million in the second quarter of fiscal 2000. On a sequential basis, EBITDA improved 100% from $3.3 million in the first quarter of the current fiscal year. Cash net earnings increased to $2.9 million from $2.7 million in the same period last year and were up 142% sequentially compared to $1.2 million in the first quarter of the current year.

For the first six months, revenues increased 48% to $198 million compared to $134 million in the same period in fiscal 2000. EBITDA remained the same for both periods at $10 million. Cash net earnings were $4.1 million compared to $5.3 million a year ago.

The unaudited consolidated financial statements for the six-month period ended March 31, 2001 and Management's Discussion and Analysis regarding such period are incorporated by reference in this prospectus.

Acquisition of SIBN Inc.

On May 31, 2000, the Corporation, National Bank Group Inc. ("NB Group"), National Bank of Canada ("National Bank") and SIBN Inc. ("SIBN") entered into a Share Purchase and Subscription Agreement pursuant to which (i) the Corporation acquired all the shares of SIBN held by NB Group, representing all of the issued and outstanding shares of the capital stock of SIBN (the "Purchased Shares") and (ii) NB Group invested $20 million in common shares of COGNICASE.

In consideration of (i) the transfer of the Purchased Shares, (ii) the payment by NB Group of such sum of $20 million in cash and (iii) the entering into of a Transfer of Intellectual Property Rights Agreement and the Information Services and Revenue Guarantee Agreement (the "Outsourcing Agreement"), the Corporation (i) issued to NB Group 9,291,008 common shares (the "Issuance"), representing immediately after the Issuance, approximately 35% of the issued and outstanding common shares on a fully diluted basis and (ii) granted NB Group a pre-emptive right to maintain its equity position in the Corporation.

Under the Outsourcing Agreement which has a term of ten years SIBN and COGNICASE undertook to provide services to National Bank substantially similar to those that were provided by SIBN to the National Bank prior to SIBN's acquisition by the Corporation. Furthermore, under the Outsourcing Agreement, SIBN/COGNICASE became the preferred IT supplier of the National Bank and its affiliates. The National Bank further guaranteed that minimum annual revenues to be derived by the SIBN or the Corporation under the Outsourcing Agreement, in each of the five (5) years following the closing of the transaction, would not be less than $56 million.

As part of the transaction, the Corporation acquired large-scale electronic transaction processing capabilities, valuable e-banking expertise and intellectual property rights related to e-commerce software. Therefore, the acquisition represented an important milestone in the execution of the Corporation's e-business strategy, providing access to significant electronic transaction processing capacity, e-banking products, professional expertise and new customers. The Corporation is also positioned favourably to obtain additional IT related contracts from the National Bank and its affiliates.

As the acquisition of SIBN constitutes a "significant acquisition" under applicable securities legislation, this prospectus contains financial statements of SIBN for the seven month period ended May 31, 2000, and the years ended October 31, 1999 and 1998 as well as a *pro forma* statement of earnings (loss) for year ended September 30, 2000, reflecting the acquisition of SIBN by the Corporation as if it had occurred on October 1, 1999.

USE OF PROCEEDS

The net proceeds from the sale of Common Shares offered hereby are estimated to be $26,986,875 ($31,079,906 if the Over-Allotment Option is exercised in full) after deducting expenses of the Offering and the Underwriters' fee. The proceeds are intended to be added to the Corporation's working capital, used for general corporate purposes or to fund acquisitions of businesses which complement the Corporation's existing businesses. Although the Corporation regularly reviews and evaluates acquisition opportunities, there are currently no agreements or understandings with respect to any material acquisitions or investments. Pending such uses, the Corporation intends to invest the net proceeds in short-term, investment grade, interest-bearing securities with maturities of less than one year.

SHARE AND LOAN CAPITAL STRUCTURE

There have been no material changes in the share or loan capital structure of the Corporation since September 30, 2000.

DESCRIPTION OF SHARE CAPITAL

The authorised capital of the Corporation is comprised of an unlimited number of common shares and an unlimited number of preferred shares without par value issuable in series.

As of May 4, 2001, 28,648,789 common shares and no preferred shares were issued and outstanding.

Each common share entitles the holder thereof to dividends if, as and when declared by the directors, to one vote at all meetings of holders of common shares and to participate, *pro rata*, with the holders of common shares, in any distribution of the assets of the Corporation upon liquidation, dissolution or winding-up, subject to the prior rights of holders of shares ranking in priority to common shares.

As described above under *Recent Developments and Significant Acquisition — Acquisition of SIBN Inc*., NB Group benefits from a pre-emptive right to maintain its equity position in the Corporation. NB Group has notified the Corporation that it does not intend to exercise its pre-emptive right in respect of this Offering and, accordingly, following completion of this Offering, the interest of NB Group in the Corporation will be 28.9% (or 28.4% assuming the Over-Allotment Option is exercised in full).

PLAN OF DISTRIBUTION

Under an agreement (the ''Underwriting Agreement'') dated May 8, 2001, among Yorkton Securities Inc., National Bank Financial Inc., CIBC World Markets Inc. and RBC Dominion Securities Inc. (collectively, the ''Underwriters'') and COGNICASE, COGNICASE has agreed to sell and the Underwriters have agreed to purchase on May 23, 2001, or on such other date as may be agreed upon, but in any event not later than June 19, 2001 (the ''Closing Date''), subject to the terms and conditions contained therein, and the approval of certain legal matters, all but not less than all of the 3,500,000 Common Shares subject to this Offering for a total consideration of $28,875,000 payable to COGNICASE against delivery of such Common Shares. In consideration of their services under the Underwriting Agreement, COGNICASE has agreed to pay to the Underwriters a fee in the aggregate amount of $1,588,125 ($0.45375 per share).

Pursuant to the Underwriting Agreement, the obligations of the Underwriters are several and not joint and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all the Common Shares if any of the Common Shares are purchased under the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Corporation has agreed to indemnify the Underwriters and their agents, advisors, shareholders, directors, officers and employees against certain liabilities.

The Corporation has granted the Underwriters an option, exercisable for a period of 30 days from the Closing Date, enabling them to purchase the Over-Allotment Shares at the offering price to the public to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total offering price to the public, the Underwriters' fee and the net proceeds to the Corporation will be $33,206,250, $1,826,343.75 and $31,379,906.25. This prospectus qualifies the distribution of the Over-Allotment Option and the Over-Allotment Shares.

COGNICASE has agreed in favour of the Underwriters that, for a period of 60 days from the Closing Date, it will not issue or sell any common shares of Cognicase or securities convertible into or exchangeable or exercisable for common shares of Cognicase, except for issuances of securities: (a) under the Corporation's stock option plan and employee share purchase plans or (b) as payment in full or in part of the purchase price of any acquisition by the Corporation, or (c) to a strategic investor in the context of a private placement, without the prior consent of Yorkton Securities Inc., which consent shall not be unreasonably withheld.

Pursuant to policy statements of the *Commission des valeurs mobilières du Québec* and the Ontario Securities Commission, the Underwriters may not, throughout the period of distribution, bid for or purchase common shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the common shares. Such exceptions include a bid or purchase permitted under the by-laws and rules of the TSE relating to market stabilisation and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing, pursuant to this Offering, the Underwriters may over-allot common shares or effect transactions intended to stabilise or maintain the market price of the common shares at a higher level than that which might otherwise prevail on the open market. Such transactions may be commenced or discontinued at any time during this Offering. The Corporation has applied to list the Common Shares under this short form prospectus on the TSE and on Nasdaq. Listing will be subject to the Corporation fulfilling all the listing requirements of the TSE and Nasdaq.

The Common Shares have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the "U.S. Securities Act") or any state securities law, and accordingly, except in certain transactions exempt from such registration, the Common Shares offered hereby may not be offered or sold within the United States, or to, or for the account or benefit of a U.S. person, as such term is defined in Regulation S under the U.S. Securities Act. Each Underwriter has agreed that, except in accordance with the terms of the Underwriting Agreement and the terms of such exemptions, it will not offer, sell or deliver Common Shares within the United States or any territories or possessions thereof or to, or for the account or benefit of any U.S. person. This preliminary short form Canadian prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Common Shares in the United States. In addition, until 40 days after the commencement of this Offering, an offer or sale of the Common Shares within the United States, or to, or for the account or benefit of a U.S. person, by any dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act.

