Redknee Solutions Inc.

Consolidated Financial Statements
September 30, 2009 and 2008
(expressed in Canadian dollars)

Redknee Solutions Inc.

Consolidated Balance Sheets

As at September 30, 2009 and 2008

(expressed in Canadian dollars)

	2009 $	2008 $
Assets		
Current assets		
Cash and cash equivalents	25,663,047	15,242,607
Short-term investments	107,049	56,363
Trade accounts and other receivables	8,160,277	11,192,182
Unbilled revenue	2,670,431	6,060,452
Investment tax credits receivable	600,000	600,000
Prepaid expenses	1,027,056	1,066,584
Goods in transit	242,099	325,716
	38,469,959	34,543,904
Restricted cash (notes 3 and 15(b))	322,722	409,919
Property and equipment (note 4)	623,567	580,053
Intangible assets (note 5)	1,139,444	1,388,761
Future income taxes (note 11)	334,513	-
Other assets (note 12)	464,303	528,294
	41,354,508	37,450,931
Liabilities		
Current liabilities		
Accounts payable	907,694	2,172,268
Accrued liabilities	5,899,843	8,678,539
Income taxes payable	2,529,923	2,100,785
Deferred revenue	6,988,512	5,084,287
Obligations under capital leases (note 7)	-	619
	16,325,972	18,036,498
Long-term deferred revenue	1,005,164	-
	17,331,136	18,036,498
Shareholders' Equity		
Share capital, net of employee share purchase loans (note 8(a))	40,744,480	39,686,701
Contributed surplus	4,572,737	4,410,677
Deficit	(21,144,555)	(24,471,986)
Accumulated other comprehensive loss, net of income taxes	(149,290)	(210,959)
Total deficit and accumulated other comprehensive loss	(21,293,845)	(24,682,945)
	24,023,372	19,414,433
	41,354,508	37,450,931

Commitments, guarantees and contingencies (note 15)

Approved by the Board of Directors

(signed) "Jim Pelot" Director **(signed) "Lucas Skoczkowski"** Director

See accompanying notes to consolidated financial statements.

Redknee Solutions Inc.

Consolidated Statements of Operations

For the years ended September 30, 2009 and 2008

(expressed in Canadian dollars)

	2009 $	2008 $
Revenue		
Software, services and other	32,096,609	35,481,999
Support	21,153,523	15,219,345
	53,250,132	50,701,344
Cost of revenue	11,968,026	14,972,692
Gross profit	41,282,106	35,728,652
Operating expenses		
Sales and marketing	14,608,859	16,566,834
General and administrative	8,983,293	10,768,930
Research and development (note 10)	11,929,925	13,464,000
Amortization of property and equipment and intangible assets	677,229	409,489
Foreign exchange (gain) loss (note 2)	871,514	(1,584,049)
	37,070,820	39,625,204
Income (loss) from operations	4,211,286	(3,896,552)
Interest income	97,747	451,341
Interest expense	(19,687)	(27,584)
Income (loss) before income taxes	4,289,346	(3,472,795)
Income taxes (note 11)		
Current	961,915	938,409
Net income (loss) for the year	3,327,431	(4,411,204)
Net income (loss) per common share (note 8(b))		
Basic	0.06	(0.08)
Diluted	0.06	(0.08)
Weighted average number of common shares (note 8(b))		
Basic	57,761,293	56,328,674
Diluted	59,832,102	56,328,674

See accompanying notes to consolidated financial statements.

Redknee Solutions Inc.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended September 30, 2009 and 2008

(expressed in Canadian dollars)

	2009 $	2008 $
Net income (loss) for the year	3,327,431	(4,411,204)
Other comprehensive income, net of income taxes		
Foreign currency translation adjustment	61,669	-
Comprehensive income (loss) for the year	3,389,100	(4,411,204)

See accompanying notes to consolidated financial statements.

Redknee Solutions Inc.

