

**Redknee Solutions Inc.**  
Interim Consolidated Financial Statements  
(Unaudited)

**March 31, 2011**  
(Expressed in Canadian dollars)

**Redknee Solutions Inc.**  
**Interim Consolidated Balance Sheets**  
(Unaudited)

(Expressed in Canadian dollars)

	<b>March 31, 2011</b>	<b>September 30, 2010</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	15,245,878	18,738,958
Short-term investments	-	22,186
Trade accounts and other receivables	14,744,861	14,959,777
Unbilled revenue	10,340,954	7,196,714
Prepaid expenses	1,481,051	1,371,960
Goods in transit	416,060	256,709
	<hr/>	<hr/>
	42,228,804	42,546,304
<b>Restricted cash</b> (notes 10(b))	1,606,716	811,979
<b>Property and equipment</b>	525,201	635,526
<b>Future income taxes and investment tax credits</b>	1,090,739	795,196
<b>Other assets</b>	491,954	518,655
<b>Intangible assets</b>	5,076,854	5,861,248
<b>Goodwill</b> (notes 2 and 3)	7,935,373	7,668,157
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	58,955,641	58,837,065
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	3,312,846	2,624,339
Accrued liabilities	3,746,462	3,703,055
Income taxes payable	2,834,333	2,730,670
Deferred revenue	7,166,977	6,031,551
Current portion of loans payable (note 4)	2,520,797	3,071,885
Current portion of obligations under capital leases	14,690	24,197
	<hr/>	<hr/>
	19,596,105	18,185,697
<b>Other long-term liabilities</b>	557,856	468,505
<b>Long-term portion of loans payable</b> (note 4)	5,764,208	7,094,087
<b>Obligations under capital leases</b>	26,787	32,178
<b>Future income taxes</b>	1,093,935	1,265,159
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	27,038,891	27,045,626
<b>Shareholders' Equity</b>		
<b>Share capital</b> , net of employee share purchase loans (note 5)	47,884,932	47,662,953
<b>Contributed surplus</b>	4,608,527	4,345,128
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<b>Deficit</b>	(20,546,679)	(20,050,301)
<b>Accumulated other comprehensive loss</b>	(30,030)	(166,341)
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	(20,576,709)	(20,216,642)
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	31,916,750	31,791,439
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	58,955,641	58,837,065

**Approved by the Board of Directors**

(signed) "Terry Nickerson" \_\_\_\_\_ Director (signed) "Lucas Skoczowski" \_\_\_\_\_ Director

See accompanying notes to unaudited interim consolidated financial statements.

(1)

**Redknee Solutions Inc.**  
Interim Consolidated Statements of Operations  
(Unaudited)

(expressed in Canadian dollars)

	Three months ended March 31,		Six months ended March 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Revenue</b>				
Software, services and other	11,466,674	9,155,159	20,025,345	16,158,771
Support	5,168,386	4,311,077	10,737,659	9,087,542
	16,635,060	13,466,236	30,763,004	25,246,313
<b>Cost of revenue</b>	5,333,600	3,733,881	10,532,202	6,453,176
	11,301,460	9,732,355	20,230,802	18,793,137
<b>Operating expenses</b>				
Sales and marketing	3,900,302	3,522,365	7,419,559	6,678,936
General and administrative	2,409,555	1,710,959	4,485,554	3,371,542
Research and development (note 7)	3,554,597	2,631,224	6,598,892	5,374,547
Amortization of property and equipment and intangible assets	456,298	162,585	934,471	321,306
Foreign exchange loss	360,391	1,247,292	905,957	1,740,423
	10,681,143	9,274,425	20,344,433	17,486,754
<b>Income (loss) from operations</b>	620,317	457,930	(113,631)	1,306,383
<b>Interest income</b>	45,005	5,215	83,333	6,889
<b>Interest expense</b>	(133,380)	(4,713)	(277,368)	(17,508)
<b>Income (loss) before income taxes</b>	531,942	458,432	(307,666)	1,295,764
<b>Income taxes</b>				
Current	215,178	57,485	389,936	330,512
Future	(91,462)	-	(201,224)	-
<b>Net income (loss) for the period</b>	408,226	400,947	(496,378)	965,252
<b>Net income (loss) per common share</b> (note 5)				
Basic	0.01	0.01	(0.01)	0.02
Diluted	0.01	0.01	(0.01)	0.02
<b>Weighted average number of common shares</b> (note 5)				
Basic	64,158,363	59,603,526	64,132,813	59,603,526
Diluted	65,799,580	61,738,910	64,132,813	61,259,237

