



DDS WIRELESS INTERNATIONAL INC.

Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2009

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indication that financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

"Jim Zadra"

CFO

May 4, 2009

DDS WIRELESS INTERNATIONAL INC.

Interim Consolidated Balance Sheets (unaudited)

As at,

	March 31, 2009 (unaudited)	December 31, 2008 (audited)
Assets		
Current assets:		
Cash (Note 18)	\$ 734,111	\$ -
Accounts receivable, net (Note 8)	3,651,856	6,943,023
Unbilled receivables (Note 8)	3,060,983	3,241,843
Income taxes receivable	85,789	86,491
Future income taxes	16,905	19,253
Inventories (Note 10)	2,617,054	2,165,696
Prepaid expenses	599,738	831,404
Current portion of leases receivable (Note 11)	536,817	501,484
	11,303,253	13,789,194
Plant and equipment (Note 6)	3,585,240	3,938,256
Investment (Note 12)	102,565	102,565
Long-term leases receivable (Note 11)	1,881,281	1,926,872
Future income taxes	5,255,323	4,970,208
Acquired intangibles (Note 9)	8,779,852	9,407,286
Goodwill (Note 7)	3,670,760	3,533,201
	34,578,274	37,667,582
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank overdraft (Note 18)	-	62,748
Lines of credit (Note 13)	-	1,401,431
Acquisition purchase price payable	763,243	763,243
Accounts payable and accrued liabilities	4,239,934	5,093,321
Future income taxes	525,972	695,336
Deferred revenue	2,311,496	1,883,984
Current portion of long-term debt (Note 14)	305,894	313,666
	8,146,539	10,213,729
Long-term debt (Note 14)	320,569	287,187
Future income taxes	674,394	762,667
	9,141,502	11,263,583
Shareholders' equity:		
Share capital (Note 16)	24,608,226	24,608,226
Contributed surplus (Note 16)	814,459	814,459
(Deficit) Retained earnings	(427,207)	628,936
Accumulated other comprehensive income (loss)	441,294	352,378
	25,436,772	26,403,999
	\$ 34,578,274	\$ 37,667,582

Nature of Operations (Note 1)

Related party transactions (Note 19)

Commitments and contingencies (Note 20)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

/s/ Vari Ghai Director

/s/ Erik Dysthe Director

DDS WIRELESS INTERNATIONAL INC.

Interim Consolidated Statements of Operations (unaudited)

	Three Months Ended March 31,	
	2009 (unaudited)	2008 (unaudited)
Revenue (Note 21)	\$ 7,106,507	\$ 7,001,000
Cost of sales		
Sales related expenses	3,825,965	3,702,031
Amortization of sales related assets	226,017	123,549
	3,054,525	3,175,420
Operations expenses:		
Research and development	1,426,847	1,270,447
Sales and marketing	935,971	938,303
General and administrative	1,471,492	1,277,841
	3,834,310	3,486,591
Loss before under noted	(779,785)	(311,171)
Other (income) expense:		
Amortization of plant and equipment	113,733	143,936
Amortization of acquired intangibles (Note 9)	657,236	633,000
Foreign exchange (gain) loss	(93,798)	(178,770)
Stock compensation (Note 16)	-	33,540
Other (Note 15)	8,996	(41,596)
	686,167	590,110
Loss before income taxes	(1,465,952)	(901,281)
Income tax provision (recovery)		
Current	25,240	328,233
Future (recovery)	(435,049)	(583,960)
	(409,809)	(255,727)
Net loss	\$ (1,056,143)	\$ (645,554)
Loss per common share (Note 17):		
Basic and Diluted	\$ (0.08)	\$ (0.05)
Weighted average number of shares outstanding	13,789,746	13,164,506

See accompanying notes to consolidated financial statements.

DDS WIRELESS INTERNATIONAL INC.

