

healthcare solutions

Annual Report 2003



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Our Mission












LOGIBEC'S MISSION IS TO ASSIST ORGANIZATIONS IN THE HEALTH AND SOCIAL SERVICES SECTOR BY OFFERING PROFESSIONAL SERVICES AND HIGH-PERFORMANCE, SCALABLE SOLUTIONS FOR MANAGING ADMINISTRATIVE, MEDICAL ADMINISTRATIVE AND CLINICAL INFORMATION.

Our primary objective is to provide superior quality customer support and to constantly upgrade our products by drawing on the expertise and quality of our human resources and making optimal use of information technologies. In so doing, we hope to **CREATE VALUE** for our customers, employees and shareholders and become the leading Canadian supplier in our industry.


OUR PROFILE

Logibec was founded in 1982 and went public in 1986. The Company is the uncontested leader in Quebec and ranks among the top ten firms in Canada specializing in the development, marketing, implementation and support of information systems for the health and social services sector, with more than 184 professionals on staff and over 400 establishments using its software.


Our Software Packages


ADMINISTRATIVE – FINANCIAL	 Espresso FMS	 Espresso MMS	
ADMINISTRATIVE – HR	 Espresso Payroll	 Espresso HRM	 Espresso Time Management
MEDICAL ADMINISTRATIVE	 Clinibase	 Clinibase CI	 SICHELD Plus
CLINICAL	 Caretools	 Pharmacy	 SIURGE


THE SOFTWARE PACKAGES DEVELOPED AND MARKETED BY THE COMPANY COVER THE FOLLOWING AREAS:


 An integrated system for financial, material and human resources management, as well as payroll, work schedule and replacement list management. This package is designed for all types of establishments in the health and social services sector.


INFOCENTRE A data warehouse with management dashboard and indicator drill-down, cross-checking and generation capabilities based on operational systems data.

 An information system consisting of several integrated modules, including appointment scheduling, admission and care and services management, together with specialized modules for medical record sharing and professional activity management. This system is designed specifically for hospital centres and multi-purpose facilities.

 An electronic medical file containing tools and content designed for clinicians. These tools are particularly useful for supporting work processes and the sharing of clinical information within an integrated service network. Loss-of-autonomy evaluations and consent management are also covered by specific **Caretools** components.

 An integrated software package for medication order management. This includes pharmacological profile management, medication profile management, drug interaction management, medication and solution inventory management, in addition to integration with medication distributors.

 An integrated emergency management system that features a triage module.

 A long-term care information system consisting of three main modules: Bio-Psychosocial Profile, Patient and Program Management, and Care and Services.

Our Services

PROFESSIONAL SERVICES DELIVERED BY LOGIBEC ARE NORMALLY RELATED TO THE IMPLEMENTATION, DEPLOYMENT, OPERATIONAL SUPPORT AND DEVELOPMENT OF THE SOFTWARE PACKAGES IT MARKETS. SERVICES INCLUDE:

The sale, installation, implementation and technical support of data servers required for the optimal use of its software

Implementation support and training for the system administrator and key people assigned to assist with start-up

Project management

Development of interfaces between our software and other software used by our customers

Customization of certain software package components based on the establishment's specific needs

Design and development of new software packages under partnership projects with establishments or agencies operating in the health and social services sector

User and operational support

Development of our existing solutions, including version upgrades and enhancements based on the capabilities required by the market, and development of supported technological platforms

WE ALSO OFFER PROFESSIONAL SERVICES IN CONNECTION WITH APPLICATION SERVICE PROVIDER (ASP) PROCESSING FOR THE FOLLOWING APPLICATIONS:

Payroll processing

Financial management

Materials management

■ Highlights

Audited selected consolidated financial information for the years 1999 – 2003
(in dollars, except for ratios)
Years ended September 30

	1999	2000	2001	2002	2003
FINANCIAL PERFORMANCE	\$	\$	\$	\$	\$
Revenue	9,286,069	7,952,532	9,034,622	9,628,019	21,804,917
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	3,157,290	3,713,426	3,303,903	3,088,782	7,023,911
Net earnings from continuing operations before amortization of goodwill	804,398	1,176,902	1,130,241	947,780	1,941,325
Net earnings	688,041	1,102,550	84,863	729,077	1,941,325
EBITDA per share	0.79	0.92	0.79	0.75	1.20
Earnings per share from continuing operations before amortization of goodwill	0.20	0.29	0.27	0.23	0.33
Net earnings per share	0.17	0.27	0.02	0.18	0.33
Return on average shareholders' equity	14%	16%	2%	12%	14%
Internally generated funds	2,979,494	3,759,564	3,083,006	2,718,056	6,065,184
Per share	0.75	0.94	0.73	0.66	1.03
Investment in technology (net of tax credits)	649,538	1,972,686	1,597,639	1,867,177	2,420,523
FINANCIAL POSITION	\$	\$	\$	\$	\$
Total assets	9,278,029	11,496,399	11,136,897	13,778,814	39,268,239
Shareholders' equity	4,946,810	7,075,650	5,582,695	6,311,772	13,567,755
Per share	1.24	1.62	1.35	1.53	2.13
Working capital (excluding deferred revenue)	2,860,227	4,613,297	1,755,032	2,193,100	2,717,533
Working capital ratio	2.68:1	4.80:1	1.86:1	1.71:1	1.24:1
Long-term debt (excluding current portion)	184,357	101,016	145,046	847,435	7,357,923
Dividend per share	0.10	0.20	0.20	0	0
Average number of shares outstanding	3,996,026	4,018,955	4,205,324	4,137,124	5,863,434
Number of shares outstanding as at September 30	3,980,585	4,355,824	4,137,124	4,137,124	6,374,124

■ Message to Shareholders

FOR LOGIBEC, 2003 WAS A WATERSHED YEAR. A STRATEGIC TRANSACTION HAS POSITIONED US AS QUEBEC'S LEADER IN THE DEVELOPMENT, MARKETING, IMPLEMENTATION AND SUPPORT OF INFORMATION SYSTEMS FOR THE HEALTH AND SOCIAL SERVICES SECTOR. WE CAN ALSO TAKE PRIDE IN OUR HIGHLY QUALIFIED STAFF AND THEIR NUMEROUS ACHIEVEMENTS, OUR HIGH-QUALITY PRODUCTS AND SERVICES AND OUR SOUND FINANCIAL POSITION. WITH THESE STRATEGIC ASSETS IN PLACE, WE ANTICIPATE TAKING A LEADERSHIP POSITION IN OUR INDUSTRY ACROSS CANADA

The main highlights for 2003 are as follows:

LOGIBEC RECORDS THE BEST FINANCIAL RESULTS IN ITS HISTORY

- Substantial increases in revenue (126%) and net earnings (166%).
 - Net earnings per share grew 83% over the year, rising from \$0.18 to \$0.33, despite an increase in the average number of shares outstanding.
 - Cash flows from operations reached \$9 million, while cash reserves totaled \$7.1 million as at September 30, 2003.
 - Equity increased by 115%, reflecting annual earnings of \$1.9 million and a \$5.2 million private placement relating to the acquisition of the business operations of the Technical Resources Department of CENTRE HOSPITALIER DE L'UNIVERSITÉ DE MONTRÉAL (CHUM).
 - Logibec common shares began trading on the Toronto Stock Exchange under the symbol "LGI".
- Our customer base increased from 330 to 400 following the acquisition of the business operations of the CHUM Technical Resources Department.
 - Most customer-related contractual agreements, including the CHUM agreement, were renewed.
 - There was a substantial increase in recurring revenue, which accounted for 73% of total revenue in 2003, compared to 55% for the corresponding period in the previous year.
 - Introduced in February 2000, **Espresso** – our financial and material resource management software package – was implemented for numerous institutions during the year. As at year-end (September 30, 2003), 114 institutions were using **Espresso** in Quebec and across Canada.

IN 2003 WE OPTIMIZED THE DELIVERY OF OUR PRODUCTS AND SERVICES. WE ALSO REDEFINED THE ROLES AND RESPONSIBILITIES OF OUR VARIOUS TEAMS, WHICH, AS AT SEPTEMBER 30, INCLUDED 184 EMPLOYEES (87 MORE THAN IN 2002).