See accompanying notes to unaudited interim consolidated financial statements

## Redknee Solutions Inc.

### Interim Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

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(expressed in Canadian dollars)

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>March 31,</b>		<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Net income (loss) for the period</b>	408,226	400,947	(496,378)	965,252
<b>Other comprehensive income (loss)</b>				
Foreign currency translation adjustment	42,800	(16,314)	136,311	(25,546)
<b>Comprehensive income (loss) for the period</b>	<b>451,026</b>	<b>384,633</b>	<b>(360,067)</b>	<b>939,706</b>

See accompanying notes to unaudited interim consolidated financial statements.

## Redknee Solutions Inc.

Interim Consolidated Statements of Shareholders' Equity (unaudited)

For the six months ended March 31,

(expressed in Canadian dollars)

	Share capital		Employee share purchase loans	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
	Number	Amount \$					
<b>Balance - September 30, 2010</b>	63,866,604	47,668,197	(5,244)	4,345,128	(20,050,301)	(166,341)	31,791,439
Stock-based compensation (note 6)	-	-	-	322,792	-	-	322,792
Net loss for the period	-	-	-	-	(496,378)	-	(496,378)
Stock options exercised	163,300	221,979	-	(59,393)	-	-	162,586
Other comprehensive income for the period	-	-	-	-	-	136,311	136,311
<b>Balance - March 31, 2011</b>	64,029,904	47,890,176	(5,244)	4,608,527	(20,546,679)	(30,030)	31,916,750
<b>Balance - September 30, 2009</b>	58,808,751	41,237,082	(492,602)	4,572,737	(21,144,555)	(149,290)	24,023,372
Stock-based compensation (note 6)	-	-	-	138,247	-	-	138,247
Net income for the period	-	-	-	-	965,252	-	965,252
Collection of employee share purchase loans	2,750	-	466,608	-	-	-	466,608
Stock options exercised	680,814	1,001,612	-	(267,995)	-	-	733,617
Restricted share units vested and exercised	165,000	204,600	-	(204,600)	-	-	-
Other comprehensive income for the period	-	-	-	-	-	(25,546)	(25,546)
<b>Balance - March 31, 2010</b>	59,657,315	42,443,294	(25,994)	4,238,389	(20,179,303)	(174,836)	26,301,550

See accompanying notes to unaudited interim consolidated financial statements.

**Redknee Solutions Inc.**  
**Interim Consolidated Statements of Cash Flows**  
**(Unaudited)**

(expressed in Canadian dollars)

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>March 31,</b>		<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net income (loss) for the period	408,226	400,947	(496,378)	965,252
Items not involving cash				
Amortization of property and equipment	72,075	86,687	149,764	185,998
Amortization of intangible assets	384,223	59,410	784,707	118,820
Unrealized foreign exchange loss	678,107	1,141,350	1,085,353	1,642,856
Stock-based compensation	261,312	(24,737)	400,971	138,247
Future income taxes and investment tax credits	(163,062)	-	(466,767)	-
Change in non-cash operating working capital (note 8)	(1,128,163)	(5,332,574)	(1,313,305)	(9,218,434)
	<u>512,717</u>	<u>(3,668,917)</u>	<u>144,344</u>	<u>(6,167,261)</u>
<b>Financing activities</b>				
Collection of employee share purchase loans	-	32,500	-	466,608
Proceeds from exercise of stock options	36,745	733,617	162,586	733,617
Repayment of obligations under capital leases	(3,221)	-	(14,898)	-
Repayment of loans payable	(2,043,572)	-	(2,355,713)	-
	<u>(2,010,048)</u>	<u>766,117</u>	<u>(2,208,025)</u>	<u>1,200,225</u>
<b>Investing activities</b>				
Proceeds from short-term investments	-	278,210	22,186	107,049
Purchase of property and equipment	(26,642)	(29,793)	(41,683)	(60,776)
Purchase of software	(37,268)	-	(37,268)	-
Decrease in other assets	11,077	27,768	51,098	26,298
Decrease (increase) in restricted cash	279,149	29,799	(794,737)	200,850
Acquisition of Nimbus Systems, net of cash acquired (note 2 and 3)	(79,479)	-	(267,216)	-
	<u>146,837</u>	<u>305,984</u>	<u>(1,067,620)</u>	<u>273,421</u>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<u>(29,857)</u>	<u>(860,343)</u>	<u>(361,780)</u>	<u>(1,193,026)</u>
<b>(Decrease) increase in cash and cash equivalents during the period</b>	<u>(1,380,350)</u>	<u>(3,457,159)</u>	<u>(3,493,080)</u>	<u>(5,886,641)</u>
<b>Cash and cash equivalents - Beginning of period</b>	<u>16,626,228</u>	<u>23,233,565</u>	<u>18,738,958</u>	<u>25,663,047</u>
<b>Cash and cash equivalents - End of period</b>	<u>15,245,878</u>	<u>19,776,406</u>	<u>15,245,878</u>	<u>19,776,406</u>
<b>Supplemental cash flow information</b>				
Interest paid	133,380	4,712	277,368	17,508
Interest received	45,005	5,215	83,333	6,889
Income taxes paid	174,723	86,071	311,991	170,646