Interim Consolidated Statements of Comprehensive loss (unaudited)

	Three Months Ended March 31,	
	2009 (unaudited)	2008 (unaudited)
Net loss	\$ (1,056,143)	\$ (645,554)
Other Comprehensive Income		
Unrealized gain on translation of self-sustaining foreign operations	88,916	50,719
Comprehensive loss	\$ (967,227)	\$ (594,835)

Interim Consolidated Statements of Changes in (Deficit) Retained Earnings and Accumulated Other Comprehensive Income (loss) (unaudited)

	Three Months Ended March 31,	
	2009 (unaudited)	2008 (unaudited)
(Deficit) Retained Earnings		
Beginning of year	\$ 628,936	\$ 2,106,161
Net loss	(1,056,143)	(645,554)
	(427,207)	1,460,607
Accumulated Other Comprehensive Income (Loss) on translation of Self-sustaining Foreign Operations		
Beginning of year	352,378	(867,271)
Net unrealized gain on translation of self-sustaining foreign operations	88,916	50,719
	\$ 441,294	(816,552)
Total (Deficit) Retained Earnings and Accumulated Other Comprehensive Loss	\$ 14,087	\$ 644,055

See accompanying notes to consolidated financial statements.

DDS WIRELESS INTERNATIONAL INC.

Interim Consolidated Statements of Cash Flows (unaudited)

Three Months Ended March 31,

	2009 (unaudited)	2008 (unaudited)
Cash (used in) provided by:		
Operations:		
Net (loss)	\$ (1,056,143)	\$ (645,554)
Items not involving cash:		
Amortization of plant and equipment	339,750	267,485
Amortization of acquired intangibles	657,236	633,000
Future income taxes	(435,049)	(583,959)
Investment tax credits included in research and development	-	-
Unrealized foreign exchange gain	(11,840)	50,719
Amortization of gain on disposition property	-	(47,770)
Stock compensation	-	33,540
	(658,241)	(292,539)
Change in non-cash operating working capital (Note 18)	3,045,506	1,068,370
	2,387,265	775,831
Investing:		
Purchase of plant and equipment	(188,975)	(463,188)
Acquisitions, net of cash acquired	-	87,315
	(188,975)	(375,873)
Financing:		
Drawings on long-term debt	-	136,853
Drawings on bank overdraft	(62,748)	-
Drawings on line of credit	(1,401,431)	(925,954)
	(1,464,179)	(789,101)
Increase (Decrease) in cash and cash equivalents	734,111	(389,143)
Cash and cash equivalents, beginning of year	-	1,075,203
Cash and cash equivalents, end of year	\$ 734,111	\$ 686,060

Supplementary cash flow information (note 18)

See accompanying notes to consolidated financial statements.

DDS WIRELESS INTERNATIONAL INC.

Notes to Unaudited Interim Consolidated Financial Statements

1. Nature of operations:

DDS Wireless International Inc. (the "Company") operates in the wireless mobile data industry and is engaged in the design, development and deployment of turnkey solutions including application software, mobile devices, infrastructure products, project implementation services and maintenance. The Company is incorporated under the laws of the Province of British Columbia and is listed on the Toronto Stock Exchange under the symbol DD.

As at March 31, 2009, the Company had a working capital surplus of \$3,156,712 (2008 - \$3,575,465). For the three months ended March 31, 2009 the Company had positive cash flow from operations of \$2,387,265 (2008 - \$752,853), but incurred losses primarily due to amortization of intangible assets and property plant and equipment.

During the three months ended March 31, 2009 the Company signed an amended credit agreement. The Company is in compliance with financial covenants in the amended agreement as of March 31, 2009 and expects to continue to be in compliance with such covenants throughout 2009.

The Company is the beneficiary of a guarantee provided by Viksun Enterprise Inc., a company controlled by the Company's Chief Executive Officer. Management continues to review operations in order to identify additional strategies, including obtaining future sales contracts designed to generate cash flow, improve the Company's financial position, and enable the timely discharge of the Company's obligations.

These consolidated financial statements are prepared on the going concern basis, which assumes that the Company will be able to realize its assets at the amounts recorded and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to generate additional working capital, increase sales, achieve profitability and to continue as a going concern.