Consolidated Statements of Shareholders' Equity

For the years ended September 30, 2009 and 2008

(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, 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
Stock-based compensation (note 9)	-	-	-	708,727	-	-	708,727
Net income for the year	-	-	-	-	3,327,431	-	3,327,431
Collection of employee share purchase loans	-	-	484,526	-	-	-	484,526
Stock options exercised	28,125	40,053	-	(13,467)	-	-	26,586
Restricted share units vested and exercised	430,000	533,200	-	(533,200)	-	-	-
Other comprehensive income for the year	-	-	-	-	-	61,669	61,669
Balance - September 30, 2009	58,808,751	41,237,082	(492,602)	4,572,737	(21,144,555)	(149,290)	24,023,372

See accompanying notes to consolidated financial statements.

Redknee Solutions Inc.

Consolidated Statements of Cash Flows

For the years ended September 30, 2009 and 2008

(expressed in Canadian dollars)

	2009 $	2008 $
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	3,327,431	(4,411,204)
Items not involving cash		
Amortization of property and equipment	427,912	291,489
Amortization of intangible assets	249,317	118,000
Investment tax credits	(200,000)	-
Unrealized foreign exchange (gain) loss	796,424	(1,371,401)
Stock-based compensation	708,727	889,839
Change in non-cash operating working capital (note 13)	5,389,401	(1,708,257)
	10,699,212	(6,191,534)
Financing activities		
Collection of employee share purchase loans	484,526	-
Proceeds from exercise of stock options	26,586	-
Repayment of obligations under capital leases	(619)	(48,752)
	510,493	(48,752)
Investing activities		
Sale (purchase) of short-term investments	(50,686)	14,706,683
Purchase of property and equipment	(471,426)	(586,966)
(Increase) decrease in other assets	63,991	(435,581)
Loan to Argent Networks PTY Ltd.	-	(529,463)
Repayment of loan to Argent Networks PTY Ltd.	-	526,754
(Increase) decrease in restricted cash	87,197	(409,919)
Acquisition of Argent Networks PTY Ltd., net of cash acquired (note 16(b))	-	(997,985)
	(370,924)	12,273,523
Effect of exchange rate changes on cash and cash equivalents	(418,341)	281,600
Increase in cash and cash equivalents during the year	10,420,440	6,314,837
Cash and cash equivalents - Beginning of year	15,242,607	8,927,770
Cash and cash equivalents - End of year	25,663,047	15,242,607
Supplemental cash flow information		
Interest paid	19,687	27,584
Interest received	97,747	451,341
Income taxes paid	634,612	1,016,832

See accompanying notes to consolidated financial statements.

(expressed in Canadian dollars, except as otherwise indicated)

Nature of operations

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.

Redknee Inc. (Redknee) was incorporated in Ontario on March 29, 1999. 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, 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.

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), Redknee (India) Technologies Pvt. Ltd and Redknee Solutions (UK) Limited. 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 collectability 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 that 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. Deferred revenue is classified as long-term if it relates to performance obligations that are expected to be fulfilled after twelve months from the balance sheet date.

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 common shares is increased to assume the exercise of potentially dilutive stock options, unvested restricted share units, and common shares associated with outstanding share purchase loans, using the treasury stock method, unless the effect of such an increase would be anti-dilutive. For 2009, some stock options were fully dilutive. For 2008, all stock options were anti-dilutive; therefore, diluted earnings (loss) per common share was 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 held-for-trading.

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, short-term investments and restricted cash as held-for-trading. 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.

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 using the straight-line method. 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 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.

(expressed in Canadian dollars, except as otherwise indicated)

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 statements of financial position.

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.

Significant estimates in these consolidated financial statements include the valuation of accounts receivable, future income taxes, determination of income taxes payable, estimation of useful lives of property and equipment and intangible assets, assessment of impairment of 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

(expressed in Canadian dollars, except as otherwise indicated)

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 income taxes payable and 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 except for Redknee Solutions (UK) Limited, which is self-sustaining. 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 statement of financial position 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 statement of financial position 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 income (loss), as a foreign currency translation adjustment. The accumulated other comprehensive income (loss) exclusively relates to such translation adjustments.