QUEBEC STOCK SAVINGS PLAN

The Corporation confirms that:

(a) the Common Shares to be issued by the Corporation will be eligible for inclusion in a stock savings plan under the current provisions of the *Taxation Act* (Québec) (the "TAQ"), subject to certain conditions set forth therein;

(b) the Common Shares to be issued by the Corporation will allow an individual (other than a trust), who is a resident of Québec on December 31, 2001, to deduct, in the calculation of his taxable income for Quebec income tax purposes for the 2001 taxation year, 100% of the acquisition cost (excluding borrowing costs, brokerage or custody fees or other similar fees) of these Common Shares acquired as a first purchaser during the 2001 taxation year and included in a stock savings plan no later than January 31, 2002, subject to compliance with certain conditions set forth in the TAQ; and

(c) if a major portion of the proceeds of this offering is used to acquire shares or other negotiable instruments issued by other corporations, any such corporation will be, immediately after such acquisition, a directly or indirectly controlled subsidiary of the Corporation, and its activities will have commercial possibilities directly linked with those of the Corporation.

The deduction that an individual may claim for the 2001 taxation year under a stock savings plan may not exceed 10% of such individual's total income (as defined in the TAQ).

An individual who includes a Common Share in a stock savings plan and who withdraws such share from the plan, in particular, by selling it, before the end of the second taxation year following the year of acquisition of the share, may have to include an amount in the calculation of his income for the year of this withdrawal.

This text is only a summary and prospective purchasers are advised to consult their own tax advisors regarding the Québec stock savings plan.

RISK FACTORS

Investing in the Common Shares of the Corporation involves certain risks. Reference is made to the risk factors disclosed in Management's Discussion and Analysis of the Corporation for the year ended September 30, 2000 as well as those referred to under the section captioned "Trends, Risks and Risk Management" at page 19 of the Corporation's Renewal Annual Information Form dated February 16, 2001. These factors include risks relating to competition, risks relating to fluctuations in the value of the Canadian dollar relative to foreign currencies, risks relating to the fact that the Corporation generates a significant portion of its revenues from its contractual arrangements with the National Bank and risks relating to the ability of the Corporation to continue to attract, retain, train and motivate qualified personnel at all levels of the organization.

ELIGIBILITY FOR INVESTMENT

In the opinion of Ogilvy Renault, counsel to COGNICASE, and Fraser Milner Casgrain LLP, counsel to the Underwriters, based on legislation in effect at the date hereof and subject to compliance with the prudent investment standards and general investment provisions and restrictions of the following statutes (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies or goals, an investment in the Common Shares would not, if issued at the date hereof, be precluded under the following statutes:

Insurance Companies Act (Canada);
Pension Benefits Standards Act, 1985 (Canada);
Trust and Loan Companies Act (Canada);
An Act respecting insurance (Québec), for an insurer, as defined therein, incorporated under the laws of the Province of Québec, other than a guarantee fund corporation;
An Act respecting trust companies and savings companies (Québec), for a trust company, as defined therein, which invests its own funds and funds received as deposits and a savings company (as defined therein) investing its funds;
Supplemental Pension Plans Act (Québec) for an insured plan as defined therein;
Loan and Trust Corporations Act (Ontario); and
Pension Benefits Act (Ontario).

In addition, in the opinion of such counsel, the Common Shares if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans and will not, on the date of issue, constitute foreign property for the purposes of the Tax Act.

LEGAL MATTERS

Certain legal matters in respect of the Common Shares will be passed upon by Ogilvy Renault on behalf of COGNICASE and by Fraser Milner Casgrain LLP on behalf of the Underwriters. The Right Honourable Brian Mulroney, P.C., C.C., a senior partner of Ogilvy Renault, is a director of COGNICASE. On May 4, 2001, the partners and associates of each of Ogilvy Renault and Fraser Milner Casgrain LLP beneficially owned, directly or indirectly, as a group less than 1% of common shares of COGNICASE.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of COGNICASE are PricewaterhouseCoopers LLP, Chartered Accountants, Montréal, Québec.

The registrar and transfer agent for the Common Shares is General Trust of Canada at its principal offices in Montréal and Toronto.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment to the prospectus. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

COMPILATION REPORT ON
PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS (LOSS)

To the Directors of COGNICASE Inc.

We have reviewed, as to compilation only, the accompanying pro forma consolidated statement of earnings (loss) of COGNICASE Inc. for the year ended September 30, 2000. The pro forma consolidated statement of earnings (loss) has been prepared for inclusion in the short-form prospectus related to the public offering of 3,500,000 common shares by COGNICASE Inc. In our opinion, the pro forma consolidated statement of earnings (loss) has been properly compiled giving effect to the assumptions described in the notes thereto.

Montreal, Quebec
May ● , 2001

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Chartered Accountants

COGNICASE INC.

PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS (LOSS)

For the year ended September 30, 2000
(Unaudited — See compilation report)
(in thousands of U.S. dollars, except share and per share data)

Pro Forma Consolidated Statement of Earnings (Loss)

The following pro forma statement of earnings (loss) of COGNICASE Inc. for the year ended September 30, 2000, illustrates on a pro forma basis the effects of certain transactions more fully described elsewhere herein and gives effect to significant assumptions described in the notes to the pro forma consolidated statement of earnings (loss).

	COGNICASE Inc. Consolidated Year ended September 30, 2000	SIBN Inc. Consolidated 7 months ended May 31, 2000	Pro Forma adjustments	Note	Pro Forma Consolidated Year Ended September 30, 2000
	(note 1 a))	(note 1 b))			
Revenues	192,072	38,864	6,258	2c), 2d)	237,194
Operating expenses					
Direct costs and selling and administrative expenses	175,255	37,047	7,823	2c), 2d)	220,125
Research and development, net of tax credits	8,767	431	158		9,356
	184,022	37,478	7,981		229,481
Earnings (loss) from operations before the undernoted	8,050	1,386	(1,723)		7,713
Financial expenses	72	201	111	2d)	384
Loss on foreign exchange	1,143	—	—		1,143
Other expenses (income)	(52)	1,011	144	2d)	1,103
Amortization of capital and other assets	3,460	1,891	(911)	2b), 2d)	4,440
	4,623	3,103	(656)		7,070
Earnings (loss) before income taxes and amortization of goodwill	3,427	(1,717)	(1,067)		643
Provision for income taxes	1,208	(441)	(256)	2b), 2c), 2d)	511
Earnings (loss) before amortization of goodwill	2,219	(1,276)	(811)		132
Amortization of goodwill (net of future income taxes of $480)	10,007	65	4,565	2a), 2d)	14,637
Net loss	(7,788)	(1,341)	(5,376)		(14,505)
Earnings (loss) per share (in U.S. dollars)					
Earnings before amortization of goodwill, basic and diluted	0.12			2e)	0.01
Net loss, basic and diluted	(0.41)			2e)	(0.57)
Weighted average number of shares outstanding					
Basic	19,172,817			2e)	25,358,337
Diluted	20,871,015			2e)	27,056,535

COGNICASE INC.

NOTES TO PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS (LOSS)

For the year ended September 30, 2000
(Unaudited — See compilation report)
(In thousands of U.S. dollars, except share and per share data and as otherwise noted)

1. BASIS OF PRESENTATION

On May 31, 2000 COGNICASE Inc. ("COGNICASE") acquired 100% of SIBN inc. ("SIBN") from National Bank of Canada ("National Bank") for a cash consideration of CA$3,654,520 (US$2,439,471), a balance of purchase price of CA$1,300,000 (US$868,000) and the issuance of 8,491,008 common shares valued at CA$220,766,208 (US$147,383,520). In addition, on this same date, National Bank subscribed to 800,000 common shares of COGNICASE in exchange for cash in the amount of CA$20,000,000. The accompanying pro forma consolidated statement of earnings (loss) for the year ended September 30, 2000 of COGNICASE has been prepared from information provided by management to give effect to the acquisition of SIBN and the subscription to common shares, as described elsewhere herein, as if these transactions had taken place on October 1, 1999 and on the basis of the assumptions described in note 2 below. The pro forma consolidated statement of earnings (loss) of COGNICASE has been prepared from the following:

a) The audited consolidated statement of earnings (loss) of COGNICASE for the year ended September 30, 2000, prepared under Canadian generally accepted accounting principles ("GAAP");

b) The audited consolidated statement of earnings (loss) of SIBN for the seven months ended May 31, 2000, in Canadian dollars, prepared in accordance with Canadian GAAP, translated to U.S. dollars using the average exchange rate for the year ended September 30, 2000 of CA$1.00 = U.S.$0.6794, and reclassified in order to conform to the COGNICASE financial statement presentation.

The pro forma consolidated statement of earnings (loss) is not intended to reflect the results of operations of COGNICASE which would have actually resulted had the acquisition and pro forma adjustments been effected on the dates indicated. Further, the pro forma consolidated statement of earnings (loss) is not necessarily indicative of results which may be attained in the future.

