REDKNEE SOLUTIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

DATED: DECEMBER 2, 2008

TABLE OF CONTENTS

The following provides management's discussion and analysis ("MD&A") of Redknee Solution Inc.'s (the "Company") consolidated results of operations and financial condition. This discussion should be read in conjunction with the Company's consolidated annual financial statements and accompanying notes for the year ended September 30, 2008. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. The information contained herein is dated as of September 30, 2008 and is current to that date, unless otherwise stated.

The Company's fiscal year commences October 1st of each year and ends on September 30th of the following year. The Company's current fiscal year, which ends on September 30, 2008, is referred to as the "current fiscal year," "fiscal 2008", "2008", or using similar words. The previous fiscal year, which ended on September 30, 2007, is referred to as "previous fiscal year," "fiscal 2007," "2007", or using similar words.

In this document, "we", "us", "our", "Company" and "Redknee" all refer to Redknee Solutions Inc. collectively with its subsidiaries. The content of this MD&A has been approved by the Board of Directors, on the recommendation of its Audit Committee.

Additional information relating to the Company including our most recently completed Annual Information Form ("AIF"), is available on SEDAR at ***www.sedar.com*** and on the Company's web-site at ***www.redknee.com***.

CAUTION REGARDING FORWARD LOOKING INFORMATION:

Certain statements in this MD&A which are not historical facts constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). Statements related to Redknee's projected revenues, earnings, growth rates, revenue mix and product plans are forward looking statements as are any statements relating to future events, conditions or circumstances. The use of terms such as "anticipated", "expected", "projected", "targeting", "estimate", "intend" and similar terms are intended to assist in identification of these forward-looking statements. Readers are cautioned not to place undue reliance upon any such forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause the actual results, performance, achievements or developments of Redknee to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements.

Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions, and Redknee does not undertake any obligation to update forward-looking statements should assumptions related to these plans, estimates, projections, beliefs and opinions change.

EXECUTIVE OVERVIEW

About the Company

Redknee markets, develops and licenses infrastructure software and provides related professional services for mobile communications service providers internationally. The Company's core products and services provide solutions for monetizing the value of events and transactions in mobile communications networks on a real-time basis and for personalizing communications service offerings for mobile subscribers. Redknee's solutions are designed to assist a number of the world's leading mobile communications service providers to price, bill and charge in real-time for all services and multi-media content, while managing subscribers' preferences and privacy.

Redknee's solutions are designed to enable mobile communications service providers to segment their subscriber base, create bundles of voice, data and content services and price such services based on their value and context and also enable new network-based value added service ("VAS") offerings, thereby extending and enhancing the service providers' offerings and business capabilities.

Currently over 70 network operators, which include some of the world's leading mobile network providers, have licensed Redknee's software products across more than 50 countries.

Over the past five years, Redknee has made significant progress in several key areas. The Company's revenue has grown from $21.8 million in fiscal 2003 to $50.7 million in fiscal 2008, for a compound annual growth rate of 18%. This growth has resulted from Redknee's expansion of operations from Europe, Canada and the United States of America to include Asia Pacific, the Caribbean, Africa and the Middle East. Redknee has augmented its suite of technologies to enhance the end-to-end subscriber experience for communication. Redknee's commitment to Research and Development ("R&D") to maintain its position as a key industry innovator in the real-time OSS/BSS software space has been demonstrated by nine issued patents, 48 pending applications and six further patent applications which are at various stages of the grant/issuance process.

From 2003 to 2008, Redknee set up legal entities closer to its customers in the United Kingdom, Germany, India and Dubai. In 2004, Redknee opened a global support and operations center in Pune, India. Additionally, in 2004, Redknee began a strong investment in growing its management team, adding a number of key executive positions.

In February 2007, the Company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange. Redknee raised $39.9 million (£17.5 million) gross, $34.8 million net of expenses through the placing of 16,700,000 of the Company's common shares at 105 pence each, undertaken by Canaccord Adams Limited as Nominated Advisor and Broker. The placing was well received by institutional investors in the United Kingdom, Europe and North America. Immediately following the successfully share offering, Redknee repaid the balance of a USD$10.0 million debt provided by HSBC and MMV Financial in June 2005.