THE COMPANY HAS SUBSTANTIALLY EXPANDED ITS PRODUCT AND SERVICE LINE, AS WELL AS ITS CUSTOMER BASE

- Staff members and commercial activities acquired in the CHUM transaction, which was concluded on December 20, 2002, were integrated quickly and harmoniously. This transaction covers payroll processing for over 135,000 people working within Quebec's health and social services network, in addition to the marketing of human resources management software, work schedule management software and medical administrative and clinical software.
- A customer follow-up system was implemented for all staff members. This system aims to enhance and standardize our delivery of implementation and support services to a growing number of Logibec software users. It also allows us to closely monitor request follow-up, manage software development more effectively and improve customer service, while streamlining our work processes.
- We redeployed our business development team to provide personalized contact with our existing customers. This also allows us to enhance our visibility in institutions across Quebec and at a growing number of locations nationwide.
- New marketing tools were developed to support our marketing efforts in Quebec and across Canada.

- We standardized our technological infrastructure, tools and development methodology to increase the effectiveness of our software development and design teams. We continued to invest in software development across our entire product line.
- We continued to deploy our emergency management software at several large hospitals. This software is currently used to service more than 50% of the emergency room beds in cutting-edge Quebec hospitals.

LOGIBEC'S PARTICIPATION IN VARIOUS PROJECTS AND STRATEGIC PARTNERSHIPS HAS POSITIONED THE COMPANY TO TAKE UP THE MANY CHALLENGES FACING HEALTH CARE ORGANIZERS AND SERVICE PROVIDERS

- The successful deployment of our **Caretools** electronic clinical file represents a major step forward. **Caretools** is designed for health-care providers in residential care programs as part of the **CLSC du futur** project. This project has clearly demonstrated our software's many advantages, including real-time access to clinical information via telecommunications and cellular technology. We believe that **Caretools** will effectively address the sharing and coordination issues raised when provincial health services are reorganized into an integrated network, as recently announced by Quebec's Minister of Health.
- The addition of a new payroll processing and human resources management business line and the significant increase in customers using our financial, materials and clinical management systems have allowed us to begin integrating these products as part of data warehouse software. This warehouse allows for the extraction of significant data from our operational systems to generate management indicators, which are accessible in real time to institutional managers. It also makes it possible to integrate management information on a regional or provincial basis. Several additional products will be marketed during the coming year, providing our customers with more effective management tools.
- We continued to implement our **Espresso** solution at a growing number of Quebec's largest establishments and hospital centres. Installing our software systems at these locations provides us with the references we need to achieve increased market penetration for our software packages in hospitals and regional establishments with annual budgets over \$500 million.

- We established close ties with CHUM within the framework of an agreement to support the software packages acquired by Logibec, together with a partnership agreement aimed at developing our existing software and developing new and complementary niche markets.

Outlook

THE ACQUISITION COMPLETED OVER THE PAST YEAR ENABLED LOGIBEC TO RECORD ENVIABLE FINANCIAL RESULTS AND TO ACHIEVE A CRITICAL MASS. THIS HAS ALLOWED THE COMPANY TO EXPAND WHILE ALSO OFFERING GROWTH PROSPECTS THAT HAVE CAUGHT THE ATTENTION OF FINANCIAL ANALYSTS AND INSTITUTIONAL INVESTORS ACROSS NORTH AMERICA

- Logibec has now doubled its market capitalization. More than 235,000 of the Company's shares changed hands between May 20, 2003, when they began trading on the Toronto Stock Exchange (TSX), and September 30, 2003.
- The Company's share price reached a high of \$3.80 over this same period, closing at \$3.50 as at September 30, 2003.
- A private placement involving four investment funds, two managers executive and two private investors enabled the Company to acquire the business operations of the CHUM Technical Resources Department. Out of 1,116,000 warrants issued at the time of the placement, 300,000 were subsequently exercised, contributing an additional \$1.1 million.
- Management began discussions with several companies that operate in Logibec's industry and that conduct business primarily in Canada. We intend to expand our activities outside Quebec in the coming years by increasing our visibility among our target customers. Our expansion also lies in the acquisition of companies with an established and substantial presence in the health and social services sector and with a customer base that could benefit from our broad array of software packages already tailored to the Canadian context.

Acknowledgements

DRAWING ON SUBSTANTIAL RECURRING REVENUES, LOGIBEC IS CAPITALIZING ON ITS ENVIABLE LINE OF SOFTWARE AND CUSTOMER BASE. THIS ALLOWS THE COMPANY TO CONTINUE TO MAKE SYSTEMATIC INVESTMENTS IN SOFTWARE DEVELOPMENT.

- Our business risk is attenuated by our substantial customer base in the health and social services sector, the diversity of our solutions, and the investments we have made year after year to develop our software packages.
- We should see significant growth in our products in the coming years, given the operations acquired from CHUM and the high potential for cross-sales between our respective customer bases.
- The new scale of our operations, our financial capabilities and the quality of our software systems and human resources provide us with powerful leverage to pursue development across Canada.
- We entered into an agreement with CHUM to provide payroll production services until April 2004. To ensure that we continue to deliver high-quality services to our customers, we decided to provide this service internally. Accordingly, we have begun to set up a production unit to provide payroll data processing services to our customers.

LOGIBEC NOW CAN COUNT ON OVER 184 HIGHLY MOTIVATED AND DEDICATED PROFESSIONALS. THESE EMPLOYEES REPRESENT A VALUABLE BODY OF EXPERIENCE FOR OUR CUSTOMERS. OUR SUCCESS HINGES ON OUR ABILITY TO CHANNEL THIS ENERGY INTO ACTIVITIES AND PROJECTS THAT ALLOW OUR EMPLOYEES TO DEVELOP BOTH PROFESSIONALLY AND PERSONALLY, WHILE ENABLING US TO ENHANCE THE QUALITY OF SERVICES TO OUR CUSTOMERS. IN SO DOING, WE WILL CREATE SUBSTANTIAL VALUE FOR OUR SHAREHOLDERS.

I WOULD LIKE TO THANK ALL OUR EMPLOYEES AS WELL AS THE MEMBERS OF THE BOARD OF DIRECTORS FOR THEIR SUPPORT AND CONTRIBUTIONS.

FINALLY, I WANT TO EXTEND MY GRATITUDE TO OUR CUSTOMERS, AND TO REITERATE OUR UNFAILING COMMITMENT TO MEETING THEIR NEEDS.



CLAUDE ROY

PRESIDENT AND CHIEF EXECUTIVE OFFICER



Management's discussion and analysis of the financial position and the results of operations

for the period ended September 30, 2003

BASIS OF PRESENTATION

This analysis and discussion by management of the financial position and the results of operations ("MD&A") presents the Company and its business environment as management sees them today. It also presents the principal factors affecting the results of our operations, liquidity and capital resources. This MD&A should be read in conjunction with the Company's consolidated financial statements for the 2003 and 2002 fiscal periods, including their accompanying notes. All amounts are in Canadian dollars, unless otherwise indicated. Logibec's accounting policies are in accordance with Canadian generally accepted accounting principles ("GAAP") as provided by the Canadian Institute of Chartered Accountants. Except as otherwise indicated, references to years indicate our fiscal years ended September 30, 2003 or September 30 of the year referenced, and all comparisons are to prior years.

OPERATING RESULTS

REVENUE

In 2003, Logibec's revenues reached a new high, \$21.8 million as compared to \$9.6 million in 2002. This 126% increase over the previous year was primarily due to the acquisition of the business operations of the Technological Resources Department of the Centre hospitalier de l'Université de Montréal ("CHUM") on December 15, 2002. These new activities contributed \$12.3 million in revenues in 2003. The full effect of this transaction will be felt in the 2004 fiscal year.

In addition to providing Logibec with business operations in a new sector, payroll data processing and human resource management, the acquisition of the business operations of CHUM's Technological Resources Department has already allowed Logibec to benefit from a synergy in the marketing of its complete line of products and services. These products and services can now be sold to a combined clientele of over 400 health and social services institutions. This potential for synergy should result in sustained product growth, given the six- to eighteen-month sales cycle that Logibec faces in this industry.

