Redknee Solutions Inc.

Consolidated Financial Statements

September 30, 2007

(expressed in Canadian dollars)

PRICEWATERHOUSECOOPERS

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December 3, 2007

Auditors' Report

To the Shareholders of
Redknee Solutions Inc.

We have audited the consolidated balance sheet of **Redknee Solutions Inc.** as at September 30, 2007 and the consolidated statements of operations, comprehensive loss, shareholders' equity (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements of the Company as at September 30, 2006 and for the year then ended were audited by other independent accountants, whose report dated February 21, 2007 expressed an unqualified opinion on those financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Redknee Solutions Inc.

Consolidated Balance Sheet

As at September 30, 2007

(expressed in Canadian dollars)

	2007 $	2006 $
Assets		
Current assets		
Cash and cash equivalents	8,927,770	2,902,706
Short-term investments	14,763,046	535,456
Accounts receivable	5,992,035	7,386,951
Unbilled revenue	3,925,232	3,060,896
Investment tax credits and income taxes receivable	400,000	936,330
Prepaid expenses	1,064,183	786,560
Goods in transit	146,308	201,916
	35,218,574	15,810,815
Restricted cash (notes 2 and 16(b))	-	51,465
Deferred financing costs (note 7)	-	651,341
Deferred organization costs (note 3)	-	84,958
Property and equipment (note 4)	250,020	501,336
Other assets (note 13)	90,004	246,210
	35,558,598	17,346,125
Liabilities		
Current liabilities		
Accounts payable	1,598,436	1,408,176
Accrued liabilities	5,045,954	5,507,450
Income taxes payable	2,444,196	1,785,140
Deferred revenue	3,403,246	2,606,653
Notes payable (note 6)	-	581,896
Current portion of long-term debt (note 7)	-	3,703,548
Current portion of obligations under capital leases (note 8)	49,371	57,410
	12,541,203	15,650,273
Obligations under capital leases (note 8)	-	49,371
Notes payable to related parties (note 5(a))	-	774,239
Long-term debt (note 7)	-	3,444,724
	12,541,203	19,918,607
Shareholders' Equity (Deficiency)		
Share capital (note 9(a))	39,768,298	3,872,010
Contributed surplus	3,520,838	2,943,004
Deficit	(20,060,782)	(9,002,010)
Accumulated other comprehensive loss, net of income taxes (note 1(p))	(210,959)	(385,486)
	23,017,395	(2,572,482)
	35,558,598	17,346,125

Commitments, guarantees and contingencies (note 16)

Approved by the Board of Directors

______________________________ Director ______________________________ Director

Redknee Solutions Inc.

Consolidated Statement of Operations

For the year ended September 30, 2007

(expressed in Canadian dollars)

	2007 $	2006 $
Revenue		
Software, services and other	27,189,249	28,166,296
Support	11,427,116	8,805,441
	38,616,365	36,971,737
Cost of revenue	12,232,480	10,800,216
Gross profit	26,383,885	26,171,521
Operating expenses		
Sales and marketing	11,356,653	9,744,589
General and administrative	11,341,784	9,022,741
Research and development (note 11)	10,019,669	10,422,115
Writeoff of investment tax credits (note 11)	-	3,201,324
Amortization of property and equipment	286,720	508,618
Amortization of deferred financing costs	-	322,944
Foreign exchange loss (gain)	1,897,087	(285,490)
	34,901,913	32,936,841
Loss from operations	(8,518,028)	(6,765,320)
Interest income	657,554	172,143
Interest expense	(1,665,072)	(2,336,729)
Loss before income taxes	(9,525,546)	(8,929,906)
Income taxes (note 12)		
Current	881,885	1,650,170
Future	-	1,716,930
	881,885	3,367,100
Loss for the year	(10,407,431)	(12,297,006)
Loss per common share (note 9(b))		
Basic	(0.20)	(0.33)
Diluted	(0.20)	(0.33)
Weighted average number of common shares		
Basic	51,898,144	37,441,882
Diluted	51,898,144	37,441,882

Redknee Solutions Inc.

Consolidated Statement of Comprehensive Loss

For the year ended September 30, 2007

(expressed in Canadian dollars)

	2007 $	2006 $
Loss for the year	(10,407,431)	(12,297,006)
Other comprehensive income, net of income taxes		
Foreign currency translation adjustment	174,527	22,979
Comprehensive loss for the year	(10,232,904)	(12,274,027)

Redknee Solutions Inc.

Consolidated Statement of Shareholders’Equity (Deficiency)

For the year ended September 30, 2007

(expressed in Canadian dollars)

