Redknee Solutions Inc.

Consolidated Financial Statements
September 30, 2008 and 2007
(expressed in Canadian dollars)

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December 1, 2008

Auditors' Report

To the Shareholders of
Redknee Solutions Inc.

We have audited the consolidated balance sheets of **Redknee Solutions Inc.** as at September 30, 2008 and 2007 and the consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

Redknee Solutions Inc.

Consolidated Balance Sheets

As at September 30, 2008 and 2007

(expressed in Canadian dollars)

	2008 $	2007 $
Assets		
Current assets		
Cash and cash equivalents	15,242,607	8,927,770
Short-term investments	56,363	14,763,046
Accounts receivable	11,192,182	5,992,035
Unbilled revenue	6,060,452	3,925,232
Investment tax credits and income taxes receivable	600,000	400,000
Prepaid expenses	1,066,584	1,064,183
Goods in transit	325,716	146,308
	34,543,904	35,218,574
Restricted cash (notes 3 and 15(b))	409,919	-
Property and equipment (note 4)	580,053	250,020
Intangible assets (note 5)	1,388,761	-
Other assets (note 12)	528,294	90,004
	37,450,931	35,558,598
Liabilities		
Current liabilities		
Accounts payable	2,172,268	1,598,436
Accrued liabilities	8,678,539	5,045,954
Income taxes payable	2,100,785	2,444,196
Deferred revenue	5,084,287	3,403,246
Current portion of obligations under capital leases (note 7)	619	49,371
	18,036,498	12,541,203
Shareholders' Equity		
Share capital, net of employee share purchase loans (note 8(a))	39,686,701	39,768,298
Contributed surplus	4,410,677	3,520,838
Deficit	(24,471,986)	(20,060,782)
Accumulated other comprehensive loss, net of income taxes	(210,959)	(210,959)
Total deficit and accumulated other comprehensive loss	(24,682,945)	(20,271,741)
	19,414,433	23,017,395
	37,450,931	35,558,598

Commitments, guarantees and contingencies (note 15)

Approved by the Board of Directors

(signed) "Jim Pelot" Director **(signed) "Colley Clarke"** Director

See accompanying notes to consolidated financial statements.

Redknee Solutions Inc.

Consolidated Statements of Operations

For the years ended September 30, 2008 and 2007

(expressed in Canadian dollars)

	2008 $	2007 $
Revenue		
Software, services and other	36,665,989	27,189,249
Support	14,035,355	11,427,116
	50,701,344	38,616,365
Cost of revenue	14,972,692	12,796,290
Gross profit	35,728,652	25,820,075
Operating expenses		
Sales and marketing	16,566,834	13,706,980
General and administrative	10,768,930	8,066,164
Research and development (note 10)	13,464,000	10,420,666
Amortization of property and equipment and intangible assets	409,489	286,720
Foreign exchange (gain) loss	(1,584,049)	1,857,573
	39,625,204	34,338,103
Loss from operations	(3,896,552)	(8,518,028)
Interest income	451,341	657,554
Interest expense	(27,584)	(1,665,072)
Loss before income taxes	(3,472,795)	(9,525,546)
Income taxes (note 11)		
Current	938,409	881,885
Loss for the year	(4,411,204)	(10,407,431)
Loss per common share (note 8(b))		
Basic	(0.08)	(0.20)
Diluted	(0.08)	(0.20)
Weighted average number of common shares		
Basic	56,328,674	51,898,144
Diluted	56,328,674	51,898,144

See accompanying notes to consolidated financial statements.

Redknee Solutions Inc.

Consolidated Statements of Comprehensive Loss
For the years ended September 30, 2008 and 2007

(expressed in Canadian dollars)

	2008 $	2007 $
Loss for the year	(4,411,204)	(10,407,431)
Other comprehensive income, net of income taxes		
Foreign currency translation adjustment	-	174,527
Comprehensive loss for the year	(4,411,204)	(10,232,904)

See accompanying notes to consolidated financial statements.

Redknee Solutions Inc.

