

DDS WIRELESS INTERNATIONAL INC.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2009

This Management Discussion and Analysis (“MD&A”) of DDS Wireless International Inc. (the “Company” “DDS Wireless” or “DDS”) has been prepared by management as of March 3, 2010, and should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company for the years ended December 31, 2009 and December 31, 2008, which were prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

Forward-Looking Statements

This filing contains statements which, to the extent that they are not recitations of historical fact, may constitute forward-looking information. Such forward-looking statements may include financial and other projections as well as statements regarding the Company's future plans, market opportunities, objectives, performance, revenues, growth, profits, operating expenses or the Company's underlying assumptions.

Factors that could cause actual events or results to differ materially from those suggested by these forward-looking statements include, but are not limited to: the need to develop, integrate and deploy applications to meet our customer's requirements; the possibility of development or deployment difficulties or delays; the dependence on our customer's satisfaction with DDS Wireless' products; the timing of entering into significant contracts; our customers' continued commitment to the deployment of our solutions; the risks involved in developing integrated software and hardware solutions and integrating them with third-party communication and other services; the performance of the global economy and growth in software industry sales; market acceptance of the Company's products and services; customer and industry analyst perception of the Company and its technology vision and future prospects; the success of certain business combinations engaged in by the Company or by its competitors; political unrest or acts of war; possible disruptive effects of organizational or personnel changes; technological change, new products and standards; risks related to acquisitions and international expansion; reliance on large customers; concentration of sales; international operations and sales; management of growth and expansion; dependence upon key personnel and hiring; reliance on a limited number of suppliers; industry growth; competition; intellectual property; product defects and product liability; currency exchange rate risk; concentration of ownership; and including but not limited to other factors described in DDS Wireless' reports filed on Sedar, including its Annual Information Form and financial report for the most recent fiscal year. In drawing a conclusion or making a forecast or projection set out in the forward-looking information, the Company takes into account the following material factors and assumptions in addition to the above factors: the Company's ability to execute on its business plan; the acceptance of the Company's products and services by its customers; the timing of execution of outstanding or potential customer contracts by the Company; the sales opportunities available to the Company; the Company's subjective assessment of the likelihood of success of a sales lead or opportunity; the Company's historic ability to generate sales leads or opportunities; and that sales will be completed at or above the Company's estimated margins. This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information.

Statements in this filing about future results, levels of activity, performance, goals or achievements or other future events constitute forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in any forward-looking statements. These factors include, among others, business and economic risks and uncertainties, those described in connection with the forward-looking statements included herein and the risk factors set forth above.

In some cases, forward-looking statements can be identified by the use of words such as “expect,” “plan,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue” and statements that an event or result “may,” “will,” “should,” “could,” or “might occur” or “be achieved”, or “the negative” or

other variations of these words, or other comparable words or phrases. Forward-looking statements are based on estimates and opinions of management at the date the statements are made.

Although the Company believes that the expectations reflected in its forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements or other future events. Moreover, neither the Company nor anyone else assumes responsibility for the accuracy and completeness of forward-looking statements. The Company is under no duty to update any of its forward-looking statements after the date of this filing. All forward-looking statements in this filing are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized. For the reasons set forth above, the reader should not place undue reliance on forward-looking statements.

Fellow shareholders:

I am pleased to report that we delivered revenues of \$35.6 million for the year ended December 31, 2009, achieving our guidance range of \$35 – \$36 million issued early in 2009. Although this represents modest growth of 6% over the prior year, we view this as a very significant achievement in light of the weakness in the global economy and the 17% and 14% appreciation of the Canadian dollar against the US dollar and Euro respectively. Since the Company's revenues are predominantly denominated in US dollars and Euros, the achievement of 6% growth in the Canadian reported revenues underscores much higher rates of growth terms of the currency of origin.

I am also pleased to report that the Company delivered positive earnings of \$1.6 million on an EBITDAS basis (Earnings before interest, taxes, depreciation, amortization and stock compensation) for 2009 and earnings per share of \$0.04 for the quarter ended December 31, 2009. This was achieved despite the drag on reported revenues as a result of the rise in the Canadian dollar, and a \$0.8 million foreign exchange loss on translation of foreign denominated assets.

StrataGen, our transit business unit, was the largest contributor to growth as its revenues grew by 18% in 2009 to \$10.1 million. StrataGen, acquired late in 2007, has validated our strategy to extend our reach into new fleet management vertical markets where we can combine vertical-specific applications with DDS' core competence in mobile wireless technologies. Underlying StrataGen's revenue growth is a 40% year-over-year increase in shipments of DDS' mobile devices to transit customers.

StrataGen was able to capitalize on robust demand in public sector spending and also improve its competitive win rates for new customers. Revenue growth was also gained through expansion of existing customer installations with additional functionality. Offering consistent gains in fleet efficiency and service delivery, StrataGen's patented ADEPT™ engine has emerged as the market leading solution for demand response transit routing and scheduling applications.

Announced StrataGen contract awards include MTA New York City Transit, Broward County, Florida, Allen County, Ohio, Tuolumne County, California, the Massachusetts Bay Transit Authority, the Hartford Transit District and the Regional District of Nanaimo in Canada. There were also significant contract wins in Europe including the cities of Helsinki and Tampere in Finland and Suffolk and Harrow counties in the UK. Several of these included the sale of DDS' mobile data terminals which is an important part of StrataGen's strategy to offer its customers complete end-to-end solutions, and a validation of the product synergies that can be achieved through DDS' acquisition strategy.

We are very optimistic about the outlook for StrataGen as the need for more efficient fleet and customer management increases, driven by fuel costs, budget constraints and desire for greener systems. StrataGen's solutions deliver very tangible gains in fleet efficiency by reducing miles driven and the number of vehicles on the road. Cost savings are also gained through automating customer service while improving customer service with reduced response time.

Digital Dispatch, our business unit focused on dispatch and wireless fleet management solutions for the taxi business, managed 3% revenue growth. Growth in the business unit was primarily driven by growth in recurring revenues from an increase in customer maintenance contracts, deployments of our Bundled Subscription Services, and increased transaction based revenues. The business unit also signed a number of very significant enterprise contracts for its taxi dispatch and fleet managements systems. These include a \$7 million contract with Taxi Dusseldorf and \$1 million contract with ORIX Auto Infrastructure Services Limited of Mumbai. Both contracts include multi-year maintenance and support agreements and contributed to a record revenue backlog carried into 2010.

The Dusseldorf contract represents the Company's first customer win in Germany, and adds to the Company's very strong presence in the European taxi market which includes many of the continent's leading taxi companies including Taxis G7 of Paris, Taxi Stockholm, Helsinki Taxi, and SKT taxi group of Copenhagen. Digital Dispatch also received and delivered on over \$1.6 million in further orders from Taxi G7 of France for its iPilot MDTs.

Digital Dispatch also signed several significant contracts in the North American taxi market including Taxis de Sherbrooke in Quebec Canada, and a contract to upgrade Beverly Hills Transit Co-operative of California, a customer of the Company for over 10 years. A significant order was also received from another longstanding customer, Veolia Transportation, to upgrade MDTs in their Denver taxi fleet to DDS's newest iMax9000™.

Our eFleet business unit continued its strong pace of growth in activations and revenues during the year with a focus on the waste management, limousine, ground transportation and work fleet markets. The business unit grew revenues by 90% over 2008, and although still a relatively small portion (3%) of the Company's overall business, eFleet remains an important part of the Company's strategy to develop markets for subscription based, internet hosted services.

Our Wireless Devices and Communications business unit, Digital Wireless, experienced a decline in revenues as its primary markets were the most affected by the global economic downturn. As we commence 2010, however, we are seeing a significant improvement in Digital Wireless' sales funnel, and the business unit remains an important part of our strategy to develop new markets for the Company's wireless mobile data technologies.

"Looking forward, we are very excited about the prospect for accelerated growth in our business in 2010 and beyond," stated Mr. Ghai. The launch of our latest generation iMax™ mobile data computers with advanced features and functionality such as 3D mapping, turn-by-turn navigation, leading edge graphics and touch screen technology is in demand from both existing and prospective customers that recognize the return on investment that can be gained from adopting class leading technology. In addition, we expect to see continued growth in the deployment of our bundled subscription solutions such as TaxiBook™ and eFleet™ in the small and mid size fleet markets."

Based on the Company's current outstanding customer orders and anticipated contract wins for 2010, the Company is providing guidance for growth in revenues to \$40 - \$41 million for the year ending December 31, 2010 and to have positive earnings for the year. Actual revenues may vary significantly from guidance given current economic conditions, foreign exchange and other factors. We also expect a softer first quarter based on historical trends and seasonality.

I thank you for your continued interest and support in DDS Wireless International Inc.

"Vari Ghai"

Vari Ghai
Chairman and Chief Executive Officer

This letter to shareholders accompanies and should be read in conjunction with the Company's Management Discussion and Analysis, including the "Forward-Looking Statements" disclaimer contained therein.

Company Overview

DDS Wireless is a global provider of wireless mobile data solutions for a variety of vehicle fleet applications integrating software, wireless communications and GPS. DDS' solutions use state of the art technologies to provide real-time dispatching, vehicle location and tracking, and routing and scheduling optimization. In addition, the Company's solutions enable mobile commerce by providing fast and secure mobile processing of credit and debit cards, and offer mobile media applications which provide information and entertainment interfaces for passengers.