	Class A voting common shares		Class B non-voting common shares		Common shares		Total share capital					
	Number	Amount $	Number	Amount $	Number	Amount $	Number	Amount $	Contributed surplus $	Retained earnings (deficit) $	Accumulated other comprehensive income (loss) $	Total shareholders’ equity (deficiency) $
Balance - October 1, 2005	10	2	37,333,798	3,406,050	-	-	37,333,808	3,406,052	2,019,542	3,294,996	(408,465)	8,312,125
Issued on exercise of options	-	-	581,820	465,958	-	-	581,820	465,958	(121,070)	-	-	344,888
Stock-based compensation	-	-	-	-	-	-	-	-	1,044,532	-	-	1,044,532
Loss for the year	-	-	-	-	-	-	-	-	-	(12,297,006)	-	(12,297,006)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	22,979	22,979
Balance - September 30, 2006	10	2	37,915,618	3,872,008	-	-	37,915,628	3,872,010	2,943,004	(9,002,010)	(385,486)	(2,572,482)
Changes in accounting policy (note 1(p)(i))	-	-	-	-	-	-	-	-	-	(651,341)	-	(651,341)
Issued pursuant to share purchase plan (note 9(c))	-	-	215,653	267,410	-	-	215,653	267,410	-	-	-	267,410
Issued on exercise of options pursuant to share purchase plan (note 9(c))	-	-	3,226,445	1,458,461	-	-	3,226,445	1,458,461	(358,293)	-	-	1,100,168
Issued on exercise of options (note 10)	-	-	38,438	21,443	-	-	38,438	21,443	-	-	-	21,443
Issue of restricted share units (note 9(d))	-	-	966,250	100,750	-	-	966,250	100,750	(100,750)	-	-	-
Restricted share units held in treasury by trust (note 9(d))	-	-	(885,000)	-	-	-	(885,000)	-	-	-	-	-
Redemption of shares (note 9(e))	-	-	(75,000)	(7,659)	-	-	(75,000)	(7,659)	(85,341)	-	-	(93,000)
Exchange of shares (note 9(f))	(10)	(2)	(41,402,404)	(5,712,413)	41,402,414	5,712,415	-	-	-	-	-	-
Issued on initial public offering (note 9(g))	-	-	-	-	16,700,000	39,893,878	16,700,000	39,893,878	-	-	-	39,893,878
Organization costs related to initial public offering (note 9(g))	-	-	-	-	-	(5,147,747)	-	(5,147,747)	-	-	-	(5,147,747)
Issued on exercise of options (note 10)	-	-	-	-	248,212	205,283	248,212	205,283	-	-	-	205,283
Stock-based compensation	-	-	-	-	-	-	-	-	1,122,218	-	-	1,122,218
Loss for the year	-	-	-	-	-	-	-	-	-	(10,407,431)	-	(10,407,431)
Employee loans (note 9(c))	-	-	-	-	-	(895,531)	-	(895,531)	-	-	-	(895,531)
Other comprehensive income (note 1(p)(i))	-	-	-	-	-	-	-	-	-	-	174,527	174,527
Balance - September 30, 2007	-	-	-	-	58,350,626	39,768,298	58,350,626	39,768,298	3,520,838	(20,060,782)	(210,959)	23,017,395

Redknee Solutions Inc.

Consolidated Statement of Cash Flows

For the year ended September 30, 2007

(expressed in Canadian dollars)

	2007 $	2006 $
Cash provided by (used in)		
Operating activities		
Loss for the year	(10,407,431)	(12,297,006)
Items not involving cash		
Amortization of property and equipment	286,720	508,618
Amortization of deferred financing costs	-	322,944
Unrealized foreign exchange loss (gain)	449,954	(347,231)
Stock-based compensation	1,210,050	1,044,532
Debt accretion	818,750	874,825
Future income taxes	-	1,716,930
Change in non-cash operating working capital (note 14)	2,029,307	5,055,157
	(5,612,650)	(3,121,231)
Financing activities		
Proceeds from notes payable (note 6)	-	581,896
Repayment of notes payable (note 6)	(581,896)	(941,164)
Repayment of notes payable to related parties (note 5)	(774,239)	-
Proceeds from issuance of common shares (note 9)	577,458	-
Proceeds from exercise of stock options	-	344,888
Proceeds from the initial public offering, net of costs (note 9)	34,794,519	-
Share buyback	(93,000)	-
Repayment of long-term debt (note 7)	(8,275,792)	(3,325,244)
Deferred financing costs	-	(84,958)
Repayment of obligations under capital leases	(57,410)	(32,712)
	25,589,640	(3,457,294)
Investing activities		
Purchase of short-term investments	(14,227,590)	(535,456)
Purchase of property and equipment	(35,403)	(434,503)
Decrease (increase) in other assets	156,206	(228,596)
Decrease in restricted cash	51,465	695,723
	(14,055,322)	(502,832)
Effect of exchange rate changes on cash and cash equivalents	103,396	48,368
Increase (decrease) in cash and cash equivalents during the year	6,025,064	(7,032,989)
Cash and cash equivalents - Beginning of year	2,902,706	9,935,695
Cash and cash equivalents - End of year	8,927,770	2,902,706
Supplemental cash flow information		
Interest paid	1,653,068	1,461,394
Interest received	667,884	197,296
Cash taxes/investment tax credits received, net of income taxes paid	1,393,246	360,092
Supplemental disclosure of non-cash financing and investing activities		
Property and equipment financed by capital leases	-	20,000

(expressed in Canadian dollars, except as otherwise indicated)

Nature of operations

Redknee Solutions Inc. (the Company) was incorporated in Canada on November 1, 2006. Pursuant to an amalgamation agreement dated February 15, 2007 (the Amalgamation Agreement) among the Company; Redknee Inc. (Redknee), a company under common control with the Company; and 2117580 Ontario Inc., a wholly owned subsidiary of the Company, Redknee and 2117580 Ontario Inc. were amalgamated to form a successor company, Redknee Inc., as a wholly owned subsidiary of the Company. The above transaction is considered to be among companies under common control and the consolidated financial statements of the Company reflect the amalgamation as if the companies had always been amalgamated.

The Company's software products allow its wireless telecommunications network operator customers to extend and enhance their capabilities and service offerings, enabling them to introduce new revenue through the introduction of network-based services, including call and subscriber management, multimedia messaging information services and location aware services. In addition, the Company's software products also manage and analyze, in real-time, complex and critical network operations, such as service provisioning, network management and customer care, as well as provide real-time rating, charging and billing.

1 Summary of significant accounting policies

a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP)**.**

b) Principle of consolidation

The consolidated financial statements include the financial statements of the Company, Redknee and its wholly owned subsidiary companies, of which the principal subsidiaries are Redknee (Ireland) Ltd., Redknee (Germany) GmbH, Redknee (UK) Ltd., Redknee (ME) FZ-LLC (Dubai) and Redknee (India) Technologies Pvt. Ltd. All significant intercompany balances and transactions have been eliminated on consolidation. The Company does not have any entities to be consolidated under Accounting Guideline 15 "Consolidation of Variable Interest Entities."

c) Revenue recognition

General

The Company's revenue is derived primarily from licensing of software products under non-cancellable licence agreements, the provision of related professional services (including installation, integration and training), post-contract customer support (PCS), and subscription revenue, which represents the right to receive future unspecified software upgrades. In certain cases, the Company also provides customers with hardware in conjunction with its software offerings.