2. PRO FORMA ASSUMPTIONS RELATING TO SIBN

a) Acquisition of SIBN and goodwill amortization

The acquisition has been accounted for using the purchase method in the accompanying statement of earnings (loss). For the purposes of the pro forma statement of earnings (loss) for the year ended September 30, 2000, the purchase price has been allocated as follows:

Purchase Price	150,691
Net identifiable assets acquired	12,059
Goodwill	138,632

The purchase price and net identifiable assets acquired have been translated at the exchange rate prevailing on May 31, 2000 of CA$1.00 = U.S.$0.6676. The goodwill is being amortized on a straight-line basis over a period of twenty years resulting in an annual amortization expense of CA$10,382,844 (US$6,931,600). The pro forma statement of earnings (loss) reflects an adjustment in order to provide for additional amortization of goodwill during the period from October 1, 1999 to May 31, 2000. The pro forma statement of earnings (loss) also reflects adjustments made to account for business acquisitions effected by SIBN, prior to the date of acquisition by COGNICASE, as if such acquisitions had occurred on October 1, 1999.

b) Deferred charges:

The balance sheet of SIBN as at the date of acquisition included deferred charges, for which no value has been attributed in the purchase price allocation. The pro forma statement of earnings (loss) reflects adjustments to eliminate the amortization of these deferred charges.

c) Elimination of inter-company transactions:

For the purposes of the pro forma consolidated statement of earnings (loss), adjustments have been effected to the results of SIBN and COGNICASE in order to remove the effects of transactions between the two companies during the period from October 1, 1999 to May 31, 2000.

2. PRO FORMA ASSUMPTIONS RELATING TO SIBN (Continued)

d) Realignment of SIBN Year End

Prior to the acquisition of SIBN by COGNICASE, the fiscal year end of SIBN was October 31. For purposes of the pro forma statement of earnings (loss), adjustments have been made to the results of SIBN in order to add the results of SIBN for the one month period ended October 31, 1999. These results have been translated into U.S. dollars using the average exchange rate for the year ended September 30, 2000 as disclosed elsewhere herein.

e) Earnings per share

The basic and diluted weighted average number of shares outstanding have been adjusted to reflect the issuance of the common shares issued to National Bank in connection with the acquisition of SIBN and the subscription described above as of October 1, 1999. Basic and diluted earnings (loss) per share figures have been adjusted accordingly.

SIBN INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2000

AUDITORS' REPORT

To the Shareholder of
SIBN INC.

We have audited the interim consolidated balance sheet of SIBN Inc. as at May 31, 2000 and the interim consolidated statements of earnings, retained earnings and cash flows for the seven-month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these interim consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Montréal
July 12, 2000

(Signed) Raymond Chabot Grant Thornton
Chartered Accountants

SIBN INC.

CONSOLIDATED EARNINGS

For the seven-month period ended May 31, 2000
(in thousands of dollars)

	2000-05-31 (7 months)	1999-10-31 (12 months)
Sales	$57,559	$90,360
Operating expenses	48,082	72,154
Earnings after operating expenses	9,477	18,206
Administrative expenses	5,756	5,265
Marketing expenses	3,949	2,714
Amortization of prepaid royalties	490	840
Loss on disposal of investments	1,812	
	12,007	8,819
Earnings (loss) before the following items	(2,530)	9,387
Amortization of goodwill	(95)	(13)
Interest in earnings (loss) of companies subject to significant influence	(334)	300
Non-controlling interest	337	
Earnings (loss) before income taxes	(2,622)	9,674
Income taxes		
Current (recovered)	(1,789)	2,540
Deferred	1,140	977
	(649)	3,517
Net earnings (loss)	$(1,973)	$ 6,157

The accompanying notes are an integral part of the interim consolidated financial statements.

SIBN INC.

CONSOLIDATED RETAINED EARNINGS

For the seven-month period ended May 31, 2000
(in thousands of dollars)

	2000-05-31 (7 months)	1999-10-31 (12 months)
Balance, beginning of period	$ 8,456	$2,299
Net earnings (loss)	(1,973)	6,157
Balance, end of period	$ 6,483	$8,456

The accompanying notes are an integral part of the interim consolidated financial statements.

SIBN INC.

CONSOLIDATED CASH FLOWS

For the seven-month period ended May 31, 2000
(in thousands of dollars)

	2000-05-31 (7 months)	1999-10-31 (12 months)
OPERATING ACTIVITIES		
Net earnings (loss)	$(1,973)	$ 6,157
Dividends received from a company subject to significant influence		97
Non-cash items		
Non-controlling interest	(337)	
Interest in earnings (loss) of companies subject to significant influence	334	(300)
Loss on disposal of investments	1,812	
Depreciation of fixed assets	1,219	1,249
Amortization of prepaid royalties	490	840
Amortization of development expenses	1,074	661
Amortization of goodwill	95	13
Deferred income taxes	1,140	977
Changes in working capital items (Note 4)	(5,285)	(2,001)
Cash flows from operating activities	(1,431)	7,693
INVESTING ACTIVITIES		
Adjustment of non-controlling interest	52	
Adjustment of goodwill	(79)	
Acquisition of subsidiaries (Note 6)	(1,574)	(32)
Share investment in companies subject to significant influence		(2,043)
Share investment in a company	(600)	(10,080)
Advance to a company held by same shareholder		(900)
Advance to consortium joint-venturers	267	992
Other investments	257	(24)
Fixed assets	(2,244)	(2,691)
Development expenses	(1,330)	(3,111)
Receipt of balance of sale		133
Cash flows from investing activities	(5,251)	(17,756)
FINANCING ACTIVITIES		
Bank loans	(70)	7
Repayment of long-term debt	(480)	(398)
Long-term debt	445	
Advance to an affiliated company		1,094
Share issue		17,200
Cash flows from financing activities	(105)	17,903
Net increase (decrease) in cash	(6,787)	7,840
Cash, beginning of period	7,474	(366)
Cash, end of period	$ 687	$ 7,474

The accompanying notes are an integral part of the interim consolidated financial statements.

SIBN INC.

CONSOLIDATED BALANCE SHEET

May 31, 2000
(in thousands of dollars)

	2000-05-31	1999-10-31
ASSETS		
Current assets		
Cash	$ 687	$ 7,474
Accounts receivable (Note 7)	26,054	14,207
Inventories (Note 8)	731	208
Income taxes receivable	3,791	
Prepaid expenses	1,132	352
	32,395	22,241
Investments (Note 9)	12,142	19,500
Fixed assets (Note 10)	6,850	4,716
Other assets (Note 11)	14,802	10,846
	66,189	57,303
LIABILITIES		
Current liabilities		
Bank loans (Note 12)	1,352	
Accounts payable (Note 13)	23,726	15,968
Deferred income	945	962
Income taxes payable		709
Instalments on long-term debt	1,045	612
	27,068	18,251
Deferred credits	31	
Long-term debt (Note 14)	1,694	1,097
Deferred income taxes	2,620	1,480
	31,413	20,828
Non-controlling interest	902	628
	32,315	21,456
SHAREHOLDER'S EQUITY		
Capital stock (Note 15)	27,391	27,391
Retained earnings	6,483	8,456
	33,874	35,847
	$66,189	$57,303

The accompanying notes are an integral part of the interim consolidated financial statements.

SIBN INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2000

(The amounts in the tables are in thousands of dollars.)

1. GOVERNING STATUES AND NATURE OF OPERATIONS

The Company, incorporated under the Canada Business Corporations Act, provides consulting services regarding information systems as well as computer processing outsourcing services.

2. ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

The investments in which the Company exercises significant influence, without exceeding a 50% interest, are recorded at the equity value until the date of disposal.

These financial statements include the proportionate share of assets and liabilities, revenue and expenses of a joint venture (consortium) in which the Company holds an interest. This share is recorded using the proportionate consolidation method.

	Share	
	2000-05-31	1999-10-31
Assets and liabilities	50%	50%
Revenue and expenses	50%	50%

The consortium includes SIBN Inc. and Bell Canada.

Inventories
Inventories are valued at the lower of cost and net realizable value. Cost is determined according to the first in, first out method.

Goodwill
Goodwill represents the excess of the price paid over the value attributed to identifiable net assets obtained on the acquisition of subsidiaries and is amortized according to the straight-line method over a twenty-five-year period until 2025. The Company evaluates goodwill annually to determine whether a write-down should be recorded. For this purpose, the Company compares the results of operation for the year and projected results for future years based on operating budgets to the unamortized cost of goodwill.