Redknee's successful placing and admission enabled the Company to implement a disciplined growth strategy. Our ability to develop our existing client base while adding new customers is central to our success.

In February 2008, Redknee announced its first acquisition - the revenue assurance, interconnect and content settlement software solution and operations group of Argent Networks Pty Limited (Argent). InBill, as the software is branded, services over ten operators from offices in Australia and the United States of America. The acquisition provides opportunities to cross-sell and up-sell existing Redknee products and services into these accounts, as well as up-sell Inbill products to Redknee's existing customers.

The process of integrating the InBill product line and employees into Redknee is now complete and the overall response from the InBill employees and customers has been positive. This transaction has enhanced Redknee's solution offering with existing and new customers.

On October 21, 2008, Redknee's common shares were approved for listing on the Toronto Stock Exchange ("TSX") and, on October 22, 2008, the shares began trading under the symbol "RKN". The Company continues to be listed on AIM under the same symbol.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table displays a summary of our Consolidated Statements of Operations for the six months and years ended September 30, 2008 and 2007, and a summary of select Balance Sheet data as at September 30, 2008, 2007, and 2006.

The following data is expressed in Canadian dollars unless noted otherwise and has been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Consolidated Statement of Operations (all amounts in thousands, except per share amounts)	**Six Months Ended September 30,**		**Year Ended September 30,**	
	2008	**2007**	**2008**	**2007**
Revenue				
Software and services	$18,775	$12,071	$36,666	$27,189
Support	7,838	5,861	14,035	11,427

	26,613	**17,932**	**50,701**	**38,616**
Cost of revenue	7,587	7,300	14,973	12,796
Gross profit	**19,027**	**10,632**	**35,729**	**25,820**
Operating expenses				
Selling and marketing	8,456	6,752	16,567	13,707
General and administrative	5,929	3,989	10,769	8,066
Research and development	6,943	4,809	13,464	10,421
Amortization of Property and equipment	282	113	409	287
Foreign exchange loss (gain)	125	2,231	(1,584)	1,858
	21,735	17,894	39,625	34,338
Loss from operations	(2,709)	(7,262)	(3,897)	(8,518)
Interest income	117	492	451	658
Interest expense	(18)	(15)	(28)	(1,665)
Loss before income taxes	**(2,610)**	**(6,785)**	**(3,473)**	**(9,526)**
Income taxes	346	458	938	882
Loss for the year	**(2,956)**	**(7,243)**	**(4,411)**	**(10,407)**
Loss per Common Share Basic and Diluted	$(0.05)	$(0.14)	$(0.08)	$(0.20)
Weighted average number of common shares Basic and Diluted (thousands)	56, 329	51,898	56, 329	51,898

Balance Sheet Data	**As at September 30, 2008**	**2007**	**2006**
Cash and Cash Equivalents	$ 15,243	$ 8,928	$ 2,903
Short-Term Investments	$ 56	$ 14,763	$ 535
Total Assets	$ 37,451	$ 35,559	$ 17,346
Accounts Payable and Accrued Liabilities	$ 10,851	$ 6,644	$ 6,916
Long-Term Debt and Other obligations	$ -	$ -	$ 3,445
Shareholders' Equity	$ 19,414	$ 23,017	$(2,572)

RESULTS OF OPERATIONS

Revenue

The Company recognizes revenue from the sale of software licenses including initial licenses, capacity increases and upgrades; professional services; third party hardware and software components and customer support contracts. The majority of the Company's revenue is denominated in U.S. dollars, whereas expenses are predominately in Canadian dollars. As a result, revenue and earnings are impacted by the fluctuation in the exchange rate.

For the six month period ended September 30, 2008, the Company's revenue grew by 48% from $17.9 million for the same period in fiscal 2007 to $26.6 million in fiscal 2008.

For the fiscal year ended September 30, 2008 revenue grew by 31% from $38.6 million in fiscal 2007 to $50.7 million in fiscal 2008.