DDS Wireless' product and service offerings include mobile data computers or terminals, hosted and enterprise fleet management applications, wireless communications infrastructure, project management, long-term customer support as well as multimedia and mobile commerce systems for fleets. Previously known as Digital Dispatch Systems Inc., a world leader in providing wireless data dispatch systems to the taxi market for over 20 years, the Company changed its name on March 4, 2008. It subsequently restructured its operations into four market focused businesses to reflect the expansion of the Company's business into more diverse market segments, to facilitate further diversification and growth, and enable the integration of the newly acquired businesses of Finland-based Mobisoft OY and Washington State-based StrataGen Systems Inc.

DDS Wireless' solutions enable its customers to more efficiently and effectively manage their vehicle fleets by reducing "dead miles", reducing idle time, increasing vehicle capacity utilization and improving customer response times and service delivery. The Company's solutions also provide efficiency by automating back office dispatching, scheduling, reporting and transaction management functions; centralizing and consolidating fleet management operations; and automating interfaces with passengers through web and interactive voice response applications.

The Company's primary sources of revenues are from software licensing, sale of hardware and equipment, system installation and implementation projects and recurring revenues. Recurring revenues include revenues from long-term customer maintenance service agreements, transaction based revenue (credit cards, debit cards and trip dispatch), subscription fees for Bundled Subscription Solutions ("BSS") and sale of accessories to its existing customer base. For the year ended December 31, 2009 approximately 64% of the Company's revenue was recurring.

The Company operates four standalone businesses: Digital Dispatch (Taxi), StrataGen Systems (Transit), eFleet (Limousines and Work Fleets), and Digital Wireless (Wireless Devices and Infrastructure). Each is committed to providing the best in class solutions for its specific market with a clear customer focus and dedicated resources.

DDS Wireless is headquartered in Richmond, BC, Canada and has offices in the U.S.A., the U.K., Sweden, Finland, India and Singapore, which together support a worldwide customer base.

Taxi Business Unit: Digital Dispatch

The Company's most established and largest business operates under the name of Digital Dispatch. Digital Dispatch is a global provider of computerized dispatching and turnkey wireless fleet management solutions for taxi fleets ranging in size from ten to several thousand vehicles. The acquisition of Finland based MobiSoft OY in 2007 provided the Company with an internet based fleet management and dispatch solution and has further expanded Digital Dispatch's portfolio of offerings to address the needs of small and mid size taxi fleets. The product was launched in North America in 2008 as TaxiBook™.

In addition, Digital Dispatch provides mobile commerce and internet-type based interactive multimedia information, entertainment and advertising solutions for taxis through a passenger information monitor. Working with taxi companies and advertising partners, this business is focused on leveraging the Company's strong taxi heritage to introduce new leading-edge services and solutions to the taxi industry.

Transit Business Unit: StrataGen Systems Inc. ("StrataGen")

Boasting a customer base that includes four of the top five, and 10 of the top 20 transit authorities in North America, as well as a variety of demand response operators in Europe, the Transit operation of DDS combines its business as a supplier of mobile devices and wireless data infrastructure to transit companies with StrataGen's advanced scheduling, dispatching and client management software and MobiSoft's service-based managed scheduling and dispatching. This has positioned StrataGen as a premier solutions provider in the transit market with an end-to-end solution building on core technologies from within DDS.

Dispatch Fleet Management Business Unit: eFleet

Catering to commercial fleets like limousines and work trucks, eFleet extends some of the core functionalities of computerized dispatching to commercial fleet operators without the upfront costs of maintaining an in-house solution. The eFleet solution includes a complete bundle of software, hardware and data networks that are securely accessible via any Internet web browser. The eFleet system provides dispatching and management functionality for fleets of commercial vehicles. It integrates computer aided wireless dispatch, GPS fleet tracking, GPS navigation, two-way text messaging, and point-of-sale payment processing into a single hosted system that is available as a subscription service. Its primary markets are work trucks, waste management and limousines.

Wireless Devices and Communications Business Unit: Digital Wireless

Dedicated to developing a wide range of in-vehicle wireless data computers and communications infrastructure products, the Digital Wireless division is the hardware manufacturing, quality control and hardware development hub of the Company. Digital Wireless provides each of the other DDS Wireless businesses with the devices used in their solutions. Digital Wireless is pivotal in positioning the Company as a transit and taxi solutions provider offering end-to-end developed solutions. Digital Wireless also markets its products as an original equipment manufacturer ("OEM") directly to customers and third-party solution providers.

Corporate Strategy

Lead in Target Markets

DDS is focused on being a leader in all markets in which it operates. A leadership position is important to growth in each of its target markets, since name recognition and reputation are important factors in attracting new customers. In addition, an installed product base provides opportunities to generate additional revenues through maintenance contracts, replacements and enhancements, and incremental sales as customers grow. DDS already has a strong leadership position in the North American and certain international taxi and para-transit markets.

Pursue International Expansion

DDS is committed to continuing to expand into new geographical markets. DDS is generally able to sell its products into a new geographical market with only limited localization such as language support. For example, the Company believes in establishing a physical presence in new geographical markets, either by acquiring, investing in, or partnering with other companies, or by opening new offices. The Company gained European and Asian market presence through its 1999 acquisition of the Transportation Business Unit of Mobile Data Solutions, Inc. and its 2007 acquisition of MobiSoft Oy. To further enable penetration into new geographic markets DDS is introducing new, lower cost products. In 2008 and 2009, the Company extended its reach into global markets by selling its devices through sales and distribution channels gained in the 2007 acquisitions of MobiSoft OY and StrataGen Systems Inc.

Expand into New Vertical Market

DDS intends to continue to expand into complementary vertical markets with similar requirements to current target markets in order to leverage existing expertise, technology and products. The same, or similar, mobile devices and wireless data infrastructure equipment can be deployed across these vertical markets and paired with vertical specific fleet management applications to provide end-to-end solutions. For example, DDS has used its technology developed for the taxi market to expand into the black car, transit/para-transit, waste management and work trucks, roadside assistance, ambulance fire and utilities markets. DDS intends to enter new vertical markets through the acquisition of, investment in, or strategic partnering with companies that have developed solutions in specific vertical markets. In 2008, the Company expanded into the market for small and medium sized taxi fleets with its TaxiBook™ hosted fleet management solution in North America. TaxiBook™ was obtained through the acquisition of MobiSoft in the fourth quarter of 2007. In 2007, the Company also acquired StrataGen Systems a leader in routing and scheduling solutions for demand response transit. By pairing StrataGen's solutions with DDS's core wireless and mobile computing capabilities, StrataGen was able to offer a complete end-to-end solution enabling it to accelerate revenue growth and leadership in its target market.

Strategic Alliances

DDS intends to accelerate its growth by developing strategic alliances with application software companies and system integrators in new markets. Under these relationships, the Company will provide wireless mobile and portable data devices that interface with the partners' application software. The Company's latest generation wireless mobile data devices have an open architecture that allows potential partners to customize applications for their specific markets.

Continue to Provide Innovative and Technically Advanced Products

Through continuous product innovation and enhancements, DDS intends to be a leader in its target markets. These efforts not only keep DDS' wireless mobile data solutions at the forefront in the industry, but also provide additional value-added features to existing customers and create markets for new customers. The Company expects that its customers will continue to demand regular upgrades. The Company intends to keep abreast of mobile wireless technology in order to exploit the benefits of improving technology.

Standardize Products

DDS is focused on standardizing its products within each vertical market. This approach reduces costs and leverages product enhancements across the entire customer base, facilitates rapid deployment of solutions and requires less customer support.

Growing Recurring Revenue

DDS is also concentrating on growing additional streams of recurring revenue from such areas as credit card and debit card transaction fees, call centre service fees, sharing of advertising revenue from Passenger Information Monitors ("PIMs"), eFleet ASP subscriptions and TaxiBook™ subscriptions. The Company is also investigating other areas of recurring revenue through strategic alliances with third party product and software providers.

Reporting Currency

All results reported are in Canadian dollars unless otherwise noted. Please see Currency Risk section for a discussion of the Company's foreign exchange exposures.

Non-GAAP Measurements

The following are non-GAAP measurements and investors are cautioned not to place undue reliance on them and are urged to read all GAAP accounting disclosures present in the audited consolidated financial statements and accompanying notes for the year ended December 31, 2009.

These non-GAAP measures are used by the Company to manage and evaluate operating performance of the Company. The non-GAAP measurements are reconciled to GAAP in the below tables.

Reconciliation of Non-GAAP Measures

EBITDAS ⁽¹⁾	Year ended		Three months ended	
	December 31,	December 31,	December 31,	December 31,
	2009	2008	2009	2008
EBITDAS	\$ 1,614,606	\$ 1,455,255	\$ 2,301,977	\$ 1,518,439
Amortization of plant and equipment	(477,289)	(476,481)	(126,345)	(125,181)
Amortization of acquired intangibles	(2,479,996)	(2,408,375)	(569,474)	(594,610)
Amortization of sales related assets	(865,744)	(626,340)	(192,375)	(197,165)
Stock compensation	(303,951)	(154,228)	(30,996)	(96,704)
Interest	(48,128)	(53,909)	(17,178)	(13,973)
Loss before income taxes	\$ (2,560,502)	\$ (2,264,078)	\$ 1,365,609	\$ 490,806

(1) Earnings before interest, taxes, depreciation, amortization and stock compensation is a non-GAAP measure.