2. Consolidated financial statement presentation:

The interim consolidated financial statements are stated in Canadian dollars. These interim financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly, these interim financial statements should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended December 31, 2008.

DDS WIRELESS INTERNATIONAL INC.

Notes to Unaudited Interim Consolidated Financial Statements

3. Significant accounting policies:

These interim consolidated financial statements follow the same accounting policies and methods of application used in the Company's audited consolidated financial statements as at and for the year ended December 31, 2008 with the exception of the following:

(a) New accounting pronouncements (continued):

Accounting Policies to be Implemented Effective January 1, 2011

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations (“Section 1582”), 1601 – Consolidated Financial Statements (“Section 1601”) and 1602 – Non-controlling Interests (“Section 1602”) which replaces CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

(b) Canadian GAAP developments:

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency and hedging activities, certain contractual arrangements, debt covenants, capital requirements and compensation arrangements.

4. Financial instruments:

The Company's financial instruments consist of cash (bank overdraft), accounts receivable, leases receivable, investment, accounts payable and accrued liabilities, acquisition purchase price payable, line of credit, and long term debt.

Cash (bank overdraft), is designated as “held-for-trading” and measured at fair value. Investment is designated as “available for sale” and measured at fair value. Accounts receivables, and lease receivables are designated as “loans and receivables” and measured at amortized cost. Accounts payable and accrued liabilities, line of credit, acquisition purchase price payable, and long term debt, are designated as “other financial liabilities” and are measured at amortized cost.

All derivative instruments are recorded on the balance sheet at fair value.

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Notes to Unaudited Interim Consolidated Financial Statements

4. Financial instruments (continued):

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 there is no quoted market price.

	March 31, 2009		December 31, 2008	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets				
Held for trading				
Cash (bank overdraft)	\$ 734,111	\$ 734,111	\$ (62,748)	\$ (62,748)
Available for Sale				
Investment	102,565	-	102,565	-
Loans and receivables				
Accounts receivable	3,651,856	3,651,856	6,943,023	6,943,023
Lease receivable	2,418,098	2,418,098	2,428,356	2,428,356
Financial liabilities				
Other financial liabilities				
Line of credit	-	-	1,401,431	1,401,431
Accounts payable and accrued liabilities	4,239,935	4,239,935	5,093,321	5,093,321
Acquisition purchase price payable	763,243	763,243	763,243	763,243
Long-term debt	\$ 626,463	\$ 626,463	\$ 600,853	\$ 600,853

The Company periodically enters into foreign exchange contracts to manage foreign exchange 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 March 31, 2009 the Company had the following contracts outstanding.

Forward foreign currency contracts

	Fair Value 31-Mar-09	Notional Value 31-Mar-09
Sell Euro	\$ 7,425	\$ 250,000
Sell USD	\$ 25,075	\$ 500,000
	<u>\$ 32,500</u>	<u>\$ 750,000</u>

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4. Financial instruments (continued):

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

Credit risk

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash, accounts receivable, unbilled receivable, and lease receivable. Cash consists primarily of deposits with major commercial banks. Credit risk with respect to accounts receivable reflects the risk that the Company may be unable to collect amounts due to the Company from customers for its products or for other transactions that may be entered by the Company. The extent of the risk depends on the credit quality of the party from which the amount is due.

The Company has a large diversified customer base, and is not dependent on any single customer or group of customers. Credit risk is minimized because of the diversification of the company's operations as well as its large customer base and its geographical dispersion.

The Company employs established credit approval and monitoring practices to mitigate this risk, including reviewing the creditworthiness of new customers to establish credit limits, monitoring customer payment performance and, where considered appropriate, reviewing the financial condition of its existing customers and other debtors. The Company establishes an allowance for impairment that represents its estimate of potential losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that may have been incurred but not yet specifically identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets, adjusted for current economic conditions.

During the three months ended March 31, 2009, the Company recorded bad debt expense of \$58,765 and has a total reserve against accounts receivable totalling \$628,862 for such accounts.