The increases in revenue for the periods noted above relate primarily to:

- New solution deployments and operator additions in APAC and EMEA, and
- Upgrades and expansions in existing operators across Americas, APAC and EMEA.

During fiscal 2008, globally, the Company added over ten new operators organically as well as more than ten operators through the acquisition of Argent's InBill operations.

Revenue by Type

The following tables set forth our revenues by type and as a percentage of total revenue for the periods indicated:

$Cdn Millions	**Six Months Ended September 30,**			**Year Ended September 30,**		
	2008	**2007**	**% Change**	**2008**	**2007**	**% Change**
Software & Services	16.5	9.4	76%	32.8	23.8	38%
Third Party Software & Hardware	2.3	2.6	-12%	3.9	3.4	15%
Support	7.8	5.9	32%	14.0	11.4	23%
Total	**26.6**	**17.9**	**49%**	**50.7**	**38.6**	**31%**

Percentage of Total Revenue	Six Months Ended September 30,		Year Ended September 30,	
	2008	2007	2008	2007
Software & Services	62%	52%	65%	62%
Third Party Software & Hardware	9%	15%	7%	9%
Support	29%	33%	28%	29%
Total	**100%**	**100%**	**100%**	**100%**

Software and Services Revenue

Software and services revenue consists of fees earned from the licensing and integration of software products to our customers, as well as the revenues resulting from consulting and training services contracts related to the software products.

Software and Services revenue for the second half of 2008 grew by 76% to $16.5 million, or 62% of total revenue, compared to $9.4 million, or 52% of total revenue, for the same period last year.

For the year ended September 30, 2008, software and service revenue grew by 38% to $32.8 million, or 65% of total revenue, compared to $23.8 million, or 62% of total revenue, last year.

The increases in the six month and fiscal 2008 software and service revenue as compared to prior periods relate to new solution deployments.

Third Party Revenue

Third party revenue consists of revenue from the sale of other vendor’s hardware and software components as part of Redknee’s solutions, including server platforms, database software and other ancillary components. Typically, this revenue makes up less than 10% of the Company’s revenue annually.

Third party software and hardware revenue for the second half of 2008 declined by 12% to $2.3 million, or 9% of total revenue, compared to $2.6 million, or 15% of total revenue, for the same period last year. For the year ended September 30, 2008, third party hardware and software revenue increased by 15% to $3.9 million, or 7% of total revenue, compared to $3.4 million, or 9% of total revenue recorded in fiscal 2007. The variation in third party revenue reflects the varying customers’ requirements for Redknee to provide third party hardware and software as part of a turnkey solution.

Customer Support Revenue

Support revenue consists of revenue from our customer support and maintenance contracts. These agreements allow our customers to receive technical support. Support revenue is generated from such agreements relative to current year sales and the renewal of existing agreements for software licenses sold in prior periods. Typically, support and maintenance contracts commence for a period of one or more years upon completion of acceptance testing and then renew annually thereafter.

Support revenue for the second half of 2008 grew by 32% to $7.8 million, or 29% of total revenue, compared to $5.9 million, or 33% of total revenue, for the same period last year. For the year ended September 30, 2008, support revenue grew by 23% to $14.0 million, or 28% of total revenue, compared to $11.4 million, or 29% of total revenue, for the same period in 2007. Support revenue growth reflects an increase in our installed base as well as maintenance contract renewals from existing customers and InBill support since the acquisition of Argent.