During the 2003 fiscal year, the Company intensified its efforts to market its software packages according to a pricing model based on annual licensing fees. This pricing model has the advantage of substantially reducing the

initial cost to our customers, but since it reduces revenues generated by the sale of software, it nevertheless has a negative impact on the company's growth and profitability in the short term. The model nevertheless allows the Company to collect more recurring revenue in coming years in the form of annual licensing payments. The percentage of total recurring revenues has grown significantly during the period; 73% as compared to 55% in the previous year. This is explained by the amount of recurring revenue from business operations acquired from CHUM as well as an increase in annual licensing fees as a result of the growing number of establishments using our **Espresso** software package. The Company sees in this pricing model the ability to generate a stable and predictable income stream. This business model therefore enables the Company to better manage operating expenses, including the investments it makes in software development, and helps to mitigate the business risks normally associated with companies active in high-technology markets. The Company intends to favour this pricing model in the coming years.

A growing number of clients have opted for five-year contractual agreements, particularly for payroll data processing services and for licenses for our various software packages. The total value of Logibec's backlog of contractual agreements with respect to licenses and the support and maintenance of updated software packages was over \$30 million as at April 1, 2003, with weighted average term of 2.2 years. These agreements are generally renewable on April 1 of each year and include discounts paid electronically on a regular basis or in a single payment at the start of the year. These methods of payment reduce the administrative costs associated with invoicing and collections while providing positive cash flows. They enabled the Company to post a cash position of \$7.1 million at year end.

Over 95% of the revenues recorded at year-end 2003 were derived from our Quebec client base. In addition, we raised our visibility and improved our presence outside Quebec in the second quarter. This should lead to a gradual increase in revenues from outside the province. We are of the opinion that out-of-province growth could also be generated through acquisitions of other companies with solid client bases, which would represent an opportunity to market an extended range of software packages that are already well adapted to the Canadian context

OPERATING EXPENSES

Operating expenses grew 126% to \$14.8 million in 2003, as compared to \$6.5 million in 2002.

Following the acquisition of the business operations of CHUM's Technological Resources Department, the Company performed a review of its business processes related to the delivery of products and services. This process, which required investment in planning, development and the training of our staff, was aimed at incorporating new, effective work methods and optimizing the integration of resources from the two entities.

As part of this review and following management's suggestions, additional gains will be realized in the form of increased operational efficiency and tax credits once our staff relocate on December 19, 2003. The staff in question are involved in the acquired operations and will be moving to our new offices in Cité du Multimédia.

In addition, non recurring expenses have been incurred as part of the launch of several large-scale projects. This work involved our project development and management methodology, procedures related to the implementation of our **Espresso** software package in several large establishments as well as development of our **Caretools** software package as part of the experimental project **CLSC du futur** [the community health centre of the future]. This initiative was necessary to position the Company with respect to the performance of many additional mandates expected in the next year.

These developments partially explain the growth witnessed in the cost of services, which rose from \$4.4 million in 2002 to \$11.2 million in 2003. Salaries represented the largest of these items, since the Company had 184 employees as at September 30, 2003, compared to 97 employees as at September 30, 2002. The second largest expense was amounts paid to CHUM for the contracting out of payroll data-processing services and secondments needed to ensure a smooth transition during the transfer of operations from December 15, 2002 to September 30, 2003.

Sales and administrative expenses grew from \$2.2 million in 2002 to \$3.5 million for the period ended September 30, 2003, an increase of 64%. This growth is considerably less than that seen in revenues. The salaries represent

the most significant item for this increase since the Company employed 184 persons as of September 30, 2003, as compared to 97 persons as of September 30, 2002. Moreover, other, non-recurring expenses were also incurred during the year to list the Company on the Toronto Stock Exchange and as part of the integration of acquired operations.

Earnings before depreciation, amortization, interest and income taxes grew by 127% to \$7.0 million, compared to \$3.1 million in 2002. The margin before depreciation, amortization, interest and income taxes remained stable at 32.2% in 2003, compared to 32.1% in 2002.

DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, AND OTHER LONG-LIVED ASSETS

Depreciation and amortization expense stood at \$3.2 million, compared to \$1.6 million in 2002, an increase of 99%. The change was primarily due to the amortization of intangible assets as well as the depreciation of property acquired from CHUM and computer equipment installed to integrate our activities. Management expects depreciation and amortization expenses to rise appreciably next year due to additional investments made during the integration of staff and payroll data processing activities in Cité du Multimédia.

GOODWILL

In the first quarter of 2002, the Company began applying a new standard from the Canadian Institute of Chartered Accountants concerning goodwill and other intangible assets. Under the new standard, goodwill and other intangible assets with an indefinite useful life are no longer amortized. In accordance with the new provisions, goodwill is tested annually, or more frequently if indicators arise, for impairment in relation to the fair value of each reporting unit to which goodwill applies and to the value of other assets in that reporting unit. The Company began this review and determined that no amortization charges were required in respect of goodwill.

FINANCING CHARGES

Financing charges grew significantly and stood at \$0.9 million for the year ended September 30, 2003. This increase resulted primarily from the \$6 million term loan signed as part of the acquisition of the business operations of CHUM's Technology Resources Department and interest on the balance of the purchase price payable to CHUM. The Company expects a significant reduction in these charges in 2004, as the \$1.1 million term loan was trimmed by the exercise of 300,000 warrants. The warrants were issued as part of a private placement, under which \$4 million (capital and interest) of the balance of the purchase price payable to CHUM was acquired and repaid in December 2003.

NET EARNINGS

Net earnings grew 166%, from \$0.7 million in 2002 to \$1.9 million in 2003. The basic net earnings per common share jumped from \$0.18 to \$0.33, an increase of 83%, despite the greater average number of outstanding shares (4,137,124 in 2002 and 5,863,434 in 2003). This change is primarily due to the contribution of operations acquired from CHUM.

CASH POSITION AND CAPITAL STRUCTURE

OPERATING ACTIVITIES

In the period ended September 30, 2003, funds generated by operations before changes in non-cash working capital items stood at \$6.1 million, a \$3.4 million increase from the \$2.7 million posted in 2002. This significant change is explained by the growth in earnings from operations resulting from the acquisition of business operations from CHUM's Technological Resources Department.

Changes in non-cash working capital items generated \$2.9 million in 2003, compared to a negative balance of \$0.1 million in 2002. In large part this can be explained by growth in deferred revenues as a result of the large number of clients taking advantage of discounts offered on a variety of advance payment options. Advance payment options were offered on annual software licences and payroll data processing services. Accounts payable and accrued liabilities increased significantly as a result of the acquisition of the business operations of CHUM's Technological Resource Department, but the sum of these changes is not significant. Cash flows generated by operations therefore reached \$9.0 million in 2003, as compared to \$2.7 million in 2002.

FINANCING AND INVESTING ACTIVITIES

Note 4 of the consolidated financial statements provides a detailed description of the acquisition of the business operations of CHUM's Technological Resources Department. The total acquisition price was \$16.6 million, net of \$0.5 million in liabilities linked to the integration. The net acquisition price is broken down as follows: a cash consideration of \$9.4 million, a balance of purchase price amounting to \$8.0 million (including \$1.1 million in interest) and a balance consisting of acquisition expenses. As part of the acquisition, the Company completed a private placement in December 2002 and January 2003 with four stock savings plans as well as a number of private investors and certain members of senior management. A total of 2,232,000 units were issued at a price of \$2.50 per unit, with each unit comprised of a common share and half a warrant on a common share. The issuance generated net revenues of \$5.2 million.

The Company also contracted a \$6 million loan with its bank, the National Bank of Canada. Sixty percent of this loan is guaranteed by Investissement Quebec, and it carries a base interest rate of 4.5% plus a premium of 3.25% and is payable over four years. The balance of this loan stood at \$4.9 million as at September 30, 2003. On October 24, 2003, 300,000 warrants were exercised for a cash consideration of \$1.1 million and through the issuance of 300,000 common shares. The revenues generated when these warrants were exercised were used to reduce the term debt mentioned above.

Furthermore, acquisitions of capital assets, intangible assets and other long-term assets (less tax credits and assets acquired in the transaction with CHUM) were valued at \$3.4 million, or the same amount as in 2002. The Company began updating its inventory of computers following the integration of additional staff from CHUM.