Depreciation and amortization
Fixed assets are depreciated over their estimated useful lives according to the following methods, annual rates and periods:

	Method	Rate and period
Furniture and fixtures	Diminishing balance	20%
Computer equipment	Straight-line	3 and 5 years
Software	Straight-line	3 years
Research and development equipment	Diminishing balance	30%
Computer equipment under capital lease	Straight-line	3 years
Telephone system	Straight-line	5 years
Leasehold improvements	Straight-line	5 years

Other assets
The development expenses related to the development of a software template are amortized on a straight-line basis over a five-year period until 2004.

The deferred charges included in the development expenses related to payroll application development are amortized on a straight-line basis over a five-year period until 2004.

Prepaid royalties related to software licence usage cover a five-year period and are amortized over a five-year period until 2002.

Scientific research and experimental development expenses
Scientific research and experimental development expenses are expensed in the year incurred.

(The amounts in the tables are in thousands of dollars.)

2. ACCOUNTING POLICIES (Continued)

Deferred credits

The Company has negotiated a lease agreement which includes various incentives which are deferred and amortized on a straight-line basis over the lease term.

Income and work in process

Contract income is recorded under the percentage-of-completion method which includes profits proportionately with the degree of completion of work. Work in process is determined based on the proportion of work completed compared to the total projected cost. Losses are recorded once they can be estimated.

Government assistance

Government assistance in the form of subsidies and tax credits is accounted for when obtained and, in the case of tax credits, when there is reasonable certainty that they will be realized. Government assistance is applied against expenses for the year or capitalized assets.

3. INFORMATION INCLUDED IN THE STATEMENT OF EARNINGS

	2000-05-31 (7 months)	1999-10-31 (12 months)
Depreciation of fixed assets	$1,219	$1,249
Amortization of development expenses	1,074	661
Interest on long-term debt	103	112
Interest income	—	7

4. INFORMATION INCLUDED IN THE STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

	2000-05-31 (7 months)	1999-10-31 (12 months)
Accounts receivable	$(4,602)	$ 1,528
Inventories	(338)	56
Prepaid expenses	(503)	(251)
Income taxes receivable	(3,073)	
Accounts payable	3,957	(899)
Deferred income	(17)	(1,069)
Income taxes payable	(709)	(1,366)
	(5,285)	(2,001)

Cash flows relating to interest and income taxes in respect of operating activities are detailed as follows:

	2000-05-31 (7 months)	1999-10-31 (12 months)
Interest paid	$ 84	$ 59
Income taxes paid	2,206	3,864

5. ACQUISITION OF A COMPANY UNDER COMMON CONTROL AND CORPORATE REORGANIZATION

On November 1, 1999, the Company acquired from the parent company all of the outstanding shares of SIBN Calculus Inc. for a total consideration of $3,989,952 payable from the issuance of 3,989,952 class "A" common shares. Subsequently, on the same date, the companies merged under the name SIBN Inc. This merger has been accounted for using the continuity of interests method, a method which is similar to the pooling of interests method. Under this method, the various assets and liabilities have been accounted for at the carrying amount of the merged companies.

(The amounts in the tables are in thousands of dollars.)

6. ACQUISITIONS AND DISPOSALS OF ENTERPRISES

On December 14, 1999, the Company acquired control of 9059-9390 Québec Inc., which controls Nova Expertise Solutions Inc., a company operating in computer technology, through the purchase of 2,120,000 outstanding class "A" shares, of which 1,000,000 are held by the parent company, for a total consideration of $2,499,900 in cash and $80,000 in related expenses. This acquisition has been accounted for using the purchase method. As a result of this takeover, the Company holds 60.48% of the class "A" common voting shares. The results of this company have been consolidated from the acquisition date.

On February 14, 2000, the Company acquired control of Acmé Multimédia Inc. for a consideration composed of a new share subscription for $650,000 in cash and $63,000 in related expenses. This acquisition has been accounted for using the purchase method. As a result of this takeover, the Company holds 54.72% of the common voting shares. The results of this company have been consolidated from the acquisition date.

On February 18, 2000, the Company acquired control of Méga-Sciences Inc. for a consideration composed of a new share subscription for $575,000, including $194,913 which had already been paid as advances and $380,087 in cash and $88,000 in related expenses. This acquisition has been accounted for using the purchase method. As a result of this takeover, the Company holds 80% of the class "A" voting shares. The results of this company have been consolidated from the acquisition date.

On April 13, 2000, the Company acquired from the parent company's shareholder class "E" and "F" shares of Calculus 1997 Inc. for a cash consideration of $150. This transaction has been accounted for at the carrying amount. Moreover, on May 31, 2000, the Company acquired control of this same company through the acquisition of 100 class "F" shares. This acquisition has been accounted for using the purchase method. As a result of this takeover, the Company holds 100% of the class "F" voting shares. The results of this company have been consolidated from the acquisition date.

The net assets acquired are detailed as follows:

	Méga-Sciences Inc.	Acmé Multimédia Inc.	Calculus 1997 Inc.	Nova Expertise Solution	Total
Current assets	$ 84	$ 575	$ 2,559	$ 1,707	$ 4,925
Accounts receivable	(1,435)	(1,184)	(2,403)	(203)	(5,225)
Working capital (deficiency) assumed	(1,351)	(609)	156	1,504	(300)
Fixed assets	141	200	94	375	810
Balance of sale			62		62
Deferred credits		(31)			(31)
Long-term debt	(292)	(186)		(288)	(766)
Goodwill	1,690	1,197	573	748	4,208
Non-controlling interest				(559)	(559)
	188	571	885	1,780	3,424
Share investment	(100)	(600)	(1,150)		(1,850)
	88	(29)	(265)	1,780	1,574
Cash disbursements		50		1,700	1,750
Cash for related expenses	88	63		80	231
Cash acquired		(142)	(265)		(407)
	88	(29)	(265)	1,780	1,574

On May 31, 2000, the Company disposed of the class "A", "B" and "G" shares which it held in Larochelle-Gratton Inc. for $3,500,000. This amount is receivable in five $700,000 instalments. Subsequently, the $2,800,000 amount receivable was transferred to the parent company. This disposal has been accounted for at the exchange amount which is equivalent to the fair value and is detailed as follows:

Disposal price	$ 3,500,000
Equity value as at May 31, 2000	(5,495,927)
Loss on disposal of investment	(1,995,927)

(The amounts in the tables are in thousands of dollars.)

6. ACQUISITIONS AND DISPOSALS OF ENTERPRISES (Continued)

On May 31, 2000, the Company disposed of the shares of TouchNet Canada Inc. to the parent company for a note receivable bearing interest at a rate equal to the return on the shares for a total amount of $2,000,000 receivable as of May 31, 2001. This disposal has been accounted for at the exchange amount and is detailed as follows:

Disposal price	$ 2,000,000
Equity value as at May 31, 2000	(1,816,531)
Gain on disposal of investment	$ 183,469

7. ACCOUNTS RECEIVABLE

	2000-05-31	1999-10-31
Trade accounts		
Parent company	$ 7,612	$ 6,519
Companies held the same shareholder	405	1,643
Consortium	559	229
Other	13,271	5,430
Dividends receivable	707	386
Balance of sale receivable on disposal of investment	3,500	
	$26,054	$14,207

8. INVENTORIES

	2000-05-31	1999-10-31
Computer equipment	$546	$ 82
Work in process	185	126
	$731	$208

9. INVESTMENTS

	2000-05-31	1999-10-31
Share investments		
TouchNet Canada Inc., company subject to significant influence	$	$ 1,930
Larochelle-Gratton Inc., company subject to significant influence		5,716
Technologies Multipart'nr (TMI) Inc., preferred share investment, at cost	10,080	10,080
Méga-Sciences Inc., at cost		100
Calculus 1997 Inc., preferred shares investment, at cost		1,150
Note receivable, bearing interest at a rate equal to the return on shares and receivable as of May 31, 2001	2,000	
Advances to consortium joint-venturers, without interest or repayment terms		267
Balance of sale receivable, without interest, maturing in 2001	62	
Other		257
	$12,142	$19,500

Subsequent to the disposal of an investment, the Company may receive a conditional consideration based on the future earnings of the disposed investment. The maximum amount of this consideration is about $2,000,000.

(The amounts in the tables are in thousands of dollars.)

9. INVESTMENTS (Continued)

The amortization of goodwill included in the value of investments in companies subject to significant influence is $193,106 for the period ended May 31, 2000 ($120,000 as at October 31, 1999).