Consolidated Statements of Shareholders' Equity

For the years ended September 30, 2008 and 2007

(expressed in Canadian dollars)

	Share capital		Employee share purchase loans	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
	Number	Amount $	$	$	$	$	$
Balance - September 30, 2006	37,915,628	3,872,010	-	2,943,004	(9,002,010)	(385,486)	(2,572,482)
Changes in accounting policy	-	-	-	-	(651,341)	-	(651,341)
Issued pursuant to share purchase plan (note 8(c))	215,653	267,410	-	-	-	-	267,410
Issued on exercise of stock options pursuant to share purchase plan (note 8(c))	3,226,445	1,458,461	-	(358,293)	-	-	1,100,168
Issued on exercise of stock options (note 9)	38,438	21,443	-	-	-	-	21,443
Issue of restricted share units (note 8(d))	966,250	100,750	-	(100,750)	-	-	-
Restricted share units held in treasury by trust (note 8(d))	(885,000)	-	-	-	-	-	-
Redemption of shares (note 8(e))	(75,000)	(7,659)	-	(85,341)	-	-	(93,000)
Exchange of shares (note 8(f))	-	-	-	-	-	-	-
Issued on initial public offering (note 8(g))	16,700,000	39,893,878	-	-	-	-	39,893,878
Organization costs related to initial public offering (note 8(g))	-	(5,147,747)	-	-	-	-	(5,147,747)
Issued on exercise of stock options (note 9)	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 share purchase loans (note 8(c))	-	-	(895,531)	-	-	-	(895,531)
Other comprehensive income	-	-	-	-	-	174,527	174,527
Balance - September 30, 2007	58,350,626	40,663,829	(895,531)	3,520,838	(20,060,782)	(210,959)	23,017,395
Stock-based compensation (note 9)	-	-	-	889,839	-	-	889,839
Loss for the year	-	-	-	-	(4,411,204)	-	(4,411,204)
Employee share purchase loans	-	-	(81,597)	-	-	-	(81,597)
Balance - September 30, 2008	58,350,626	40,663,829	(977,128)	4,410,677	(24,471,986)	(210,959)	19,414,433

See accompanying notes to consolidated financial statements.

Redknee Solutions Inc.

Consolidated Statements of Cash Flows

For the years ended September 30, 2008 and 2007

(expressed in Canadian dollars)

	2008 $	2007 $
Cash provided by (used in)		
Operating activities		
Loss for the year	(4,411,204)	(10,407,431)
Items not involving cash		
Amortization of property and equipment	291,489	286,720
Amortization of intangible assets	118,000	-
Unrealized foreign exchange (gain) loss	(1,371,401)	449,954
Stock-based compensation	889,839	1,210,050
Debt accretion	-	818,750
Change in non-cash operating working capital (note 13)	(1,708,257)	2,029,307
	(6,191,534)	(5,612,650)
Financing activities		
Repayment of notes payable	-	(581,896)
Repayment of notes payable to related parties	-	(774,239)
Proceeds from issuance of common shares (note 9)	-	577,458
Proceeds from initial public offering, net of costs (note 8(g)	-	34,794,519
Share buyback	-	(93,000)
Repayment of long-term debt	-	(8,275,792)
Repayment of obligations under capital leases	(48,752)	(57,410)
	(48,752)	25,589,640
Investing activities		
Sale (purchase) of short-term investments	14,706,683	(14,227,590)
Purchase of property and equipment	(586,966)	(35,403)
(Increase) decrease in other assets	(435,581)	156,206
Loan to Argent Networks PTY Ltd.	(529,463)	-
Repayment of loan to Argent Networks PTY Ltd.	526,754	-
(Increase) decrease in restricted cash	(409,919)	51,465
Acquisition of Argent Networks PTY Ltd., net of cash acquired (note 16)	(997,985)	-
	12,273,523	(14,055,322)
Effect of exchange rate changes on cash and cash equivalents	281,600	103,396
Increase in cash and cash equivalents during the year	6,314,837	6,025,064
Cash and cash equivalents - Beginning of year	8,927,770	2,902,706
Cash and cash equivalents - End of year	15,242,607	8,927,770
Supplemental cash flow information		
Interest paid	27,584	1,653,068
Interest received	451,341	667,884
Cash income taxes/investment tax credits received, net of income taxes paid	1,016,832	1,393,246

See accompanying notes to consolidated financial statements.