Revenue by Geography

Revenue is attributed to geographic locations based on the location of the customer. The following tables set forth our revenues by major geography and as a percentage of total revenue for the periods indicated:

$Cdn Millions	**Six Months Ended September 30,**		**Year Ended September 30,**	
	2008	**2007**	**2008**	**2007**
Asia and Pacific Rim	7.3	5.1	12.5	6.3
North America, Latin America and Caribbean	9.4	6.6	19.1	17.4
Europe, Middle East and Africa	9.9	6.2	19.1	14.9
Total	**26.6**	**17.9**	**50.7**	**38.6**

Percentage of Total Revenue	**Six Months Ended September 30,**		**Year Ended September 30,**	
	2008	**2007**	**2008**	**2007**
Asia and Pacific Rim	28%	28%	24%	16%
North America, Latin America and Caribbean	35%	37%	38%	45%
Europe, Middle East and Africa	37%	35%	38%	39%
Total	**100%**	**100%**	**100%**	**100%**

For the second half and year ended September 30, 2008, the Company increased its market share in the high growth regions of Asia Pacific, the Middle East and Africa, as it continued to add new operators and increased its sales within its existing customer base. The Company provides industry leading solutions to some of the most innovative and fastest growing mobile service providers across a number of regions throughout the world.

The table above reflects the Company's strategy of targeting operators in high growth markets such as Asia Pacific, the Middle East and Africa. With over 70 network operators in over 50 countries, the Company's revenue is diversified geographically and across customers. In fiscal 2008, no single customer represented more than 16% of the Company's annual revenue.

Cost of Sales and Gross Margin

Cost of sales consists of the expense of personnel providing professional services to implement and provide post sales technical support for our solutions, and the costs of third party hardware and software components sold as part of Redknee's solution. It also includes an allocation of certain direct and indirect costs attributable to these activities.

For the second half of 2008, cost of sales increased by $0.3 million compared to the same period in 2007. Overall, the gross margin for the period was 71% as compared to 59% for the second half of 2007.

For the year ended September 30, 2008, cost of sales increased by $2.2 million to $15.0 million, which represents a 17% increase from the $12.8 million incurred in the same period last year. The increased costs reflect the Company's investment in personnel and related travel to support its expanding global footprint, primarily in the high growth regions in Asia Pacific and the Middle East and Africa. Gross margin for fiscal 2008 was 70% as compared to 67% for last year.

The increase in gross margins for the periods noted above was primarily due to the increase in revenue in fiscal 2008 over fiscal 2007 and the Company leveraging its investment in its professional services and support infrastructure.

Operating Expenses

The following tables set forth total operating expenses by function and as a percentage of total revenue for the periods indicated:

(In $ Millions)	**Six Months Ended September 30, 2008**	**2007**	**Year Ended September 30, 2008**	**2007**
Sales and Marketing	$8.5	$6.8	$16.6	$13.7
General and Administrative	5.9	4.0	10.8	8.1

Research and Development	6.9	4.8	13.5	10.4
Amortization	0.3	0.1	0.4	0.3
Foreign Exchange loss (gain)	0.1	2.2	(1.6)	1.9
Total Operating Expenses	**$21.7**	**$17.9**	**$39.6**	**$34.3**

Percentage of Total Revenue	**Six Months Ended September 30, 2008**	**2007**	**Year Ended September 30, 2008**	**2007**
Sales and Marketing	32%	38%	33%	35%
General and Administrative	22%	22%	21%	21%
Research and Development	26%	27%	27%	27%
Amortization	1%	1%	1%	1%
Foreign Exchange loss (gain)	0%	12%	-3%	5%
Total Operating Expenses	**82%**	**100%**	**78%**	**89%**

Sales and Marketing Expenses

Sales and Marketing ("S&M") expenses consist primarily of salaries, variable compensation costs and other personnel costs, travel, advertising, marketing and conference costs plus the allocation of certain overhead costs to support the company's sales and marketing activities.

For the second half of 2008, S&M expenditures increased by $1.7 million to $8.5 million, which represents a 25% increase from the $6.8 million incurred for the same period last year. As a percentage of total revenue, S&M expenses decreased from 38% to 32% between the two periods.

For fiscal 2008, S&M expenditures increased by $2.9 million to $16.6 million, which represents a 21% increase from the $13.7 million incurred for fiscal year 2007. As a percentage of total revenue, S&M expenses decreased from 35% to 33%, as revenue growth exceeded the growth of expenses for the period.

The increase in S&M expenses is attributable to the Company's investment as it entered new regions. In addition, the Company experienced increased variable compensation costs for fiscal 2008 related to the increase in sales revenue for the year.