Currency risk

The Company is exposed to foreign currency fluctuations through its operations because a substantial amount of its revenues and operating expenditures are incurred in U.S. dollars, Euros, Great Britain Pounds, and Swedish Krona. The Company mitigates this risk by matching the denomination of its revenues and expenditures.

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.

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Notes to Unaudited Interim Consolidated Financial Statements

4. Financial instruments (continued):

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

	March 31, 2009 (USD)	December 31, 2008 (USD)
Cash	60,492	155,118
Accounts receivable	644,022	1,984,986
Accounts Payable and Accrued Liabilities	(904,008)	(1,208,902)
Long Term Debt	(5,835)	(8,382)
	<u>(205,329)</u>	<u>922,820</u>

At March 31, 2009 with other variables unchanged, a +/-10% change in the USD/CAD exchange rate would increase/decrease pre-tax translation loss for the twelve month period by +/- \$25,875. (\$20,533 USD).

The impact of fluctuation in the Euro, Great Britain Pound, and Swedish Krona 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 March 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 (see note 14).

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

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Notes to Unaudited Interim Consolidated Financial Statements

4. Financial instruments (continued):

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	Greater than two years
Accounts payable and accrued liabilities	\$ 4,239,933	\$ -	\$ -
Acquisition price payable	763,243	-	-
Long-Term debt	305,894	259,688	60,881
	<u>\$ 5,309,070</u>	<u>\$ 259,688</u>	<u>\$ 60,881</u>

5. Capital disclosures:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to seek to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal structure to reduce the cost of capital and to facilitate the growth strategy of the Company. The Company's capital structure consists of cash, debt, and shareholders' equity, comprised of issued share capital plus contributed surplus and retained earnings, less accumulated other comprehensive loss.

The Company monitors its capital management through analysis of near-term and mid-term cashflow expectations to ensure an adequate amount of liquidity and through a regular review of financial results and business expectations.

Where considered appropriate the Company may incur and carry long-term debt from time to time as a result of expansion activities, including acquisitions. In October 2007, the Company assumed long term debt through its acquisition of MobiSoft. In keeping with the Company's capital strategy to maintain a low debt to equity ratio, this debt is less than 3% of the Company's shareholder's equity at March 31, 2009.

During the three months ended March 31, 2009 the Company signed an amended credit agreement. The Company is in compliance with financial covenants in the amended agreement as of March 31, 2009 and expects to continue to be in compliance with such covenants throughout 2009. See notes 1 and 13.

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Notes to Unaudited Interim Consolidated Financial Statements

6. Plant and equipment:

March 31, 2009	Cost	Accumulated amortization	Net Book Value
Furniture and equipment	2,627,597	2,389,383	238,214
Computer equipment and software	9,414,625	6,218,019	3,196,606
Leasehold improvements	322,744	172,324	150,420
	12,364,966	8,779,726	3,585,240

December 31, 2008	Cost	Accumulated amortization	Net Book Value
Furniture and equipment	2,595,215	2,360,328	234,887
Computer equipment and software	9,678,266	6,104,907	3,573,359
Leasehold improvements	314,436	184,426	130,010
	12,587,917	8,649,661	3,938,256

During the three months ended March 31, 2009 the Company transferred computer equipment assets with a net book value of \$208,084 from Plant and Equipment to inventory as the goods will be held for resale. No gain or loss resulted from the transfer of these assets.

7. Goodwill

Goodwill arose as a result of the acquisitions of Mobisoft and Stratagen. Goodwill consists of the following amounts:

Acquisition of Mobisoft	\$	2,607,000
Acquisition of Stratagen		722,000
Goodwill December 31, 2007		3,329,000
Translation adjustment for self sustaining operation		531,670
Adjustment to purchase price relating to shortfall in required working capital on acquisition		(327,469)
Goodwill December 31, 2008	\$	3,533,201
Translation adjustment for self sustaining operation		137,559
Adjustment to purchase price relating to shortfall in required working capital on acquisition		
Goodwill March 31, 2009	\$	3,670,760

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Notes to Unaudited Interim Consolidated Financial Statements