As at September 30, 2003, the Company's indebtedness, consisting of the balance of the purchase price and term loans, was \$12.6 million, or \$5.5 million without cash and cash equivalents. The ratio of net indebtedness to total capitalization was 40%. The Company had \$8.9 million in credit facilities, of which \$5.7 million were used at the end of the period, including \$0.1 million in the form of letters of guarantee. The Company is meeting all of its commitments under the credit agreements governing these credit facilities. Payment requirements with respect to all the company's debts other than credit facilities over the next four years consist essentially of the balance of the purchase price due to CHUM, of which an amount of \$4.0 million (capital and interest) was reimbursed in December 2003, and \$4.0 million is payable in two equal instalments on October 1, 2004 and 2005.

As at September 30, 2003, the Company had \$7.1 million in cash and cash equivalents, \$6 million more than in 2002. Management expects to be able to pursue growth objec-

tives while meeting all obligations with respect to debt and the balance of the purchase price payable to CHUM.

OBLIGATIONS AND COMMITMENTS

The Company has commitments totaling \$1.6 million over the next four years with Cité du Multimédia and Centre national des nouvelles technologies (CNNTQ). These commitments are under long-term leases of office space.

In addition, as part of the acquisition of the business operations of CHUM's Technological Resources Department, the Company has entered into the following partnership agreements with CHUM:

- Services agreement for which CHUM is committed to offer Logibec data processing services on its mainframe computer. The Company is currently moving its applications to another environment in advance of the end of this agreement, which is expected on April 30, 2004. Additional estimated payments under these commitments until this date amount to \$1.3 million.
- Partnership agreement ending March 31, 2008, by which the Company is committed to devote its best efforts in research, the development of new software packages designated for the health care sector and the development of the software packages that it acquired from CHUM. According to the method of calculating the investment set forth in the agreement, the Company will contribute an amount of approximately \$47.5 million for this purpose. The Company invested approximately \$9.6 million for the year ended September 30, 2003.
- In addition, the Company will pay CHUM royalties equal to 3% of the increase in revenue from the acquired software packages and the new software packages that will be developed in collaboration with CHUM. Payment of these royalties will continue to be made beyond the end date of the agreement.

RISKS AND UNCERTAINTIES

The Company is confident in its long-term prospects. However, in order to ensure that its strategic vision and growth objectives are met, Logibec tries to mitigate risks and uncertainties that could result in unfavourable situations in its industry or in its cash flow situation. The following factors should be taken into consideration when evaluating the Company's prospects as an investment.

- Competition in obtaining contracts
- Implementation of its growth strategy
- Availability and cost of qualified professionals

- Capacity to successfully integrate acquired companies
- Capacity to develop and extend its services and product line to satisfy market demand and technological change
- Credit risk associated with a concentration of clients in an industry or a geographical area
- Risk associated with payroll data processing activities and protecting personal employee or user information in the health care system
- Uncertainty with respect to the continuance of government measures that support research efforts and other tax benefits
- Risk inherent in the partnership agreement under which the Company is committed to devote its best efforts in research, the development of new software packages designated for the health care sector and the development of the software packages that it acquired from CHUM.

The Company has developed a tool to assess and monitor risk factors that could have a direct impact on business continuity. Management will be reviewing Logibec's business continuity plan in order to better identify and implement comprehensive preventative controls and measures as a response to operational risks.

RECENT CHANGES IN ACCOUNTING POLICIES

On October 1, 2002, the Company adopted the recommendations of CICA Handbook Section 3870, *Stock-Based Compensation and Other Stock-based Payments*. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation made in exchange for goods or services, and requires the use of the fair value based method to account for awards to non-employees and direct awards to employees. The Section encourages, but does not require, the use of the fair value based method to account for stock options awarded to employees. This Section also requires the disclosure of pro-forma information on net earnings and net earnings per share as if the fair value based method had been used on options granted after October 1, 2002. As indicated in Note 3 of the consolidated financial statements, the Company has elected not to use this method, but has nevertheless presented pro-forma data in Note 13.

In 2003, the CICA published Accounting Guideline No. 14, *Disclosure of Guarantees*, which should be applied to interim and annual financial statements beginning on or after January 1, 2003. It provides guidelines with respect to the determination of guarantees and requires that the guarantor presents the important details of the guarantees provided, whether or not payments are

required under these guarantees. Please consult Note 3 of the consolidated financial statements for more information on guarantees.

FUTURE CHANGE IN ACCOUNTING POLICIES

The CICA recently published Section 3063, *Impairment of Long-Lived Assets*, which applies to periods beginning on or after April 1, 2003. This Section provides guidelines on the recognition and measure of the depreciation of long-lived assets and the information to be disclosed in this regard. It replaces provisions on write-downs set forth in Section 3061, *Property, Plant and Equipment*.

The Company is currently reviewing the effects of adopting these new standards and guidelines and, as a result, has not determined their impact on its consolidated financial statements.

OUTLOOK

The Company considers that opportunities exist for organizations like Logibec that offer information systems to the health and social services sector in Quebec and across Canada.

The Company will pursue its growth strategy, which consists of three distinct parts: the development and marketing of information systems dedicated to the health and social services sector, an expanded effort to market products and services outside Quebec, and the acquisition of Canadian companies active in the health sector

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements that are subject to risks and uncertainties. Actual results may differ materially due to several factors, including fluctuations in the Company's operating results due to the demands placed on operating revenues; the length of its sales cycle; the scale and timing of specific operations carried out with customers and other, similar events; changing markets and customer requirements; the launch of new products by competitors; the Company's dependence on key members of the management team; and other factors mentioned in documents prepared for public release.

These forward-looking statements only apply as at the date of their preparation. Furthermore, the Company is under no obligation to update these statements to incorporate new information or the effects of future circumstances or events. Readers are cautioned with respect to the risks inherent in giving too much importance to these forward-looking statements.

Operating Results

Selected unaudited consolidated financial data for the quarters
of the financial periods ended September 30 (in dollars)

FINANCIAL PERFORMANCE	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2003	THREE-MONTH PERIOD ENDED JUNE 30, 2003	THREE-MONTH PERIOD ENDED MARCH 31, 2003	THREE-MONTH PERIOD ENDED DECEMBER 31, 2002
	\$	\$	\$	\$
Revenues	5,505,386	6,471,790	6,485,230	3,342,511
Net earnings before amortization of goodwill	525,794	522,774	466,252	426,505
Net earnings	525,794	522,774	466,252	426,505
Net earnings per share before amortization of goodwill	0.08	0.08	0.07	0.10
Diluted net earnings per share before amortization of goodwill	0.08	0.08	0.07	0.10
Basic net earnings per share	0.08	0.08	0.07	0.10
Diluted net earnings per share	0.08	0.08	0.07	0.10
Average number of outstanding shares	6,374,124	6,374,124	6,352,124	4,369,537

FINANCIAL PERFORMANCE	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2002	THREE-MONTH PERIOD ENDED JUNE 30, 2002	THREE-MONTH PERIOD ENDED MARCH 31, 2002	THREE-MONTH PERIOD ENDED DECEMBER 31, 2001
	\$	\$	\$	\$
Revenues	2,588,454	2,236,677	2,304,263	2,498,625
Net earnings before amortization of goodwill	190,705	175,249	265,277	316,549
Net earnings	136,030	120,573	210,601	261,873
Net earnings per share before amortization of goodwill	0.05	0.04	0.06	0.08
Diluted net earnings per share before amortization of goodwill	0.05	0.04	0.06	0.08
Basic net earnings per share	0.03	0.03	0.05	0.06
Diluted net earnings per share	0.03	0.03	0.05	0.06
Average number of outstanding shares	4,137,124	4,137,124	4,137,124	4,137,124

Auditors' Report

SAMSON BÉLAIR/DELOITTE & TOUCHE S.E.N.C.R.L.

ASSURANCE AND ADVISORY SERVICES

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TO THE SHAREHOLDERS OF LOGIBEC GROUPE INFORMATIQUE LTÉE

We have audited the consolidated balance sheets of Logibec Groupe Informatique Ltée as at September 30, 2003 and 2002 and the consolidated statements of earnings and retained earnings and cash flows for the years 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 audits.

We conducted our audits in accordance with Canadian 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 September 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) SAMSON BÉLAIR/DELOITTE & TOUCHE S.E.N.C.R.L.