	Year ended				Three months ended			
	December 31		December 31		December 31		December 31	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenue	35,626,545	33,500,429	11,082,459	10,647,671				
Gross margin without amortization of sales related assets	17,400,258	49%	16,370,809	49%	6,089,992	55%	5,293,028	50%
Less: Amortization of sales related assets	865,744	2%	626,340	2%	192,375	2%	197,165	2%
Gross margin per financial statement	16,534,514	47%	15,744,469	47%	5,897,617	53%	5,095,863	48%

Financial Highlights

	2009		2008		2007	
	\$	% Change	\$	% Change	\$	% Change
Revenue	35,626,545	6.3%	33,500,429	62.9%	20,558,808	-13.0%
Gross Margin	16,534,514	5.0%	15,744,469	58.6%	9,926,352	-19.0%
	46.4%		47.0%		48.3%	
Gross Margin (w/o amortization of sales related assets)	17,400,258	6.3%	16,370,809	63.6%	10,007,488	-18.3%
	48.8%		48.9%		48.7%	
Operations Expenses:						
Research and Development	5,524,402	-7.2%	5,954,392	34.5%	4,427,919	22.9%
Sales and Marketing	3,888,276	-6.1%	4,140,100	7.7%	3,842,412	23.4%
General and Administration	5,639,347	-7.0%	6,066,780	68.8%	3,594,839	12.8%
Other Expense	4,042,991	118.9%	1,847,275	-29.3%	2,614,474	1930.0%
Net Income (Loss)	(2,261,645)	53.1%	(1,477,225)	-56.1%	(3,361,269)	-245.4%
EBITDAS	1,614,606	11.0%	1,455,255	140.4%	(3,597,691)	-232.2%
Earnings (Loss) per Share - basic	(0.16)	45.9%	(0.11)	-59.9%	(0.28)	-247.4%
Earnings (Loss) per Share - diluted	n/a		n/a		n/a	
Net Working Capital	5,661,596	58.3%	3,575,465	-2.4%	3,662,409	-82.2%
Total assets	33,298,973	-13.7%	38,566,648	-0.7%	38,831,514	35.1%
Total long-term financial liabilities	270,592	-55.0%	600,853	-7.6%	650,246	0.0%

Summary of Quarterly Results

(in \$'000's except for margin and per share data)

	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Revenue	\$ 11,082	\$ 8,297	\$ 9,140	\$ 7,107
Gross Margin %	53.2%	43.1%	43.8%	43.0%
Gross Margin	\$ 5,898	\$ 3,576	\$ 4,006	\$ 3,055
Operating Expenses	\$ 3,771	\$ 3,721	\$ 3,726	\$ 3,834
Net (loss) income	\$ 560	\$ (1,093)	\$ (672)	\$ (1,056)
(Loss) earnings per share (EPS)	\$ 0.04	\$ (0.08)	\$ (0.05)	\$ (0.08)

	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Revenue	\$ 10,648	\$ 7,636	\$ 8,216	\$ 7,001
Gross Margin %	47.9%	45.8%	48.4%	45.4%
Gross Margin	\$ 5,096	\$ 3,497	\$ 3,976	\$ 3,175
Operating Expenses	\$ 4,570	\$ 3,995	\$ 4,109	\$ 3,487
Net (loss) income	\$ 536	\$ (766)	\$ (602)	\$ (646)
(Loss) earnings per share (EPS)	\$ 0.04	\$ (0.06)	\$ (0.05)	\$ (0.05)

Detailed Results of Operations for Year Ended December 31, 2009

Revenues

The revenue contributions of the respective business units and geographical locations compared to the prior year are summarized in the following tables:

For the year ended	December 31, 2009	December 31, 2008	Increase/(Decrease)	
Taxi	24,021,891	23,270,180	751,711	3.2%
Transit	10,087,191	8,580,870	1,506,321	17.6%
eFleet	838,333	439,065	399,268	90.9%
Digital Wireless ⁽¹⁾	679,130	1,210,314	(531,184)	-43.9%
Total Revenue	35,626,545	33,500,429	2,126,116	6.3%
Recurring Revenues	22,939,459	20,601,977	2,337,482	11.3%
Percentage of Total Revenues	64.4%	61.5%		

(1) Includes some corporate level interest revenues

For the year ended	December 31, 2009		December 31, 2008		Increase/(Decrease)		
Revenues:							
United States	\$	16,709,874	\$	13,398,949	\$	3,310,925	24.7%
Canada		3,328,712		4,247,749		(919,037)	-21.6%
Europe		15,036,643		14,534,134		502,509	3.5%
Other		551,316		1,319,597		(768,281)	-58.2%
	\$	35,626,545	\$	33,500,429	\$	2,126,116	6.3%

Revenues for the year ended December 31, 2009 were \$35.6 million, an increase of \$2.1 million or 6.3% over the same period of the prior year. The Taxi, Transit and eFleet business units all showed growth in the year ended December 31, 2009 over the prior year, which was offset by a decline in revenues in the Digital Wireless business unit. The Transit business unit was the primary contributor of the growth.

An analysis on the basis of the various revenue components shows that the increase in revenue is attributed to increases in recurring revenues in the Taxi, Transit and eFleet business units (\$2.3 million increase), and an increase in enterprise solutions revenues in the Transit business (\$1.3 million). These increases were offset by decreases in enterprise solutions revenues in the Taxi (\$0.9 million) and Digital Wireless business units (\$0.6 million). This is reflective of the economic dynamics in 2009 whereby government funded projects showed strength while capital spending by the private sector remained cautious. The increases in recurring revenue are the result of an increase in maintenance revenue in the Taxi and Transit businesses units due to an increase in customers under maintenance contracts (\$1.0 million increase); increases in ASP or subscription revenue in the Taxi and eFleet business units as a result of the addition of subscribers for our Bundled Subscription Services (\$0.7 million increase); and an increase in transaction based revenues (\$0.4 million increase) resulting mainly from increased adoption of non-cash forms of payment processed through systems deployed with our Taxi customers.

Approximately 48% and 27% of the Company's revenues for 2009 were denominated in US dollars and Euros, respectively. During 2009, the Canadian dollar appreciated by 17% against the US dollar and 14% against the Euro.

Gross Margins

For the year ended December 31, 2009	Taxi	Transit	eFleet	Digital Wireless⁽¹⁾	Total
Revenue	24,021,891	10,087,191	838,333	679,130	35,626,545
Gross margin	10,781,089	5,014,934	457,148	281,344	16,534,513
Gross margin %	44.9%	49.7%	54.5%	41.4%	46.4%
Gross margin without amortization of sales related assets (non-GAAP)	11,532,462	5,014,934	571,519	281,344	17,400,258
Gross margin % without amortization of sales related assets (non-GAAP)	48.0%	49.7%	68.2%	41.4%	48.8%

(1) Includes some corporate level interest revenues

For the year ended December 31, 2008	Taxi	Transit	eFleet	Digital Wireless⁽¹⁾	Total
Revenue	23,270,180	8,580,870	439,065	1,210,314	33,500,429
Gross margin	10,112,232	4,684,541	152,803	794,893	15,744,469
Gross margin %	43.5%	54.6%	34.8%	65.7%	47.0%
Gross margin without amortization of sales related assets (non-GAAP)	10,676,418	4,684,541	214,957	794,893	16,370,809
Gross margin % without amortization of sales related assets (non-GAAP)	45.9%	54.6%	49.0%	65.7%	48.9%

(1) Includes some corporate level interest revenues

Gross margin decreased to 46.4% for the year ended December 31, 2009 from 47% in the prior year. The decrease in gross margin percentage is partially attributable to projects that experienced higher than expected costs to complete and an increase in the amortization of sales related assets which is a result of an increase in the deployment of the Company's Bundled Subscription Solutions. The decrease in gross margin percentage is also attributed to inventory reserves and product trade-ins taken in the year.

The Company's objective is to achieve gross margins of 50%. The following factors impacted the Company's ability to achieve target gross margins:

- Inventory write downs and equipment trade-ins taken under a specific customer contract amounting to a total of \$0.4 million; and
- Higher than expected costs to complete on a specific contract and periodic under-utilization of project staff due to timing of project delivery in the amount of approximately \$0.8 million.

Operating Expenses

For the year ended	December 31, 2009	December 31, 2008	Change	
Total operating expenses	15,052,025	16,161,272	(1,109,247)	-6.9%
% of revenue	42.2%	48.2%		

Total operating expenses decreased by \$1.1 million for the year ended December 31, 2009 compared to the prior year. The decrease in operating expenses is attributed to decreases in R&D expenses of \$0.4 million, sales and marketing expenses of \$0.3 million as well as in general and administrative expenses of \$0.4 million.

Research and Development ("R&D")

Substantially all of the research and development expenditures relate to employee compensation and facilities costs. All R&D costs stated are net of investment tax credits available from the Canadian government for R&D activities in Canada.

For the year ended	December 31, 2009	December 31, 2008	Change	
Research and development	5,524,402	5,954,392	(429,990)	-7.2%
% of revenue	15.5%	17.8%		

Research and development expenditures decreased to \$5.5 million in the year ended December 31, 2009 as compared to the \$6.0 million incurred in the prior year. The decrease in research and development is attributed to higher proportion of technical personnel deployed to revenue producing projects during the year.