General and Administrative Expenses

General and administrative ("G&A") expenses consist of the Company's support activities such as finance, human resources, information technology, and professional costs associated with tax, accounting, and legal expenses. Certain overhead costs such as facilities, communications and computer costs are allocated to G&A and the other departments on a per headcount basis.

For the second half of 2008, general and administrative expenditures increased from $4.0 million to $5.9 million. As a percentage of total revenue, G&A expenses remained at 22% between the two periods.

For the year ended September 30, 2008, G&A expenditures increased by $2.7 million to $10.8 million as compared to $8.1 million incurred in fiscal 2007. As a percentage of total revenue, G&A expenses remained at 21% between the two periods.

The majority of the increase in G&A expenses as compared to fiscal 2007 was attributable to expanding the scale of the Company's infrastructure to support the Company's growth, the planned listing on the Toronto Stock Exchange, costs associated with Bill 198 compliance, and investment in the intellectual property program.

Research and Development Expenses

Research and Development ("R&D") expenses consist primarily of personnel costs associated with product management and the development and testing of new products plus the allocation of certain overhead costs.

For the six months ended September 30, 2008, R&D expenditures increased by $2.1 million to $6.9 million as compared to $4.8 million incurred the same period last year. As a percentage of total revenue, the R&D expenditures decreased from 27% to 26% between the two periods.

Research and development expenses for the year ended September 30, 2008 totaled $13.5 million, an increase of 29% from the $10.4 million incurred by the Company in the prior fiscal year. As a percentage of total revenue, the R&D expenditures remained at 27% between the two periods.

The rise in R&D expenses was driven by the increase in compensation expenses; addition of resources associated with the InBill development team and reflects the Company's continued investment in Turnkey Converged Billing solution and Mobile Money solution, as well as enhancing inter-operability with other Network Equipment Providers. The increase in R&D expenditure was in line with the increase in revenue.

Amortization of Property and Equipment

Amortization of property and equipment for the six months ended September 30, 2008 totaled $0.3 million as compared to $0.1 million in 2007. For the year ended September 30, 2008 amortization of property and equipment increased to $0.4 million as compared to $0.3 million in fiscal 2007. The increase is related to the amortization of intangible for $0.1 million during the second half of fiscal 2008 as a result of the acquisition of the InBill operations of Argent.

Property and equipment are stated at cost, net of accumulated amortization, and are amortized on a straight-line basis over their estimated useful lives.

Amortization of Intangible Assets

Redknee purchased certain intangible assets through the acquisition of Argent Networks. They are stated at fair market value as of the acquisition date and are amortized on a straight-line basis over their estimated useful lives.

Foreign Exchange Gain / Loss

The Company's currency of measure is the Canadian dollar and the financial statements are presented in Canadian dollars. With respect to other currencies such as the US dollar, the Euro and the British Pound, the Company is exposed to fluctuations in exchange rates. The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by converting foreign-denominated cash balances into Canadian dollars to the extent practical to match Canadian dollar obligations. The Company conducts a significant portion of its business activities in foreign countries. The monetary assets and liabilities that are denominated in foreign currencies are affected by changes in the exchange rate between the Canadian dollar and these foreign currencies.

For the year ended September 30, 2008, the Company recognized a foreign currency exchange gain of $1.6 million, as compared to a foreign currency exchange loss of $1.9 million in 2007. The gain in fiscal 2008 was primarily due to US dollar and Euro appreciating against the Canadian dollar. The average rate for September 2008 was CDN $1 = USD $1.0583 and the average rate for October 2007 was CDN $1 = USD $0.9752, a 7.8% depreciation of the Canadian dollar.

Interest Income and Interest Expense

Interest and other income consists primarily of interest income (net of related expenses) earned on the Company's cash, cash equivalents and marketable securities. For the fiscal year 2008, net interest income was $0.4 million, compared to $1.0 million of net interest expense in fiscal 2007. The Company repaid all of its outstanding long-term debt on March 1, 2007 following the completion of its AIM listing in February 2007, which accounts for the reduction in interest expense.