CHARTERED ACCOUNTANTS

NOVEMBER 25, 2003

Consolidated Statements of Earnings and Retained Earnings

years ended September 30

	2003	2002
	\$	\$
REVENUE	21,804,917	9,628,019
Operating expenses		
Service costs	11,248,791	4,380,497
Selling and administrative expenses	3,532,215	2,158,740
	14,781,006	6,539,237
Earnings before the following items	7,023,911	3,088,782
Depreciation and amortization of property, plant and equipment	542,041	375,189
Amortization of intangible assets and other long-term assets (Note 10)	2,614,818	1,214,587
Financial expenses (Note 14)	900,727	14,226
Earnings before income taxes and amortization of goodwill	2,966,325	1,484,780
Income taxes (Note 15)	1,025,000	537,000
EARNINGS BEFORE AMORTIZATION OF GOODWILL	1,941,325	947,780
Amortization of goodwill	-	218,703
NET EARNINGS	1,941,325	729,077
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	215,970	(513,107)
RETAINED EARNINGS, END OF YEAR	2,157,295	215,970
NET EARNINGS PER SHARE BEFORE AMORTIZATION OF GOODWILL (NOTE 13)		
Basic	0.33	0.23
Diluted	0.33	0.23
NET EARNINGS PER SHARE (NOTE 13)		
Basic	0.33	0.18
Diluted	0.33	0.17
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (NOTE 13)	5,863,434	4,137,124

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

Consolidated Balance Sheets

as at September 30

	2003	2002
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 11)	7,122,194	1,087,577
Accounts receivable (Note 5)	5,752,223	3,017,804
Income tax credits receivable (Note 6)	672,022	761,675
Current portion of advance (Note 7)	250,000	250,000
Prepaid expenses and other current assets	259,373	147,228
	14,055,812	5,264,284
Advance (Note 7)	159,459	289,916
Property, plant and equipment (Note 8)	2,372,482	1,799,440
Goodwill (Note 9)	7,021,024	1,558,678
Intangible assets and other long-term assets (Note 10)	15,659,462	4,866,497
	39,268,239	13,778,815
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	5,620,135	2,066,499
Income taxes (Note 15)	58,000	360,603
Customer deposits	210,633	200,261
Future income taxes (Note 15)	205,000	65,000
Current portion of long-term debt (Note 12)	5,244,511	378,822
Current liabilities, excluding deferred revenue	11,338,279	3,071,185
Deferred revenue	4,858,969	1,917,923
	16,197,248	4,989,108
Long-term debt (Note 12)	7,357,923	847,435
Future income taxes (Note 15)	2,145,313	1,630,500
	25,700,484	7,467,043
COMMITMENTS (NOTE 17)		
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	9,829,023	6,095,802
Warrants (Note 13)	1,581,437	-
Retained earnings	2,157,295	215,970
	13,567,755	6,311,772
	39,268,239	13,778,815

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

APPROVED BY THE BOARD,


CLAUDE ROY, DIRECTOR


MARC MALOUIIN, DIRECTOR

Consolidated Statements of Cash Flows

years ended September 30

	2003	2002
	\$	\$
OPERATING ACTIVITIES		
Net earnings	1,941,325	729,077
Adjustments for		
Depreciation of property, plant and equipment	542,041	375,189
Amortization of intangible assets and other long-term assets	2,614,818	1,214,587
Amortization of goodwill	-	218,703
Future income taxes	967,000	180,500
	6,065,184	2,718,056
Changes in non-cash operating working capital items (Note 16)	2,945,540	(57,415)
Cash flows from operating activities	9,010,724	2,660,641
INVESTING ACTIVITIES		
Business acquisition (Note 4)	(9,400,264)	-
Decrease (increase) in advance	130,457	(56,998)
Proceeds from disposal of property, plant and equipment	-	314,804
Acquisition of property, plant and equipment	(615,083)	(1,146,272)
Increase on intangible assets and other long-term assets net of investment tax credits	(2,764,865)	(2,248,459)
Disposal of investment	-	499,910
Cash flows from investing activities	(12,649,755)	(2,637,015)
FINANCING ACTIVITIES		
Increase in long-term debt	6,000,000	988,653
Repayment of long-term debt	(1,503,823)	(197,786)
Issuance of units and of share capital (Note 13)	5,177,471	-
Cash flows from financing activities	9,673,648	790,867
Increase in cash and cash equivalents	6,034,617	814,493
Cash and cash equivalents, beginning of year	1,087,577	273,084
CASH AND CASH EQUIVALENTS, END OF YEAR	7,122,194	1,087,577

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

Additional cash flow information (Note 16)

Notes to the Consolidated Financial Statements

for the years ended September 30, 2003 and 2002

1 DESCRIPTION OF THE BUSINESS

The Logibec Groupe Informatique Ltée ("Company") specializes in the design, development, implementation and support of information systems for financial and materials management, payroll processes, human resource management and work schedules as well as medical administration and clinical information systems for the health and social services sector. It also sells computer hardware.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies:

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and those of its subsidiaries. Business acquisitions are accounted for under the purchase method and the results of operations of these businesses are included in the consolidated financial statements as of their acquisition dates.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and highly liquid temporary investments that are readily convertible to cash without any restriction.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including property acquired under capital leases, are recorded at cost and depreciated and amortized as follows:

Furniture and fixtures	20%	declining
Computer hardware	20%	declining
Leasehold improvements	term of lease	straight-line

INTANGIBLE ASSETS AND OTHER LONG-TERM ASSETS

Intangible assets and other long-term assets are recorded at cost and amortized as follows:

Software	3 to 10 years	straight-line
Technology acquired	4 to 10 years	straight-line
Customer relationships	12 years	straight-line
Deferred financing charges	duration of the agreements	straight-line

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLE ASSETS AND OTHER LONG-TERM ASSETS (CONTINUED)

Technology development costs are recorded at cost, less related income tax credits. They are recorded separately by project and are amortized over a maximum period of four years starting from the product marketing date, taking into account potential future revenue.

REVENUE RECOGNITION

The Company sells software packages in the form of perpetual licences or an annual right to their limited use. Revenue from the sale of software licenses is recognized when the product is delivered, no significant vendor obligations remain and collection of the agreed-upon fee is reasonably assured. Where sales agreements include multiple elements, revenue from the sale of software is recognized on the same basis, provided the services do not include significant customization of the core software. In these cases, revenue is recognized over the period of delivery. Revenue from the sale of an annual right to limited use of commercialized software packages is recognized in the same manner as the revenue from software package support and maintenance. Revenue from support agreements is recognized on a straight-line basis over the term of the related agreements.

Revenue from payroll processing service agreements is recognized as the services are performed or volume of information is processed during the period, in accordance with the agreement terms and billing rates. In some cases, the Company bills customers prior to performing the service, resulting in deferred revenue, which is presented as a current liability in the consolidated financial statements.

Revenue from the sale of services is recognized when the service is rendered. Revenue from maintenance and technical support services is recognized on a straight-line basis over the term of the contract, which is generally 12 months.

Revenue from computer equipment sales is recognized upon delivery.

Revenue from software development arrangements is recognized using the percentage-of-completion method.

INCOME TAXES

The Company accounts for income taxes using the tax liability method. Under this method, future tax assets and liabilities are recognized for temporary differences between the carrying value and the tax value of assets and liabilities and based on the prescribed tax rates applicable to the year in which the differences are expected to reverse. Future tax assets are recognized only if it is more likely than not that they will be realized.

EARNINGS PER SHARE

Earnings per share are calculated using the weighted average number of common shares outstanding during the year. The treasury stock method is used to calculate the dilutive effect of options, warrants and other convertible securities.

3 CHANGES IN ACCOUNTING POLICIES

A. RECENT ACCOUNTING CHANGES

GOODWILL

Goodwill represents the excess of the acquisition price over the fair value of the net assets of acquired entities at the acquisition date. On October 1, 2002, the Company prospectively adopted the new recommendations of the CICA, Handbook Sections 1581, Business Combinations, and 3062, Goodwill and Other Intangible Assets. Accordingly, the Company discontinued the amortization of goodwill as of October 1, 2002. Prior to October 1, 2002, goodwill was amortized on a straight-line basis over its expected useful life for periods varying between five and twenty years.