Sales and Marketing

For the year ended	December 31, 2009	December 31, 2008	Change	
Sales and marketing	3,888,276	4,140,100	(251,824)	-6.1%
% of revenue	10.9%	12.4%		

Sales and marketing expenditures decreased to \$3.9 million in the year ended December 31, 2009 compared with \$4.1 million in the prior year. This decrease is attributable to lower travel and general marketing expenses and some reduction in salaries and benefits expense as a result of some temporary position vacancies. The Company expects to increase sales and marketing related expenses in 2010 from the addition of sales personnel as well as increased sales and marketing program expenditures.

General and Administrative

For the year ended	December 31, 2009	December 31, 2008	Change	
General and Administration	5,639,347	6,066,780	(427,433)	-7.0%
% of revenue	15.8%	18.1%		

General and administrative expenses include executive and administrative staff, facilities, public company costs, insurance, bad debt expense, audit and legal fees as well as administrative costs. General and administrative expenses decreased to \$5.6 million for the year ended December 31, 2009 as compared to \$6.1 million in the prior year. The decrease from prior year is mainly attributed to decrease in bad debt expenses of \$0.5 million. There were also higher non-recurring compensation charges of approximately \$0.5 million but this was off-set by a reduction in legal and professional fees as well as other general expenses.

Other Expenses

For the year ended	December 31, 2009	December 31, 2008	Change
Other expenses	4,042,991	1,847,275	2,195,716 118.9%
% of revenue	11.3%	5.5%	

The \$2.2 million increase in other expense for the year ended December 31, 2009 over the prior year comprises of the following:

- Net foreign exchange loss of \$0.8 million incurred in the year ended December 31, 2009 as compared to a gain of \$1.1 million in the prior year. The foreign exchange loss is attributable to the impact of the weakening of the US dollar, Euro, and UK pound relative to the Canadian dollar; and
- Stock compensation expense totaled \$303,951 compared to \$154,228 in 2008.

Net Income before Tax

Net operating loss before income taxes for the year ended December 31, 2009 was \$2.6 million compared to a net loss of \$2.3 million for the year ended December 31, 2008. The increase in net loss is primarily attributable to the foreign exchange loss incurred in the year of \$0.8 million as compared to a gain of \$1.1 million in the prior year and a \$0.2 million increase in stock compensation over the prior year. These were partially offset by an \$0.8 million improvement in gross margin and a reduction in operating expenses of \$1.1 million.

Income Tax

The Company is subject to corporate income tax rates in various jurisdictions, ranging from 18% to 40%, and the effective rate in any given year or quarter depends on the proportion of income or losses in each jurisdiction with the expected effective tax rate to be consistent with that experienced in prior years. Given the Company's statutory tax rate, the Company would expect to have a tax recovery in the year ended December 31, 2009 of approximately \$0.8 million. The notes to the Company's financial statements provide reconciliation between the Company's statutory and effective rate of tax.

During the three months ended December 31, 2009, the Company took an allowance against accumulated tax losses in a jurisdiction in the amount of \$884,000. The impact of this adjustment had the effect of reducing the tax recovery for the year ended December 31, 2009 by the same amount. Although there is a future expectation of profit in the business operations in this jurisdiction, management felt it was prudent to defer the recognition of the benefit of these tax losses as the Company also has reflected the benefit of investment tax credits and tax losses in other jurisdictions that will likely be utilized first.

Net Income after Tax

Net loss after tax for the year ended December 31, 2009 was \$2.3 million or a \$0.16 loss per share compared with \$1.5 million net loss after tax or a \$0.11 loss per share for the same period in the prior year.

EBITDAS

EBITDAS (defined as earnings before interest, income tax, depreciation, amortization and stock compensation expense – a non-GAAP measure) was a profit of \$1.6 million for the year ended December 31, 2009 compared to \$1.5 million in the prior year.

Detailed Results of Operations for Three Months Ended December 31, 2009

Revenues

The revenue contributions of the respective business units and geographical locations compared to the prior periods are summarized in the following tables:

For the three months ended	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
Taxi	7,068,026	5,407,184	6,371,188	5,175,493	7,388,702
Transit	3,582,971	2,439,348	2,471,975	1,592,700	2,986,101
eFleet	202,476	247,472	198,893	189,493	132,033
Digital Wireless ⁽¹⁾	228,986	203,183	98,337	148,821	140,835
Total Revenue	11,082,459	8,297,186	9,140,393	7,106,507	10,647,671
Recurring Revenues		5,606,025	5,566,854	39,171	0.7%
Percentage of Total Revenues		67.6%	60.9%		

(1) Includes minor corporate level interest revenues

For the three months ended	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
Revenues:					
United States	\$ 5,309,094	\$ 4,101,150	\$ 3,876,051	\$ 3,423,579	\$ 4,588,065
Canada	776,480	850,238	725,845	976,149	848,121
Europe	4,813,884	3,168,057	4,460,511	2,594,191	5,186,924
Other	183,001	177,741	77,986	112,588	24,561
	\$ 11,082,459	\$ 8,297,186	\$ 9,140,393	\$ 7,106,507	\$ 10,647,671

Revenues for the three months ended December 31, 2009 increased by \$2.8 million or 51.5% over the previous quarter and increased by \$0.4 million or 4.1% over the same period in the prior year. The increase in revenues over the previous quarter is primarily attributable to an increase in enterprise solutions revenue (\$2.7 million increase) in both the Transit business unit (\$1.2 million increase) and the Taxi business unit (\$1.5 million increase). The Company typically experiences stronger enterprise solutions revenue in the fourth quarter.

The \$0.4 million increase in revenues over the same period in the prior year is primarily attributable to a \$0.4 million increase in revenues from enterprise solutions. Revenues from enterprise solutions in the Transit business unit improved by \$0.6 million compared to the three months ended December 31, 2008 but were partially offset by a decrease in enterprise solutions revenue in the Taxi business unit by \$0.3 million for the same period. This is reflective of the economic dynamics in 2009 where Transit capital projects benefited from government spending while investment by the private sector remained cautious.

Gross Margins

For the three months ended	Digital				
December 31, 2009	Taxi	Transit	eFleet	Wireless ⁽¹⁾	Total
Revenue	7,068,026	3,582,971	202,476	228,986	11,082,459
Gross margin	3,705,892	1,948,430	110,661	143,038	5,908,023
Gross margin %	52.4%	54.4%	54.7%	62.5%	53.3%
Gross margin without amortization of sales related assets (non-GAAP)	3,869,195	1,948,430	139,733	143,038	6,100,398
Gross margin % without amortization of sales related assets (non-GAAP)	54.7%	54.4%	69.0%	62.5%	55.0%

(1) Includes minor corporate level interest revenues

For the three months ended	Digital				
December 31, 2008	Taxi	Transit	eFleet	Wireless ⁽¹⁾	Total
Revenue	7,388,702	2,986,101	132,033	140,835	10,647,671
Gross margin	3,155,277	1,760,991	45,954	133,641	5,095,863
Gross margin %	42.7%	59.0%	34.8%	94.9%	47.9%
Gross margin without amortization of sales related assets (non-GAAP)	3,331,112	1,760,991	67,284	133,641	5,293,028
Gross margin % without amortization of sales related assets (non-GAAP)	45.1%	59.0%	51.0%	94.9%	49.7%

(1) Includes minor corporate level revenues

For the three months ended	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008					
Revenue	11,082,459	100.0%	8,297,186	100.0%	9,140,393	100.0%	7,106,507	100.0%	10,647,671	100.0%
Cost of sales	5,174,436	46.7%	4,715,918	56.8%	5,133,953	56.2%	4,051,982	57.0%	5,551,808	52.1%
Gross Margin	5,908,023	53.3%	3,581,268	43.2%	4,006,440	43.8%	3,054,525	43.0%	5,095,863	47.9%
Gross Margin without amortization of sales related assets (non-GAAP)	6,100,398	55.0%	3,808,146	45.9%	4,226,914	46.2%	3,280,542	46.2%	5,293,028	49.7%

Gross margin for the three months ended December 31, 2009 improved to 53.2% compared to 43.1% in the preceding quarter due to increases in enterprise solutions revenues which drove higher rates of staff utilization, and sales of higher margin hardware and software licenses. The increase in gross margin over the same period in the previous year of 47.9% is primarily attributable to higher margins from our product sales as well as from our enterprise solutions business in the Transit and Taxi business units.

Operating Expenses

For the three months ended	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008
Total operating expenses	\$3,771,185	\$3,720,974	\$3,725,556	\$3,834,310	\$4,570,168
% of revenue	34.0%	44.8%	40.8%	54.0%	42.9%

Operating expenses for the three months ended December 31, 2009 were comparable to operating expenses for the prior quarter, and decreased over the same period in the prior year by \$0.7 million. The decrease is attributable to a \$0.1 million reduction in sales and marketing expenses and a \$0.6 million reduction in general and administrative expenses.

Research and Development (“R&D”)

Substantially all of the research and development expenditures relate to employee compensation and facilities costs. All R&D costs stated are net of investment tax credits available from the Canadian government for R&D activities in Canada.

