Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

REDKNEE SOLUTIONS INC.

Three and six months ended March 31, 2014 and 2013
(Unaudited)

REDKNEE SOLUTIONS INC.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in U.S. dollars)
(Unaudited)

	March 31, 2014	September 30, 2013
Assets		
Current assets:		
Cash and cash equivalents (note 4)	$ 114,803,920	$ 79,054,757
Trade accounts and other receivables (note 5)	97,073,068	66,393,041
Unbilled revenue	46,785,669	39,421,584
Prepaid expenses	4,382,408	1,943,986
Other assets (note 6)	856,345	832,516
Inventories	8,092,183	6,644,580
Total current assets	271,993,593	194,290,464
Restricted cash (note 14(a))	1,178,490	1,011,361
Property and equipment	9,727,301	10,890,910
Deferred income taxes	1,938,871	1,923,409
Investment tax credits	422,445	378,923
Other assets (note 6)	2,552,021	3,179,724
Intangible assets	36,198,243	38,732,447
Goodwill	7,638,590	7,638,590
Total assets	$ 331,649,554	$ 258,045,828
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	$ 21,059,145	$ 15,707,464
Accrued liabilities	56,407,819	59,532,922
Provisions	–	1,201,050
Income taxes payable	2,891,108	2,445,616
Contingent consideration (note 3(a))	8,305,192	–
Deferred revenue	12,523,555	14,935,451
Loans and borrowings (note 7)	375,000	375,000
Total current liabilities	101,561,819	94,197,503
Deferred revenue	2,928,270	4,149,940
Other liabilities	3,182,465	2,793,146
Pension and non-pension post-employment benefit obligation	1,648,902	814,335
Contingent consideration (note 3(a))	10,727,110	24,833,537
Loans and borrowings (note 7)	46,581,273	32,956,036
Deferred income taxes	690,418	744,652
Total liabilities	167,320,257	160,489,149
Shareholders' equity:		
Share capital	173,709,305	109,017,145
Treasury stock (note 9(b))	(29,549)	(132,050)
Contributed surplus	4,626,180	4,357,175
Deficit	(15,473,670)	(17,182,622)
Accumulated other comprehensive income	1,497,031	1,497,031
Total shareholders' equity	164,329,297	97,556,679
Total liabilities and shareholders' equity	$ 331,649,554	$ 258,045,828

Subsequent event (note 5(a))

Commitments, guarantees and contingent liabilities (note 14)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

REDKNEE SOLUTIONS INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(Expressed in U.S. dollars)
(Unaudited)

	Three months ended March 31, 2014	Three months ended March 31, 2013	Six months ended March 31, 2014	Six months ended March 31, 2013
Revenue:				
Software, services and other	$ 47,271,200	$ 5,752,813	$ 75,125,083	$ 14,027,551
Support	25,162,120	5,999,964	57,711,477	11,962,189
	72,433,320	11,752,777	132,836,560	25,989,740
Cost of revenue	37,720,340	4,532,850	65,100,275	9,852,258
Gross profit	34,712,980	7,219,927	67,736,285	16,137,482
Operating expenses:				
Sales and marketing	9,087,347	3,693,277	17,595,744	6,646,372
General and administrative	7,667,655	2,421,998	15,842,404	4,818,601
Research and development	15,953,669	3,406,669	30,838,008	6,606,330
Acquisition and related costs (note 3(b))	2,395,690	5,903,503	3,268,058	8,181,975
	35,104,361	15,425,447	67,544,214	26,253,278
Income (loss) from operations	(391,381)	(8,205,520)	192,071	(10,115,796)
Foreign exchange gain (loss)	582,571	(1,012,810)	(555,333)	(652,447)
Other income (note 3(a))	6,951,904	11,796,825	5,801,235	11,796,825
Finance income	9,427	7,166	24,186	19,347
Finance costs	(811,636)	(118,865)	(1,396,156)	(233,027)
Income before income taxes	6,340,885	2,466,796	4,066,003	814,902
Income taxes (recovery) (note 10):				
Current	1,595,017	121,702	2,439,822	247,131
Deferred	(23,653)	(19,870)	(82,771)	(58,361)
	1,571,364	101,832	2,357,051	188,770
Net comprehensive income	$ 4,769,521	$ 2,364,964	$ 1,708,952	$ 626,132
Net income per common share (note 8):				
Basic	0.05	0.03	0.02	0.01
Diluted	0.05	0.03	0.02	0.01
Weighted average number of common shares (note 8):				
Basic	98,362,310	79,840,642	97,015,120	77,660,795
Diluted	101,796,856	83,505,220	100,465,490	80,686,279