10. FIXED ASSETS

	2000-05-31		
	Cost	Accumulated depreciation	Net
Furniture and fixtures	$ 632	$ 200	$ 432
Computer equipment	5,062	3,348	1,714
Software	3,949	1,142	2,807
Research and development equipment	113	55	58
Leasehold improvements	178	24	154
Telephone system	188	42	146
Computer equipment under a capital lease[a]	2,424	885	1,539
	$12,546	$5,696	$6,850

	1999-10-31		
	Cost	Accumulated depreciation	Net
Furniture and fixtures	$ 162	$ 62	$ 100
Computer equipment	4,988	2,819	2,169
Software	1,991	635	1,356
Leasehold improvements	35		35
Telephone system	92	2	90
Computer equipment under a capital lease	1,127	161	966
	$8,395	$3,679	$4,716

[a] Acquisition of $298,000 ($1,127,000 as at October 31, 1999) during the year for obligations related to leased computer equipment.

11. OTHER ASSETS

	2000-05-31		
	Cost	Accumulated amortization	Net
Development expenses	$10,757	$4,063	$ 6,694
Prepaid royalties	4,200	2,170	2,030
Goodwill	6,186	108	6,078
	$21,143	$6,341	$14,802

	1999-10-31		
	Cost	Accumulated amortization	Net
Development expenses	$ 7,236	$ 798	$ 6,438
Prepaid royalties	4,200	1,680	2,520
Goodwill	1,901	13	1,888

(The amounts in the tables are in thousands of dollars.)

11. OTHER ASSETS (Continued)

1999-10-31		
Cost	Accumulated amortization	Net
$13,337	$2,491	$10,846

12. BANK LOANS

Bank loans of the Company and its subsidiaries are as follows:

	2000-05-31					1999-10-31
	SIBN Inc.	ACME Multimédia Inc.	Nova Expertise Solutions Inc.	Méga-Sciences Inc.	Total	Total
Bank loan	$285[a]	$428[b]	$487[c]	$27	$1,227	$
Demand loan		125[b]			125	
	$285	$553	$487	$27	$1,352	$ —

[a] The authorized amount of the SIBN Inc. from its shareholder is $7,000,000, i.e. $6,000,000 without interest for the issue of letters of guarantee and $1,000,000 bearing interest at 2% for tender deposits. Bank loans are payable on demand and are renegociable on June 30, 2000.

[b] The bank loans bear interest at prime rate plus 2%. As at May 31, 2000, the prime rate is 7.5%. The demand loan from Business Development Bank of Canada is non-interest bearing.

[c] The authorized bank loan is $625,000, is renegotiable annually and bears interest at the prime rate plus 1.75%. The demand loan bears interest at the prime rate plus 2%. As at May 31, 2000, the prime rate is 7.5%. The short and long-term bank loans are secured by a first-ranking movable hypothec of $2,110,000 on the universality of present and future movables, including intangible property.

13. ACCOUNTS PAYABLE

	2000-05-31	1999-10-31
Trade accounts		
Parent company	$ 4,834	$ 4,888
Companies held by same shareholder		252
Companies subject to significant influence		118
Other	6,554	6,230
Bonus payable	2,030	1,397
Accrued liabilities		
Parent company	3,486	
Companies held by same shareholder		192
Companies subject to significant influence		471
Other	6,822	2,420
	$23,726	$15,968

(The amounts in the tables are in thousands of dollars.)

14. LONG-TERM DEBT

	Current portion	2000-05-31	1999-10-31
Term loan, prime rate plus 2.25%, payable in monthly instalments of $12,700, principal only, maturing in February 2001	$ 152	$ 278	$
Bank loan secured by a first movable hypothec on the universality of all movable, tangible and intangible, present and future property, prime rate plus 4%, payable in monthly instalments of $7,768, principal only, maturing in July 2002	94	221	
Movable hypothec, prime rate plus 0.5%, secured by the universality of all movable, tangible and intangible, present and future property, payable in monthly instalments of $8,854 as of April 2001, principal only, maturing in March 2005	18	425	
Bank loan, secured, variable rate, payable in monthly instalments of $813, principal only, maturing in August 2001	10	13	
Contribution granted by Economic Development Canada, without interest, payable in four equal and consecutive annual instalments starting in November 2004		100	
Term loan, prime rate plus 2%, secured by the federal government and by a movable hypothec on equipment, payable in monthly instalments of $933, principal only, maturing in February 2002	11	18	
Term loan, prime rate plus 2.5%, secured by the federal government and by a movable hypothec on equipment, payable in monthly instalments of $1,188, principal only, maturing in September 2001	14	18	
Term loan in connection with a business start-up investment, prime rate plus 1.75%, secured by Investissement Québec and by a movable hypothec on equipment, payable in monthly instalments of $597, principal only, maturing in September 2002	7	17	
Term loan in connection with a business start-up investment, prime rate plus 1.75%, secured by Investissement Québec and by a movable hypothec on equipment, payable in monthly instalments of $694, principal only, maturing in October 2002	8	19	
Obligations under leased computer equipment, interest rates varying between 7.5% and 9.9%, payable in monthly instalments varying between $6,484 and $11,130, maturing on various dates until 2002	731	1,630	1,709
		2,739	1,709
Instalments due within one year	1,045	1,045	612
	$	$1,694	$1,097

The instalments on long-term debt in the next five years are as follows:

	Obligations under capital leases	Other loans
2001	$ 847	$314
2002	809	269
2003	141	54
2004		18
2005		43
Total minimum lease payments	1,797	
Interest expense included in minimum lease payments	167	
	$1,630	

(The amounts in the tables are in thousands of dollars.)

15. CAPITAL STOCK

Authorized

Unlimited number of shares without par value

Class “A” voting and participating common shares

Class “B” non-voting and non-participating shares, redeemable at a price determined by the directors Class “B”, series 1 non-voting and non-participating shares, fixed non-cumulative dividend of 8%, retractable at the fair market value of the consideration received upon issuance

Class “B”, series 2 non-voting and non-participating shares, fixed non-cumulative dividend of 8%, redeemable at the fair market value of the consideration received upon issuance

	2000-05-31	1999-10-31
Issued and fully paid		
27,210,052 class “A” common shares (23,220,100 in 1999)	$27,391	$27,391
700 class “B” series 1 shares	[a]	
	$27,391	$27,391

[a] On May 24, 2000, the Company issued 700 class “B” series 1 shares in exchange for the rights and economic benefits from an agreement. This transaction was recorded at the carrying amount of $1.

As at November 1, 1999, the Company issued 3,989,952 class “A” common shares for shares of SIBN Calculus Inc.

16. RELATED PARTY TRANSACTIONS

	2000-05-31 (7 months)	1999-10-31 (12 months)
Revenue		
Fees billed to parent company	$35,375	$67,644
Fees billed to companies held by same shareholder	—	—
Fees billed to consortium	—	560
Expenses — parent company		
Salaries and employee benefits	27,139	33,021
Rental expenses	969	1,436
Direct expenses	5,212	9,850
Indirect expenses	888	1,312
Other	451	687
Expenses — companies subject to significant influence	—	3,783

These transactions were carried out in the normal course of business and are measured at the exchange amount.

17. COMMITMENTS

The Company has agreed to pay a maximum amount of 1,040,072 in royalties until June 6, 2003 to the Confédération des caisses populaires et d’économie Desjardins du Québec following the latter’s withdrawal from the joint venture. As at May 31, 2000, the royalties paid in this regard amount to $580,112, of which the amount payable is $45,020.

(The amounts in the tables are in thousands of dollars.)

17. COMMITMENTS (Continued)

Subsidiaries of the Company have entered into long-term leases expiring until 2006 which call for lease payments of $1,102,178. Minimum lease payments for the next five years are as follows:

2001	$ 261,769
2002	262,696
2003	255,313
2004	134,025
2005	113,025
	$1,026,828

Under the terms of a debt security agreement, a subsidiary of the Company as agreed to pay a $82,000 bonus based on sales, payable no later than December 31, 2004.

18. PARTICIPATION IN THE JOINT VENTURE

The Company holds the following proportionate share of the assets, liabilities, earnings and cash resources relating to its interest in the joint venture:

	2000-05-31 (7 months)	1999-10-31 (12 months)
Current assets	$3,162	$2,529
Long-term assets	29	46
Current liabilities	2,642	2,079
Sales	867	1,097
Operating expenses	406	878
Net earnings	461	219
Cash flows from operating activities	461	219

19. SUBSEQUENT EVENTS

On July 5, 2000, the Company acquired 2,900,000 class "A" voting shares of Méga-Science Inc. for a cash consideration of $1. As a result of this transaction, the Company holds all of the voting shares.