Goodwill is tested annually for impairment, or more frequently if impairment indicators arise, based on the fair value of the reporting unit to which goodwill applies. An impairment charge is recorded for any goodwill that is considered impaired.

The Company intends to perform its annual review of goodwill as of September 30 of each year. Based on the impairment tests performed as of October 1, 2002 and September 30, 2003, the Company determined that no goodwill impairment charge was required.

STOCK-BASED COMPENSATION

On October 1, 2002, the Company adopted the recommendations of CICA Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation made in exchange for goods or services, and requires the use of the fair value based method to account for awards to non-employees and direct awards of stock to employees. The section encourages, but does not require, the use of the fair value based method to account for stock options awarded to employees. This section also requires the disclosure of pro-forma information on net earnings and net earnings per share as if the fair value based method had been used for stock option awards granted after October 1, 2002. The Company has elected not to use the fair value based method to account for stock options awarded to employees. Pro-forma information is included in Note 13.

GUARANTEES

In February 2003, the CICA issued Accounting Guideline 14 ("AcG-14"), Disclosure of Guarantees, which requires a guarantor to disclose in its notes to the consolidated financial statements of interim or annual periods beginning on or after January 1, 2003 significant information about guarantees it has provided. The disclosures are required even when the likelihood of the guarantor having to make any payment under the Guarantee is remote.

The Company did not provide for any major guarantee to third parties during the normal course of business.

B. FUTURE ACCOUNTING CHANGE

The CICA has issued Handbook Section 3063, Impairment of Long-lived Assets, effective with respect to periods commencing on or after April 1, 2003. This section provides guidance on the recognition, measurement and disclosure of the impairment of long-lived assets. It replaces the write-down provisions in Section 3061, Property, Plant and Equipment.

The Company is currently assessing the impact of adopting this standard, and consequently, has not yet determined the effects they will have on its consolidated financial statements.

4 BUSINESS ACQUISITION

Effective December 15, 2002, the Company acquired the business operations of the Technology Resource Department of the Centre Hospitalier de l'Université de Montréal ("CHUM") for total consideration, in cash and balance of purchase price payable, of \$16,637,346 including acquisition costs of \$359,252 (of which \$357,082 was incurred in the preceding year).

In connection with this acquisition, the Company has adopted an integration plan under which it has established provisions related to severance costs of certain employees of the CHUM as well as the relocation of employees and facilities to a new location.

The acquisition was recorded using the purchase method. The fair value of net assets acquired and consideration paid are as follows:

	\$
NET ASSETS ACQUIRED	
Property, plant and equipment	500,000
Acquired technology	4,000,000
Customer relationships	7,000,000
Goodwill ⁽¹⁾	5,462,346
Future income tax assets	175,000
Integration liabilities	(500,000)
	<hr/> 16,637,346 <hr/>
CONSIDERATION	
Cash	9,398,094
Balance of purchase price	6,880,000
Acquisition costs	359,252
	<hr/> 16,637,346 <hr/>

⁽¹⁾ Includes an amount of \$5,087,000 deductible for tax purposes.

The allocation of the purchase price is based on preliminary data and the Company's best estimates. The final allocation of the purchase price will be determined when the Company's management has gathered all other important information that it considers necessary to finalize the allocation.

5 ACCOUNTS RECEIVABLE

	2003	2002
	\$	\$
Trade	5,336,966	2,694,196
Deposits on tenders	244,818	104,390
Work in progress	155,750	212,087
Other	14,689	7,131
	<hr/> 5,752,223 <hr/>	<hr/> 3,017,804 <hr/>

6 INCOME TAX CREDITS

The Company holds eligibility certificates for the following programs: the "Cit  du Multim dia" and the "Centre National des Nouvelles Technologies de Qu bec" ("CNNTQ"). These programs were established by the Government of Qu bec to assist companies in the information technology and multimedia sectors by entitling them to claim a refundable tax credit equal to 40% of salaries paid to employees assigned to new technology development, up to a maximum of \$15,000 per eligible employee. This program will terminate no later than December 31, 2013. The tax credits claimed by the Company during the current year totalled \$672,022 (\$761,675 as at September 30, 2002). Of this amount, \$263,137 (\$378,081 in 2002) was credited directly to earnings, while the balance of \$408,885 (\$383,594 in 2002) was recorded as a reduction of capitalized technology development costs.

To be eligible for these refundable tax credits on salaries paid, the Company must respect certain terms and conditions, and must obtain a certificate of eligibility from the Government of Quebec each year. If the Company breaches its obligations defined under the tax credit programs on salaries currently paid, it will be responsible for reimbursing the tax credits obtained from the Government of Quebec.

As at September 30, 2003, no liability was deemed required with respect to the reimbursement provisions of the program.

7 ADVANCE

	2003	2002
	\$	\$
Advance to a related company, bearing interest at 5%, without specific terms of repayment	409,459	539,916
Current portion	250,000	250,000
	159,459	289,916

8 PROPERTY, PLANT AND EQUIPMENT

	2003		
	COST	ACCUMULATED DEPRECIATION AND AMORTIZATION	NET BOOK VALUE
	\$	\$	\$
Furniture and fixtures	1,298,178	858,636	439,542
Computer hardware	3,599,964	2,013,529	1,586,435
Leasehold improvements	770,532	424,027	346,505
	5,668,674	3,296,192	2,372,482

	2002		
	COST	ACCUMULATED DEPRECIATION AND AMORTIZATION	NET BOOK VALUE
	\$	\$	\$
Furniture and fixtures	1,133,491	772,195	361,296
Computer hardware	2,660,228	1,739,993	920,235
Leasehold improvements	759,872	241,963	517,909
	4,553,591	2,754,151	1,799,440

Property, plant and equipment include assets under capital leases, with a net book value of \$143,272 (\$179,090 in 2002).

During 2002, the Company acquired equipment through capital leases for an amount of \$248,737.

9 GOODWILL

The changes in the carrying value of goodwill of its single reporting unit is as follows:

	2003	2002
	\$	\$
Balance, beginning of year	1,558,678	1,925,087
Acquisition (Note 4)	5,462,346	-
Decrease in goodwill following reduction in a liability	-	(147,706)
Amortization	-	(218,703)
Balance, end of year	7,021,024	1,558,678

10 INTANGIBLE ASSETS AND OTHER LONG-TERM ASSETS

	2003		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
	\$	\$	\$
Software	841,988	555,260	286,728
Acquired technology	4,000,000	435,417	3,564,583
Customer relationships	7,000,000	461,804	6,538,196
	11,841,988	1,452,481	10,389,507
Developed technology *			5,067,459
Deferred financing costs			202,496
			15,659,462

	2002		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
	\$	\$	\$
Software	655,652	469,890	185,762
Developed technology *			4,238,625
Costs related to the transaction with CHUM (Note 4)			357,082
Other deferred costs			85,028
			4,866,497

10 INTANGIBLE ASSETS AND OTHER LONG-TERM ASSETS (CONTINUED)

	2003	2002
	\$	\$
* DETAILS OF DEVELOPED TECHNOLOGY:		
Balance, beginning of year	4,238,625	3,521,189
Technology development costs for the year	2,829,408	2,250,771
Amortization	(1,591,689)	(1,149,741)
Income tax credits	(408,885)	(383,594)
Balance, end of year	5,067,459	4,238,625

	2003	2002
	\$	\$
AMORTIZATION EXPENSE CONSISTS OF THE FOLLOWING:		
Software	85,370	64,846
Acquired technology	435,417	-
Customer relationships	461,804	-
Developed technology	1,591,689	1,149,741
Other deferred costs	40,538	-
	2 614 818	1 214 587

11 CREDIT FACILITIES

As at September 30, 2003, the Company had the following credit facilities:

- i) \$2,000,000 (\$1,000,000 as at September 30, 2002) in the form of an operating credit or letters of guarantee (for a maximum amount of \$250,000) renewable on an annual basis, bearing interest at the prime rate of the financial institution plus 1%.

This operating credit is secured by:

- a) a first rank hypothec on the universality of accounts receivable and inventories as well as term deposits and/or bankers' acceptances and/or any other proceeds from investments.
- b) a second ranking movable hypothec on all the tangible and intangible, present and future, assets, including intellectual property.