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

REDKNEE SOLUTIONS INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in U.S. dollars)

Six months ended March 31, 2014 and 2013
(Unaudited)

	Share capital					Accumulated	
	Number outstanding	Amount	Treasury stock (note 9(b))	Contributed surplus	Deficit	other comprehensive income	Total shareholders' equity
Balance, September 30, 2013	95,510,022	$ 109,017,145	$ (132,050)	$ 4,357,175	$ (17,182,622)	$1,497,031	$ 97,556,679
Net income and comprehensive income	–	–	–	–	1,708,952	–	1,708,952
Share-based compensation	–	–	–	681,655	–	–	681,655
Treasury stock issued (note 9(b))	–	–	102,501	(102,501)	–	–	–
Stock options exercised	548,567	858,326	–	(310,149)	–	–	548,177
Issue of Share capital (note 9(a))	12,820,520	63,833,834	–	–	–	–	63,833,834
Balance, March 31, 2014	108,879,109	$ 173,709,305	$ (29,549)	$ 4,626,180	$ (15,473,670)	$ 1,497,031	$ 164,329,297
Balance, September 30, 2012	64,493,004	$ 46,543,100	$ (264,584)	$ 4,787,549	$ (16,918,912)	$ 13,469	$ 34,160,622
Net income and comprehensive income	–	–	–	–	626,132	–	626,132
Issue of share capital	14,950,000	18,731,390	–	–	–	–	18,731,390
Share-based compensation	–	–	–	425,148	–	–	425,148
Purchase of treasury stock (note 9(b))	–	–	90,245	(90,245)	–	–	–
Stock options exercised	613,667	973,990	–	(246,723)	–	–	727,267
Balance, March 31, 2013	80,056,671	$ 66,248,480	$ (174,339)	$ 4,875,729	$ (16,292,780)	$ 13,469	$ 54,670,559

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

REDKNEE SOLUTIONS INC.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in U.S. dollars)
(Unaudited)

	Six months ended March 31, 2014	2013
Cash provided by (used in):		
Operating activities:		
Net income	$ 1,708,952	$ 626,132
Adjustments for:		
Depreciation of property and equipment	3,054,168	161,109
Amortization of intangible assets	3,426,340	346,307
Finance income	(24,186)	(19,347)
Finance costs	1,396,156	233,027
Income tax expense	2,357,051	188,770
Unrealized foreign exchange loss	203,834	555,298
Share-based compensation	1,216,806	914,989
Revaluation of contingent consideration	(5,801,235)	–
Bargain purchase gain from acquisition	–	(11,796,825)
Changes in non-cash operating working capital (note 11)	(43,757,333)	(280,927)
	(36,219,447)	(9,071,467)
Interest paid	(636,472)	(180,514)
Interest received	22,867	29,593
Income taxes paid	(2,146,138)	(269,998)
	(38,979,190)	(9,492,386)
Financing activities:		
Issuance of share capital (note 9(a))	63,833,834	18,731,390
Proceeds from exercise of stock options	548,177	727,267
Proceeds of loans and borrowings	13,500,000	–
	77,882,011	19,458,657
Investing activities:		
Purchase of property and equipment	(1,890,559)	(633,084)
Purchase of intangible assets	(892,136)	(156,576)
Increase (decrease) in restricted cash	(167,129)	53,338
Acquisition of business (note 3)	–	(4,571,451)
	(2,949,824)	(5,307,773)
Effect of foreign exchange rate changes on cash and cash equivalents	(203,834)	(555,298)
Increase in cash and cash equivalents	35,749,163	4,103,200
Cash and cash equivalents, beginning of period	79,054,757	16,878,523
Cash and cash equivalents, end of period	$ 114,803,920	$ 20,981,723

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Redknee Solutions Inc. (the "Company" or "Redknee") through its predecessors, commenced operations on March 29, 1999. The Company was incorporated under the Canada Business Corporations Act on November 1, 2006. The Company's registered head office is located at 2560 Matheson Blvd East, Suite 500, Mississauga, Ontario, Canada. The Company is publicly traded on the Toronto Stock Exchange (TSX: RKN).