See accompanying notes to unaudited interim consolidated financial statements.

# Redknee Solutions Inc.

## Notes to Consolidated Financial Statements

March 31, 2011

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(expressed in Canadian dollars, except as otherwise indicated)

### Nature of operations

Redknee Solutions Inc. (the Company or Redknee) commenced operations on March 29, 1999. Redknee is a leading provider of revenue generating software products, solutions and services to some of the largest network operators throughout the world, including wireless, wireline, broadband and satellite. Redknee delivers solutions in the areas of converged billing, interconnect billing, customer care, real-time rating, charging and policy management for voice, messaging and next generation data services to over 90 network operators in over 50 countries. 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 unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and have been prepared on a basis consistent with the audited financial statements for the year ended September 30, 2010, except as described below.

The preparation of these interim consolidated financial statements requires management to make assumptions and estimates that affect the figures within these interim consolidated financial statements and notes. Actual results could differ significantly from those assumptions and estimates. Furthermore, the operating results for the interim periods presented are not necessarily indicative of the results anticipated for the full year. In the opinion of management, these interim consolidated financial statements reflect adjustments necessary to state fairly the results for the periods presented.

### b) Principle of consolidation

The consolidated financial statements include the financial statements of the Company, and its wholly owned subsidiary companies, of which the principal subsidiaries are Redknee (Ireland) Limited, Redknee (Germany) GmbH, Redknee (UK) Limited, Redknee (ME) FZ-LLC (Dubai), Redknee (US) Limited, Redknee (India) Technologies Pvt. Limited, Redknee Solutions (UK) Limited, Redknee MEA SAL (offshore) (Lebanon), Redknee Singapore PTE Limited, Redknee Spain SAL, S.L.U., and Nimbus Systems, S.L. and NMB Lda. (collectively Nimbus or Nimbus Systems). All significant intercompany balances and transactions have been eliminated on consolidation.

### c) Future changes in accounting standards

In October 2008, the CICA issued Section 1582, Business Combinations (Section 1582), concurrently with Sections 1601, Consolidated Financial Statements (Section 1601), and 1602, Non-controlling Interests (Section 1602). Section 1582, which replaces Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired

# Redknee Solutions Inc.

## Notes to Consolidated Financial Statements

March 31, 2011

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(expressed in Canadian dollars, except as otherwise indicated)

and liabilities assumed. Section 1601, which replaces Section 1600, carries forward the existing guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company's interim and annual periods commencing on January 1, 2011, with earlier adoption permitted as at the beginning of a fiscal year. The Company is currently assessing the impact of the new standards on its consolidated financial statements.

In December 2009, the CICA issued Emerging Issues Committee Abstract 175 (EIC 175), replacing EIC 142. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have VSOE or third party evidence of selling price, that the entity allocate revenue in an arrangement using the estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the entity's fiscal period of adoption. The Company is currently assessing the future impact of these amendments on its consolidated financial statements and has not yet determined the timing and method of their adoption.