The Company's bank has issued two letters of guarantee totalling \$128,900 with respect to this credit facility.

The amount of the advances made under this credit facility depends on the accounts receivable and work in progress amount.

- ii) \$6,000,000 in the form of a term loan to finance the acquisition of the Technology Resource Department of the CHUM, repayable in monthly instalments of \$125,000 plus interest through December 2006, bearing interest at the financial institution's prime rate plus 3.25% until December 20, 2003.
- iii) \$884,487 in the form of a term loan repayable in monthly instalments of \$20,833 plus interest, bearing interest at the financial institution's prime rate plus 1%.

11 CREDIT FACILITIES (CONTINUED)

These term loans are secured by:

- a) a first rank hypothec on the universality of all tangible and intangible, present and future assets, including titles to intellectual property.
- b) a second rank hypothec on the universality of accounts receivable and inventories.
- c) a specific movable hypothec of \$750,000 on the loan mentioned in ii) only on the term deposit or other proceeds from investments of the financial institution.
- d) a loan guarantee from Investissement Québec covering 60% of the net loss incurred on the loan described on ii) and 70% on the loan described in iii).

Under the conditions of the credit agreement, the Company must satisfy certain restrictive covenants as to minimum financial ratios and payment of dividends.

12 LONG-TERM DEBT

	MATURITY	2003 \$	2002 \$
Balance of purchase price payable (a)	2005	6,880,000	–
Term loan (Note 11 ii) and (b)	2006	4,875,000	–
Term loan (Note 11 iii)	2006	676,154	926,153
Other debts	2004 and 2005	171,280	300,104
		12,602,434	1,226,257
Current portion		5,244,511	378,822
		7,357,923	847,435

- (a) The balance of purchase price payable bears interest at 8%, and is payable in three instalments, including principal and interest as follows:

December 20, 2003 - \$4,000,000 (including interest of \$640,000)

October 1, 2004 - \$2,000,000 (including interest of \$320,000)

October 1, 2005 - \$2,000,000 (including interest of \$160,000)

The balance of purchase price payable is secured by a conventional hypothec, without delivery subordinate to the guarantees on the credit facilities described in Note 11.

- (b) On October 29, 2003, the Company reimbursed \$1,050,000 on one of the term loans, following the exercise of 300,000 warrants issued pursuant to the private placement (Note 13).

Principal payments required in each of the forthcoming years are as follows:

		\$
	2004	5,244,511
	2005	3,466,769
	2006	3,516,154
	2007	375,000

13 SHARE CAPITAL AND WARRANTS

Authorized, unlimited number and without par value

Preferred shares, issuable in series and whose privileges are determined at the time of issuance

Common shares, voting

	2003 \$	2002 \$
ISSUED		
6,374,124 common shares		
(4,137,124 as at September 30, 2002)	9,829,023	6,095,802

During the year, pursuant to private placements, the Company issued 2,232,000 units at \$2.50 each, comprised of one common share and a half of one common share purchase warrant. The warrants may be exercised until December 20, 2005 at \$3.50 per share. The cash consideration totalled \$5,580,000 less issuance costs of \$272,842 (net of income taxes of \$137,187). The fair value of warrants of \$1,581,437 was estimated at the date of issuance using the Black-Scholes option pricing model based on the following assumptions: a 3.55% risk-free interest rate, no annual dividends, expected volatility of 116% and an expected life of the options of three years.

Pursuant to the issuance described above, the Company granted warrants allowing the holder to purchase a maximum of 1,116,000 common shares at an exercise price of \$3.50 per share.

On October 24, 2003, subsequent to year-end, warrants in respect of 300,000 common shares were exercised for cash consideration of \$1,050,000.

STOCK-BASED COMPENSATION PLAN

The Company has granted options to certain officers, managers and key employees to purchase common shares of the Company. The total number of shares reserved for stock-based compensation arrangements is 370,000 as at September 30, 2003. In addition, 40,000 stock options were granted to a third-party.

During the year, 5,000 options were exercised at \$1.50 each.

During the year, the Company granted 25,000 stock options at \$2.50 per share. The fair value of each option was estimated at the date of granting using the Black-Scholes option pricing model based on the following weighted average assumptions: a 4.09% risk-free interest rate, no annual dividends, expected volatility of 112% and an expected life of the options of five years. Pro forma earnings, earnings per share and the diluted pro forma earnings per share would be \$1,896,627, \$0.32 and \$0.32, respectively, for the year ended September 30, 2003.

A summary of stock options is presented in the following tables:

	2003		2002	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE \$	SHARES	WEIGHTED AVERAGE EXERCISE PRICE \$
Outstanding, beginning of year	383,000	2.82	395,900	2.86
Granted	25,000	2.50	-	-
Exercised	(5,000)	1.50	-	-
Cancelled	(3,000)	3.50	(12,900)	4.00
Outstanding, end of year	400,000	2.81	383,000	2.82
Options exercisable	400,000	2.81	383,000	2.82

13 SHARE CAPITAL AND WARRANTS (CONTINUED)

Options outstanding

	EXERCISE PRICE \$	NUMBER	REMAINING LIFE (YEARS)
	4.00	40,000	1.8
	3.50	200,000	2.3
	2.50	25,000	4.3
	1.50	135,000	1.3
		400,000	

EARNINGS PER SHARE

	2003	2002
Net earnings	\$1,941,325	\$729,077
Weighted average number of common shares outstanding	5,863,434	4,137,124
Diluted effect of stock options	65,752	62,000
Average number of outstanding common shares	5,929,186	4,199,124
Basic net earnings per share	\$0.33	\$0.18
Diluted net earnings per share	\$0.33	\$0.17

A total of 1,116,000 warrants as well as 240,000 options were not considered in the calculation of diluted earnings per share for 2003, as the exercise price was more than the average trading price during the period, which would have had an anti-dilutive effect.

14 FINANCIAL EXPENSES

	2003	2002
	\$	\$
Interest on long-term debt	895,345	53,375
Interest income from advance to a related company	(22,689)	(30,077)
Other interest (revenue)	28,071	(9,072)
	900,727	14,226

15 INCOME TAXES

(a) Income taxes expense consists of the following:

	2003	2002
	\$	\$
Current	58,000	356,500
Future	967,000	180,500
	1,025,000	537,000

(b) The reconciliation of income tax expense between the federal and provincial tax rates with the Company's effective tax rates is as follows:

	2003	2002
	%	%
Income tax expense at the statutory rates	33.7	35.0
Non-deductible items (including amortization of goodwill for 2002)	0.1	7.5
Other	0.7	(0.1)
	34.5	42.4

(c) Future income taxes are as follows:

	2003	2002
	\$	\$
CURRENT		
Current income tax assets		
Benefits from losses carried forward	-	190,800
Current future tax liabilities		
Investment tax credit	205,000	255,800
Total current future tax liabilities	205,000	65,000
NON-CURRENT		
Non-current future tax assets		
Financing expenses	35,000	10,000
Share capital issuance expenses	95,000	-
Total non-current future tax assets	130,000	10,000
Non-current future tax liabilities		
Financial reporting basis compared with tax basis of property, plant and equipment and intangible assets and other long-term assets	1,050,313	1,640,500
Goodwill	1,225,000	-
Total non-current future tax liabilities	2,275,313	1,640,500
Net non-current future tax liabilities	2,145,313	1,630,500

16 ADDITIONAL INFORMATION ON CASH FLOW

	2003	2002
	\$	\$
CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS		
Accounts receivable	(2,734,419)	(760,491)
Income tax credits receivable	89,653	(131,430)
Prepaid expenses and other current assets	(112,145)	(5,936)
Accounts payable and accrued liabilities	3,053,636	891,365
Income taxes	(302,603)	169,529
Customer deposits	10,372	(19,039)
Deferred revenue	2,941,046	(201,413)
	2,945,540	(57,415)
ADDITIONAL INFORMATION		
Interest paid	450,534	106,218
Income taxes paid	103,378	186,971

17 COMMITMENTS

- a) The Company's commitments under long-term leases entered into with the "Cit  du Multim dia" and the CNNTQ for the leased premises and equipment amount to \$1,551,000 in the forthcoming years, excluding operating expenses, payable as follows:

	\$
2004	444,000
2005	458,000
2006	419,000
2007	230,000

- b) As part of the acquisition of the business operations of the Technology Resource Department of the CHUM, the Company and CHUM entered into the following agreements:

- The services agreement for which the CHUM is committed to offer Logibec data processing services on CHUM's central computer. The Company is currently in the process of moving the applications to another environment in advance of the end of the agreement, which is expected on April 30, 2004. Future estimated payments until this date are \$1,300,000.
- Partnership agreement ending March 31, 2008 pursuant to which the Company is committed to devote its best efforts to the research and development of new software packages designated for the health care sector and development of the technology that it acquired from CHUM. According to the method of calculating the investment set forth in the agreement, the Company will contribute an amount of approximately \$47,500,000 for this purpose. The Company invested approximately \$9,611,000 for the year ended September 30, 2003.