Stock-Based Compensation

During the year ended September 30, 2008, 1,185,000 (2007 – 576,000) stock options with a weighted fair value of $0.81 (2007 - $1.02) at the date of grant were issued to employees. The fair value of the stock options was determined using a Black-Scholes option pricing model. Stock-based compensation expense during this period was $0.9 million (FY07 - $1.2 million) relating to the Company's stock options.

The Company also recorded a stock-based compensation expense of $0.3 million (FY07 - $0.3 million) relating to the Company's restricted share plan. No further restricted shares were granted during the period.

Income Taxes

The current income tax provision predominantly relates to current taxes owing (recoverable) by the Company's foreign subsidiaries.

As at September 30, 2008, the Company has approximately $36 million (FY07 - $28.1 million) of federal non-capital losses and scientific research and experimental development (SRED) pools for income taxes purposes that will begin to expire in 2014, which are available to reduce future years' income for tax purposes.

The Company has $8.1 million (FY07 - $6.5 million) of unrecorded income tax credits, which can also be used to reduce future federal income taxes. These credits have a life of 10 to 20 years and will begin to expire in 2014.

SUMMARY OF RESULTS:

All financial results are in thousands, unless otherwise stated, with the exception of loss per share.

	2H 08	1H 08	2H 07	1H 07	2H 06	1H 06
Revenue	$ 26,613	$ 24,088	$ 17,932	$ 20,684	$ 19,997	$ 16,975
Net Loss	$ (2,956)	$ (1,455)	$ (7,243)	$ (3,165)	$ (10,048)	$ (2,249)
Basic and Diluted Loss per Share	$ (0.05)	$ (0.02)	$ (0.14)	$ (0.08)	$ (0.27)	$ (0.06)
Weighted average basic and diluted Common Shares outstanding	56,329	58,350	51,898	41,601	37,442	37,388

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy, to fund Sales, Marketing and Research & Development, and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company currently funds its operations, increases in non-cash working capital and capital expenditures from internally generated cash flows and cash raised through past share issuances.

The table below outlines a summary of cash inflows and outflows by activity.

Statement of Cash Flows Summary	**Six Months ended September 30,**		**Year ended September 30,**	
	2008	**2007**	**2008**	**2007**
Cash inflows and (outflows) by activity:				
Operating activities	$ 57	$ (2,067)	$ (6,192)	$ (5,613)
Investing activities	6,870	6,925	12,274	(14,055)
Financing activities	(24)	(12)	(49)	25,590
Effect of foreign currency exchange rate changes on cash and cash equivalents	(339)	23	282	103
Net cash inflows (outflows)	6,564	4,869	6,315	6,025
Cash and cash equivalents, beginning of period	8,678	4,059	8,928	2,903
Cash and cash equivalents, end of period	$ 15,243	$ 8,928	$ 15,243	$ 8,928

Key Ratios	**As of September 30**		
	2008	**2007**	**2006**
Working Capital	$16,507	22,677	161
Day Sales Outstanding	81	57	73

Cash from Operating Activities

Cash provided by operating activities was $0.1 million in the six months ended September 30, 2008, as compared to $2.1 million of cash used for the same period last year. During fiscal 2008, cash used in operating activities totaled $6.2 million as compared to $5.6 million last year, due primarily to the loss of $4.4 million in the period. This loss was incurred almost entirely in the first half of fiscal 2008.

In fiscal 2008, accounts receivable increased by a total of $ 5.2 million. DSO increased to 81 days, from 57 days at September 30, 2007. The increase in accounts receivable is due primarily to the large number of projects commenced and billed in the fourth quarter. DSO has increased due to local withholding taxes and foreign currency export control. Deferred revenue is not included in the accounts receivable balance or calculation.

Cash from Investing Activities

Cash generated from investing activities during the year ended September 30, 2008, was $12.3 million. It consisted primarily of the sale of short-term investments. This cash was used in investing activities for an acquisition as well as purchase of capital assets and ongoing operations. On February 20, 2008, Redknee acquired 100% of the common shares of Argent Networks Pty Limited (Argent) of Australia for a cash purchase price of $0.5 million. The total cost of acquisition, including transaction costs was $1 million, net of cash obtained in the transaction.