Redknee is a leading global provider of innovative communication software products, solutions and services. Redknee's revenue and subscriber management platform provides innovative converged billing, charging, customer care, and payments solutions for voice, messaging and data services to over 200 service providers in over 90 countries. The Company's software products manage and analyze, in real-time, complex and critical network operations, such as service provisioning, network management and customer care, and provide real-time rating, charging and billing. Redknee Solutions Inc. is the parent of the wholly owned operating subsidiary, Redknee Inc. and its various subsidiaries.

1. Basis of preparation:

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and do not include all of the information required for full annual consolidated financial statements.

These condensed consolidated interim financial statements for the three months ended March 31, 2014 were authorized for issuance by the Board of Directors of the Company on May 7, 2014.

(b) Judgments and estimates

In preparing these condensed consolidated interim financial statements, management make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended September 30, 2013.

2. Summary of significant accounting policies:

(a) Basis of measurement and presentation:

The notes presented in these unaudited condensed consolidated interim financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the year ended September 30, 2013 (the "2013 annual financial statements"). Except as discussed below, these unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application as the 2013 financial statements.

(b) Changes in accounting policies:

(a) New standards and interpretations adopted

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IAS 27 (2008) survives as IAS 27 (2011) Separate Financial Statements, only to carry forward the existing accounting requirements for separate financial statements.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).

The Company adopted IFRS 10 for the annual period beginning on October 1, 2013. IFRS 10 did not have a material impact on the condensed consolidated interim financial statements.

IFRS 11 Joint Arrangements

Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled

2. Summary of significant accounting policies (continued):

assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

The Company adopted IFRS 11 for the annual period beginning on October 1, 2013. IFRS 11 did not have a material impact on the condensed consolidated interim financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Company adopted IFRS 12 for the annual period beginning on October 1, 2013. The amendments did not have a material impact on the condensed consolidated interim financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income.

The Company adopted IFRS 13 prospectively in its interim and annual financial statements beginning on October 1, 2013. IFRS 13 did not have a material impact on the condensed

2. Summary of significant accounting policies (continued):

consolidated interim financial statements other than the inclusion of certain fair value disclosures which were previously applicable to annual financial statements only as included in note 11.

Amendments to IAS 19 Employee Benefits

The amendments require the following:

- Recognition of actuarial gains and losses immediately in other comprehensive income.

- Full recognition of past service costs immediately in profit or loss.

- Recognition of expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation.

- Additional disclosures that explain the characteristics of the entity's defined benefit plans and risks associated with the plans, as well as disclosures that describe how defined benefit plans may affect the amount, timing and uncertainty of future cash flows, and details of any asset-liability match strategies used to manage risks.

The amendments also impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37 Provisions, and when the entity can no longer withdraw the offer of the termination benefits.

The Company adopted the amendments in its financial statements for the annual period beginning on October 1, 2013. The amendments to IAS 19 did not have a material impact on the condensed consolidated interim financial statements.

Amendments to IFRS 7, Offsetting Financial Assets and Liabilities

IFRS 7 has been amended to include additional disclosure requirements for financial assets and liabilities that can be offset in the statement of financial position.

The Company adopted the amendments to IFRS 7 in its interim and annual financial statements beginning on October 1, 2013. The adoption did not have a material impact on the condensed consolidated interim financial statements.

2. Summary of significant accounting policies (continued):

(c) Principles of consolidation:

The condensed consolidated interim financial statements include the financial statements of the Company, Redknee Inc, and its wholly owned subsidiary companies. All significant intercompany balances and transactions have been eliminated on consolidation.

(d) Functional currency:

The condensed consolidated interim financial statements are presented in U.S. dollar, which is the Company's functional currency.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities not denominated in the functional currency are translated at the period-end rates of exchange. Foreign exchange gains and losses are recognized in the statements of comprehensive income.

3. Business acquisition:

On March 29, 2013, the Company acquired Nokia Siemens Networks' BSS business. Nokia Siemens Networks' BSS business provided real-time charging, rating, policy and customer care solutions to more than 130 communication service providers. The completion of this acquisition marks a significant milestone in Redknee's long-term growth strategy by adding strong long-standing relationships with multiple Tier-1 operators from across the globe.

The acquisition involved the purchase of certain assets and obligations, which include Nokia Siemens Networks' BSS customer and supplier contracts, intellectual property rights, tangible assets and associated liabilities, along with the transfer of BSS employees. The acquisition has been accounted for as a business combination under the purchase method. The results of operations of the BSS business since the date of acquisition have been consolidated.

3. Business acquisition (continued):

The Company completed the purchase price allocation as at September 30, 2013. The details of the acquisition are disclosed in note 5 of the 2013 annual financial statements.