8. Accounts receivable:

	As at March 31, 2009	As at December 31, 2008
Accounts receivable	\$ 4,280,718	\$ 7,639,977
Less allowance for doubtful accounts	(628,862)	(696,954)
Net Accounts Receivable	3,651,856	6,943,023
Unbilled receivables	3,060,983	3,241,843
	\$ 6,712,839	\$ 10,184,866

	Current	30-60	60-90	90-120	120+	Total
Accounts Receivables	1,566,309	936,373	256,027	541,745	980,264	4,280,718
Less: Allowance for Doubtful Accounts	4,819	5,889	4,833	26,151	587,170	628,862
Net Accounts Receivables	1,561,490	930,484	251,194	515,594	393,094	3,651,856

The Company considers outstanding receivables greater than 60 days past due. See note 4 for a description of credit risk.

9. Intangibles:

As at March 31, 2009					
	Estimated useful life	Cost	Accumulated amortization	Net book value	
Acquired software	6	\$ 7,849,171	\$ 1,865,028	\$ 5,984,143	
Customer relationships	6	2,133,597	496,439	1,637,158	
Trademarks and brand	4	278,192	102,177	176,015	
Non-compete agreements	3 to 5	515,903	192,493	323,410	
Dispatch service agreements	2.5	1,341,520	928,794	412,726	
Patent portfolio	6	316,800	70,400	246,400	
Customer obligations	1	168,300	168,300	-	
		\$ 12,603,483	\$ 3,823,631	\$ 8,779,852	

As at December 31, 2008					
	Estimated useful life	Cost	Accumulated amortization	Net book value	
Acquired software	6	\$ 7,701,988	\$ 1,367,183	\$ 6,334,805	
Customer relationships	6	2,105,485	379,254	1,726,231	
Trademarks and brand	4	265,352	72,812	192,540	
Non-compete agreements	3 to 5	500,077	143,267	356,810	
Dispatch service agreements	2.5	1,205,759	668,659	537,100	
Patent portfolio	6	317,000	57,200	259,800	
Customer obligations	1	168,000	168,000	-	
		\$ 12,263,661	\$ 2,856,375	\$ 9,407,286	

Intangible assets relate to amounts acquired as part of the Mobisoft and Stratagen acquisitions in 2007.

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The cost of the intangible assets includes translation adjustments related to a self sustaining subsidiary.

10. Inventories:

Carrying value of inventory by class as at:

	March 31, 2009	December 31, 2008
Raw materials	\$1,842,012	\$1,774,205
Work in-progress	-	-
Finished goods	775,042	391,491
Total inventory	\$2,617,054	\$2,165,696

During the three months ended March 31, 2009 the Company charged \$621,483 of Inventory related amounts to Cost of Sales, and recognized a write down of inventory of \$nil (2008 - \$497,197). Total inventory valued at net realizable value was \$nil with the balance of inventory carried at cost as of March 31, 2009. There was no reversal of write downs in the period, and no inventory was pledged as security for liabilities other than under the line of credit (refer to Note 13).

11. Leases receivable:

	As at March 31, 2009	As at December 31, 2008
Leases receivable	\$ 2,823,502	\$ 2,851,072
Less unearned finance income	405,404	422,716
Net leases receivable	2,418,098	2,428,356
Current portion	536,817	501,484
	\$ 1,881,281	\$ 1,926,872

Future minimum lease payments receivable are as follows:

Years ending December 31:	
2009	\$ 398,427
2010	567,723
2011	613,779
2012	691,870
2013	163,277
	\$ 2,435,076

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Notes to Unaudited Interim Consolidated Financial Statements

12. Investment:

The Company has purchased a portfolio investment in a private Company for consideration of \$102,565, made up of \$77,290 in services and \$25,275 in cash. This investment is carried at cost as there is no quoted market price in an active market.