## 2 Business acquisition

On August 12, 2010, the Company acquired 100% of the shares of Nimbus. Established in 2001, Nimbus has been engaged in analysis, control and management solutions, with a particular focus on customer relationship management systems and billing, rating and partner relationship management. Nimbus currently supports group operators and non-telecommunications clients engaged in one of the world's leading transaction credit and loyalty card infrastructure companies. The acquisition was accounted for by the purchase method and the results of operations of Nimbus since the date of acquisition have been consolidated.

The total purchase price, net of cash acquired, of \$13,042,946 consists of cash paid on closing of \$8,053,600, 3,628,044 common shares issued, including 1,814,022 common shares placed in escrow, valued at \$4,473,378 and acquisition costs of \$789,868. The fair value of the common shares was determined to be \$1.37 per common share. The fair value of the common shares held in escrow (which are subject to the terms and conditions of an escrow agreement) was determined to be \$1.10 per common share. The 20% discount takes into consideration the length of the escrow period, the volatility of the share prices during the period and the inability to transact with these shares during this time. The purchase agreement also contains an earn-out provision, which outlines that the aggregate amount of up to €1,050,000 will be paid by the Company to the sellers in cash if certain future criteria are met. The earn-out has not been accrued at either the date of purchase or the reporting date. Management has determined that the earn-out is non-compensatory in nature and will be accrued as part of the purchase equation once the likelihood of payment can be reasonably determined.



**Redknee Solutions Inc.**  
Notes to Consolidated Financial Statements  
**March 31, 2011**

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(expressed in Canadian dollars, except as otherwise indicated)

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

	<b>Final allocation \$</b>
Net assets acquired	
Stocks/investments	63,950
Trade accounts and other receivables	4,122,736
Unbilled receivables	1,831,000
Prepaid expenses	102,341
Property and equipment	421,499
Future income taxes	134,208
Indebtedness	(1,939,473)
Accounts payable and accrued liabilities	(1,888,893)
Long-term debt	(512,614)
Deferred revenue	(236,868)
Other liabilities	(345,000)
Taxes payable	(124,685)
Future income tax liabilities	(1,491,159)
	<hr/>
	137,042
	<hr/>
Intangible assets	
Customer relationships	2,841,649
Technology	1,326,192
Backlog	802,690
Goodwill	7,935,373
	<hr/>
	12,905,904
	<hr/>
Total purchase consideration, net of cash acquired	13,042,946
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The purchase was financed by:	\$
Cash	268,880
Loans payable	8,300,688
Common shares issued	4,473,378
	<hr/>
	13,042,946
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# Redknee Solutions Inc.

## Notes to Consolidated Financial Statements

March 31, 2011

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(expressed in Canadian dollars, except as otherwise indicated)

The customer relationships and technology arising from this acquisition will be amortized into income over their estimated useful lives of ten years. The backlog will be amortized over its estimated useful life of one year.

### 3 Goodwill

The changes in the carrying amount of goodwill during the six months ended are as follows:

	<b>Balance September 30, 2010</b>	<b>Additions (a)</b>	<b>Balance March 31, 2011</b>
Goodwill	<u>7,668,157</u>	<u>267,216</u>	<u>7,935,373</u>
	<u>7,668,157</u>	<u>267,216</u>	<u>7,935,373</u>

(a) The additions of \$267,216 recorded in the period are acquisition costs of \$147,216 and \$120,000 in future tax liabilities.

**Redknee Solutions Inc.**  
Notes to Consolidated Financial Statements  
**March 31, 2011**

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(expressed in Canadian dollars, except as otherwise indicated)

**4 Loans payable**

	<b>March 31, 2011</b>	<b>September 30, 2010</b>
	\$	\$
Term loan, bearing interest at LIBOR plus 4%, due in August 2015	7,137,490	8,247,432
Term loan, denominated in euros, €53,200, bearing interest at Euribor six months plus 0.65%, due in April 2013	-	74,512
Term loan, denominated in euros, €71,286, bearing interest at 4.95%, due in December 2012	98,246	134,803
Term loan, denominated in euros, €6,179, bearing interest at 1.89% %, due in October 2011	8,516	19,453
Term loan, denominated in euros, €13,889, bearing interest at nil%, due in December 2011	-	21,907
Term loan, denominated in euros, €150,000, bearing interest at 3.99%, due in February 2013	206,730	210,090
Term loan, denominated in euros, €75,000 bearing interest at 6.41%, due in June 2012	103,365	140,060
Term loan, denominated in euros, €20,000, bearing interest at Euribor three months plus 3%, renewable on a six-month cycle	-	28,012
Bank indebtedness, denominated in euros, €529,188, face value discount of 2%-4%, due on demand	730,658	1,289,703
Total loans payable	<u>8,285,005</u>	<u>10,165,972</u>
Less: Current portion of loans payable	<u>2,520,797</u>	<u>3,071,885</u>
Long-term loans payable	<u>5,764,208</u>	<u>7,094,087</u>