In addition, the Company will pay CHUM royalties equal to 3% of the increase in revenue from the acquired technology and new technology that will be developed in collaboration with CHUM. Payment of these royalties will continue to be made beyond the end date of the agreement.

18 RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with a shareholder of a company having significant influence on the Company.

	2003	2002
	\$	\$
Management fees - expenses	583,600	480,000
Interest on advances - revenue	22,689	30,077

These transactions were made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

19 FINANCIAL INSTRUMENTS

FAIR VALUES

The fair values of cash and cash equivalents, accounts receivable, income tax credit receivable, accounts payable and accrued liabilities and client deposits approximate their carrying values as they are short-term in nature.

The fair value of advances receivable may not be determined as there are no terms of repayment.

The fair value of the term loans equals their carrying values since they bear floating interest rates.

The carrying value of the balance of purchase price payable approximates the fair value since the interest rates comparable to the floating rates currently available to the Company.

CREDIT RISK

The Company extends credit to its customers in the normal course of business. Ongoing credit assessments are made during the year and the financial statements reflect provisions for losses.

The Company does not have a concentration of credit.

INTEREST RATE RISK

As mentioned in Notes 11 and 12, the Company's long-term debt is at variable interest rates with the exception of balance of purchase price. Following its interest rate risk analyses conducted throughout fiscal 2003, the Company considers this risk to be relatively low given the current economic cycle.

	TOTAL LOANS	INTEREST RATE	
		FIXED	FLOATING
LONG-TERM DEBT			
2003	\$12,602,434	\$6,880,000	\$5,772,434
2002	\$1,226,257	-	\$1,226,257

20 COMPARATIVE FIGURES

Certain figures for 2002 have been reclassified to conform with the presentation adopted in the current year.

BOARD OF DIRECTORS

ANDRÉ PAIEMENT ⁽¹⁾ ⁽²⁾

Chairman of the Board
Assistant General Counsel
BELL CANADA

CLAUDE ROY, ING. M.B.A. ⁽¹⁾

President and Chief Executive Officer
LOGIBEC GROUPE INFORMATIQUE LTÉE

JOCELYN BOUCHER ⁽¹⁾ ⁽²⁾

Vice-President Finance
and Economic Affairs
CENTRE HOSPITALIER DE L'UNIVERSITÉ
DE MONTRÉAL (CHUM)

MARC M. MALOUIN, CA, CPA ⁽¹⁾ ⁽²⁾

Financial Vice-President
GROUPE ALGO INC.

ROBERT ROY

President
LOTEC INC.

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Human Resources
Committee

ADDRESSES

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EDMONTON

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EXECUTIVE TEAM

GILLES LAPORTE

Senior Vice-President
Business Development

MARC-ANDRÉ LAROSE

Senior Vice-President
Operations

JACQUES DUGAS

Vice-President
Payroll/HR

SYLVAIN DUPUIS

Chief Financial Officer

SYLVAIN TRUDEAU

Vice-President
Development

ANNUAL GENERAL SHAREHOLDERS' MEETING

Tuesday, March 23, 2004 at 2:30 p.m.
HOTEL ST-PAUL
Salons 1 and 2

CORPORATE INFORMATION

BANK

NATIONAL BANK OF CANADA
600 De La Gauchetière Street West
Montreal, Quebec H3B 4L2

AUDITORS

SAMSON BÉLAIR/DELOITTE & TOUCHE
S.E.N.C.R.L.

LEGAL ADVISORS

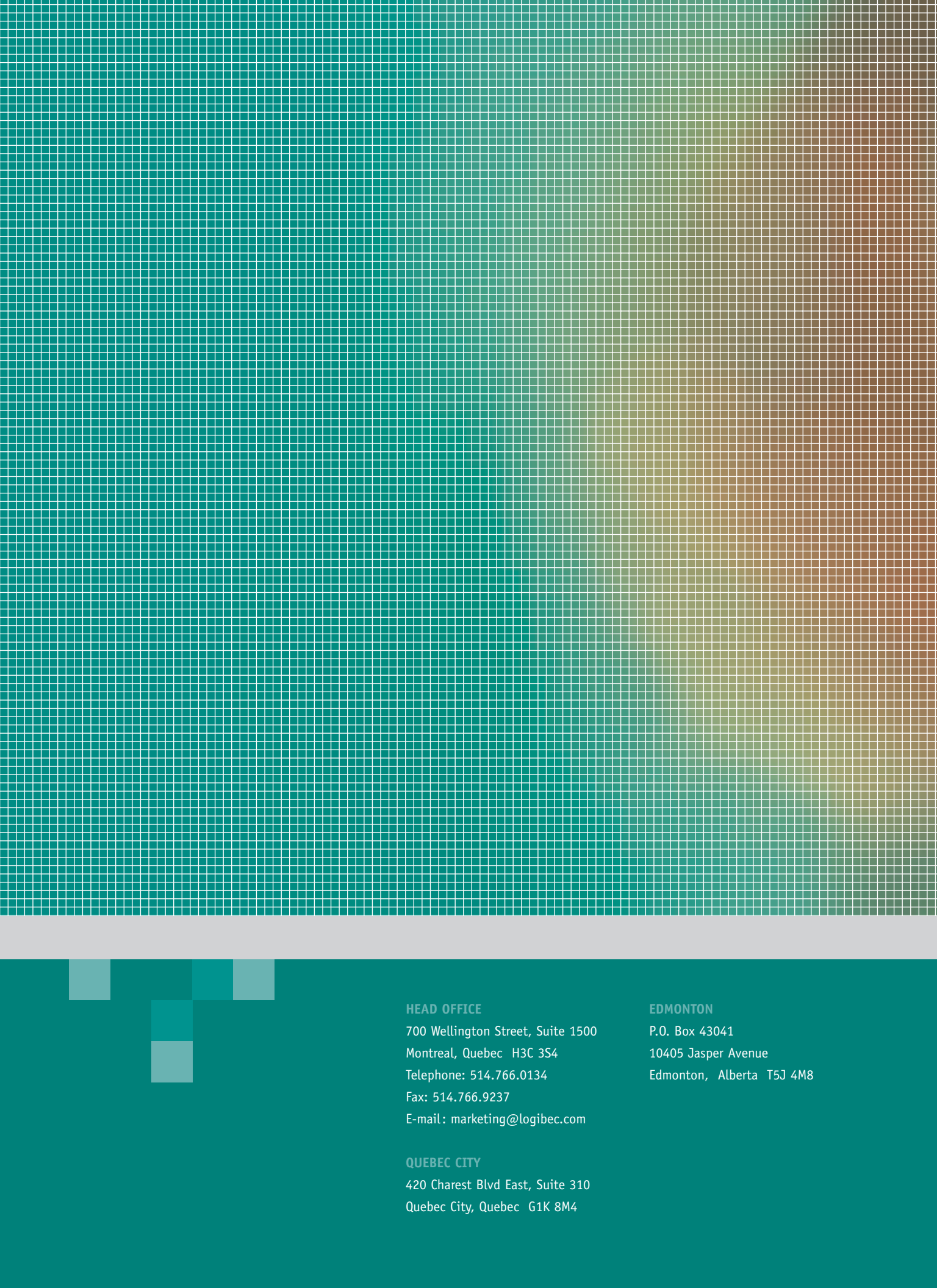
HEENAN BLAIKIE

TRANSFER AGENT AND REGISTRAR

NATIONAL BANK TRUST

STOCK EXCHANGE SYMBOL : LGI





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