(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) and post-contract customer support (PCS). 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. 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.

(expressed in Canadian dollars, except as otherwise indicated)

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 licence term. 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 is determinable.

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

(expressed in Canadian dollars, except as otherwise indicated)

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, the Company uses a rate which represents the price when PCS is sold separately based on PCS renewals.

Hardware

Hardware revenue is recognized as hardware is delivered to customers, 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.

d) Earnings (loss) per common share

The Company computes earnings (loss) per common share, whereby basic earnings (loss) per common share is 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 is 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, unvested restricted share units, and shares associated with outstanding share purchase loans, using the treasury stock method, unless the effect of such an increase would be anti-dilutive. For 2008 and 2007, all stock options are anti-dilutive; therefore, diluted earnings (loss) per common share is equal to basic earnings (loss) per common share.

(expressed in Canadian dollars, except as otherwise indicated)

e) Cash and cash equivalents

Cash equivalents include highly liquid instruments with an original maturity of less than 90 days at issuance and are classified as held-for-trading.

f) Short-term investments

Short-term investments consist of interest bearing securities with original terms to maturity of less than one year and are classified as available-for-sale.

g) Goods in transit

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

h) 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 value of its property and equipment for impairment on a regular basis or whenever events or circumstances indicate that the carrying value 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 statements of operations. To date, the Company has not recorded an impairment charge on its property and equipment.

i) Intangible assets

Intangible assets consist of acquired technology and customer relationships. Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value, based on an allocation of the purchase price. The intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company evaluates the reasonableness of the estimated useful lives of these intangible assets on an annual basis.

The estimated useful lives of intangible assets are as follows:

Technology	5 years
Customer relationships	9 years

(expressed in Canadian dollars, except as otherwise indicated)

j) Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired. Goodwill is not subject to amortization and is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Impairment is tested by comparing the fair value of the reporting unit to which goodwill has been assigned to its carrying value including goodwill. When carrying value of the reporting unit exceeds fair value, the excess of the carrying value of the goodwill compared to the implied fair value of the reporting unit's goodwill is recognized as an impairment loss.

k) Financial instruments

All financial instruments are measured at fair value on initial recognition. After initial recognition, financial instruments are measured at their fair values, except for loans and receivables and other financial liabilities, which are measured at amortized cost. The Company has designated cash and cash equivalents and restricted cash as held-for-trading. Short-term investments are designated as available-for-sale. Accounts receivable are classified as loans and receivables and approximate fair value. Accounts payable and accrued liabilities are classified as other financial liabilities and approximate fair value.

If a financial asset is classified as available-for-sale, the cumulative unrealized gain or loss is recognized in accumulated other comprehensive income (loss) and recognized in earnings on sale or other than temporary impairment.

l) Transaction costs

Transaction costs recorded in the consolidated financial statements directly attributable to financial assets and financial liabilities are expensed as incurred. Transaction costs related to business combinations are capitalized as part of the acquisition if they are direct and incremental to the purchase.

m) Research, design 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 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.

n) Stock-based compensation

The Company has stock-based compensation plans, which are described in notes 8 and 9. The Company estimates the fair value of stock-based compensation to employees and directors and expenses the fair value over the estimated vesting period. Any consideration paid by employees or directors on the exercise of stock options or purchase of common shares is credited to share capital together with any previously

(expressed in Canadian dollars, except as otherwise indicated)

recognized compensation expense in contributed surplus. If common shares or stock options are repurchased from employees or directors, the excess of the consideration paid over the carrying value of the common shares or stock options cancelled is charged to deficit.

Loans given to employees to purchase common shares are recorded as a reduction in share capital. The number of common shares outstanding relating to loans outstanding has been excluded in the calculation of basic loss per common share. As loans are repaid, an offset to share capital will be recorded appropriately.

o) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the consolidated financial statement carrying values of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted income 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 income tax rates is recognized in the consolidated statements 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.