The Company recognizes revenue in accordance with Canadian GAAP which, in the Company's circumstances, is consistent with the provisions of the American Institute of Certified Public Accountants'

(expressed in Canadian dollars, except as otherwise indicated)

Statement of Position No. 97-2, “Software Revenue Recognition and Related Provisions” (SOP 97-2). Revenue is not recognized unless persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectibility is reasonably assured.

Multiple element arrangements

The Company enters into multiple element revenue arrangements, which may include any combination of software, service, support and/or hardware.

A multiple element arrangement is separated into more than one unit of accounting if all of the following criteria are met:

i) reliable and objective evidence of fair value exists for all undelivered elements (for software related deliverables, fair value is established through vendor-specific objective evidence (VSOE));

ii) undelivered elements are not considered essential to the functionality of delivered elements;

iii) the delivered elements have stand-alone value to the customers;

iv) delivery or performance of the undelivered elements is considered probable and substantially in the control of the Company; and

v) fees related to delivered elements are not subject to refund, forfeiture or other concession if undelivered elements are not delivered.

If these criteria are not met, the arrangement is accounted for as one unit of accounting, which would result in revenue being deferred until the earlier of when such criteria are met or when the last undelivered element is delivered.

If these criteria are met for each element and there is objective and reliable evidence of fair value for all units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting, based on each unit’s relative fair value. There may be cases, however, in which there is objective and reliable evidence of fair value of the undelivered elements but no such evidence for the delivered elements. In those cases, the residual method is used to allocate the arrangement consideration. Under the residual method, the amount of consideration allocated to the delivered elements equals the total arrangement consideration, less the aggregate fair value of the undelivered elements. The revenue policies below are then applied to each unit of accounting, as applicable.

Software

If services are not deemed essential to the functionality of the licensed software, revenue from licensed software is recognized at the later of delivery or the inception of the license term in accordance with SOP 97-2. When the fair value of a delivered element has not been established, the Company uses the residual method to recognize revenue if the fair value of the undelivered elements are determinable.

(expressed in Canadian dollars, except as otherwise indicated)

If services are deemed essential to the functionality of the licensed software (which is the frequent arrangement), the licensed software and service revenues are recognized using contract accounting following the percentage-of-completion method. The Company uses either the ratio of incurred costs to estimated total costs or the completion of applicable milestones, as appropriate, as the measure of its progress to completion on each contract. If a loss on a contract is considered probable, the loss is recognized at the date determinable.

Services

If services are deemed essential to the functionality of the licensed software, the licence and service revenues are recognized under contract accounting, as described above.

If services are not deemed essential to the functionality of the software, the service revenue is recognized as the services are delivered to the customer. The Company has established VSOE for service elements, based on the normal pricing and discounting practices for those elements when they are sold separately.

Support

PCS revenue is recognized rateably over the term of the support agreement, which is typically one year. The Company has established VSOE of PCS, based on the PCS rates (percentage of licence fees) contractually agreed with customers. Absent a stated PCS rate or when there is a low contracted PCS rate, a rate, which represents the price when PCS is sold separately, based on PCS renewals, is used.

Subscription

Subscription revenue is recognized rateably over the subscription term. If the subscription agreement states a maximum number of unspecified upgrades on a when and if available basis, revenue is recognized at the earlier of when the unspecified upgrades are delivered and the expiration of the term. We have established VSOE, based on the prices charged when the subscription is sold separately.

Hardware

Hardware revenue is recognized as hardware is delivered to the customer, when the risks and rewards of ownership have been transferred. The fair value of hardware is established, based on the prices charged when hardware is sold separately.

Unbilled and deferred revenue

Amounts are generally billable on reaching certain performance milestones, as defined by individual contracts. Revenue in excess of contract billings is recorded as unbilled revenue. Cash proceeds received in advance of performance under contracts are recorded as deferred revenue.

(expressed in Canadian dollars, except as otherwise indicated)

d) Earnings (loss) per common share

The Company computes earnings (loss) per common share, whereby basic earnings (loss) per common share are computed by dividing net income (loss) attributable to all classes of common shareholders by the weighted average number of shares outstanding during the applicable period. Diluted earnings (loss) per common share are determined in the same manner as basic earnings per share, except that the number of shares is increased to assume the exercise of potentially dilutive stock options, using the treasury stock method, unless the effect of such an increase would be anti-dilutive. For 2007 and 2006, all stock options are anti-dilutive; therefore, diluted earnings (loss) per common share is equal to basic earnings (loss) per common share.

e) Cash and cash equivalents

Cash equivalents include highly liquid instruments with an original maturity of less than 90 days at issuance. The carrying amounts of cash equivalents are stated at cost, which approximates fair value.

f) Goods in transit

Goods in transit are recorded at the lower of cost or net realizable value.

g) Property and equipment

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

Computer software	1-3 years
Computer equipment	3 years or term of lease
Furniture and fixtures	3 years
Leasehold improvements	term of lease

Computer equipment and software under capital lease are initially recorded at the present value of the minimum lease payments at the inception of the lease.