As at March 31, 2011, the Company has a credit facility with Export Development Canada for up to an aggregate principal amount of US\$10,000,000 to assist in financing (i) one or more acquisitions and/or (ii) working capital requirements.

The Company borrowed against this credit facility for the Nimbus acquisition. As at March 31, 2011, US\$7,207,889 (CA\$7,137,490) remains outstanding and is repayable semi-annually over five years. Interest on this facility is LIBOR plus 4% and is payable semi-annually after the first specified repayment date. Accounts receivable, chattel paper, documents of title, equipment, intangible assets, inventory and securities are pledged as security for the credit facility.

Certain non-financial covenants exist under the agreement, which, if interpreted to be violated by the lender, could result in the amounts borrowed being due and payable to the lender on demand. The Company is in compliance with its debt covenants as at March 31, 2011.

**Redknee Solutions Inc.**  
Notes to Consolidated Financial Statements  
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(expressed in Canadian dollars, except as otherwise indicated)

As a result of the acquisition of Nimbus, the Company currently holds several secured bank loans through its wholly owned subsidiary, Redknee Spain SAL Ltd.

Interest of \$232,083 in connection with loans payable has been charged to the consolidated statements of operations for the period ended March 31, 2011 (2010 - \$nil).

**5 Net income per common share**

For the six month period ended March 31, 2011, all potentially dilutive instruments in the amount of 1,756,130 common shares have been excluded because the impact would be anti-dilutive.

For the six month period ending March 31, 2010, the diluted weighted average shares outstanding include unvested restricted share units and dilutive outstanding stock options.

A reconciliation of the number of common shares used for purposes of calculating basic and diluted net income per common share for the six month period ended March 31, 2011 is as follows:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>March 31,</b>		<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Weighted average number of common shares outstanding	64,158,363	59,657,315	64,132,813	59,657,315
Less: Shares associated with outstanding common share purchase loans	-	53,789	-	53,789
	<hr/>	<hr/>	<hr/>	<hr/>
Basic weighted average number of common shares outstanding	64,158,363	59,603,526	64,132,813	59,603,526
Add: Dilutive stock options outstanding	1,641,217	1,970,384	-	1,490,711
Add: Unvested restricted common share units	-	165,000	-	165,000
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Diluted weighted average number of common shares outstanding	65,799,580	61,738,910	64,132,813	61,259,237
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**Redknee Solutions Inc.**  
Notes to Consolidated Financial Statements  
**March 31, 2011**

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(expressed in Canadian dollars, except as otherwise indicated)

**6 Stock-based compensation**

During the three months ended March 31, 2011, 30,000 stock options were granted and issued to employees with a weighted fair value of \$1.35 per common share (2010 – Nil).

During the six months ended March 31, 2011, 678,125 stock options were granted and issued to employees with a weighted fair value of \$ 0.93 per common share (2010 – Nil). The fair value of the stock options was determined using a Black-Scholes option pricing model with the following assumptions:

	<b>2010</b>
Risk free interest rate	2.86%
Expected volatility	64.0%
Expected life	7 years
Expected dividends	Nil

The stock-based compensation expense during the three months ended March 31, 2011 was \$142,361 (2010 – (\$75,887)) and during the six months ended March 31, 2011 was \$241,248 (2010 - \$35,947) relating to the Company’s stock options.

The Company recorded a stock-based compensation expense during the three months ended March 31, 2011 of \$40,772 (2010 - \$51,150) and during the six months ended March 31, 2011 of \$81,544 (2010 - \$102,300) relating to the Company’s restricted share plan. No restricted shares were granted during the period, and no further shares will be granted under the plan as the plan was cancelled in December 2010.