Translation of transactions

The Company and its subsidiaries, excluding Redknee Solutions (UK) Limited, have assets and liabilities denominated in foreign currencies as at the consolidated statement of financial position dates. These assets and liabilities have been translated using the temporal method to the subsidiaries' reporting currency and the

(expressed in Canadian dollars, except as otherwise indicated)

associated gain/loss has been recorded as an unrealized gain/loss in the consolidated statements of operations.

Redknee Solutions (UK) Limited uses the current rate method for translating. Exchange gains and losses from the translation of the financial statements of Redknee Solutions (UK) Limited 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.

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**

Financial statement presentation

In April 2007, the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board amended 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 statement of financial position date. The standard is effective for years beginning on or after January 1, 2008. The Company adopted this standard on October 1, 2008 and it did not have an impact on the consolidated financial statements for the year ended September 30, 2009.

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 adopted this standard on October 1, 2008 and it did not have an impact on the consolidated financial statements for the year ended September 30, 2009.

u) **Future changes in accounting standards**

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Handbook: Section 1582, Business Combinations; Section 1601, Consolidated Financial Statements; and Section 1602, Non-controlling Interests. These sections replace the former Handbook Section 1581, Business Combinations, and Handbook Section 1600, Consolidated Financial Statements, and establish new sections for accounting for a non-controlling interest in a

(expressed in Canadian dollars, except as otherwise indicated)

subsidiary. Handbook Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Handbook Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Company is currently assessing the effect these standards may have on the Company's results of operations and consolidated financial position.

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:

	2009 **$**	**2008** **$**
Held-for-trading (i)	26,092,818	15,708,889
Loans and receivables (ii)	7,276,836	11,055,243
Other financial liabilities (iii)	6,807,537	10,850,807

i) Includes cash, cash equivalents, restricted cash and short-term investments
ii) Includes accounts receivable
iii) 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 loss in 2009 of $871,514 as compared to a foreign exchange gain in 2008 of $1,584,049.

If a shift in exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by $1,825,000 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.

(expressed in Canadian dollars, except as otherwise indicated)

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

	2009 %	**2008** %
Asia and Pacific Rim	10	5
Americas	44	50
Europe, Middle East and Africa	46	45
	100	100

As at September 30, 2009, the Company's two largest customers accounted for 28% of sales (2008 - two customers accounted for 22% of sales). Losses under trade receivables have historically been insignificant, 2009 - $32,000 and 2008 - $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 $7,184,810 as at September 30, 2009 (2008 - $10,662,743), 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, 38% of trade receivables were past due as at September 30, 2009, of which $2,133,000 was outstanding for more than 120 days (2008 - 42% over 120 days in the amount of $2,610,452). During the year, the Company recorded a bad debt expense of $32,000 (2008 - $355,000). The allowance for doubtful accounts as at September 30, 2009 is $234,000 (2008 - $355,000).

(expressed in Canadian dollars, except as otherwise indicated)

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

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

	2009 %	**2008** %
Asia and Pacific Rim	29	32
Americas	29	34
Europe, Middle East and Africa	42	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 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 income for the year 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, 2009 was 0.10% (2008 - 1.75%).

4 Property and equipment

			2009
	Cost $	Accumulated amortization $	Net $
Computer software	2,149,602	1,801,366	348,236
Computer equipment and computer equipment under capital lease	974,567	827,764	146,803
Furniture and fixtures	950,220	873,123	77,097
Computer software under capital lease	181,911	177,788	4,123
Leasehold improvements	206,310	159,002	47,308
	4,462,610	3,839,043	623,567

			2008
	Cost $	Accumulated amortization $	Net $
Computer software	1,827,300	1,519,572	307,728
Computer equipment and computer equipment under capital lease	841,390	771,596	69,794
Furniture and fixtures	929,627	828,097	101,530
Computer 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

Amortization of computer equipment and software under capital lease amounted to $nil (2008 - $40,751).