For the three months ended	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008
Research and development	\$1,402,433	\$1,406,491	\$1,288,631	\$1,426,847	\$1,402,396
% of revenue	12.7%	17.0%	14.1%	20.1%	13.2%

Research and development expenditures for the three months ended December 31, 2009 was unchanged in comparison to the previous quarter and from the same period in the prior year.

Sales and Marketing

For the three months ended	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008
Sales and marketing	\$966,235	\$910,388	\$1,075,684	\$935,971	\$1,062,384
% of revenue	8.7%	11.0%	11.8%	13.2%	10.0%

Sales and marketing expenditures for the three months ended December 31, 2009 increased slightly compared to the previous quarter, and decreased by \$0.1 million when compared with the three months ended December 31, 2008. The decrease over the comparative period is attributable to reduction in marketing expenses in the three months ended December 31, 2009. The Company expects sales related expenses to increase in 2010 as a result of the additional sales personnel and increased sales and marketing activities.

General and Administrative

For the three months ended	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008
General and Administration	\$1,402,517	\$1,404,095	\$1,361,243	\$1,471,492	\$2,105,388
% of revenue	12.7%	16.9%	14.9%	20.7%	19.8%

General and administrative expenses include executive and administrative staff, facilities, public company costs, insurance, bad debt expense, audit and legal fees as well as administrative costs. General and administrative expenses for the three months ended December 31, 2009 remained largely unchanged compared to the three months ended September 30, 2009 and decreased by \$0.7 million when compared to the three month ended December 31, 2008. The decrease from prior year is mainly attributable to a \$0.5 million reduction in bad debt expenses as well as lower legal and other professional fees.

Other Expense

For the three months ended	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008
Other expenses	\$760,823	\$1,273,874	\$1,322,127	\$686,167	\$34,889
% of revenue	6.9%	15.4%	14.5%	9.7%	0.3%

Other expenses for the three months ended December 31, 2009 decreased by \$0.5 million when compared with the previous quarter due to an improvement in foreign exchange impact on our business of \$0.4 million and a \$0.1 million difference in stock compensation. The increase in other expense of \$0.8 million over the same period in the prior year is a result of:

- A reduction of \$0.1 million in amortization of intangible assets as a component of the intangible assets became fully amortized during the three months ended December 31, 2009; and
- The Company incurred an exchange loss of \$0.1 million for the three months ended December 31, 2009 as compared to a gain of \$0.8 million for the corresponding period in the previous year due to the weakening of the US dollar, Euro, and UK pound relative to the Canadian dollar.

Net Income Before Tax

Net income before income taxes for the three months ended December 31, 2009 was \$1.3 million compared to a loss of \$1.4 million for the previous quarter and a net income of \$0.5 million for the three months ended December 31, 2008. The improvement in net income over the previous quarter is partly due to seasonal increases in systems sales and deployment of enterprise solution resulting in an increase in gross margin of \$2.3 million, as well as a reduction in foreign exchange loss of \$0.3 million. Net income improved by \$0.8 million over the same period in the prior year as a result of improved gross margin of \$0.8 million and a reduction in operating expenses of \$0.8 million. These were partially offset by a foreign exchange loss of \$0.8 million.

Income Tax

The Company is subject to corporate income tax rates in varying jurisdictions, ranging principally from 18% to 40%, and the effective rate in any given year or quarter depends on the proportion of income or losses in each jurisdiction with the expected effective tax rate to be consistent with that experienced in prior years. Given the Company's statutory tax rate the Company would expect to have recorded a tax expense in the three months ended December 31, 2009 of approximately 0.4 million. The notes to the Company's financial statements provide reconciliation between the Company's statutory and effective rate of tax.

During the three months ended December 31, 2009, the Company took an allowance against accumulated tax losses in a jurisdiction in the amount of \$884,000. The impact of this adjustment had the effect of reducing the tax recovery for the three months ended December 31, 2009 by the same amount. Although there is a future expectation of profit in the business operations in this jurisdiction, management felt it was prudent to defer the recognition of the benefit of these tax losses as the Company also has reflected the benefit of investment tax credits and tax losses in other jurisdictions that will likely be utilized first.

Net Income after Tax

Net income after tax for the three months ended December 31, 2009 was \$0.6 million or \$0.04 earnings per share compared to a net loss of \$1.1 million or a loss of \$0.08 per share reported in the previous quarter and to a net income of \$0.6 million or a \$0.04 earnings per share for the same period in the prior year.

EBITDAS

EBITDAS (defined as earnings before interest, tax, depreciation, amortization and stock compensation expense – a non-GAAP measure) was \$2.3 million for the three months ended December 31, 2009 compared to an EBITDAS loss of \$0.4 million reported in the previous quarter and an EBITDAS of \$1.5 million for the same period of last year.

Liquidity and Capital Resources

As at December 31, 2009, the Company had cash and short-term investments of \$1.6 million as compared to a nil balance as at December 31, 2008. The Company maintains a line of credit facility of \$4 million which had an outstanding balance of \$0.2 million as at December 31, 2009 as compared to an outstanding balance of \$1.4 million as at December 31, 2008.

The \$1.6 million increase in cash and cash equivalents during the 12 months ended December 31, 2009 was generated from operations amounting to \$3.8 million, including a positive change in non-cash working capital of \$2.6 million. The company used its cash resources during the period to repay long-term debt amounting to \$0.3 million and its line of credit by \$1.3 million. In addition, the Company used its cash resources during the twelve months ending December 31, 2009 to purchase capital equipment for \$0.7 million and settled all deferred acquisition costs for \$0.6 million. The Company had long-term debt of \$0.3 million (including short-term portion) as at December 31, 2009 compared to \$0.6 million as at December 31, 2008.

For the three months ended December 31, 2009, the Company increased cash by \$0.1 million mainly as a result of funds generated from operations and positive change in non-cash working capital. During the period, the Company used \$0.3 million to settle deferred acquisition costs and another \$0.3 million towards the acquisition of capital assets.

As of the date of this report, the Company has \$2.5 million of cash and \$1.0 million drawn on its \$4.0 million line of credit facility, The Company believes it has sufficient capital to fund its operations.

The Company is in compliance with financial covenants as of December 31, 2009.

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 Years	4-5 Years	After 5 years
Long-term Debt	270,592	199,043	71,549	-	-
Operating Leases	3,061,383	897,971	1,430,872	732,540	-
Purchase Obligations	3,695,186	1,556,011	2,139,175	-	-
Total Contractual Obligations	7,027,161	2,653,025	3,641,596	732,540	-

The Company entered into operating leases in the normal course of business which are primarily attributable to facility leases for its operations. The Company also has purchase obligations with vendors in the normal course of business. The Company does not foresee any liquidity risk with these items which will be funded from the Company's working capital in the next twelve months.

Current Global Market Conditions

Although economic conditions have improved over the past year, there remains uncertainty surrounding the global markets. It is extremely difficult to forecast future conditions and the impact they will have on future business. Management has and will continue to monitor the market and the results of each of its product lines and regions.

Off-Balance Sheet Arrangements

For certain contracts, the Company was required to post performance bonds totalling \$3,628,499 (USD\$3,466,940) as at December 31, 2009. The Company arranged the bonds with Canada Export Development Corporation ("EDC") and has agreed to indemnify EDC.

Legal Proceeding

In 2009, a claim was filed against the Company in the Ontario Superior Court of Justice for damages against the Company for breach of contract and damages resulting from such alleged breach. The total amount of the claim is approximately \$850,000. The Company has filed a statement of defense and counterclaim denying all allegations and counterclaiming against the plaintiff for non-payment of services rendered and goods delivered. The Company is of the view that there are no grounds for such claim against the Company and no amount has been recorded for this claim.

Transactions with Related Parties

The Company leases its head office land and building located in Richmond, BC, Canada, from a company controlled by the Company's majority shareholder, under an operating lease expiring in September 2013.

On November 9, 2007 the Company increased its line of credit to \$4.0 million which bears interest at prime plus 0.5%. The Company is the beneficiary of a guarantee provided by Viksun Enterprise Inc., a company controlled by the Company's Chief Executive Officer in the amount of \$2.0 million. The assets of the Company are provided as collateral for the line of credit. As at December 31, 2009, the Company had a balance payable of \$0.2 million (December 31, 2008 – \$1.5 million) drawn on this line of credit.

The Company provides sales of products and maintenance services to a customer that is related to a director. In the three and twelve months ended December 31, 2009 the total sales and services to this customer were \$497,262 and \$950,316, respectively (2008 - \$237,437 and \$421,717, respectively). These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the respective parties.

Proposed Transactions

As of March 3, 2010, the Board of Directors had not committed to proceed with any proposed asset or business acquisitions or dispositions.

Critical Accounting Estimates

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, and all dollar amounts are expressed in Canadian dollars. For a complete description of the Company's significant accounting estimates, please refer to note 2 to the audited financial statements for the year ended December 31, 2009.

The Company's critical accounting estimates are as follows:

Revenue recognition

The Company's revenues come from these primary sources:

- Contracts for complete wireless dispatch, routing and scheduling, and fleet management systems
- Provision of application software provider ("ASP") services for mobile fleet management solutions
- License of mobile fleet management software
- Maintenance and support services related thereto
- Sales of additional and replacement devices
- Software development and customization

Revenue from product sales is recorded on shipment when all significant contractual obligations have been satisfied provided evidence of an arrangement exists, the price to the customer is fixed and determinable and collection is probable. In addition, a provision for potential warranty claims is recorded at the time of sale, based on warranty terms and prior claims experience. Extended warranty contracts are sold separately from the product and the associated revenue is recognized over the term of the agreement.