The Company also recorded a stock-based compensation expense during the three months ended March 31, 2011 of \$78,179 (2010 – Nil) and during the six months ended March 31, 2011 of \$78,179 (2010 – Nil) relating to the deferred share unit plan.

**7 Research and development expenses**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>March 31,</b>		<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	\$	\$	\$	\$
Gross research and development expenses	3,554,597	2,831,224	6,848,892	5,574,547
Less: Investment tax credits recognized	-	(200,000)	(250,000)	(200,000)
	<u>3,554,597</u>	<u>2,631,224</u>	<u>6,598,892</u>	<u>5,374,547</u>

In 2011 and 2010, the Company continues to earn investment tax credits related to research and development expenses.

**Redknee Solutions Inc.**  
Notes to Consolidated Financial Statements  
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(expressed in Canadian dollars, except as otherwise indicated)

**8 Change in non-cash operating working capital**

The changes in non-cash working capital are as follows:

	Three months ended		Six months ended	
	March 31,		March 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Trade accounts and other receivables	158,768	(1,688,141)	167,793	(3,365,229)
Unbilled revenue	(3,878,680)	(1,731,956)	(3,171,317)	(2,218,637)
Prepaid expenses	47,384	190,400	(126,379)	278,080
Accounts payable	199,262	169,865	751,101	49,800
Accrued liabilities	(69,378)	(830,783)	66,674	(1,997,994)
Deferred revenue	2,572,433	(1,203,114)	1,043,318	(1,820,449)
Income taxes payable	67,188	(139,610)	114,856	(146,750)
Goods in transit	(225,140)	(99,235)	(159,351)	2,745
	(1,128,163)	(5,332,574)	(1,313,305)	(9,218,434)

**9 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:

	Three months ended		Six months ended	
	March 31,		March 31,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Europe, Middle East and Africa	6,860,139	5,020,755	13,084,150	10,255,459
North America, Latin America and Caribbean	4,269,183	3,667,940	9,322,220	7,625,195
Asia and Pacific Rim	5,505,738	4,777,541	8,356,634	7,365,659
	16,635,060	13,466,236	30,763,004	25,246,313

**Redknee Solutions Inc.**  
Notes to Consolidated Financial Statements  
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(expressed in Canadian dollars, except as otherwise indicated)

Revenue is attributed to geographic locations, based on the location of the external customer. Sales related to Canadian customers for the three months ended March 31, 2011 were \$128,736 (2010 - \$228,876) and for the six months ending March 31, 2011 were \$265,115 (2010 - \$576,157).

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>March 31,</b>		<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	\$	\$	\$	\$
Revenue by type				
Software and services	10,549,530	8,026,113	17,324,056	14,768,904
Support	5,168,386	4,311,077	10,737,659	9,087,542
Third party software and hardware	917,144	1,129,046	2,701,289	1,389,867
	<u>16,635,060</u>	<u>13,466,236</u>	<u>30,763,004</u>	<u>25,246,313</u>

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

	<b>March 31,</b>	<b>September 30,</b>
	<b>2011</b>	<b>2010</b>
	\$	\$
Canada	87,367	126,091
India	5,414	12,544
Lebanon	57,516	64,088
Spain	318,872	418,019
United Kingdom	-	8,931
Other	56,032	5,853
	<u>525,201</u>	<u>635,526</u>

The Company's goodwill arises as a result of the Company's acquisition of Nimbus which is primarily based in Spain.

In the six-month period ended March 31, 2011, one customer accounted for 10% of revenue (2010, one customer accounted for 11%).

# Redknee Solutions Inc.

## Notes to Consolidated Financial Statements

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(expressed in Canadian dollars, except as otherwise indicated)

### 10 Commitments, guarantees and contingencies

#### a) Line of credit

As at March 31, 2011, the Company has a credit facility with Export 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 March 31, 2011, there were US\$7,207,889 (C\$7,137,490) drawn.

#### b) Letters of credit

As at March 31, 2011, the Company had \$1,580,650 in outstanding letters of credit (September 30, 2010 - \$811,979) relating to customer contracts, which are secured by restricted cash in the consolidated balance sheets.

#### 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. 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.

#### e) Earn-out agreement

The Nimbus purchase agreement contains an earn-out provision, which outlines that an aggregate amount of up to €1,050,000 will be paid by the Company to the sellers in cash if certain future criteria are met.