Tax reserves are established for uncertain income tax positions based on management's best estimates.

p) 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 statements of operations or a reduction of the related asset's cost for items capitalized in the consolidated balance sheets.

q) 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.

(expressed in Canadian dollars, except as otherwise indicated)

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 intangible assets, 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 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(o). The method used to estimate the value of investment tax credits receivable is described in note 1(p). The assumptions used in the calculation of stock-based compensation expense are described in note 9. 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 and total costs for customers' projects are based on 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 currently or newly offered elements, thereby changing the amount and timing of revenue recognized.

r) 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 dates 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 statements 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 consolidated balance sheet dates. Equity transactions, 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. 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, referred to as accumulated other comprehensive loss, as a foreign currency translation adjustment. The accumulated other comprehensive loss exclusively relates to such translation adjustments.

(expressed in Canadian dollars, except as otherwise indicated)

Translation of transactions

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

s) Allocations of costs

All facility, communication and information technology 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 head count per function.

t) Changes in accounting policies

Capital disclosures

In December 2006, The Canadian Institute of Chartered Accountants (CICA) issued Handbook Section 1535, Capital Disclosures. This standard 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. Capital disclosures are described in note 2.

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 - Disclosure 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. Additional disclosures required by Section 3862 are provided in note 2.

Accounting changes

On October 1, 2007, the Company adopted the CICA Handbook Section 1506, Accounting Changes, which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This standard did not affect the Company's financial position or results of operations.

(expressed in Canadian dollars, except as otherwise indicated)

u) 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 became 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 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.

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.

2 Financial instruments and capital management

Under Canadian GAAP, financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity, available-for-sale, loans and receivables, and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

(expressed in Canadian dollars, except as otherwise indicated)

	2008 $	2007 $
Held-for-trading (i)	15,652,526	8,927,770
Available-for-sale (ii)	56,363	14,763,046
Loans and receivables (iii)	11,192,182	5,992,035
Other financial liabilities (iv)	10,850,807	6,644,390

i) Includes cash and cash equivalents and restricted cash
ii) Short-term investments
iii) Includes accounts receivable
iv) Includes accounts payable and accrued liabilities

Foreign currency risk

Foreign currency risk arises because of 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. The Company recognized a foreign currency exchange gain in 2008 of $1,584,049, as compared to a foreign currency exchange loss of $1,857,573 in 2007.

If a shift in exchange rates of 10% were to occur, the exchange gain or loss on the Company's net monetary assets could be valued at plus or minus $2,100,000 due to the fluctuation and this would be recorded in the consolidated statements of operations.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from banks and customers.

The Company has credit risk relating to cash and cash equivalents, restricted cash and short-term investments, which it manages by dealing with large chartered Canadian and international banks and investing in highly liquid investments of a rating of no less than R1 or R1 high.

The Company's exposure to credit risk for cash and cash equivalents, restricted cash and short-term investments as at September 30 was as follows:

	September 30, 2008 %	September 30, 2007 %
Asia and Pacific Rim	5	2
Americas	50	68
Europe, Middle East and Africa	45	30
	100	100

(expressed in Canadian dollars, except as otherwise indicated)

As at September 30, 2008, the Company's two largest customers accounted for 26% of sales (2007 - one customer accounted for 21% of sales). Losses under trade receivables have historically been insignificant; however, in 2008, they were $355,000. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are executed.

Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Company's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 60 days.

The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful receivables, as soon as the account is estimated not to be fully collectible.

The Company's process to mitigate risk on accounts receivable includes the following:

- obtaining signed contracts with customers;
- assessing the creditworthiness of customers on an ongoing basis;
- receiving order confirmations from customers;
- receiving progress payments throughout the life of the contract; and
- reviewing the customer aged listing and following up with them.

The Company's trade receivables had a carrying value of $11,192,182 as at September 30, 2008, representing the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers call for payment within 30 to 60 days. Approximately, 42% of trade receivables were past due as at September 30, 2008, of which $2,610,452 was outstanding for more than 120 days (2007 - 28% over 120 days in the amount of $2,656,000). During the year, the Company recorded a bad debt expense of $355,000 (2007 - $nil). The allowance for doubtful accounts as at September 30, 2008 is $355,000 (2007 - $nil).