Revenue on fixed-price contracts is recognized based on the estimated percentage of completion of services rendered that reflects the extent of work accomplished. Management estimates the percentage-of-completion by reference to measures of performance that are reasonably determinable and are directly related to the activities critical to completion of the contract. The Company uses this method of revenue recognition as projected contract revenue and costs may reasonably be estimated based on the Company's business practices, methods and historical experience. This method requires estimates of costs and profits over the entire term of the contract. Management regularly reviews underlying estimates of project profitability; revisions to estimates are reflected in the statement of income in the period in which the facts that give rise to the revision become known. Provisions for estimated losses, if any, are recognized in the period in which the loss is determined. Contract losses are measured as the amount by which the estimated costs of the contract exceed the estimated total revenue from the contract. Progress billings are recorded as deferred revenue to the extent that the billings exceed revenue recognized to date. Contract work-in-progress revenue is recorded to the extent that revenue has been recognized, but not yet billed to the customer.

For contracts involving multiple deliverables, the Company applies Emerging Issues Committee ("EIC") 142, Revenue Arrangements with Multiple Deliverables and evaluates each deliverable to determine whether it represents a separate unit of accounting based on the following criteria: (a) whether the delivered item has value to the customer on a standalone basis, (b) whether there is objective and reliable evidence of the fair value of the undelivered item(s), and (c) if the contract includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company. If objective and reliable evidence of fair value exists for all units of accounting in the arrangement, revenue is allocated to each unit of accounting or element based on relative fair values.

If elements cannot be treated as separate units of accounting, the elements are combined into a single unit of accounting for revenue recognition purposes. In this case, revenue allocated to the unit of accounting is deferred until all combined elements have been delivered or, once there is only one remaining element to be delivered, based on the revenue recognition guidance applicable to the last delivered element within the unit of accounting.

Revenue for the provision of ASP service offerings are recognized proportionately over the term of the contract.

Software licenses which are perpetual in nature and sold to MobiSoft's enterprise customers are recognized upon delivery where there is persuasive evidence of an arrangement exists, the selling price is fixed or determinable and collection is reasonably assured. Software licensed to ASP customers are deferred and recognized over the related term of the ASP service agreement.

Revenues from sales of additional and replacement devices are net of trade discounts and allowances and recognized upon shipment when all significant contractual obligations have been satisfied and collection is reasonably assured.

Maintenance and support service revenues are recognized proportionately over the term of the contract in the case of long-term contracts and at the time of performance for other services. Revenue from embedded maintenance, both for contracts and sales orders, are deferred and recognized over the effective life of the contract.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of an acquired enterprise over the fair values assigned to the assets acquired and liabilities assumed in a business combination. Goodwill is not amortized and is subject to an impairment test at the reporting unit level at least annually or more frequently if events or circumstances suggest that there may be an impairment. If the carrying amount exceeds the fair value of the goodwill, an impairment loss is recognized equal to that excess through the statement of loss.

Intangible assets acquired in a business combination that meet the specified criteria for recognition, apart from goodwill, are initially recognized and measured at fair value. Intangible assets with finite useful lives, including acquired software and customer relationships, are amortized on a straight-line basis over their estimated useful lives of three years. The amortization methods and estimated useful lives of intangible assets are reviewed annually. The Company assesses the carrying value of long-lived assets for recoverability whenever events or changes in circumstances indicate that the carrying value may not be recoverable from future undiscounted cash flows. If the carrying amount exceeds the fair value of the intangible asset, an impairment loss is recognized equal to that excess through the statement of loss.

Income Taxes

The Company uses the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. A valuation allowance is recognized to the extent the recoverability of future income tax assets is not considered more likely than not.

Changes in Accounting Policies

All accounting policies remain consistent with those in effect for the year ended December 31, 2008 with the exception of the following:

Goodwill and Intangible Assets

On October 1, 2008, the Company adopted CICA Handbook Section 3064, Goodwill and Intangible Assets which replaced Handbook Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. This revision aligned Canadian GAAP with IFRS and established standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. To date, the adoption of this standard has had no impact on the Company's consolidated financial statements.

General Standards of Financial Statement Presentation

Effective October 1, 2008, the Company adopted the amendments included in the Canadian Institute of Chartered Accountants ("CICA") Handbook, Section 1400, General Standards of Financial Statement Presentation. The amendments to this section include additional requirements to assess and disclose an entity's ability to continue as a going concern. The adoption of the revisions had no impact on the Company's operating results or financial position.

Credit Risk and the Fair Value of Financial Assets and Liabilities

Effective January 1, 2009, the Company adopted EIC 173, "Credit risk and the fair value of financial assets and liabilities". This EIC considers whether an entity's own credit risk and the credit risk of the

counterparty should be taken into account in determining the fair value of financial assets and financial liabilities for presentation and disclosure purposes. The adoption of this EIC has had no significant impact on the Company's consolidated financial statements.

Financial Instruments

On April 29, 2009, the AsCB issued an amendment to CICA Handbook *Section 3855, Financial Instruments: Recognition and Measurement* ("Section 3855") which clarified that, subsequent to the recognition of an impairment loss on a financial asset (other than a loan or receivable), interest income on the impaired financial asset is recognized using the rate of interest used to determine the impairment loss.

On July 29, 2009, the AsCB further amended Section 3855 to expand the previous definition of loans and receivables to include debt securities not quoted in an active market which are not intended to be sold immediately or in the near term. The amendment includes specific guidance on the limited circumstances in which an optional reclassification between financial instrument classifications may be permitted. Section 3855 was also amended such that any other than temporary impairment which is identified for held-to-maturity investments is recognized in the income statement only in respect of credit losses rather than the entire change in fair value. Any other than temporary impairment losses on debt securities that are classified as available-for-sale continue to be adjusted through the income statement in their entirety. However, other than temporary impairment losses recorded on available-for-sale debt securities are reversed through the income statement if the fair value subsequently recovers and the increase in value can be objectively attributed to an event occurring after the original impairment loss was recognized.

The adoption of the above changes for its fiscal 2009 financial statements did not have a significant impact on the Company's financial statements.

New accounting pronouncements

The Company will adopt amendments to the CICA Handbook *Section 3862 Financial Instruments: Disclosures* ("Section 3862") in its fiscal 2010 financial statements. The amendments require an entity to provide disclosure on financial instruments measured at fair value on its balance sheet using a fair value hierarchy that reflects the extent to which quoted prices or other market or non-market inputs are used in the valuation of those financial instruments. The amendments also expand existing liquidity disclosure requirements and require a maturity analysis for any derivative and non financial liabilities based on expected maturities.

Transition to International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to start using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

As a result of the IFRS transition, changes in accounting policies are likely and may materially impact our consolidated financial statements. The IASB will also continue to issue new accounting standards during the conversion period, and as a result, the final impact of IFRS on our consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

The Company has identified the following four phases of its conversion plan: scoping and planning, detailed assessment, operations, implementation and post implementation. The detailed assessment phase ("phase 2") will result in accounting policies and transitional exemptions decisions, quantification of

financial statement impact, preparation of shell financial statements and identification of business processes and resources impacted. The operations implementation phase (“phase 3”) includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at January 1, 2010, fiscal 2010 and thereafter. Phase 3 also includes ongoing training, testing of the internal control environment and updated processes for disclosure controls and procedures. Post implementation (“phase 4”) will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond.

The Company has established appropriate leadership to manage the transition and additional members to be made up of management and external consultants as required will be added. During the previous quarter, the Company completed the scoping and planning phase of its changeover plan and proceeded with detailed evaluations on significant areas. The Company is still in the process of assessing the implication on foreign exchange and will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impacts on the Company and its reporting. The Company will continue to provide updates on the status of key activities for this convergence project in our quarterly and annual Management’s Discussion and Analysis throughout the convergence period to January 1, 2011.

Financial Instruments

The Company accounts for its financial instruments in accordance with CICA Section 3855 Financial Instruments — Recognition and Measurement. This standard requires that all financial instruments be classified as one of the following categories: held-for trading, held-to-maturity, loans and receivables, available-for-sale assets or other financial liabilities. All financial assets and liabilities (including derivatives) are measured at fair value on initial recognition except for loans and receivables, held-to maturity and other financial liabilities, which are measured at amortized cost using an effective interest rate method. Transaction costs are included in the carrying value of financial instruments.

The Company has made the following classifications for its financial instruments:

Cash and cash equivalents are classified as “Held-for-trading” financial assets and are measured at fair value at the end of each period with any change in fair value recognized in the statement of loss;

Accounts receivable are classified as “Loans and receivables” and are recorded at amortized cost using the effective interest rate method. Subsequent measurement of trade receivables is at amortized cost, less an allowance for doubtful accounts;

Accounts payable and accrued liabilities are classified as “Other financial liabilities” and are measured at amortized cost using the effective interest rate method; and

Loan payable, including accrued interest and purchase consideration payable are classified as financial liabilities and are measured at amortized cost using the effective interest rate method.

Transaction costs incurred to acquire financial instruments are recorded through the statement of loss.