(a) Contingent consideration:

Redknee financed the transaction through a combination of cash and debt facilities. The consideration for the BSS business was €15,000,000 base amount; plus the net working capital balance, as defined; less an adjustment for non-German pension liabilities.

In addition to the purchase price, the Company agreed to pay additional consideration of up to a maximum of €25,000,000 for certain performance-based cash earn-outs over the next 12 to 48 months post-closing.

The fair value of the contingent consideration has been calculated by using probabilities-based outcomes. Subsequent changes in the estimated fair value are recorded in the statement of comprehensive income. The fair value of the contingent consideration liability was $19,032,302 as at March 31, 2014 ($24,833,537 as at September 30, 2013). For the three and six months ended March 31, 2014, a credit of $6,951,904 and $5,801,235, respectively, (three and six months ended March 31, 2013 – $nil and $nil, respectively) was recorded as Other income to reflect changes in the fair value.

(b) Other items:

During the three and six months ended March 31, 2014, the Company incurred acquisition and related costs of $2,395,690 and $3,268,058, respectively, (three and six months ended March 31, 2013 – $5,903,503 and $8,181,975, respectively), which included expenses for legal, professional, restructuring and other costs. These costs have been presented separately as acquisition and related costs in the consolidated statements of comprehensive income.

(Expressed in U.S. dollars)

4. Cash and cash equivalents:

	March 31, 2014	September 30, 2013
Cash	$114,154,612	$ 78,758,567
Cash equivalents	649,308	296,190
	$114,803,920	$ 79,054,757

5. Trade accounts and other receivables:

	March 31, 2014	September 30, 2013
Trade receivables, net of allowance for doubtful accounts (a)	$ 88,477,830	$ 50,916,711
Other receivables (b)	8,595,238	15,476,330
	$ 97,073,068	$ 66,393,041

(a) Subsequent to March 31, 2014, the Company has collected $35,226,849 against the trade receivables outstanding at March 31, 2014.

(b) The other receivables as of September 30, 2013 are mainly related to receivables acquired as part of the BSS business.

6. Other assets:

	March 31, 2014	September 30, 2013
Deferred contract costs - current (a)	$ 856,345	$ 832,516
Deferred contract costs - non-current (a)	1,954,207	2,599,304
Lease deposits - non-current	597,814	580,420
	2,552,021	3,179,724
	$ 3,408,366	$ 4,012,240

The Company recognized upfront direct costs related to future activity on certain customer contracts as an asset as it is probable that these assets will be recovered through future minimum

(Expressed in U.S. dollars)

6. Other assets (continued):

contractual payment terms. The costs are being amortized over the pattern of recognition of the related contract revenues. During the three and six months ended March 31, 2014, $309,930 and $621,268 was amortized, respectively (three and six months ended March 31, 2013 - $50,819 and $98,121, respectively).

7. Loans and borrowings:

	March 31, 2014	September 30, 2013
Line of credit, bearing interest at LIBOR floor of 1.25% plus applicable margin, due April 1, 2018	$ 19,411,493	$ 5,911,493
Term Loan A (effective May 1, 2013), bearing interest at LIBOR floor of 1.25% plus applicable margin, due April 1, 2018	15,000,000	15,000,000
Term Loan B (effective August 1, 2013), bearing interest at LIBOR floor of 1.25% plus applicable margin, due April 1, 2018	15,000,000	15,000,000
	49,411,493	35,911,493
Less embedded derivative at inception	(1,343,152)	(1,040,597)
	48,068,341	34,870,896
Less unamortized deferred financing costs	(1,373,639)	(1,679,887)
Add loan accretion	261,571	140,027
	46,956,273	33,331,036
Less current portion of loans and borrowings	(375,000)	(375,000)
Long-term portion of loans and borrowings	$ 46,581,273	$ 32,956,036

On September 25, 2012, the Company entered into a senior secured credit facility with Wells Fargo Capital Finance, part of Wells Fargo & Company ("Wells Fargo"), which provided for a revolving line of credit for up to $20,000,000.

On April 1, 2013, the Company entered into an amended and restated credit agreement with Wells Fargo to add to its existing senior secured credit facility with two new term loan facilities in the amount of $15,000,000 each, for a total credit facility of $50,000,000.