The allowance for doubtful accounts is charged against earnings (loss). Shortfalls in collections are applied against this provision. Estimates for allowance for doubtful accounts are determined by a customer-by-customer evaluation of collectibility at each balance sheet reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and going concern problems.

(expressed in Canadian dollars, except as otherwise indicated)

The Company's exposure to credit risk for trade receivables by geographic area as at September 30 was as follows:

	September 30, 2008 %	September 30, 2007 %
Asia and Pacific Rim	32	9
Americas	34	57
Europe, Middle East and Africa	34	34
	100	100

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Substantially all of the Company's financial liabilities will mature within one year. The Company also has significant contractual obligations in the form of operating leases.

Management believes the Company's existing cash and cash equivalents, restricted cash and short-term investment resources will be adequate to support all of its financial liabilities and contractual commitments.

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its cash and short-term investments. The Company does not have any long-term debt and, hence, is not subject to interest rate risk on debt. If a shift in interest rates of 10% were to occur, the impact on cash and cash equivalents, restricted cash and short-term investments and the related net loss for the period would not be material.

Management of capital

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy, fund research and development and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed of share capital and a credit facility to assist in financing (a) one or more acquisitions or (b) working capital. The Company's primary uses of capital are to finance its operations, increases in non-cash working capital and capital expenditures. The Company currently funds these requirements from cash flows from operations and cash raised through past share issuances. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity so it can provide services to its customers and returns to its shareholders. There were no changes in the Company's approach to capital management during the year.

(expressed in Canadian dollars, except as otherwise indicated)

3 Restricted cash

The Company used short-term bank deposits as security for outstanding letters of credit (note 15(b)). The average rate of return during the year ended September 30, 2008 was 1.75%.

4 Property and equipment

			2008
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Computer software	1,827,300	1,519,572	307,728
Computer equipment	841,390	771,596	69,794
Furniture and fixtures	929,627	828,097	101,530
Computer equipment and software under capital lease	181,911	177,789	4,122
Leasehold improvements	206,310	109,431	96,879
	3,986,538	3,406,485	580,053

			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 equipment and 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

Amortization of computer equipment and computer equipment and software under capital lease amounted to $40,751 (2007 - $60,189).

5 Intangible assets

	$
Technology, net of accumulated amortization of $58,000	732,000
Customer relationships, net of accumulated amortization of $60,000	656,761
	1,388,761

During 2008, the Company recorded an amortization expense of $118,000.

(expressed in Canadian dollars, except as otherwise indicated)

6 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 remaining outstanding shareholder loans of $774,239.

b) There are employee shareholder loans described in note 8.

7 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:

	2008 $	2007 $
2008	-	50,488
2009	623	623
Total minimum capital lease payments	623	51,111
Less: Imputed interest at rates averaging 7.63% (2007 - 7.63%)	4	1,740
Present value of capital lease payments	619	49,371
Less: Current portion	619	49,371
Long-term obligation	-	-

Interest expense on obligations under capital leases amounted to $1,736 (2007 - $6,167).

8 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, 2008 and 2007, 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 8,813,840 (2007 - 5,010,677) were considered anti-dilutive.

(expressed in Canadian dollars, except as otherwise indicated)

A reconciliation of the number of shares used for purposes of calculating basic and diluted loss per share is as follows:

Weighted average number of shares outstanding	58,350,626
Less: Shares associated with outstanding share purchase loans	(2,021,952)
	56,328,674

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 under this program was $78,740 and the balance outstanding as at September 30, 2008 aggregated $47,750 (2007 - $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 stock options and acquire Class B common shares in Redknee. Redknee offered loans to all of its existing employees holding vested stock options, based on their tenure ranging from $5,000 to $160,000. These loans are secured by the shares acquired on exercise of the stock 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 stock options that were exercised under this program was 3,226,445 and employees used a combination of cash and loans to exercise the stock options. Redknee accounted for the share purchase loans as a modification of outstanding stock options and determined that the incremental value associated with the modification was insignificant.