20. LATENT TAX BENEFITS

Subsidiaries of the Company have sustained unrecorded losses for tax purposes which are available to reduce taxable income in future years. Theses losses are allocated as follows:

Cyberpro Technologies

	Federal	Provincial
2003	$ 86,085	$ 86,085
2004	329,152	14,557
2005	$696,616	$ 696,616

For tax purposes, the Company deferred research and development expenses amounting to $262,490 for federal purposes and $504,405 for provincial purposes which are available to be deducted in future years.

Moreover, the Company has unused federal research and development tax credits amounting to $898,214 maturing in 2007. The Company has claimed $59,332 as refundable provincial tax research and development tax credits for 1998. These two amounts have not been recorded in the financial statements.

(The amounts in the tables are in thousands of dollars.)

20. LATENT TAX BENEFITS (Continued)

Calculus 1997 Inc.
Loss carry-overs for which the tax benefit has not been recorded amount to $325,513 for provincial purposes and $322,513 for federal purposes. The Company can avail itself of the tax benefit arising from these loss carry-overs until 2004.

The tax benefit has not been recorded.

Nova Expertise Solutions Inc.
The Company has accrued loss carry-overs for federal and provincial purposes amounting to $3,120,000 and $3,413,000 respectively. These losses are available to reduce future taxable income and expire as follows:

	Federal	Provincial
2004	$2,735,000	$2,900,000
2005	385,000	513,000
	$3,120,000	$3,413,000

Méga-Sciences Inc.
Losses for tax purposes which are available to reduce future taxes amount to $1,433,590 for federal purposes and $542,179 for provincial purposes as at December 31, 1999. The Company can avail itself of the tax benefit arising from these loss carry-overs as follows:

	Federal	Provincial
2000	$ 53,938	$
2001	86,556	
2002	351,387	
2003	349,052	
2004	592,657	542,179
	$1,433,590	$542,179

SIBN Inc.

Consolidated Financial Statements
October 31, 1999

AUDITORS' REPORT

To the Shareholder of
SIBN Inc.

We have audited the consolidated balance sheet of SIBN Inc. as at October 31, 1999 and the consolidated statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Montréal
December 3, 1999

(Signed) Raymond Chabot Grant Thornton
Chartered Accountants

SIBN INC.

CONSOLIDATED EARNINGS

Year ended October 31, 1999
(In thousands of dollars)

	1999	1998
Sales	$85,276	$62,982
Operating expenses	68,168	51,140
Earnings after operating expenses	17,108	11,842
Administrative expenses	4,605	2,633
Marketing expenses	2,469	2,099
Amortization of prepaid royalties	840	840
	7,914	5,572
Earnings before interest in earnings of companies subject to significant influence	9,194	6,270
Interest in earnings of companies subject to significant influence	300	(18)
Earnings before income taxes	9,494	6,252
Income taxes		
Current	2,524	2,219
Deferred	959	426
	3,483	2,645
Net earnings	$ 6,011	$ 3,607

The accompanying notes are an integral part of the consolidated financial statements.

SIBN INC.

CONSOLIDATED RETAINED EARNINGS

Year ended October 31, 1999
(In thousands of dollars)

	1999	1998
Balance, beginning of year	$3,754	$ 147
Net earnings	6,011	3,607
Balance, end of year	$9,765	$3,754

The accompanying notes are an integral part of the consolidated financial statements.

SIBN INC.

CONSOLIDATED CASH FLOWS

Year ended October 31, 1999
(In thousands of dollars)

	1999	1998
OPERATING ACTIVITIES		
Net earnings	$ 6,011	$ 3,607
Dividends received from a company subject to significant influence	97	
Non-cash items		
Interest in earnings of companies subject to significant influence	(300)	18
Depreciation of fixed assets	643	169
Amortization of development expenses	430	
Amortization of prepaid royalties	840	840
Amortization of goodwill	13	
Deferred income taxes	959	426
Changes in working capital items (Note 4)	(2,393)	3,991
Cash flows from operating activities	6,300	9,051
INVESTING ACTIVITIES		
Acquisition of a subsidiary (Note 5)	(32)	
Share investment of companies subject to significant influence	(2,043)	(5,805)
Preferred share investment	(10,080)	(100)
Advance to a company held by same shareholder	(900)	(200)
Advances to consortium joint-venturers	992	(1,259)
Other investments	(24)	(100)
Fixed assets	(1,042)	(732)
Development expenses	(2,485)	(3,211)
Prepaid royalties		(4,200)
Cash flows from investing activities	(15,614)	(15,607)
FINANCING ACTIVITIES		
Repayment of long-term debt	(145)	
Share issue	17,200	6,000
Cash flows from financing activities	17,055	6,000
Net increase (decrease) in cash	7,741	(556)
Cash (bank overdraft), beginning of year	(553)	3
Cash (bank overdraft), end of year	$ 7,188	$ (553)

The accompanying notes are an integral part of the consolidated financial statements.

SIBN INC.

CONSOLIDATED BALANCE SHEET

October 31, 1999
(In thousands of dollars)

	1999	1998
ASSETS		
Current assets		
Cash	$ 7,188	$
Accounts receivable (Note 7)	12,673	14,092
Prepaid expenses	101	
	19,962	14,092
Investments (Note 8)	19,317	7,446
Fixed assets (Note 9)	2,257	668
Other assets (Note 10)	9,674	6,571
	51,210	28,777
LIABILITIES		
Current liabilities		
Bank overdraft (Note 11)		553
Accounts payable (Note 12)	13,763	14,343
Deferred income	486	1,338
Income taxes payable	750	2,116
Instalments on long-term debt	322	
	15,321	18,350
Long-term debt (Note 13)	664	
Deferred income taxes	1,431	472
Non-controlling interest (Note 5)	628	
	18,044	18,822
SHAREHOLDER'S EQUITY		
Capital stock (Note 14)	23,401	6,201
Retained earnings	9,765	3,754
	33,166	9,955
	$51,210	$28,777

The accompanying notes are an integral part of the consolidated financial statements.

(The amounts in tables are in thousands of dollars.)

1. GOVERNING STATUES AND NATURE OF OPERATIONS

The Company, incorporated under the Canada Business Corporations Act, provides consulting services regarding information systems as well as computer processing outsourcing services.

2. ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary.

The investments in which the Company exercises significant influence, without exceeding a 50% interest, are recorded at the equity value.

The financial statements include the proportionate share of assets and liabilities, revenue and expenses of a joint venture (consortium) in which the Company holds an interest. This share is recorded using the proportionate consolidation method.

	Share	
	1999	1998
Assets and liabilities	50%	33%
Revenue and expenses	50%	33%

The consortium includes SIBN Inc. and Bell Canada (and the Confédération des caisses populaires et d'économie Desjardins du Québec in 1998).

Goodwill

Goodwill represents the excess of the price paid over the value attributed to identifiable net assets obtained on the acquisition of the subsidiary.

Depreciation and amortization

Fixed assets are depreciated over their estimated useful lives according to the following methods, annual rate and periods:

	Methods	Rate and periods
Computer equipment	Straight-line	3 years
Software	Straight-line	2 and 3 years
Furniture and fixtures	Diminishing balance	20%

Goodwill is amortized on a straight-line basis over a 25-year period.

Other assets

The development expenses related to the development of a software template are amortized on a straight-line basis over a five-year period until 2004.

The deferred charges included in the development expenses related to payroll application development will be amortized starting in 2000.

Prepaid royalties related to software licence usage cover a five-year period and are amortized over a five-year period until 2002.

(The amounts in tables are in thousands of dollars.)

3. INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF EARNINGS

	1999	1998
Amortization of goodwill	$ 13	$—
Depreciation of fixed assets	643	169
Amortization of development expenses	430	—
Amortization of prepaid royalties	840	840
Interest on long-term debt	45	—
Dividend income of companies subject to significant influence	483	—

4. INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

	1999	1998
Accounts receivable	$ 1,854	$(9,046)
Prepaid expenses	(88)	
Accounts payable	(1,941)	9,634
Deferred income	(852)	1,338
Income taxes payable	(1,366)	2,065
	$(2,393)	$ 3,991

Cash flows relating to interest and income taxes of operating activities are detailed as follows:

	1999	1998
Interest received	$6,807	$2,431
Interest paid	59	—
Income taxes paid	3,890	154

5. ACQUISITION OF A SUBSIDIARY

On September 3, 1999, the Company acquired control of Cyberpro Technologies Inc. by subscribing to new shares for $2,500,000 in cash and $51,000 of related expenses. This acquisition was recorded using the purchase method. Following the takeover, the Company holds 50.92% of common voting shares. The Company's earnings are consolidated from the acquisition date.