The Company uses the credit facilities for working capital, general corporate purposes and capital expenditures. The credit facilities are secured by the assets of Redknee Inc., Redknee Solutions

7. Loans and borrowings (continued):

(UK) Limited ("Redknee UK") and Redknee Germany GmbH ("Redknee Germany"). The Company, Redknee UK, and Redknee Germany have guaranteed the obligations of Redknee Inc. The Company's guarantee is secured by a pledge of all of its shares in Redknee Inc.

As at March 31, 2014, $49,411,493 (September 30, 2013 – $35,911,493) is outstanding and interest is payable monthly over the term of five years. The Company incurred $2,002,980 of transaction costs and has recorded these costs as deferred costs that are being amortized over the expected five-year term of the loans using the effective interest rate method. During the three and six months ended March 31, 2014, $155,120 and $306,248 was amortized, respectively (three and six months ended March 31, 2013 - nil and nil, respectively).

Interest is at LIBOR plus an applicable margin which was 4.5% at March 31, 2014 and September 30, 2013.

LIBOR is defined to have a floor of no less than 1.25% which has been determined to be an embedded derivative. The fair value of the embedded derivative liability is estimated at $1,000,932 at March 31, 2014 (September 30, 2013 - $900,570), using the assumption that the expected repayment of revolver will be at maturity and repayment of the term loan is per the repayment terms. The change in fair value of $84,424 and $202,183 for the three months and six months ended March 31, 2014 (three and six months ended March 31, 2013 - $nil and $nil, respectively) was recorded to the finance costs in the condensed consolidated interim statements of comprehensive income. The embedded derivative liability was included in other liabilities in the condensed consolidated interim statement of financial position.

The Company is required to comply with certain financial and non-financial covenants that exist under the agreement, which, if violated, could result in the amounts borrowed being due and payable to the lender on demand. The Company has assessed its debt covenants as at March 31, 2014 and determined it is in compliance.

For the three and six months ended March 31, 2014, interest expense in connection with loans payable of $701,542 and $1,251,542, respectively, (three and six months ended March 31, 2013 - $69,177 and $150,645, respectively) has been recognized in the condensed consolidated interim statements of comprehensive income.

(Expressed in U.S. dollars)

8. Net income per common share:

A reconciliation of the number of common shares used for purposes of calculating basic and diluted net income loss per common share for the three and six months ended March 31 is as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013	Six months ended March 31, 2014	Six months ended March 31, 2013
Basic weighted average number of common shares outstanding	98,362,310	79,840,642	97,015,120	77,660,795
Add dilutive stock options outstanding	3,434,546	3,664,578	3,450,370	3,025,484
Diluted weighted average number of common shares outstanding	101,796,856	83,505,220	100,465,490	80,686,279

The total number of anti-dilutive options that were out of the money and, therefore, excluded from the calculation of diluted net income per common share for the three and six months ended March 31, 2014 are 1,700,597 and 1,684,773, respectively (three and six months ended March 31, 2013 – 2,350,707 and 2,989,801, respectively).

9. Share capital:

(a) Bought deal financing:

On March 13, 2014, the Company completed an offering of 12,820,520 common shares (the "Common Shares") of the Company at a price of Cdn. $5.85 per Common Share (the "Offering Price") for aggregate gross proceeds of $67,490,288 (Cdn. $75,000,042) (the "Offering").

The Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters led by GMP Securities L.P., and Canaccord Genuity Corp. (collectively, the "Underwriters").

The Common Shares were offered by way of a short form prospectus filed in all provinces of Canada.

9. Share capital (continued):

Transaction costs directly associated with this issuance of shares of $3,656,454 (Cdn. $3,750,002) have been recognized as a reduction of the proceeds.

(b) Treasury stock:

During the year ended September 30, 2013, the Company paid $714,608 to a trustee to purchase 568,906 of the Company's common shares in the open market to satisfy the delivery of common shares under its equity-based compensation plans. No additional purchases were made in the six months ended March 31, 2014 (2013 – nil). The Company classifies these shares as treasury stock until they are delivered pursuant to the terms of the awards.

During the six months ended March 31 2014, 81,602 shares with a cost of $102,501 have been issued (2013 – 71,845 shares with a cost of $90,245). As at March 31, 2014, the remaining number of treasury shares held by the Company are 23,524, with a cost of $29,549 (September 30, 2013 – 138,793 with a cost of $174,339).

10. Income tax expense:

The Company's income tax expense for the six-month period ended March 31, 2014 includes $1,533,833 (2013 - $125,093) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and $823,218 (2013 - $63,677) of foreign withholding taxes.