All derivative instruments are recorded on the balance sheet at fair value. The carrying value of the trade receivables, accounts payable, line of credit, acquisition purchase price payable and accrued liabilities approximate their fair values due to their immediate or short-term maturity. The Investment is recorded at cost as it is private and there is no quoted market price.

	December 31, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying amount	Fair Value
Financial assets				
<i>Held for trading</i>				
Cash	\$ 1,603,384	\$ 1,603,384	\$ (62,748)	\$ (62,748)
<i>Available for Sale</i>				
Investment	\$ 102,565	-	\$ 102,565	-
<i>Loans and receivables</i>				
Accounts receivable	\$ 4,520,061	\$ 4,520,061	\$ 6,943,023	\$ 6,943,023
Lease receivable	\$ 2,133,745	\$ 2,458,006	\$ 2,428,356	\$ 2,428,356
Financial liabilities				
<i>Other financial liabilities</i>				
Line of credit	\$ 158,389	\$ 158,389	\$ 1,401,431	\$ 1,401,431
Accounts payable and accrued liabilities	\$ 4,286,339	\$ 4,286,339	\$ 5,093,321	\$ 5,093,321
Acquisition purchase price payable	-	-	\$ 763,243	\$ 763,243
Long-term debt	\$ 270,592	\$ 270,592	\$ 600,853	\$ 600,853

The Company periodically enters into foreign exchange contracts to manage foreign exchange risk and into cash swap contracts to manage interest rate risk. The Company uses derivative financial instruments only in connection with managing related risk positions and does not use them for trading or speculative purposes. As at December 31, 2009, the Company had the following cash swap contracts outstanding.

	Notional Value (USD)	Maturity Date	Fair Value
CAD/USD	\$ 1,250,000	January 7, 2010	\$ 375
CAD/USD	750,000	January 11, 2010	75
	<u>\$ 2,000,000</u>		<u>\$ 450</u>

The nature of these instruments and the Company's operations expose the Company to the following risks:

Credit risk

The Company's maximum exposure to credit risk consists in the carrying value of its cash and cash equivalents, short-term investments, accounts receivables, contract work-in-progress and leases receivable.

The Company's exposure to credit risk associated with its accounts receivable, contract work-in-progress and leases receivable is the risk that a client will be unable to pay amounts due to the Company. Allowances are provided for potential losses that have been incurred at the balance sheet date. The Company takes into consideration the customer's payment history, his credit worthiness and the then current economic environment in which the customer operates to assess impairment. The Company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual accounts receivable. All bad debt write-offs are charged to general and administration expenses.

The following factors affect the credit risk of the Company's accounts receivable:

- (a) A broad customer base dispersed across various geographic locations. However, the customer base is somewhat concentrated in the taxi segment of the market and may be affected by any downturns due to prevailing economic conditions in any given geography.
- (b) Over 85% (74% in 2008) of accounts receivables are outstanding for less than 90 days. The Company retains security interest in certain products that are shipped until these are paid for by the customer and that credit is extended to customers following an evaluation of credit worthiness. In addition, the Company performs periodic credit reviews of its customers.
- (c) There is no customer that accounts for over 10% of the total revenue of the Company.

All of the Company's accounts receivable have been reviewed for indications of impairment. Certain accounts receivable were found to be impaired and a reserve of \$554,118 (\$696,953 in 2008) has been recorded accordingly. During the year ended December 31, 2009, the Company recorded bad debt expense of \$231,205 to reflect accounts that may not be collectible.

The credit risk on cash and cash equivalents, short-term investments, forward exchange and swap contracts is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Currency risk

The Company uses the Canadian dollar as its reporting and measurement currency since a significant proportion of the Company's revenues and expenses are recorded in Canadian dollars. The Company generates revenues and incurs expenses and expenditures primarily in Canada, the United States and Europe and is exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities in foreign currencies that expose the Company to foreign exchange risks. The Company also utilizes foreign currency contracts to mitigate the risks arising from changes in foreign currency rates.

The Company translates monetary assets and liabilities into Canadian dollars using the rates of exchange prevailing at the balance sheet date and records the resulting exchange gains and losses in the statement of operations. The Company translates to Canadian dollars using period end rates for assets and liabilities, and average rates for the period for revenues and expenses for its self-sustaining subsidiary companies. Gains or losses resulting from these translation adjustments are included in accumulated other comprehensive income (loss).

At December 31, 2009 the Company is exposed to translation foreign currency risk through the following financial assets and liabilities denominated in US dollars and Euros:

	December 31, 2009		December 31, 2008	
	(EUR)	(USD)	(EUR)	(USD)
Cash	1,299,225	183,348	(56,337)	(57,585)
Accounts Receivable	1,330,664	3,027,759	702,841	3,785,648
Accounts Payable & Accrued Liabilities	(1,025,768)	(901,183)	(429,355)	(2,898,277)
Long Term Debt	(112,994)	-	(386,418)	(8,382)
	<u>1,491,128</u>	<u>2,309,923</u>	<u>(169,269)</u>	<u>821,404</u>

As at December 31, 2009 with other variables unchanged, a +/-10% change in the USD/CAD and Euro/CAD exchange rate would decrease/increase net translation loss for the year ended by +/- \$465,408 (USD 230,992 and Euro 149,112).

The impact of fluctuation in other currencies is not material.

Interest rate risk

The Company is exposed to interest rate risk on cash balances earning interest income and to the extent that it draws on its operating lines of credit which calculate interest as a function of variable interest rates. Based on the amounts drawn on the Company's line of credit facilities at December 31, 2009, a hypothetical 100 basis point change in interest rates would not have a material impact on net loss.

Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

All financial liabilities are current and due in the current fiscal year with the exception of long-term debt.

The Company's overall liquidity risk has not changed significantly from the prior year.

The following table summarizes the relative maturities of the financial liabilities of the Company:

Financial Liability	Maturity		
	Less than one year	One to Two Years	Longer than two years
Lines of credit	158,389	-	-
Accounts payable and Accrued Liabilities	4,286,339	-	-
Long-Term debt	199,043	71,549	-
	\$ 4,643,771	\$ 71,549	\$ -

Disclosure of Outstanding Share Data

Share Capital	Issued and outstanding	Convertible
200,000,000 Common Shares without par value	13,789,746	Non- Convertible
50,000,000 Preferred Shares without par value	None	Non- Convertible

The Company has a broadly distributed stock option plan for management, directors and employees. The maximum authorized number of common share options that can be granted under the plan is 2,000,000. As at March 3, 2010, the Company had outstanding 1,321,698 options to acquire common shares at prices ranging from \$1.65 to \$3.50 per share.

Disclosure Controls and Procedures and Controls Over Financial Reporting

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system reflects the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. The Company's management has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by the report, the Company

disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms.

Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Company's management, under the supervision of the Chief Executive Officer and Chief Financial Officer, has evaluated the design and effectiveness of the Company's internal control over financial reporting, as required by applicable Canadian securities law, based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the design of the Company's internal control over financial reporting is appropriate, however, the operation of the Company's internal control over financial reporting was not effective as of December 31, 2008, as a result of the weaknesses noted below.

In the previous year, there were several instances identified in which the internal controls relating to accounts receivable and allowance for doubtful accounts, income tax expense and inventory valuation were not operating effectively. Management has determined that these instances in which internal controls did not operate effectively are primarily due to a change in personnel, lack of secondary review and segregation of duties.

During the year ended December 31, 2009, management designed and implemented additional internal controls over accounts receivable and allowance for doubtful accounts including a weekly review of outstanding receivables by Finance personnel in conjunction with employees from sales and marketing and customer service functions. Actions taken and to be taken resulting from the review are documented and reviewed by management on a weekly basis. The periodic assessment on adequacy over allowance of doubtful accounts and provision for slow moving and obsolete inventory are formalized as of June 30, 2009. These processes include documenting basis and recommendations made by business units and these were reviewed at the corporate level and approved by management. Additionally, management has designed specific procedures around income taxes to include review and approval by the appropriate level of management. These internal control procedures implemented continued to function effectively throughout the remainder of the year ended December 31, 2009.

During 2009, further testing have been conducted and there were several instances where lapses in internal controls were identified. The temporary lapses were primarily caused by turnover in employees resulting in (i) a lack of segregation of duties in certain operational and financial reporting functions; (ii) access to the financial accounting system were not promptly updated to reflect changes in personnel and there are employees having incompatible duties during times where the Company is in search of appropriate replacement employees; and (iii) manual processes in complex accounting areas under the responsibility of new employees could result in potential errors and misstatements. Management has put in place a vigorous review process on the periodic financial statements to mitigate such risks and is satisfied that no material misstatements existed in the financial statements prepared for the year ended December 31, 2009. Management will continue to monitor and where needed, fine-tune the internal controls over these specific areas identified.

Changes in Internal Controls

Other than as noted above, there were no changes made to the Company's internal controls over financial reporting during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Audit Committee Financial Expert

The Company appointed Erik Dysthe, an independent director, as Chairman of the Audit Committee. All members of the Audit Committee are independent and meet the qualifications of a financial expert.

Code of Business Conduct

In May 2006, the Company adopted a Code of Business Conduct. The Code of Business Conduct has been posted on our website and can be accessed at www.ddswireless.com.

Additional Information

Additional information related to the Company, including the Company's Annual Information Form for the year ended December 31, 2009, is available on Sedar at www.sedar.com.