The Company reviews the carrying amounts of its property and equipment for impairment on a regular basis or whenever events or circumstances indicate that the carrying amounts may not be recoverable. If the carrying value exceeds the amount recoverable, based on undiscounted estimated future cash flows from its use and disposal, an impairment, measured by the amount by which the carrying value of the asset exceeds its fair value, is charged to the consolidated statement of operations. To date, the Company has not recorded an impairment charge on its property and equipment.

h) Research and development costs

Costs related to research, design and development of software products, net of investment tax credits, are initially charged to research and development expenses as incurred, unless the criteria for deferral are met. Software development costs are capitalized beginning when a product's technological feasibility has been

(expressed in Canadian dollars, except as otherwise indicated)

established. This generally occurs on completion of a working model and ends when a product is available for general release to customers. To date, completion of a working model of the Company's product and the general release of the product have substantially coincided. As a result, the Company has not capitalized any software development costs.

i) Stock-based compensation

The Company has stock-based compensation plans, which are described in notes 9 and 10. The Company estimates the fair value of stock-based compensation to employees and directors and expenses the fair value over the estimated vesting period of the stock options. An expense with respect to stock-based compensation and incremental charge for modification of certain stock options in the amount of $1,210,050 for the fiscal year ended September 30, 2007 (2006 - $1,044,532) was recorded. Any consideration paid by employees or directors on the exercise of stock options or purchase of stock is credited to share capital together with any previously recognized compensation expense. If shares or stock options are repurchased from employees or directors, the excess of the consideration paid over the carrying amount of the shares or stock options cancelled is charged to deficit.

j) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of operations in the year that includes the enactment or substantive enactment date.

In assessing the valuation of future income tax assets, management considers whether a valuation allowance is required for any of the Company's future income tax assets, based on whether it is more likely than not that the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and tax planning strategies in making this assessment.

k) Investment tax credits

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. These credits can be applied against future income tax liabilities and are subject to a 20-year carry-forward period or, in some cases, are refundable. The realized investment tax credits have been accounted for as a reduction of the related expenditures for items expensed in the consolidated statement of operations or a reduction of the related asset's cost for items capitalized in the consolidated balance sheet.

(expressed in Canadian dollars, except as otherwise indicated)

l) Use of estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses in preparing these consolidated financial statements. Actual results could differ from those estimates.

Significant estimates in these consolidated financial statements include the valuation of accounts receivable, future income taxes, estimation of useful lives of its property and equipment and assessment of impairment of its long-lived assets, valuation of investment tax credits receivable, valuation of common shares of the Company used in the computation of stock-based compensation, the bifurcation of the long-term debt to its equity and liability components, and the determination of the amount and timing of revenue to be recognized. In its determination of the valuation of accounts receivable, including the allowance for doubtful accounts, management relies on current customer information and its planned course of action, as well as assumptions about future business and economic conditions. The method used to estimate the valuation allowance required for future income taxes is described in note 1(j). The method used to estimate the value of investment tax credits receivable is described in note 1(k). In its determination of the amount and timing of revenue to be recognized, management relies on assumptions supporting its revenue recognition policy. Estimates of the percentage of completion for customer projects are based upon contractual terms and current actual and forecasted information. VSOE established by management on the Company's licence and service elements is based on the prices charged when the Company sells specific elements to customers separately or contractually stated renewal prices. Changes in the Company's business practices or sales arrangements may impact its ability to establish VSOE on current or newly offered elements, thereby changing the amount and timing of revenue recognized.

m) Foreign currency translation

Translation of consolidated financial statements

The Company's foreign subsidiaries are considered to be integrated operations for accounting purposes. On February 28, 2007, Redknee (Ireland) Ltd., formerly self-sustaining, was deemed to be an integrated operation for accounting purposes. The Company uses the temporal method to translate the foreign currency accounts for its integrated operations and the current rate method for its self-sustaining operations.

Under the temporal method, monetary items denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates of exchange in effect at the time of the transactions, except to the extent they relate to items translated at historical rates, in which case, historical rates are applied. Foreign exchange gains and losses from the translation of the financial statements of integrated foreign operations are included in the consolidated statement of operations as an unrealized gain/loss.

Under the current rate method, assets and liabilities denominated in foreign currencies of the self-sustaining operations are translated into Canadian dollars at the rate of exchange in effect at the

(expressed in Canadian dollars, except as otherwise indicated)

consolidated balance sheet date. Revenue and expenses, including depreciation and amortization, are translated into Canadian dollars at the rates of exchange in effect on the dates on which such items are recognized in the consolidated statement of operations during the year. Exchange gains and losses from the translation of the financial statements of self-sustaining foreign operations are deferred and included in a separate component of shareholders' equity (deficiency), referred to as accumulated other comprehensive loss, as a foreign currency translation adjustment.

Translation of transactions

The Company and its subsidiaries have assets and liabilities denominated in foreign currencies as at the consolidated balance sheet date. These assets and liabilities have been translated using the temporal method to the entities' reporting currency and the associated gain/loss has been recorded as an unrealized gain/loss in the consolidated statement of operations.

n) Concentration of credit risk

Financial instruments potentially exposing the Company to a concentration of credit risk consist principally of cash and cash equivalents and accounts receivable.

Cash and short-term investments consist of highly liquid instruments, such as deposits with major commercial banks and commercial paper, the maturities of which are less than six months from the date of purchase.

The Company sells its products directly to end-users and indirectly via agents. The Company performs periodic credit evaluations of the financial condition of its customers and typically does not require collateral from them. As at September 30, 2007, one customer represented 21% of the balance of accounts receivable (2006 - four customers represented 19%, 17%, 11% and 11%).

o) Allocations of costs

All facility, communication and IT costs are allocated to: cost of sales, sales and marketing, research and development, and general and administrative costs. This allocation has been based on the average headcount per function.

p) Adoption of new accounting pronouncements

i) Financial instruments

Effective October 1, 2006, the Company adopted, prospectively without restatement, the new recommendations of The Canadian Institute of Chartered Accountants' (CICA) Handbook Section 1530, "Comprehensive Income"; Section 3251, "Equity"; Section 3855, "Financial Instruments - Recognition and Measurement"; and Section 3865, "Hedges." These new Handbook Sections provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting.

(expressed in Canadian dollars, except as otherwise indicated)

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian GAAP. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been adjusted. The adoption of this Handbook Section had no impact on the Company's opening deficit as of October 1, 2006 other than to characterize the foreign currency translation adjustment as accumulated other comprehensive loss. The Company's other comprehensive income amount consists of foreign currency translation gains and losses on net investment in self-sustaining operations (the Irish entity was self-sustaining until February 28, 2007, at which point, the entity was considered integrated) and net movements of available-for-sale financial instruments.

Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet initially at fair value. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading are measured at fair value and changes in fair value are recognized in net income; held-to-maturity are measured at amortized costs; loans and receivables are measured at amortized cost; available-for-sale are measured at fair value, with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired, at which time, the amounts would be recorded in net income; other financial instruments are measured at amortized cost.

Upon adoption of these new standards, the Company designated its cash, cash equivalents and restricted cash as held-for-trading. Short-term investments are designated as available-for-sale. Accounts receivable and investment tax credits and income taxes receivable are classified as loans and receivables and approximate fair value. Accounts payable, accrued liabilities, income taxes payable and notes payable are classified as other financial liabilities and approximate fair value.

Effective October 1, 2006, the Company has elected to record all transaction costs in respect of financial assets and liabilities in income as incurred. The Company had previously deferred these costs and amortized them over the term of the related debt. The carrying value of the transaction costs as at September 30, 2006 of $651,341, net of income taxes of $nil, was charged to opening deficit as of October 1, 2006.

As a result of the application of these standards, the Company was required to separate the early repayment option related to the Company's long-term debt. The assessment of its fair value was not deemed to be significant due to the terms associated with the underlying option. Accordingly, there was no separate value allocated and recorded on the adoption, as of October 1, 2006. There was no remaining long-term debt outstanding as at September 30, 2007.

As at September 30, 2007, the short-term investments, which are designated as available-for-sale, were measured at fair value and the change from the recorded cost did not result in a significant change and, hence, no revaluation gain or loss was recorded in the period.

(expressed in Canadian dollars, except as otherwise indicated)

Upon the adoption of Section 3865, “Hedges,” there was no impact to the consolidated financial statements on transition or for the fiscal year ended September 30, 2007.

In 2006, the CICA issued Handbook Section 3862, “Financial Instruments - Disclosures,” and Handbook Section 3863, “Financial Instruments - Presentation.” These new standards will become effective for the Company beginning on October 1, 2007. The Company is currently assessing the impact of these two new standards.

The Company enters into transactions in multiple currencies (primarily US dollars, Canadian dollars and euros) and is, therefore, subject to gains and losses due to fluctuations between these currencies. The Company does not enter into derivative financial instruments for trading or speculative purposes. There were no forward exchange contracts entered into during the years ended September 30, 2007 and 2006 or outstanding as at September 30, 2007 and 2006.

ii) Non-monetary transactions

Effective October 1, 2006, the Company adopted the new recommendations of CICA Handbook Section 3831, “Non-monetary Transactions,” prospectively. This standard requires all non-monetary transactions to be measured at fair value, unless they meet one of four criteria. Commercial substance replaces culmination of the earnings process as the test for fair value measurement. A transaction has commercial substance if it causes an identifiable and measurable change in the economic circumstances of the entity. The adoption of this standard had no significant impact on the Company’s consolidated financial statements.

iii) Stock-based compensation for employees eligible to retire before the vesting date

Effective October 1, 2006, the Company adopted the provisions of Emerging Issues Committee Abstract 162, “Stock-based Compensation for Employees Eligible to Retire Before the Vesting Date.” Adoption of this standard did not have a significant impact on the Company’s consolidated financial statements.

2 Restricted cash

The Company had used short-term bank term deposits as security for outstanding letters of credit (note 16(b)). The average rate of return during the year ended September 30, 2006 was 4.5%.

3 Deferred organization costs

In fiscal year 2006, the Company had deferred certain costs incurred in association with its initial public offering (IPO). These costs were recognized as a reduction in share capital in fiscal year 2007.

(expressed in Canadian dollars, except as otherwise indicated)

4 Property and equipment

			2007
	Cost $	**Accumulated amortization $**	**Net $**
Computer software	1,496,498	1,391,094	105,404
Computer equipment	780,381	734,155	46,226
Furniture and fixtures	810,434	780,888	29,546
Computer software under capital lease	169,500	128,750	40,750
Leasehold improvements	106,514	78,420	28,094
	3,363,327	3,113,307	250,020

			2006
	Cost $	**Accumulated amortization $**	**Net $**
Computer software	1,588,815	1,339,803	249,012
Computer equipment	760,965	687,522	73,443
Furniture and fixtures	700,646	656,309	44,337
Computer software under capital lease	169,500	68,561	100,939
Leasehold improvements	100,258	66,653	33,605
	3,320,184	2,818,848	501,336

Amortization of computer equipment and computer software under capital lease amounted to $60,189 (2006 - $59,563).

5 Related party transactions

a) On December 16, 2002, certain shareholders and a party related to a shareholder loaned a total of $875,000 to Redknee to fund working capital requirements. The notes bore interest at 6.5% per annum, payable annually. In February 2007, Redknee repaid its outstanding shareholder loans of $774,239.

b) On February 9, 2006, an executive of Redknee received an interest-free, unsecured loan from Redknee of $10,000 to be repaid upon the earlier of demand or April 30, 2007. The loan was fully repaid in September 2006.

c) There are employee shareholder loans described in note 9.

(expressed in Canadian dollars, except as otherwise indicated)

6 Notes payable

Redknee had an employee profit-sharing plan (EPSP), in which generally all employees with six months or more of continuous service were eligible to participate. The purpose of the EPSP was the retention and motivation of employees and management of the Company. Contributions, which are determined and approved by the Board of Directors each year, amounted to $nil in 2007 (2006 - $nil).

In the 2006 fiscal year, Redknee paid the outstanding balance of the EPSP from September 30, 2005 to a trust. The trust then loaned the same amount back to the Company resulting in notes payable of $581,896. Redknee repaid the notes of $581,896 in December 2006. The trust then paid the remaining amounts to the beneficiaries and was subsequently wound up.

7 Long-term debt

On June 22, 2005, Redknee entered into a debt agreement with two external third parties for US$10 million. The term of the agreement was 39 months, with a fixed interest rate of 13.45% per annum and the debt was secured by all the assets of Redknee. The monthly repayment terms included the first three payments of interest only and the remaining payments of US$339,111 per month were a combination of interest and principal.