(Expressed in U.S. dollars)

11. Change in non-cash operating working capital:

The changes in non-cash working capital for the six months ended March 31 are as follows:

	2014	2013
Trade accounts and other receivables	$ (30,678,708)	$ (1,402,819)
Unbilled revenue	(7,364,085)	(1,128,542)
Prepaid expenses	(2,438,422)	(653,406)
Inventories	(1,447,603)	219,999
Other assets	603,874	(1,425,928)
Accounts payable	5,351,681	237,622
Accrued liabilities and other liabilities	(3,905,382)	2,314,507
Provisions	(1,201,050)	1,201,050
Deferred revenue	(3,633,566)	237,881
Income taxes payable	121,361	118,709
Other	834,567	–
	$(43,757,333)	$ (280,927)

12. Financial instruments and capital management:

(a) Accounting classifications and fair values:

The Company adopts a three-level fair value hierarchy that reflects the significance of the inputs used to measure fair value. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the financial asset or financial liability that are not based on observable market data (i.e., unobservable inputs that represent the Company's own judgments about what assumptions market place participants would use in pricing the asset or liability developed, based on the best information available in the circumstances).

(Expressed in U.S. dollars)

12. Financial instruments and capital management (continued):

In the table below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date.

Financial assets and liabilities measured at fair value at March 31, 2014 and September 30, 2013 are summarized below:

	March 31, 2014		September 30, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents (level 1)	$ 114,803,920	$ 114,803,920	$ 79,054,757	$ 79,054,757
Restricted cash (level 1)	1,178,490	1,178,490	1,011,361	1,011,361
Contingent consideration liability (level 3)	19,032,302	19,032,302	24,833,537	24,833,537
Embedded derivative liability (other liabilities) (level 2)	1,343,152	1,343,152	900,570	900,570

There were no transfers of financial assets between levels during the six month period ended March 31, 2014.

Financial instruments are classified into one of the following categories: financial assets, loans and receivables, and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	March 31, 2014	September 30, 2013
Financial assets at FVTPL[(a)]	$115,982,410	$ 80,066,118
Loans and receivables [(b)]	97,073,068	66,393,041
Other financial liabilities[(c)]	146,638,004	137,399,155

[(a)]Fair Value through Profit and Loss (FVTPL), includes cash and cash equivalents and restricted cash;

[(b)]Includes trade accounts and other receivables; and

[(c)]Includes trade payables, accrued liabilities, contingent consideration, other long-term liabilities and current and long-term portions of loans and borrowings and provisions.

The carrying values of trade accounts and other receivables, trade payables, accrued liabilities and provisions approximate fair values because of the short term nature of these instruments.

(Expressed in U.S. dollars)

12. Financial instruments and capital management (continued):

The carrying value of contingent consideration and other liabilities approximates the fair value.

The carrying value of loans and borrowings with floating interest rates approximate fair value because the interest rates approximates market rates.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. The estimates are subjective in nature and involve uncertainties and matters of judgement.

13. Segment reporting:

The Company has 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.

Revenue is attributed to geographic locations, based on the location of the external customer. The Company's revenue by geographic area for the three and six months ended March 31 is as follows:

	Three months ended March 31,		Six months ended March 31,	
	2014	2013	2014	2013
Europe, Middle East and Africa	$ 45,577,044	$ 3,418,741	$ 77,109,944	$ 8,319,394
North America, Latin America and Caribbean	6,512,344	5,206,703	13,777,258	10,586,535
Asia and Pacific Rim	20,343,932	3,127,333	41,949,358	7,083,811
	$ 72,433,320	$ 11,752,777	$ 132,836,560	$ 25,989,740

(Expressed in U.S. dollars)

13. Segment reporting (continued):

The Company's revenue by type for the three and six months ended March 31 is as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013	Six months ended March 31, 2014	Six months ended March 31, 2013
Revenue by type:				
Software and services	$ 38,817,970	$ 5,646,306	$ 61,334,951	$ 13,103,273
Support	25,162,120	5,999,964	57,711,477	11,962,189
Third party software and hardware	8,453,230	106,507	13,790,132	924,278
	$ 72,433,320	$ 11,752,777	$ 132,836,560	$ 25,989,740

14. Commitments, guarantees and contingent liabilities:

(a) Letters of credit:

As at March 31, 2014, the Company had $1,178,490 (September 30, 2013 - $1,011,361) in lease guarantees which are secured by restricted cash, shown separately in the condensed consolidated interim statements of financial position.

(b) 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.