Business Risks and Uncertainties

In addition to the other information set forth elsewhere in this Management Discussion and Analysis, the following risk factors could materially affect DDS Wireless business, results of operations and financial condition and should be carefully reviewed.

a) Risks Related to Acquisitions and International Expansion

DDS Wireless intends to expand its business, including expansion into new vertical and geographic markets, by acquiring or investing in additional businesses, products or technologies or opening new international offices. There can be no assurance that DDS Wireless will be able to do so or to profitably manage or successfully integrate any acquired businesses, products or technologies into DDS Wireless or open new international offices without substantial expenses, delays or other operational or financial problems. Expansion may involve a number of special risks, including diversion of management's attention, failure to retain key personnel and entry of DDS Wireless into markets with which it has not previously been familiar, some or all of which could have a material adverse effect on DDS Wireless. In addition, there can be no assurance that this expansion, if any, will achieve anticipated revenues and income. Acquisitions or investments could result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, amortization of goodwill and the write-off of restructuring costs and acquired research and development costs. The failure of DDS Wireless to manage its expansion strategy successfully could have a material adverse effect on DDS Wireless. DDS Wireless intends, in part, to expand into new vertical and geographic markets through partnerships and joint ventures. To the extent such partnerships or joint ventures are not successful, there could be a material adverse effect on DDS Wireless.

b) Currency Exchange Rate Risk

DDS Wireless results are reported in Canadian dollars. DDS Wireless has significant foreign operations and DDS Wireless revenues are primarily denominated in foreign currencies, principally U.S. dollars and Euros. Fluctuations in the exchange rate may result in variations in the sales and earnings of DDS Wireless expressed in Canadian dollars and may have a material effect on DDS Wireless.

A summary of the Company's estimates of the impact of a 10% change in the exchange rates on its revenues and net current monetary assets for the year ended December 31, 2009 is presented below:

Effect of a +/- 10% change in foreign currency exchange rate

	USD	EUR	Total
Revenue +/- (CAD in 000s)	\$1,979	\$1,120	\$3,098
Net monetary assets +/- (CAD in 000s)	\$242	\$224	\$465

c) Technological Change, New Products and Standards

Generally, the wireless mobile data market is characterized by rapidly changing technology and evolving industry standards. A significant portion of DDS Wireless sales are to customers using private data networks. The expansion and development of public data networks may reduce the use of private data networks by DDS Wireless customers and may result in increased competition and create commodity based pricing for DDS Wireless products. The development of Internet dispatching is reducing barriers to entry in the wireless data dispatch market and increasing competition. Failure or delays by DDS Wireless to develop products in a timely and cost-effective manner, to meet or comply with the requisite and evolving industry or user standards, or to develop products for or utilize new or emerging technologies, could have a material adverse effect on DDS Wireless. In addition, there can be no assurance that products or technologies developed by others will not render DDS Wireless products or technologies non-competitive or obsolete.

d) Reliance on Large Customers

In the year ended December 31, 2009 and 2008, none of DDS Wireless revenue was attributable to large customers (defined as customers representing in excess of 10% of the Company's total revenue for the year). In the future DDS Wireless revenue may depend on a few large customers. If any such customer reduces, postpones or discontinues current or expected purchases for DDS Wireless products, DDS Wireless could be materially adversely affected.

e) Concentration of Sales

During the year ended December 31, 2009, DDS Wireless revenue from sales of wireless data solution products and services to the taxi market accounted for approximately 67% of DDS Wireless total revenue (2008 – 70%). DDS Wireless expects sales in this vertical market to continue to account for a significant portion of DDS Wireless sales in the foreseeable future. A decline in demand for DDS Wireless products in this vertical market as a result of competition, technological change or other factors could have a material adverse effect on DDS Wireless.

f) International Operations and Sales

DDS Wireless currently operates in and intends to expand into new international markets. There are a number of risks inherent in international operations, including the costs and risks of customizing products and business practices to local requirements, compliance with foreign regulatory requirements, tariffs and other trade barriers, limitations on the repatriation of earnings, potential adverse tax consequences and various political and other country-specific risks. In addition, there are internal risks relating to the control over foreign offices and employees in foreign offices. To the extent DDS Wireless is unable to manage its international operations or expand international sales in an effective manner, DDS Wireless could be materially adversely affected.

g) Management of Growth and Expansion

Success of DDS Wireless in achieving its planned growth, including expansion into new vertical and geographic markets, will place significant strains on DDS Wireless management, administrative, operational and financial resources, as well as increase demands on its internal systems, procedures and controls. The ability of DDS Wireless to manage growth will require DDS Wireless to continue to improve

its financial and management controls and reporting systems on a timely basis, and to implement new systems as necessary to expand, train, motivate and manage its sales and technical personnel. Failure to successfully manage expansion may have a material adverse effect on DDS Wireless business, results of operations and financial condition. There can be no assurance that DDS Wireless will be able to manage its recent or any future expansion successfully.

h) Dependence upon Key Personnel and Hiring

The success of DDS Wireless is largely dependent upon the abilities and experience of its executive officers and technical and sales personnel. Expansion will require DDS Wireless to hire additional managerial, technical and sales personnel. Competition for such employees is intense and there can be no assurance that DDS Wireless can retain its current key employees or attract and retain additional key employees as needed. The inability to hire or retain such employees could have a material adverse effect on DDS Wireless, including its proposed expansion into new vertical and geographic markets.

i) Reliance on a Limited Number of Suppliers

DDS Wireless currently purchases several key components used in the manufacture and operation of its products from single or limited sources. DDS Wireless depends on these sources to meet its needs. Moreover, DDS Wireless depends on the quality and reliability of the products supplied to it over which DDS Wireless has limited control. A supplier could discontinue or restrict supplying a component to DDS Wireless with or without penalty. If a supplier discontinued or restricted supplying a component, DDS Wireless could be materially adversely affected.

j) Industry Growth

The overall market for wireless mobile data solutions has experienced significant growth in recent years. There can be no assurance that DDS Wireless existing vertical and geographic markets will grow, or that DDS Wireless will be successful in establishing itself in new vertical and geographic markets. If the various markets in which DDS Wireless products compete fail to grow, or grow more slowly than DDS Wireless currently anticipates, or if DDS Wireless is unable to establish itself in new markets, DDS Wireless could be materially adversely affected.

k) Competition

The market for mobile data solutions is highly competitive. Numerous factors affect DDS Wireless competitive position, including price, product features, product performance and reliability, and ease of use. New and emerging technologies, including the expansion of public data networks and the development of Internet based solutions, are and will continue to result in increased competition in DDS Wireless current and future target markets. Current and future competitors may develop products that are superior to DDS Wireless products or achieve greater market acceptance due to pricing, sales channels or other factors. In addition, DDS Wireless will face new competitors as it enters new geographic and vertical markets. Certain of DDS Wireless current and potential competitors have substantially greater financial, technical, marketing and disposition resources than DDS Wireless.

l) Intellectual Property

DDS Wireless relies on a combination of patent and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights. Despite DDS Wireless best efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of DDS Wireless products or to obtain information DDS Wireless regards as proprietary. Policing unauthorized use of DDS Wireless proprietary technology, if required, may be difficult, time-consuming and costly. In addition, the laws of certain countries in which DDS Wireless products are sold or licensed do not protect its products and related intellectual property rights to the same extent as the laws of Canada and the United States. There can be no assurance that DDS Wireless will be successful in protecting its proprietary rights, which may materially adversely affect DDS Wireless.

m) Product Defects and Product Liability

DDS Wireless products are highly complex and sophisticated and, from time to time, may contain design defects that are difficult to detect and correct. There can be no assurance that errors will not be found in DDS Wireless products or, if discovered, that DDS Wireless will be able to successfully correct such errors in a timely manner or at all. Correcting such errors and failures could require significant expenditure of capital by DDS Wireless. DDS Wireless products are generally critical to DDS Wireless customers' businesses. The sale and support of these products may entail the risk of substantial product liability or warranty claims in the event of errors or failures. The consequence of such errors, failures or claims could have a material adverse effect on DDS Wireless.

n) Concentration of Ownership

The President and CEO of DDS Wireless maintains effective control of DDS Wireless through direct or indirect ownership of 56.2% of the issued and outstanding common shares as at December 31, 2008. The President and CEO of DDS Wireless will be able to continue to exercise significant influence over all matters requiring shareholder approval, including the ability to elect all of the directors and approve fundamental changes to DDS Wireless. This concentration of ownership may have the effect of delaying or preventing a change in control of DDS Wireless, or a change in the composition of its board of directors or management.

o) Sales Cycles

Traditionally the Company has experienced higher revenue in the last quarter of each year because of the business and purchasing cycles of its customers and the Company plans its operations accordingly. If these cycles were to alter the Company might be adversely affected.

p) Liquidity

Although the Company had losses from operations for the year ended December 31, 2009 and in the previous fiscal year, the Company continue to generate positive cashflow from operations. Where required, the Company uses cash provided by bank facilities and cash raised in equity markets to partially fund working capital. If adequate funds are not available when required or on acceptable terms, the Company may be required to delay, scale back or terminate its product development activities, and sales and marketing efforts, and may be unable to continue operations. There can be no assurance that the Company will be able to obtain additional financial resources required to compete in its markets on favorable commercial terms or at all. Any equity offering will result in dilution to ownership interests of shareholders and may result in dilution of the value of such interests.