



**INFORMATIX LABORATORIES
CORPORATION**

**774 East 3300 South
Suite 200
Salt Lake City Utah 84106**

2003 FY ANNUAL REPORT

OVERVIEW

Informatix Laboratories Corporation (ILC) closed 2003 as another good year of continued staff and business development. The staff has continued the A/R projects within the Native American Nations (NAN), and they have improved in their competencies in the development, installation, and maintenance of our software packages. Four projects, begun in 2003, are projected to earn substantial increases in profits during FY2004.

ORGANIZATIONAL

Senior management has remained the same with Floyd Turner as Chairman of the Board, and Gordon Moreshead as President and Chief Technical Officer. Tom Keene has joined ILC part time as Chief Financial Officer (CFO), and he is providing the needed service of clarifying our financial standing. His findings will be summarized in this report. In addition, he has been able to offer projections of revenue, and its impact on the bottom line. This is the first time ILC has been able to achieve this goal for some of our projects. In 2003 ILC hired additional staff to implement the projects described throughout this report. As indicated by the address on the cover, ILC has moved into a larger office space in order to accommodate ILC's increased staff.

PROGRAMMATIC

A. Previous Projects

The A/R Services team has continued providing software support to the Native American Nations (NAN) with primary focus on the A/R products. This included implementation of our A/R II package at three NAN sites in 2003.

The Interface Services team continues to provide support for Fortune 500 companies that are connecting their various ancillary devices to the Veterans Administration VistA Systems.

B. New Programs

ILC has used this past year to position itself for growth in terms of four major initiatives:

- **Patient Account Management System (PAMS)**
- **Billing Services**
- **Medsphere Billing and Banking module for state Veterans Administration Nursing Homes**
- **Technical Services**

The first three projects are contract driven, so expected revenues should be reliable. The fourth is contractual on a case by case basis.

For the PAMS project ILC was contracted by a consortium of Native American Tribes with support from the Indian Health Services (IHS) to develop a software system to facilitate patient accounts management. It is a major enhancement to ILC's present A/R system and it is expected to become the broad standard throughout the Native American Nations as well as other commercial environments utilizing VistA software.

The Billing Services initiative began through a contract with the IHS Cass Lake facility in Minnesota. It is a billing service that includes ILC staff on site at the Cass Lake Hospital where our A/R billing package is used to facilitate the billing, follow-up, and payment posting for inpatient, outpatient, and dental services. ILC receives a percentage of collections.

The newest project is the ODVA Medsphere venture that involves installing and supporting the VA VistA system, including the ILC software modules, into the Oklahoma Department of Veterans Affairs (ODVA) State Veterans Nursing Homes. Medsphere and Hewlett Packard have a contract to install and support the VistA System, including enhancements developed by ILC, to manage the financial arrangements for older veterans living in state Veterans Homes. This software differs from our A/R software in that its purpose is to track monthly maintenance charges for the patient without billing a third party payer. It also will provide a banking module for managing the patients' banking needs.

Technical Services provides hardware (e.g., computers, printers, networking components), software, installation and complete service and support for a broad range of business clients in the Utah, Wyoming and Idaho area. They also provide the hardware, installation and support that is needed by our IHS/ RPMS clients in the implementation of the PCC+ software package. Established in October, this project generated \$17,700 in revenue during 2003. Computer hardware, which was previously included in A/R Services, added \$37,645 to bring the total Technical Services revenue to \$55,372 for 2003.

OPERATIONS PERSONNEL CHANGES

John Oljar, senior software developer and former employee with ILC, has re-joined our staff to work on the PAMS project. In addition, Art Lee was hired to work with John. Scott Eastman is developing the Technical Services division in conjunction with Kevin Cole. Connell MacKenzie was hired to work with Gordon on the Medsphere Project. Three billing specialists have been retained for the Cass Lake Project, two full time and one half time.

ALLIANCES

ILC has continued to maintain the alliances that we previously formed, particularly with Medsphere. In additi

FINANCIALS

Our report of the financial data has changed in format reflecting current revenue sources. In addition, we have included a Balance Sheet in the 2003 report.

Revenues have increased to \$1.077 million from last year's total of \$.98 million or a 1% increase in revenues (see Table 1). The net loss was (\$79,753). This loss can be explained, primarily, by one time accounting adjustments and by start up costs of the PAMS Project and the Cass Lake Project. Operating expenses have remained essentially flat from 2002 to 2003. CFO Tom Keene has prepared an addendum to the Financial Statements to explain the accounting adjustments. The Balance Sheet is presented in Table 2 and the CFO notes are presented in Table 3.

OUTLOOK FOR 2004

The following section contains forward looking statements that may not occur due to unforeseen events. The statements should not be relied on in making investment decisions.

We are very optimistic as we enter 2004 for a very successful year with increased revenues and a modest profit. The new contracts acquired in 2003 and the establishment of our new Technical Services group result in revenue projections that show a marked increase over 2003. ILC will continue to tightly control operating and administrative costs to achieve targeted profit objectives. 2004 revenue for the PAMS project is projected to be \$500,000 and the Cass Lake contract is projected to add \$250,000. The Medsphere contract is projected to provide \$80,000 of revenue for 2004. The Interface Services team is on track to achieve revenues of \$350,000. AR Services and Technical Services are harder to predict but we are optimistic that they will both contribute significantly to revenue in 2004.

2003

Ordinary Income/Expense

Income

A/R Services

Interface Services

Medsphere

Billing Services

Product Development Services

Contract Analysis Services

Reimbursements

ILC Technical Services

Total Income

Cost of Goods Sold

Labor Costs

Other Direct Costs

Total COGS

Gross Profit

Table 2
Informatix Laboratories Corporation
Balance Sheet

	<u>Dec 31, 03</u>
ASSETS	
Current Assets	
Cash & Equivalents	
Cash Accounts	
Investment Accounts	
Total Cash & Equivalents	<hr/>
Accounts Receivable	
Accounts Receivable	
Allowance for Doubtful Accounts	
Total Accounts Receivable	<hr/>
Other Current Assets	
Inventories	
Other Current Assets	
Total Other Current Assets	<hr/> <hr/>
Total Current Assets	
Fixed Assets	
Fixed Assets	
Equipment	
Furniture	
Leasehold Improvements	
Subtotal Fixed Assets	<hr/>
Accumulated Depreciation	
Total Fixed Assets	
Other Assets	
Rent Deposit	
R&D Expense Capitalization	
R&D Expense Capitalization	
Amortization R&D Costs	
Total R&D Expense Capitalization	<hr/> <hr/>
Total Other Assets	<hr/> <hr/>
TOTAL ASSETS	<hr/> <hr/> \$ 820,047

Dec 31, 03

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

Accounts Payable

Total Accounts Payable

Other Current Liabilities

Key Bank Line of Credit

Key

Table 3
Informatix Laboratories Corp.
Notes to Financial Statements

Equipment Sales

Contract Analysis Services

Amortization Correction

Sales Credit

Bad Debt Charges