The net acquired assets are detailed as follows:

Accounts receivable	$ 49
Prepaid expenses	12
Accounts payable	(1,361)
Working capital deficiency assumed	(1,300)
Fixed assets	59
Goodwill	1,901
Non-controlling interest	(628)
	32
Cash for related expenses	51
Cash acquired	(19)
	$ 32

(The amounts in tables are in thousands of dollars.)

6. ACQUISITION OF AN ADDITIONAL INTEREST IN THE CONSORTIUM

On November 1, 1998, the Confédération des caisses populaires et d'économie Desjardins du Québec left the consortium but retained 33.33% of the earnings from stage 1, phase 1. Accordingly, the Company acquired an additional interest of 17% in the consortium.

The net assets acquired are detailed as follows:

Accounts receivable	$436
Contribution receivable from managing partners	209
Prepaid expenses	1
Fixed assets	32
	678
Accrued liabilities	35
Accounts payable	643
	678
	$—

7. ACCOUNTS RECEIVABLE

	1999	1998
Trade accounts		
Parent company	$ 6,519	$ 7,962
Companies held by same shareholder	1,643	3,702
Consortium	229	26
Other	3,896	2,402
Dividends receivable from a company subject to significant influence	386	
	$12,673	$14,092

8. INVESTMENTS

	1999	1998
Share investments		
TouchNet Canada Inc., company subject to significant influence, at equity value, representing 46.03% of voting rights[(a)]	$ 1,930	$
Larochelle-Gratton Inc., company subject to significant influence, at equity value, representing 25.34% of voting rights[(b)]	5,716	5,787
Technologies Multipart'nr (TMI) Inc., preferred share investment, at cost	10,080	
Méga-Science Inc., at cost, representing 1.3% of voting rights	100	100
Advance to a company held by same shareholder, without interest or repayment terms	1,100	200
Advances to consortium joint-venturers, without interest or repayment terms	267	1,259
Other[(c)]	124	100
	$19,317	$7,446

(a) The equity value includes goodwill of $1,324,154 representing the excess of the cost of the shares over the value attributed to the identifiable net assets of the company subject to significant influence at the acquisition date, which is amortized on a straight-line basis over a 25-year period until 2024.

(b) The equity value includes goodwill of $3,199,432 representing the excess costs of the shares over the value attributed to the identifiable net assets of the company subject to significant influence at the acquisition date, which is amortized on a straight-line basis over a 25-year period until 2023.

(The amounts in tables are in thousands of dollars.)

8. INVESTMENTS (Continued)

(c) Subsequent to the disposal of an investment, the Company may receive a conditional consideration based on the future earnings of the disposed investment. The maximum amount of this consideration is about $2,000,000.

The amortization of goodwill amounts to $120,057 for the year ended October 31, 1999 ($74,326 in 1998).

9. FIXED ASSETS

	1999		
	Cost	**Accumulated deprecation**	**Net**
Computer equipment	$ 405	$135	$ 270
Software	1,477	545	932
Furniture and fixtures	113	24	89
Computer equipment under capital leases[(a)]	1,127	161	966
	$3,122	$865	$2,257

	1998		
	Cost	**Accumulated deprecation**	**Net**
Computer equipment	$ 74	$ 30	$ 44
Software	772	148	624
	$846	$178	$668

(a) Acquired during the year in consideration for obligations relating to leased computer equipment.

10. OTHER ASSETS

	1999		
	Cost	**Accumulated amortization**	**Net**
Development expenses	$ 5,696	$ 430	$5,266
Prepaid royalties	4,200	1,680	2,520
Goodwill	1,901	13	1,888
	$11,797	$2,123	$9,674

	1998		
	Cost	**Accumulated amortization**	**Net**
Development expenses	$3,211	$	$3,211
Prepaid royalties	4,200	840	3,360
	$7,411	$840	$6,571

(The amounts in tables are in thousands of dollars.)

11. BANK LOAN

The authorized amount of the Company's bank loans from its shareholder is $7,000,000, $6,000,000 without interest for the issue of letters of guarantee and $1,000,000 bearing interest at 2% for tender deposits. Bank loans are payable on demand and are renegotiable on February 28, 2000.

12. ACCOUNTS PAYABLE

	1999	1998
Trade accounts payable		
Parent company	$ 4,888	$ 4,659
Companies held by same shareholder	252	819
Companies subject to significant influence	118	
Other	4,174	2,534
Bonus payable	1,248	994
Accrued liabilities		
Companies held by same shareholder	192	
Companies subject to significant influence	471	
Other	2,420	5,337
	$13,763	$14,343

13. LONG-TERM DEBT

	1999	1998
Obligations under computer equipment leases, at interest rates varying from 7.5% to 9.9%, payable in monthly instalments varying from $6,484 to $11,130, maturing on various dates until 2002	$986	$
Instalments due within one year	322	
	$664	$—

The instalments on long-term debt for the next years are as follows:

2000	$ 396
2001	396
2002	324
Total minimum lease payments	1,116
Interest expense included in minimum lease payments	130
	$ 986

14. CAPITAL STOCK

Authorized

Unlimited number of shares without par value

Class "A" voting and participating common shares

Class "B" non-voting and non-participating shares, redeemable at a price determined by the directors

Class "B", series 1 non-voting and non-participating shares, fixed non-cumulative dividend of 8%, retractable at the fair market value of the consideration received upon issuance

(The amounts in tables are in thousands of dollars.)

14. CAPITAL STOCK (Continued)

Class "B", series 2 non-voting and non-participating shares, fixed non-cumulative dividend of 8%, redeemable at the fair market value of the consideration received upon issuance.

	1999	1998
Issued and fully paid		
23,401,000 class "A" common shares (6,201,000 in 1998)	$23,401	$6,201

During the year, the Company issued 17,200,000 class "A" common shares for a cash consideration of $17,200,000.

15. RELATED PARTY TRANSACTIONS

	1999	1998
Revenue		
Fees billed to parent company	$65,017	$49,906
Fees billed to companies held by same shareholder	3,016	4,618
Fees billed to consortium	560	—
Expenses — parent company		
Salaries and employee benefits	32,970	23,040
Rental expenses	1,424	453
Direct expenses	7,117	9,083
Indirect expenses	1,312	1,866
Other	589	672
Expenses — companies subject to significant influence	3,783	963
Expenses — companies held by same shareholder	998	386
Acquisition of fixed assets	254	54
Computer equipment rental	444	57
Professional fees	184	198
Advertising	7	32

These transactions were carried out in the normal course of business and are measured at the exchange amount.

16. COMMITMENT

The Company has agreed to pay a maximum amount of $1,040,072 in royalties until June 6, 2003 to the Confédération des caisses populaires et d'économie Desjardins du Québec following the latter's withdrawal from the joint venture. As at October 31, 1999, the royalties paid in this regard amount to $255,152.

17. PARTICIPATION IN THE JOINT VENTURE

The Company holds the following proportionate share of the assets, liabilities, earnings and cash resources relating to its interest in the joint venture:

	1999	1998
Current assets	$2,529	$1,194
Long-term assets	46	64
Current liabilities	2,079	819
Sales	1,097	494
Operating expenses	878	922
Net earnings (loss)	219	(428)

18. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

19. SUBSEQUENT EVENTS

On November 1, 1999, the Company acquired all the voting shares of SIBN Calculus Inc. from the parent company in exchange for 3,989,952 class "A" common shares valued at $3,989,952. This transaction was measured at the carrying amount. Subsequently, the Company merged with its new subsidiary, SIBN Calculus Inc.

SIBN Inc.

Consolidated Financial Statements
October 31, 1998

AUDITORS' REPORT

To the Shareholder of
SIBN Inc.

We have audited the consolidated balance sheet of SIBN Inc. as at October 31, 1998 and the consolidated statements of earnings, retained earnings and changes in cash resources for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The accounts for the year ended October 31, 1997, shown for comparative purposes, were taken from unaudited financial statements.

Montréal
February 17, 1999

(Signed) Raymond Chabot Grant Thornton
Chartered Accountants

SIBN INC.

CONSOLIDATED EARNINGS

Year ended October 31, 1998
(In thousands of dollars)

	1998	Unaudited 1997
Sales	$62,982	$1,749
Operating expenses	51,140	1,462
Earnings after operating expenses	11,842	287
Administrative expenses	2,633	
Marketing expenses	2,099	
Amortization of prepaid royalties	840	
	5,572	—
Earnings before interest in net loss of company subject to significant influence	6,270	287
Interest in net loss of company subject to significant influence	(18)	
Earnings before income taxes	6,252	287
Income taxes		
Current	2,219	98
Deferred	426	11
	2,645	109
Net earnings	$ 3,607	$ 178

The accompanying notes are an integral part of the consolidated financial statements.