The 3,226,445 stock 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 a $459,043 reclassification from contributed surplus relating to prior compensation expense recognized on these stock options. The total amount of loans issued under this program was $1,016,846 and the balance outstanding as at September 30, 2008 aggregated $977,128 (2007 - $895,531).

Employees are eligible to a cash bonus annually equal to 10% of the outstanding loan amount, provided they remain employees of the Company as of the anniversary date. The Company recorded $81,597 (2007 - $87,832) as an expense for the year ended September 30, 2008.

(expressed in Canadian dollars, except as otherwise indicated)

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 RSP. The number of common shares which may be issued under the RSP is limited to 1,125,000. Common shares granted under the RSP are subject to vesting from the grant date, which can be 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 on being granted but subject to resale restrictions, such that no vested common shares can be sold until the earlier of the one-year anniversary date of the grant date and the holder'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, is: 50% of the shares granted will vest on the second anniversary of the grant date; 25% of the shares granted will be vested on the third anniversary of the grant date; and 25% of the shares granted will vest 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 unit, with 81,250 of these being granted to directors and the remaining 885,000 being granted to other participants. These restricted share units are placed in a trust until the restricted share units vest, at which time, they are issued to the beneficiary. The Company has reflected 885,000 restricted share units as being held in treasury, as 81,250 of these restricted share units have been issued to the beneficiaries. The associated stock-based compensation expense of $1,198,150 is amortized over the appropriate vesting period. In 2008, the Company expensed approximately $266,600 (2007 - $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 (IPO)

On February 21, 2007, the Company completed its IPO on the Alternative Investment Market (AIM) of the London Stock Exchange and issued 16,700,000 common shares for gross proceeds of $39,893,878

(expressed in Canadian dollars, except as otherwise indicated)

(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.

9 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 stock option is based on the Board of Directors' determination of fair value of the Company's common shares on the date of grant. A stock option's term is determined at the Board of Directors' discretion 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 on the exercise of stock options issued and outstanding under the Redknee Stock Option Plan, and Redknee agreed to remit payment, as set out in such stock options for such issued shares to the Company.

a) Stock options

Options are non-transferable. Stock 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. Stock options are priced in GBP, USD or CAD.

USD stock options	**Number of stock options**	**Weighted average exercise price per share US$**
Outstanding - September 30, 2006	3,146,030	0.18
Exercised	(2,791,030)	0.14
Forfeited	(137,500)	0.15
Outstanding - September 30, 2007	217,500	0.76
Forfeited	(100,000)	1.20
Outstanding - September 30, 2008	117,500	0.39

(expressed in Canadian dollars, except as otherwise indicated)

CAD stock options	**Number of stock options**	**Weighted average exercise price per share CA$**
Outstanding - September 30, 2006	6,433,853	1.22
Granted	158,125	1.56
Exercised	(722,078)	1.21
Forfeited	(872,348)	1.26
Outstanding - September 30, 2007	4,997,552	1.22
Forfeited	(726,164)	1.27
Outstanding - September 30, 2008	4,271,388	1.22

GBP stock options	**Number of stock options**	**Weighted average exercise price per share GB£**
Outstanding - September 30, 2006	-	-
Granted	417,875	0.84
Exercised	-	-
Outstanding - September 30, 2007	417,875	0.84
Granted	1,185,000	0.43
Forfeited	(84,875)	0.71
Outstanding - September 30, 2008	1,518,000	0.52

(expressed in Canadian dollars, except as otherwise indicated)

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

				2008
	Stock options outstanding		**Stock options exercisable**	
	Number outstanding	**Weighted average remaining contractual life (years)**	**Number exercisable**	**Weighted average remaining contractual life (years)**
USD0.14	92,500	3.02	92,500	3.02
USD1.31	25,000	4.57	25,000	4.57
GBP0.41	310,500	9.72	80,000	9.73
GBP0.44	854,500	9.28	-	8.93
GBP0.59	110,000	8.93	27,500	8.93
GBP0.93	243,000	8.72	74,814	8.73
CAD1.21	4,193,888	6.43	3,487,933	5.58
CAD1.24	29,375	8.09	8,991	8.09
CAD1.97	25,000	4.92	25,000	4.92
CAD2.16	23,125	8.26	5,783	8.26
	5,906,888	7.33	3,827,521	5.69