(expressed in Canadian dollars, except as otherwise indicated)

5 Intangible assets

	2009 $	2008 $
Technology, net of accumulated amortization of $241,220 (2008- $58,000)	548,780	732,000
Customer relationships, net of accumulated amortization of $126,097 (2008- $60,000)	590,664	656,761
	1,139,444	1,388,761

During 2009, the Company recorded an amortization expense of $249,317 (2008 - $118,000).

6 Related party transactions

The employee shareholder loans are 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:

	2009 $	2008 $
2009	-	623
2010	-	-
Total minimum capital lease payments	-	623
Less: Imputed interest at rates averaging 7.63% (2008 - 7.63%)	-	4
Present value of capital lease payments	-	619
Less: Current portion	-	619
Long-term obligation	-	-

Interest expense on obligations under capital leases amounted to $nil (2008 - $1,736).

(expressed in Canadian dollars, except as otherwise indicated)

8 Share capital

a) Authorized

Unlimited voting common shares
Unlimited preferred shares

b) Net income (loss) per common share

For the year ended September 30, 2009, the diluted weighted average shares outstanding include unvested restricted share units and dilutive outstanding stock options. Shares relating to outstanding employee share purchase loans and remainder of outstanding stock options in the amount of 7,685,736 shares have been excluded because the impact would be anti-dilutive for the year ended September 30, 2009.

As a result of the loss for the year ended September 30, 2008, all potentially 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 shares were considered anti-dilutive.

A reconciliation of the number of shares used for purposes of calculating basic and diluted net income (loss) per share for the year ended September 30 is as follows:

	2009	**2008**
Weighted average number of shares outstanding	58,780,626	58,350,626
Less: Shares associated with outstanding share purchase loans	1,019,333	2,021,952
Basic weighted average number of shares outstanding	57,761,293	56,328,674
Add: Dilutive stock options outstanding (based on the share price of $1.07 at the balance sheet date)	1,740,809	-
Add: Unvested restricted share units	330,000	-
Diluted weighted average shares outstanding	59,832,102	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 common 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 repayment period was extended by one year in 2008 to be due in 2009 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, 2009 aggregated $27,910 (2008 - $47,750).

The shares issued under this plan of 215,653 were recorded in share capital as an increase in the number of common 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 common 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 were recorded in share capital as an increase in the number of common 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, 2009 aggregated $492,602 (2008 - $977,128).

Employees are eligible to a cash bonus annually equal to 10% of the outstanding loan amount, provided they remain employees of the Company as at the anniversary date. The Company recorded $74,110 (2008 - $81,597) as an expense for the year ended September 30, 2009.

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 immediate 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

(expressed in Canadian dollars, except as otherwise indicated)

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 associated stock-based compensation expense of $1,198,150 is amortized over the appropriate vesting period using the straight-line method, of which $155,000 will not be expensed in future periods due to forfeitures to date. In 2009, the Company expensed approximately $204,600 (2008 - $266,600) relating to these restricted share units.

	2009	2008
Outstanding - Beginning of year	860,000	966,250
Exercised	(430,000)	(81,250)
Forfeited	(100,000)	(25,000)
Outstanding - End of year	330,000	860,000

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 total stock options outstanding as of September 30, 2009 consists of stock options granted under a stock option plan in place prior to the Company's IPO in February of 2007 and stock options granted under the current plan. The maximum number of common shares that may be set aside for issuance under the current plan is 5,250,000 shares.. The total number of stock options outstanding under the current plan does not exceed the maximum allowable set out above. 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, 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.