SIBN INC.

CONSOLIDATED RETAINED EARNINGS

Year ended October 31, 1998
(In thousands of dollars)

	1998	Unaudited 1997
Retained earnings, beginning of year	$ 147	$ (31)
Net earnings	3,607	178
Retained earnings, end of year	$3,754	$147

The accompanying notes are an integral part of the consolidated financial statements.

SIBN INC.

CONSOLIDATED CHANGES IN CASH RESOURCES

Year ended October 31, 1998
(In thousands of dollars)

	1998	1997 (Unaudited)
OPERATIONS		
Net earnings	$ 3,607	$ 178
Non-cash items		
Interest in net loss of company subject to significant influence	18	
Depreciation of fixed assets	169	9
Amortization of prepaid royalties	840	
Deferred income taxes	426	11
Changes in working capital items	3,991	(98)
Source of cash	9,051	100
FINANCING		
Share issue and source of cash	6,000	—
INVESTMENT		
Share investment in company subject to significant influence	(5,805)	
Share investment in a company	(100)	
Advance to a company under common control	(200)	
Advances to consortium joint-venturers	(1,259)	
Other investment	(100)	
Fixed assets	(732)	(114)
Development expenses	(3,211)	
Prepaid royalties	(4,200)	
Use of cash	(15,607)	(114)
Net decrease in cash	(556)	(14)
Cash, beginning of year	3	17
Cash (bank overdraft), end of year	$ (553)	$ 3

The accompanying notes are an integral part of the consolidated financial statements.

SIBN INC.

CONSOLIDATED BALANCE SHEET

October 31, 1998
(In thousands of dollars)

	1998	1997 (Unaudited)
ASSETS		
Current assets		
Accounts receivable (Note 4)	$14,092	$ 5,046
Investments (Note 5)	7,446	
Fixed assets (Note 6)	668	105
Other assets (Note 7)	6,571	
	$28,777	$ 5,151
LIABILITIES		
Current liabilities		
Bank overdraft (Note 8)	553	(3)
Accounts payable (Note 9)	14,343	4,709
Deferred income	1,338	
Income taxes payable	2,116	51
	18,350	4,757
Deferred income taxes	472	46
	18,822	4,803
SHAREHOLDER'S EQUITY		
Capital stock (Note 10)	6,201	201
Retained earnings	3,754	147
	9,955	348
	28,777	5,151

The accompanying notes are an integral part of the consolidated financial statements.

SIBN INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 1998
(The amounts in tables are in thousands of dollars.)

1. GOVERNING STATUTES, NATURE OF OPERATIONS AND CHANGE OF CORPORATE NAME

The Company, incorporated under the Canada Business Corporations Act, provides consulting services regarding information systems as well as computer processing outsourcing services. During the year, the Company changed its name from Société d'information Banque Nationale inc. to SIBN Inc.

2. ACCOUNTING POLICIES

Principles of consolidation

The investments in which the Company exercises significant influence, without exceeding a 50% interest, are recorded at the equity value.

The financial statements include the proportionate share of assets and liabilities, revenue and expenses of a joint venture (consortium) in which the Company holds an interest of 33⅓%. This share is recorded using the proportionate consolidation method.

The consortium includes SIBN Inc., Bell Canada and the Confédération des caisses populaires et d'économie Desjardins du Québec.

Depreciation and amortization

Fixed assets are depreciated over their estimated useful lives on a straight-line basis over the following periods:

Computer equipment	3 years
Software	2 and 3 years

Other assets

The development expenses are related to the development of a software template and will be amortized starting in 1999.

Prepaid royalties related to software licence usage cover a five-year period and are amortized over a five-year period until 2002.

3. INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF EARNINGS

	1998	1997
		(Unaudited)
Depreciation of fixed assets	$169	$ 9
Amortization of prepaid royalties	840	—

4. ACCOUNTS RECEIVABLE

	1998	1997
		(Unaudited)
Parent company	$11,664	$
Other	2,428	5,046
	$14,092	$5,046

(The amounts in tables are in thousands of dollars.)

5. INVESTMENTS

	1998	1997 (Unaudited)
Share investments		
Larochelle-Gratton Inc., company subject to significant influence, at equity value, representing 24.37% of voting rights[(a)]	$5,787	$
Méga-Science Inc., at cost, representing 1.3% of voting rights	100	
Advance to a company under common control, without interest or repayment terms	200	
Advances to consortium joint-venturers, without interest or repayment terms	1,259	
Other	100	
	$7,446	$ —

(a) The equity value includes goodwill of $5,574,000 representing the excess of the cost of the shares over the value attributed to the identifiable net assets of the company subject to significant influence at the acquisition date, which is amortized on a straight-line basis over a 25-year period until 2023.

The amortization of goodwill amounts to $74,000 for the year ended October 31, 1998.

6. FIXED ASSETS

	1998		
	Cost	Accumulated deprecation	Net
Computer equipment	$ 74	$ 30	$ 44
Software	772	148	624
	$846	$178	$668

	Unaudited 1997		
	Cost	Accumulated deprecation	Net
Computer equipment	$ 69	$5	$ 64
Software	45	4	41
	$114	$9	$105

7. OTHER ASSETS

	1998		
	Cost	Accumulated amortization	Net
Development expenses	$3,211	$	$3,211
Prepaid royalties	4,200	840	3,360
	$7,411	$840	$6,571

(The amounts in tables are in thousands of dollars.)

8. BANK OVERDRAFT

	1998	1997
		(Unaudited)
Cash	$ 4,182	$3
Outstanding cheques	(4,735)	—
	$ (553)	$3

9. ACCOUNTS PAYABLE

	1998	1997
		(Unaudited)
Trade accounts payable		
Parent company	$ 4,659	$2,911
Other	3,353	1,798
Bonus payable	994	
Accrued liabilities	5,337	
	$14,343	$4,709

10. CAPITAL STOCK

Authorized

Unlimited number of shares without par value

Class "A" voting and participating common shares

Class "B" non-voting and non-participating shares, redeemable at a price determined by the directors

Class "B", series 1 non-voting and non-participating shares, fixed non-cumulative dividend of 8%, retractable at the fair market value of the consideration received upon issuance

Class "B", series 2 non-voting and non-participating shares, fixed non-cumulative dividend of 8%, redeemable at the fair market value of the consideration received upon issuance

	1998	1997
		(Unaudited)
Issued and fully paid		
6,201,000 class "A" common shares	$6,201	$201

During the year, the Company issued 6,000,000 class "A" common shares for a cash consideration of $6,000,000.

(The amounts in tables are in thousands of dollars.)

11. RELATED PARTY TRANSACTIONS

	1998	1997 (Unaudited)
Revenue		
Fees billed to parent company	$49,906	$—
Fees billed to subsidiaries of the parent company	4,618	—
Expenses — parent company		
Salaries and employee benefits	23,040	—
Rental expenses	453	—
Direct expenses	9,083	—
Indirect expenses	1,866	—
Other	672	—

These transactions were carried out in the normal course of business and are measured at the exchange amount.

12. INTEREST IN THE JOINT VENTURE

The Company holds the following proportionate share of the assets, liabilities, earnings and cash resources relating to its interest in the joint venture:

	1998	1997 (Unaudited)
Current assets	$1,194	$1,212
Long-term assets	64	105
Current liabilities	819	1,167
Sales	494	133
Operating expenses	922	715
Net loss	428	582
Funds used by operations	428	582

The items presented in this note are taken from financial statements that were reviewed by another public accountant.

13. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

14. SUBSEQUENT EVENT

On February 17, 1999, the Company acquired a 23.25% interest in the voting shares of TMI Inc. for a cash consideration of $10,000,000.

CERTIFICATE OF THE CORPORATION

Dated: May 8, 2001

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland. For the purpose of the Province of Québec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or market price of the securities to be distributed.

(Signed) RONALD BRISEBOIS
President and Chief Executive Officer

(Signed) JOHN VALENTINI
Executive Vice-President and Chief Financial Officer

On behalf of the Board of Directors

(Signed) ANDRÉ DUQUENNE
Director

(Signed) CLAUDE BOIVIN
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: May 8, 2001

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or market price of the securities to be distributed.

YORKTON SECURITIES INC.

(Signed) MITCHELL L. GREENSPOON

NATIONAL BANK FINANCIAL INC.

(Signed) BRIAN CAMPBELL

CIBC WORLD MARKETS INC.

(Signed) ERIC MORISSET

RBC DOMINION SECURITIES INC.

(Signed) PIERRE FLEURENT