			2007
Stock options outstanding		**Stock options exercisable**	
Number outstanding	**Weighted average remaining contractual life (years)**	**Number exercisable**	**Weighted average remaining contractual life (years)**
5,632,927	7.30	3,589,480	4.30

b) Fair values and compensation expense

The fair value of stock 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 (2007 - 4.3%); dividend yield of nil; volatility of nil; and expected lives of stock options of seven years for all years presented. The fair value of the stock options is expensed over the vesting period of the stock options.

Subsequent to the IPO, the fair value of stock option grants made to employees and directors continued to be estimated using the Black-Scholes option pricing model, with the following modified assumptions:

(expressed in Canadian dollars, except as otherwise indicated)

risk-free interest rate between 5.5% and 5.8%; and volatility of 56.9%. The fair value of the stock options continues to be expensed over the vesting period of the stock options.

Stock options granted during the year ended September 30, 2008 had a weighted average grant date fair value of $0.81 (2007 - $1.02). During 2008, the Company recorded a stock-based compensation expense of $623,239 (2007 - $763,000) related to stock options granted under this plan.

10 Research and development expenses

	2008 $	2007 $
Gross research and development expenses	13,664,000	11,477,292
Less: Investment tax credits recognized	200,000	1,056,626
	13,464,000	10,420,666

In 2008 and 2007, the Company continued to earn investment tax credits related to research and development expenses.

11 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:

	2008 $	2007 $
Loss before income taxes	(3,472,795)	(9,525,546)
Effective income tax rate	34.16%	36.12%
Expected income taxes (recovery) based on loss before income taxes	(1,186,307)	(3,440,627)
Increase (decrease) in income taxes resulting from		
Non-deductible items	401,865	792,230
Benefit of federal investment tax credits not taxable in Ontario	-	(119,928)
Differences due to lower income tax rates for foreign subsidiaries	(647,998)	(552,761)
Change in substantively enacted income tax rates	1,454,794	529,383
Change in valuation allowance	222,038	4,732,732
Change in income tax reserve	597,388	611,247
Benefit of previously unrecorded income tax assets/liabilities	-	(2,012,201)
Other items	96,629	341,810
Income tax expense	938,409	881,885

(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:

	2008 $	2007 $
Future income tax assets		
SRED/non-capital loss carry-forwards	12,153,715	8,932,166
Property and equipment	60,714	268,878
Financing costs and long-term debt	1,095,616	1,485,927
Other	405,463	-
	13,715,508	10,686,971
Less: Valuation allowance	13,361,998	10,686,971
Net future income tax asset	353,510	-
Future income tax liability		
Intangible assets	(353,510)	-
Net future income tax asset	-	-

As at September 30, 2008, the Company has approximately $36,200,000 (2007 - $28,100,000) of federal non-capital losses and scientific research and experimental development (SRED) pools for income tax purposes that will begin to expire in 2014, which are available to reduce future years' income for income tax purposes. In addition, the Company has approximately $8,600,000 of non-capital losses with an indefinite life from foreign subsidiaries.

The Company's Canadian income tax losses available for carry forward expire as follows:

	$
2014	9,600,000
2025	3,000,000
2026	3,700,000
2027	800,000
2028	1,100,000
	18,200,000

The Company has $8,100,000 (2007 - $6,500,000) 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.

(expressed in Canadian dollars, except as otherwise indicated)

12 Other assets

As at September 30, 2008, the Company has $431,939 (2007 - $67,559) 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. Other assets also include $96,355 (2007 - $22,445) in support costs related to software used by the Company, which are amortized over the period to which the support is applicable and expected for recoveries.

13 Change in non-cash operating working capital

	2008 $	2007 $
Accounts receivable	(3,774,101)	1,394,916
Unbilled revenue	(2,135,220)	(864,336)
Investment tax credits and income taxes receivable	(200,000)	536,330
Prepaid expenses	24,338	(277,623)
Accounts payable	53,310	190,260
Accrued liabilities	3,339,925	(461,496)
Deferred revenue	1,598,041	796,593
Goods in transit	(179,408)	55,607
Income taxes payable	(435,142)	659,056
	(1,708,257)	2,029,307

14 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 enterprisewide disclosures.