In addition to the debt, Redknee also issued the lenders in total 700,000 Redknee Class B non-voting common shares. The proceeds of the financing were allocated to the debt and equity components. The equity component of this instrument was calculated using a discounted cash flow valuation of the Redknee Class B non-voting common shares at the time of issue, being $3.03, multiplied by 700,000 Redknee Class B non-voting common shares issued ($2,121,000). The residual, being the debt component, was recorded as debt ($10,132,400). Accretion, determined using the effective interest method, and interest expenses to September 30, 2007 amounted to $1,297,136 (2006 - $2,221,175) and are included as interest expense in the consolidated statement of operations.

Redknee allocated the financing costs of $1,267,116 between debt financing costs ($1,052,977) and share issue costs ($214,139), based on the allocated amounts of liability and equity portions. The financing costs were capitalized as deferred financing costs and were being amortized on a straight-line basis over the term of the debt. The writeoff of deferred financing costs for the year ended September 30, 2007 amounted to $651,341 to opening deficit (note 1) (2006 - $322,944 to the consolidated statement of operations) and the unamortized balance of deferred financing costs as at September 30, 2007 is $nil (2006 - $651,341). The share issue costs of $241,139 were recorded as a reduction in share capital.

On March 1, 2007, the Company repaid all of its outstanding long-term debt, which included a prepayment penalty of $367,936. This penalty has been included as an interest expense in the consolidated statement of operations.

(expressed in Canadian dollars, except as otherwise indicated)

8 Obligations under capital leases

The Company has financed certain computer hardware/software by entering into capital leasing arrangements. The following are the future minimum lease payments under non-cancellable capital leases:

	2007 **$**	**2006** **$**
2007	-	63,577
2008	50,488	50,488
2009	623	623
Total minimum capital lease payments	51,111	114,688
Less: Imputed interest at rates averaging 7.63% (2006 - 7.63%)	1,740	7,907
Present value of capital lease payments	49,371	106,781
Less: Current portion	49,371	57,410
Long-term obligation	-	49,371

Interest expense on obligations under capital leases amounted to $6,167 (2006 - $9,863).

9 Share capital

a) Authorized

Unlimited voting common shares
Unlimited preferred shares

b) Loss per common share

As a result of the loss for the years ended September 30, 2007 and 2006, all potential dilutive securities, being stock options, unvested restricted share units and shares issued under the share purchase plan for which loans were given totalling 5,010,677 (2006 - 3,781,953), were considered anti-dilutive.

c) Share purchase plans

For the period from November 1, 2006 to November 8, 2006, Redknee allowed employees to acquire up to 1,125,000 Class B common shares in Redknee at a value of $1.24 per share, which was fair value on that date. Each employee was limited to a maximum purchase of 3,750 shares, with a minimum purchase of 500 shares. As part of this program, employees were eligible to receive a loan to acquire the first 500 shares, up to a maximum of $620 per employee. These loans are unsecured, repayable in two years and non-interest-bearing. The total number of shares purchased under this program was 215,653, of which 63,500 shares were purchased using the loan offered by the Company. The total amount of the loans issued

(expressed in Canadian dollars, except as otherwise indicated)

under this program was $78,740 and the balance outstanding as at September 30, 2007 aggregated $69,430.

The shares issued under this plan of 215,653 have been recorded in share capital as an increase in the number of shares issued and outstanding with the corresponding value of $267,410 assigned.

During the period from November 1, 2006 to November 8, 2006, Redknee allowed its employees to exercise their vested options and acquire Class B common shares in Redknee. Redknee offered loans to all of its existing employees holding vested options, based on their tenure ranging from $5,000 to $160,000. These loans are secured by the shares acquired upon exercise of the options. The loans are non-interest-bearing and are repayable in three years or in proportion to any sale of shares by the employee. The total number of options that were exercised under this program was 3,226,445 and employees used a combination of cash and loans to exercise the options. Redknee accounted for the share purchase loans as a modification of an outstanding stock option and determined that the incremental value associated with the modification is insignificant.

The 3,226,445 options exercised under this plan have been recorded in share capital as an increase in the number of shares issued and outstanding with their corresponding value of $1,559,211 assigned, which includes $459,043 reclassification from contributed surplus relating to prior compensation expense recognized on these options.

The total amount of loans issued under this program was $1,016,846 and the balance outstanding as at September 30, 2007 aggregated $895,531. The loans used to acquire these shares have been recorded as a reduction in share capital. The number of shares outstanding relating to loans outstanding has been excluded in the calculation of the basic earnings per share. As loans are repaid, an offset to share capital will be reduced accordingly.

Employees are eligible to a cash bonus annually equal to 10% of the outstanding loan amount provided they remain an employee of the Company as of the anniversary date. The Company recorded $87,832 as stock-based compensation expense for the year ended September 30, 2007.

d) Restricted share plan

On November 10, 2006, the Company established a restricted share plan (RSP) for the purpose of providing additional compensation for certain employees and directors that is reflective of the responsibility, commitment and risk accompanying their role. Eligible employees are any employees or directors of the Company that the Board of Directors designates as eligible to participate in the plan. The number of shares which may be issued under the plan is limited to 1,125,000. Shares granted under the RSP are subject to vesting from the grant date, which can be a time-based or performance-based, vesting at the Board of Directors' discretion.

Vesting of shares issued to directors, unless otherwise noted, is deemed to be immediately upon being granted but subject to resale restrictions, such that no vested shares can be sold until the earlier of the one year anniversary date of the grant date and the director's date of death. The vesting period for all other participants, provided that the participants are actively employed by the Company on the applicable date,

(expressed in Canadian dollars, except as otherwise indicated)

is: 50% of the shares granted will be vested on the second anniversary of the grant date; 25% of the shares granted shall be vested on the third anniversary of the grant date; and 25% of the shares granted shall become vested on the fourth anniversary of the grant date.