For the year ended September 30, 2007, cash flow used for investing activities was $14.0 million, primarily to purchase short-term investments.

Cash from Financing Activities

In fiscal 2008, cash used in financing activities was $48,800 for capital lease payments. The Company had no substantial financing activities during the year.

For the year ended September 30, 2007, cash from financing was $25.6 million primarily from the Company's listing on the AIM exchange.

Long Term Debt and Credit Facilities

As at September 30, 2008, the Company had no long-term debt. All previously outstanding debt was repaid with the proceeds from the initial public offering subsequent to the Company's listing on the AIM Stock Exchange in February 2007.

On September 3, 2008 the Company obtained a new US$10 million credit facility from Export Development Canada ('EDC'). This facility was provided for the acquisition of foreign entities. Redknee has not utilized this facility as of September 30, 2008.

Commitments and Contractual Obligations

As at September 30, 2008, future minimum lease payments for premises and equipment under non-cancellable operating leases are as follows:

	$ Millions
2009	2.6
2010	2.0
2011	1.3
2012	0.9
Thereafter	0.0

Litigation

The Company is involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if it considers any claim likely to result in a loss and is able to quantify the amount of the loss, management makes a suitable provision for such loss. Management does not provide for losses on claims for which the outcome is not determinable or where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

OFF BALANCE SHEET ARRANGEMENTS

As of September 30, 2008, the company had no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

Revenue from product sales is recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured. Service and installation revenue is recognized as the services are performed. Revenue from maintenance and extended warranty contracts is recognized on a straight-line basis over the terms of the contracts. For contracts involving multiple elements, the Company allocates revenue to each element based on relative fair values. Revenue attributable to undelivered elements is deferred and recognized upon performance. The Company also makes sales through distributors, certified solution providers and other value added resellers. For products sold through these distribution channels, revenue is recognized at the time of shipment to the distributor provided that all significant contractual obligations have been satisfied and collection is reasonably assured. The Company does not accept purchase orders or contracts with return clauses although it may, at its sole discretion, choose to accept customer returns. Accruals for potential warranty claims and estimated sales returns are made at the time of shipment and are based on contract terms and prior claims experience.

Business Combinations

The Company allocates the purchase price of a business acquisition to tangible assets, intangible assets and liabilities based on their estimated fair values at the date of acquisition with the excess of purchase price amount over these fair values being allocated to goodwill. The allocation of the purchase price to acquisitions involves considerable judgement in determining the fair value assigned to tangible and intangible assets acquired and the liabilities assumed on acquisition. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future revenues and margins. In estimating future revenues and margins, the Company considers information published by third parties describing the size of the market and its growth rate, the planned margins for the acquired business and current costs to produce the solution offered by the acquired enterprise.

Long-Lived Assets

Intangible assets are stated at cost less accumulated amortization and are comprised of acquired non-patented software technology purchased through the Company’s business acquisitions. Acquired non-patented technology assets are amortized on a straight line basis over five years. Goodwill is not amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate the asset might be impaired.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized for the excess of the carrying amount over the fair value of the asset. The Company’s impairment analysis will contain estimates due to the inherently speculative nature of forecasting long term estimated cash flows and determining the ultimate useful lives of assets. Actual results will differ, which could materially impact our impairment assessment.

Stock Based Compensation

The Company has adopted a stock option plan as further described in notes 1, 7 and 8 of its September 30, 2008 audited consolidated financial statements.

In accordance with CICA Handbook Section 3870, awards granted on or after December 1, 2003 are accounted for using the fair value method of accounting, whereby the Company recognizes compensation expense equal to the fair value of the award over its vesting period. Determining the fair value of stock-based awards at the grant date requires judgment, including estimating the expected term of stock options, the expected volatility of the Company's stock and expected dividends. In addition, judgment is also required in estimating the amount of stock-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially impacted. The fair value of the awards is determined using the Black-Scholes option pricing model.