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

	2008 $	2007 $
Europe, Middle East and Africa	19,163,018	14,957,268
North America, Latin America and Caribbean	19,059,283	17,371,821
Asia and Pacific Rim	12,479,043	6,287,276
	50,701,344	38,616,365

Revenue is attributed to geographic locations, based on the location of the external customer. Sales related to Canadian customers were $1,601,790 and $3,271,218 for each of 2008 and 2007, respectively.

(expressed in Canadian dollars, except as otherwise indicated)

	2008 **$**	**2007** **$**
Revenue by type		
Software and services	32,806,539	23,791,301
Third party software and hardware	3,859,450	3,397,948
Support	14,035,355	11,427,116
	50,701,344	38,616,365

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

	2008 **$**	**2007** **$**
Canada	460,569	187,074
United Kingdom	80,747	646
Ireland	14,933	41,831
India	7,829	20,469
Other	15,975	-
	580,053	250,020

In the years ended September 30, 2008 and 2007, no customers accounted for more than 10% of revenue.

15 Commitments, guarantees and contingencies

a) Lease commitments

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

	$
2009	2,599,377
2010	2,082,810
2011	1,286,451
2012	855,222
2013	42,272
Thereafter	-

Rent expense for the year ended September 30, 2008 was $1,986,325 (2007 - $1,616,766).

b) Letters of credit

As at September 30, 2008, the Company had $409,919 outstanding letters of credit (2007 - $nil) relating to customer contracts, which are secured by restricted cash in the consolidated balance sheets.

(expressed in Canadian dollars, except as otherwise indicated)

c) Line of credit

As at September 30, 2008, the Company established a credit facility with Economic Development Corporation for up to an aggregate principal amount of US$10,000,000, to assist in financing (i) one or more acquisitions or (ii) working capital. A commitment fee is payable equal to 1% per annum of all amounts that have been allocated but not drawn. As at September 30, 2008, there were no allocations or amounts drawn.

d) 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.

e) 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. The Company is not currently a party to, or has any of its property as the subject of, legal proceedings which would be material to the Company's financial condition or results of operations.

16 Business acquisition

On February 20, 2008, the Company acquired 100% of the common shares of Argent Networks PTY Ltd. (Argent) of Australia for a cash purchase price of $526,754. The total cost of acquisition is $1,043,664, including transaction costs. The acquisition was accounted for by the purchase method and the results and operations of Argent have been consolidated effective February 20, 2008.

(expressed in Canadian dollars, except as otherwise indicated)

The purchase price was allocated to the assets and liabilities as follows:

	Preliminary allocation $	Final allocation $
Cash and cash equivalents	45,679	45,679
Accounts receivable	310,892	307,646
Prepaid expenses	24,744	26,740
Intangible assets	1,527,255	1,506,761
Property and equipment	164,907	34,556
Accounts payable	(491,922)	(491,922)
Accrued liabilities	(213,979)	(211,063)
Income taxes payable	(91,733)	(91,733)
Deferred revenue	(145,909)	(83,000)
Total purchase price (including transaction costs)	1,129,934	1,043,664

The final allocation of intangible assets was as follows:

	$
Customer relationships	716,761
Technology	790,000
	1,506,761

The amounts assigned to the assets acquired and liabilities assumed have been adjusted from the unaudited interim consolidated statements of March 2008, as the Company has adjusted accounts receivable, prepaid expenses, deferred revenue, property and equipment, accrued liabilities, customer relationships and technology to their fair values.

17 Subsequent event

Toronto Stock Exchange (TSX) listing

On October 21, 2008, the Company began trading its shares on the TSX. The Company did not raise any capital as part of its listing and continues to maintain its listing and trade shares on AIM of the London Stock Exchange.

18 Comparative figures

The Company has reclassified certain of the prior year’s information to conform with the current year’s consolidated financial statement presentation.