On November 10, 2006, in addition to establishing the RSP, the Board of Directors approved and the Company granted 966,250 restricted share units at a price of $1.24 per share with 81,250 of these being granted to directors and the remaining 885,000 being granted to other participants. These shares are placed in a trust until the shares vest, at which time, they are issued to the beneficiary. The Company has reflected 885,000 shares as being held in treasury, as 81,250 of these shares have been issued to the beneficiaries. The associated stock-based compensation expense of $1,198,150 is amortized over the appropriate vesting period. In 2007, the Company expensed approximately $359,000 relating to these restricted share units.

e) Share redemption

On November 10, 2006, the Company received a notice of dissent from one of its shareholders holding 75,000 common shares along with a demand for payment, based on the fair value of the Company's common shares. These shares were redeemed for $93,000.

f) Amalgamation

Pursuant to the Amalgamation Agreement, each Class A share of Redknee was exchanged for 2.5 common shares of the Company, and each Class B share of Redknee and restricted Class B share was exchanged for 2.5 common shares of the Company. On February 22, 2007, Class A shares of the Company were automatically converted to common shares of the Company on a 1:1 basis. The share continuity schedule reflects the share exchange retroactively.

g) Initial public offering

On February 21, 2007, the Company completed its IPO on the Alternative Investment Market of the London Stock Exchange and issued 16,700,000 common shares for gross proceeds of $39,893,878 (GBP17,535,000). Certain costs aggregating $5,147,747 were incurred in association with the Company's IPO and have been recognized as a reduction to share capital.

10 Stock option plan

The Company's stock option plan (the plan) was implemented to encourage ownership of the Company by directors, officers, employees and consultants of the Company. The maximum number of common shares that may be set aside for issuance under the plan is 3,000,000 shares. In accordance with the plan, the exercise price of each option is based on the Board of Directors' determination of fair value of the Company's common shares on the date of grant. An option's term is determined at the discretion of the Board of Directors but its maximum term cannot exceed ten years.

Pursuant to the Amalgamation Agreement described above, the Company agreed to assume the obligation of Redknee under the Redknee Stock Option Plan, whereby the Company agreed to issue its common shares upon

(expressed in Canadian dollars, except as otherwise indicated)

the exercise of options issued and outstanding under the Redknee Stock Option Plan and Redknee agreed to remit payment, as set out in such options for such issued shares to the Company.

a) Stock options

Options are non-transferable. Options vest as to 25% at the end of the first year from date of grant and an additional 25% on each of the second, third and fourth anniversaries of grant. Options are priced in GBP, US dollars or Canadian dollars.

US dollar options	**Number of options outstanding**	**Weighted average exercise price per share US$**
Outstanding - September 30, 2005	3,801,030	0.19
Exercised	(355,625)	0.18
Cancelled	(299,375)	0.48
Outstanding - September 30, 2006	3,146,030	0.18
Exercised	(2,791,030)	0.14
Cancelled	(137,500)	0.15
Outstanding - September 30, 2007	217,500	0.76

Canadian dollar options	**Number of options outstanding**	**Weighted average exercise price per share CA$**
Outstanding - September 30, 2005	7,209,103	1.28
Granted	787,250	1.21
Exercised	(226,195)	1.21
Cancelled	(1,336,305)	1.22
Outstanding - September 30, 2006	6,433,853	1.22
Granted	158,125	1.56
Exercised	(722,078)	1.21
Cancelled	(872,348)	1.26
Outstanding - September 30, 2007	4,997,552	1.22

(expressed in Canadian dollars, except as otherwise indicated)

GBP options	**Number of options outstanding**	**Weighted average exercise price per share GBP**
Outstanding - September 30, 2006	-	0.00
Granted	417,875	0.84
Exercised	-	0.00
Outstanding - September 30, 2007	417,875	0.84

Summary information about stock options outstanding and exercisable as at September 30, 2007 is as follows:

	Options outstanding		**Options exercisable**	
	Number outstanding	**Weighted average remaining contractual life (years)**	**Number outstanding**	**Weighted average remaining contractual life (years)**
US$0.14	92,500	4.0	92,500	4.0
US$1.09	50,000	6.1	37,500	4.6
US$1.31	75,000	5.5	75,000	5.5
CA$1.21	4,868,177	7.1	3,359,480	4.7
CA$1.24	74,375	9.1	-	0.0
CA$1.97	25,000	6.0	25,000	6.0
CA$2.16	30,000	9.3	-	0.0
GBP0.59	110,500	10.0	-	0.0
GBP0.93	307,375	9.7	-	0.0
	5,632,927	7.3	3,589,480	4.3

b) Fair values and compensation expense

The fair value of option grants made to employees and directors prior to the IPO was estimated using the minimum value method under the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate of 4.3% for the fiscal period up to the IPO (2006 - 3.9%); dividend yield of nil; and volatility of zero and expected lives of options of seven years for all periods presented. The fair value of the options is expensed over the vesting period of the options.

Subsequent to the IPO, the fair value of option grants made to employees and directors continued to be estimated using the Black-Scholes option pricing model with the following modified assumptions: risk-free interest rate between 5.5% and 5.8%; and volatility of 56.9%. The fair value of the options continues to be expensed over the vesting period of the options.

(expressed in Canadian dollars, except as otherwise indicated)

Options granted during the year ended September 30, 2007 had a weighted average grant date fair value of $1.02 (2006 - $0.74). During 2007, the Company recorded a stock-based compensation expense of $763,000 related to options granted under this plan.

11 Research and development expenses

	2007 $	2006 $
Gross research and development expenses	11,076,295	10,622,115
Less: Investment tax credits recognized	1,056,626	200,000
	10,019,669	10,422,115

In 2006 and 2007, the Company continued to earn investment tax credits related to research and development expenses. However, due to the Company's past taxable losses the majority of the credits were not afforded asset recognition in the consolidated balance sheet and unused credits from prior years were also written off for accounting purposes (note 12).