Income Tax Expense

The current (recovery)/provision for income taxes predominantly relates to the Company's foreign subsidiaries.

The ultimate realization of future tax assets is dependent upon future taxable income during the years in which these assets are deductible. Management considers the likelihood of future profitability, the character of the tax assets and applicable tax planning strategies of the Company to make this assessment. To the extent that management believes that the realization of future tax assets does not meet the more likely than not realization criterion, a valuation allowance is provided against its future tax assets. The Company determined at September 30, 2008 that a full valuation allowance against future tax assets is appropriate. Note 10 of the September 30, 2008 financial statements describe the nature of the assets and valuation allowance.

Allowance for doubtful accounts

The allowance for doubtful accounts represents the Company's best estimate of probable losses that may result from the inability of its customers to make required payments. The Company regularly reviews accounts receivable and uses judgment to assess its ability to collect specific accounts and, based on this assessment, an allowance is maintained for those accounts that are deemed to be uncollectible. For the fiscal year ended September 30th 2008, the company recorded a reserve for doubtful accounts of $0.3 million.

RECENT ACCOUNTING PRONOUNCEMENTS

Capital Disclosures

In December 2006, The Canadian Institute of Chartered Accountants (CICA) issued Handbook Section 1535, Capital Disclosures. This section establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital. This standard is effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007 on a prospective basis. The Company adopted this new standard effective October 1, 2007.

Financial instruments - disclosures and presentation

In December 2006, the CICA issued Handbook Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation. These standards enhance existing disclosures in previously issued Section 3861, Financial Instruments - Disclosures and Presentation. Section 3862 places greater emphasis on disclosures about risks related to recognized and unrecognized financial instruments and how those risks are managed. Section 3863 carries forward the same presentation standards as Section 3861. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007 on a prospective basis. The Company adopted these new standards effective October 1, 2007.

FUTURE CHANGES IN ACCOUNTING STANDARDS

The Company reviews all changes to the CICA Handbook when issued. The following is a discussion of relevant items that were released, revised or will become effective after September 30, 2008.

Financial statement presentation

In April 2007, the CICA Accounting Standards Board amended CICA Handbook Section 1400, General Standards of Financial Statement Presentation. These amendments require management to disclose any uncertainties that cast significant doubt on the entity’s ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management must take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. The standard is effective for years beginning on or after January 1, 2008. The Company is analyzing the impact of this standard on its consolidated financial statements.

Goodwill and other intangible assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Other Intangible Assets, which replaces Handbook Sections 3062, Goodwill and Other Intangible Assets, and 3450, Research and Development Costs. This standard establishes the standards for the recognition, measurement and disclosure of goodwill and intangible assets. The standard becomes effective for years beginning on or after October 1, 2008. The Company is analyzing the impact of the new standard on its consolidated financial statements.

Inventories

In June 2007, the CICA issued Handbook Section 3031, Inventories, which replaces CICA Handbook Section 3030, Inventories. The standard requires inventory to be measured at the lower of cost or net realizable value and requires any write-down to be reversed if the value subsequently recovers, provides expanded guidance on the determination of cost, including the allocation of certain overhead costs and expands disclosures. The standard becomes effective for years beginning on or after January 1, 2008. The Company is analyzing the impact of this standard on its consolidated financial statements.

International financial reporting standards

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required for fiscal years beginning on or after January 1, 2011 for publicly accountable profit-oriented enterprises. IFRS will replace current Canadian GAAP. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Company is currently evaluating the impact of adopting IFRS on its consolidated financial statements.

OUTSTANDING SHARE DATA

As of September 30, 2008, there were 59,210,271 common shares outstanding. In addition, there were 5,906,888 stock options outstanding with exercise prices ranging from US $0.14 to US $2.04 per share.

RISK FACTORS

Many factors could cause the actual results of Redknee to differ materially from the results, performance, achievements or developments expressed or implied by forward-looking statements. Each of the factors is discussed in the Company's Annual Information Form ("AIF").