(expressed in Canadian dollars, except as otherwise indicated)

USD stock options	**Number of stock options**	**Weighted average exercise price per share US$**
Outstanding - September 30, 2007	217,500	0.76
Forfeited	(100,000)	1.20
Outstanding - September 30, 2008	117,500	0.39
Forfeited	(50,000)	0.14
Outstanding - September 30, 2009	67,500	0.73

CAD stock options	**Number of stock options**	**Weighted average exercise price per share CA$**
Outstanding - September 30, 2007	4,997,552	1.22
Forfeited	(726,164)	1.27
Outstanding - September 30, 2008	4,271,388	1.22
Granted	3,139,500	0.51
Forfeited	(231,676)	1.23
Outstanding - September 30, 2009	7,179,212	1.05

GBP stock options	**Number of stock options**	**Weighted average exercise price per share GBP**
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
Forfeited	(357,500)	0.65
Outstanding - September 30, 2009	1,160,500	0.59

(expressed in Canadian dollars, except as otherwise indicated)

Summary information about stock options outstanding and exercisable as at September 30 is as follows (the options with exercises prices denominated in foreign currency were converted into Canadian dollars using the foreign exchange rate in effect at September 30, 2009):

					2009
		Stock options outstanding		**Stock options exercisable**	
		Number outstanding	**Weighted average remaining contractual life (years)**	**Number exercisable**	**Weighted average remaining contractual life (years)**
USD0.14	CAD0.15	42,500	2.10	42,500	2.10
CAD0.23	CAD0.23	70,000	9.16	20,000	9.16
CAD0.36	CAD0.36	2,486,500	9.41	-	-
GBP0.41	CAD0.71	287,500	8.70	131,875	8.70
GBP0.44	CAD0.76	704,000	8.26	176,000	8.25
CAD0.91	CAD0.91	82,250	9.66	82,250	9.66
GBP0.59	CAD1.02	90,000	7.91	45,000	7.91
CAD1.21	CAD1.21	4,037,837	5.28	3,966,337	4.67
CAD1.24	CAD1.24	15,000	7.07	9,160	7.07
CAD1.25	CAD1.25	465,750	9.83	42,750	9.83
USD1.31	CAD1.40	25,000	3.55	25,000	3.55
GBP0.93	CAD1.60	79,000	7.70	48,874	7.70
CAD2.16	CAD2.16	21,875	7.24	10,940	7.24
		8,407,212	6.83	4,600,686	5.12

The share price of the Company at September 30, 2009 was $1.07 per share.

			2008
Stock options outstanding		**Stock options exercisable**	
Number outstanding	**Weighted average remaining contractual life (years)**	**Number exercisable**	**Weighted average remaining contractual life (years)**
5,906,888	7.33	3,827,521	5.69

b) **Fair values and stock-based compensation expense**

The fair value of stock option grants made to employees and directors is estimated using the Black-Scholes option pricing model, with the following assumptions: risk-free interest rate between 2.9% and 3.2% (2008-

(expressed in Canadian dollars, except as otherwise indicated)

between 5.5% and 5.8%); dividend yield of nil (2008- nil); volatility of 71.9% (2008- 56.9%); and expected lives of stock options of seven years (2008- seven years). The fair value of the stock options is expensed using straight-line method over the vesting period of the stock options using the straight-line method.

Stock options granted during the year ended September 30, 2009 had a weighted average grant date fair value of $0.40 (2008 - $0.81). During 2009, the Company recorded a stock-based compensation expense, using straight-line method, of $504,127 (2008 - $623,239) related to stock options granted under this plan.

10 Research and development expenses

	2009 $	2008 $
Gross research and development expenses	12,129,925	13,664,000
Less: Investment tax credits recognized	200,000	200,000
	11,929,925	13,464,000

In 2009 and 2008, 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:

	2009 $	2008 $
Income (loss) before income taxes	4,289,346	(3,472,795)
Effective income tax rate	33.13%	34.16%
Expected income taxes (recovery) based on income (loss) before income taxes	1,421,060	(1,186,307)
Increase (decrease) in income taxes resulting from		
Non-deductible items	209,463	401,865
Differences due to lower income tax rates for foreign subsidiaries	(286,173)	(647,998)
Impact of income tax rates on temporary differences	(57,592)	1,454,794
Change in valuation allowance	1,154,767	222,038
Change in income tax reserve	246,246	597,388
Benefit of previously unrecorded income tax assets/liabilities	(1,750,297)	-
Other items	24,441	96,629
Income tax expense	961,915	938,409

(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:

	2009 **$**	**2008** **$**
Future income tax assets		
SRED/non-capital loss carry-forwards	13,417,652	12,153,715
Property and equipment	61,322	60,714
Financing costs and long-term debt	765,300	1,095,616
Investment tax credits	200,000	-
Corporate minimum taxes	518,030	-
Other	230,808	405,463
	15,193,112	13,715,508
Less: Valuation allowance	14,516,766	13,361,998
Net future income tax asset	676,346	353,510
Future income tax liability		
Intangible assets	(341,833)	(353,510)
Net future income tax asset	334,513	-

As at September 30, 2009, the Company has approximately $37,626,000 (2008 - $36,200,000) 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 $8,400,000 (2008- $8,600,000) of non-capital losses with an indefinite life from foreign subsidiaries. The utilization of these latter losses will reduce intangible assets.

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

	$
2014	3,400,000
2025	3,000,000
2026	3,700,000
2027	1,900,000
2028	1,200,000
	13,200,000

The Company has $10,113,000 (2008 - $8,100,000) of unrecorded income tax credits, which can be also used to reduce future federal income taxes. These credits have a life of ten to 20 years and will not begin to expire until 2014.

(expressed in Canadian dollars, except as otherwise indicated)

12 Other assets

The Company has included $444,833 (2008 - $431,939) for deposits on various rental properties, service contracts and support costs on software in other assets. The rental deposits are collectible at the end of the rental terms, which vary in length. Other assets also include $19,470 (2008 - $96,355) in support costs related to software used by the Company, which are amortized over the period to which the support is applicable.

13 Change in non-cash operating working capital

	2009 $	2008 $
Trade accounts and other receivables	2,509,741	(3,774,101)
Unbilled revenue	3,896,087	(2,135,220)
Investment tax credits receivable	-	(200,000)
Prepaid expenses	39,529	24,338
Accounts payable	(1,302,674)	53,310
Accrued liabilities	(2,879,537)	3,339,925
Deferred revenue	2,909,389	1,598,041
Goods in transit	83,617	(179,408)
Income taxes payable	133,249	(435,142)
	5,389,401	(1,708,257)

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 enterprise-wide disclosures.

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

	2009 $	2008 $
Europe, Middle East and Africa	20,900,343	19,163,018
North America, Latin America and Caribbean	22,008,167	19,059,283
Asia and Pacific Rim	10,341,622	12,479,043
	53,250,132	50,701,344

(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 were $562,321 and $1,601,790 for each of 2009 and 2008, respectively.

	2009 **$**	**2008** **$**
Revenue by type		
Software and services	29,945,172	31,622,548
Third party software and hardware	2,151,437	3,859,451
Support	21,153,523	15,219,345
	53,250,132	50,701,344

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

	2009 **$**	**2008** **$**
Canada	565,057	460,569
United Kingdom	42,639	80,747
Ireland	-	14,933
India	10,641	7,829
Other	5,230	15,975
	623,567	580,053

In the year ended September 30, 2009 one customer accounted for 18.5% of revenue and, in 2008, 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:

	$
2010	2,215,162
2011	1,364,738
2012	870,748
2013	44,203
2014 and thereafter	-

Rent expense for the year ended September 30, 2009 was $1,496,776 (2008 - $1,986,325).

(expressed in Canadian dollars, except as otherwise indicated)

b) **Letters of credit**

As at September 30, 2009, the Company had $322,722 outstanding letters of credit (2008 - $409,919) relating to customer contracts, which are secured by restricted cash in the consolidated statements of financial position.

c) **Line of credit**

As at September 30, 2009, the Company credit facility with Economic Development Corporation remains at 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, 2009, 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 as at and for the period ended March 31, 2008, as the Company has adjusted the amounts of accounts receivable, prepaid expense, deferred revenue, property and equipment, accrued liabilities, customer relationships and technology to their fair values.

17 Comparative figures

The Company has reclassified certain of the prior year's information to conform with the current year's consolidated financial statement presentation. Subscription revenue has been grouped with support revenue for the current year and the prior year's numbers have been adjusted accordingly.