12 Income taxes

The Company's effective income tax rate differs from the statutory rate that would be obtained by applying the combined Canadian basic federal and provincial income tax rate to loss before income taxes. These differences result from the following items:

	2007 $	2006 $
Loss before income taxes	(9,525,546)	(8,929,906)
Effective income tax rate	36.12%	36.12%
Expected income taxes (recovery) based on loss before income taxes	(3,440,627)	(3,225,482)
Increase (decrease) in income taxes resulting from		
Non-deductible items	792,230	953,919
Benefit of federal investment tax credits not taxable in Ontario	(119,928)	448,185
Differences due to lower tax rates for foreign subsidiaries	(552,761)	(122,256)
Change in substantively enacted tax rates	529,383	382,790
Change in valuation allowance	4,732,732	4,107,534
Change in tax reserve	611,247	-
Ontario minimum tax	-	383,517
Cost (benefit) of previously unrecorded tax assets/liabilities	(2,012,201)	432,919
Other items	341,810	5,974
Actual income taxes	881,885	3,367,100

(expressed in Canadian dollars, except as otherwise indicated)

The income tax effects of temporary differences that give rise to significant portions of future income tax assets and liabilities are as follows:

	2007 $	2006 $
Future income tax assets		
SRED/non-capital loss carry-forwards	8,932,166	3,866,313
Property and equipment	268,878	60,518
Financing costs and long-term debt	1,485,927	180,703
	10,686,971	4,107,534
Less: Valuation allowance	10,686,971	4,107,534
Net future income tax asset (liability)	-	-

As at September 30, 2007, the Company has approximately $28,100,000 (2006 - $14,800,000) of federal non-capital losses and scientific research and experimental development (SRED) pools for income tax purposes that will begin to expire in 2015, which are available to reduce future years' income for income tax purposes.

The Company has $6,500,000 (2006 - $5,100,000) of unrecorded income tax credits, which can be also used to reduce future federal income taxes. These credits have a life of ten to 20 years and will not begin to expire until 2014.

13 Other assets

As at September 30, 2007, the Company has $67,559 (2006 - $66,210) for deposits on various rental properties, service contracts and support costs on software. The rental deposits are collectible at the end of the rental terms, which vary in length. This account also includes $22,445 (2006 - $180,000) in support costs related to software used by the Company, which are amortized over the period to which the support is applicable.

14 Change in non-cash operating working capital

	2007 $	2006 $
Accounts receivable	1,394,916	399,082
Unbilled revenue	(864,336)	1,835,277
Investment tax credits and income taxes receivable	536,330	4,255,777
Prepaid expenses	(277,623)	(490,390)
Accounts payable	190,260	519,785
Accrued liabilities	(461,496)	957,679
Accrued profit-sharing plan	-	(570,625)
Deferred revenue	796,593	(2,550,977)
Goods in transit	55,607	-
Income taxes payable	659,056	699,549
	2,029,307	5,055,157

(expressed in Canadian dollars, except as otherwise indicated)

15 Segmented reporting

The Company reviewed its operations and determined that it operates in a single reportable operating segment, the telecommunications software market. The single reportable operating segment derives its revenue from the sale of software products and related services and hardware. The following information provides the required enterprise-wide disclosures.

The Company's revenue by geographic area is as follows:

	2007 **$**	**2006** **$**
Europe, Middle East and Africa	14,957,268	13,272,301
North America, Latin America and Caribbean	17,371,821	21,173,731
Asia and Pacific Rim	6,287,276	2,525,705
	38,616,365	36,971,737

Revenue is attributed to geographic locations, based on the location of the external customer. Sales related to Canadian customers were $3,271,218 and $3,739,414 for each of 2007 and 2006, respectively.

	2007 **$**	**2006** **$**
Revenue by type		
Software and services	23,791,301	26,206,096
Third party software and hardware	3,397,948	1,960,200
Support	11,427,116	8,805,441
	38,616,365	36,971,737

The Company's property and equipment by geographic area are as follows:

	2007 **$**	**2006** **$**
Canada	187,074	388,887
Ireland	41,831	68,458
India	20,469	38,334
Other	646	5,657
	250,020	501,336

In the year ended September 30, 2007, no customer accounted for more than 10% of revenue. (2006 - four customers accounted for 14%, 12%, 10% and 10%).

(expressed in Canadian dollars, except as otherwise indicated)

16 Commitments, guarantees and contingencies

a) Lease commitments

Future minimum lease payments for premises and equipment under non-cancellable operating leases are as follows:

	$
2008	2,443,823
2009	2,081,627
2010	1,730,463
2011	1,172,575
2012	847,755
Thereafter	1,835,078

Rent expense for the year ended September 30, 2007 was $1,034,523 (2006 - $903,444). The Company is also responsible for certain common area costs and realty taxes of its leased premises.

b) Letters of credit

As at September 30, 2007, the Company had no outstanding letters of credit (2006 - $51,465) relating to customer contracts, which are reflected as restricted cash in the consolidated balance sheet.

c) Guarantees

The Company has provided routine indemnifications to its customers against liability if the Company's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated. In some cases, the Company has recourse against other parties to mitigate its risk of loss from these guarantees. The Company has never been called to perform its obligations under these indemnifications and the Company is not subject to any pending litigation in these matters.

d) Litigation and claims

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 considered likely to result in a loss and, when the amount of the loss is quantifiable, provisions for loss are made, based on management's assessment of the most likely outcome. Management does not provide claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

(expressed in Canadian dollars, except as otherwise indicated)

17 Subsequent event

On November 16, 2007, the Company advanced the sum of US$500,000 by way of loan to an unconnected third party company. The loan, which is secured, bears interest at a rate of 11% per annum. For reasons of confidentiality, the identity of the borrower cannot be disclosed as at the date of these accounts.

18 Comparative figures

The Company has reclassified certain prior period information to conform with the current year's presentation.