	As at March 31, 2009	As at December 31, 2008
Investment	\$ 102,565	\$ 102,565

13. Lines of Credit:

During the three months ended March 31, 2009 the Company signed an amendment to its \$4.0 million line of credit that bears interest at prime plus 0.5%. The line of credit is partially guaranteed by Viksun Enterprise Inc., a company controlled by the Company's Chief Executive Officer, in the amount of \$2.0 million with the remainder of the line of credit secured by all the assets of the Company. As at March 31, 2009, the Company was not drawn on the line of credit (December 31, 2008 - \$1,187,862). The Company is in compliance with financial covenants in the amended agreement as of March 31, 2009 and expects to continue to be in compliance with such covenants throughout 2009. Refer to Note 1.

The Company's subsidiary, Mobisoft, has a \$249,000 (€150,000) operating line of credit available as at March 31, 2009, which bears interest at one month Euribor rate plus 1%. As at March 31, 2009, the Company had \$nil (December 31, 2008 - \$97,433 (€57,159)) drawn on this line of credit. It is secured by way of a General Security Agreement of Mobisoft.

The Company's subsidiary, Stratagen, has a \$126,000 (US\$100,000) operating line of credit available as at March 31, 2009, which bears interest at US prime plus 0.5%. As at March 31, 2009, the Company had \$nil drawn on this line of credit (December 31, 2008 - \$116,136 (US\$94,836)). It is secured by way of a General Security Agreement of Stratagen and requires Stratagen to maintain certain bank covenants.

14. Long Term Debt:

The Company assumed long term debt through its acquisition of Mobisoft as follows:

- (a) A loan from the Nordea Bank for the purchase of the Telia Sonera business secured by the assets of Mobisoft consisting of the net dispatch service call fees payable by Telia Sonera. The loan bears an interest rate of 4.86% with the balance as at March 31, 2009 of \$106,533 (€63,750). The loan has a four year term expiring March 15, 2010 with monthly payments of \$8,820 (€5,313) excluding interest.

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Notes to Unaudited Interim Consolidated Financial Statements

14. Long Term Debt (continued):

(b) The Company has unsecured government loans with the State Treasury of Finland for the development of specific products totaling \$512,311 (€266,780) as at March 31, 2009 as follows:

- (i) Loan for software product development payable in the amount of \$118,466 (€71,365) as at March 31, 2009 with an interest rate of 1% and repayment commencing April 7, 2006 and ending April 7, 2010 with annual payments on each anniversary date of \$72,000 (€43,376) excluding interest.
- (ii) Loan for software product application service provider (“ASP”) development payable in the amount of \$167,348 (€100,812) as at March 31, 2009 with an interest rate of 1% and repayment commencing November 24, 2009 and ending November 29, 2011 with annual payments on each anniversary date of \$65,294 (€39,334) excluding interest.
- (iii) Loan for payment related software product development for \$157,041 (€94,603) as at March 31, 2009 with an interest rate of 1% with payment commencing December 12, 2009 and ending December 20, 2011 with annual payments on each anniversary date of \$59,760 (€36,000) excluding interest.

The Company determined the fair value of the above government loans with the State Treasury of Finland assumed as at the acquisition date based on the estimated cost of capital of 8% resulting in the related interest benefit for these low interest loans. The amount of this benefit as of March 31, 2009 is \$57,558.

The Company also assumed a capital lease through the acquisition of Stratagen with a balance payable of \$7,620 as at March 31, 2009 with \$6,292 payable within 2009.

The long term debt of the Company is as follows:

	As at March 31, 2009		As at December 31, 2008	
Nordea Bank	\$	106,533	\$	135,835
Government loans with Finland State Treasury		512,310		454,753
Capital lease obligation		7,620		10,265
		626,463		600,853
Current portion		(305,894)		(313,666)
	\$	320,569	\$	287,187

Loan repayments for the years ending December 31,

2009	\$	281,852
2010		222,201
2011		125,891
Total	\$	629,944

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15. Other (income) expense:

	Three Months Ended March 31,	
	2009	2008
Amortization of gain on disposal of land and building	\$ -	\$ (47,769)
Other	8,996	6,173
	<u>\$ 8,996</u>	<u>\$ (41,596)</u>

The gain on disposal of land and building is amortized over the life of the original lease and is fully amortized at December 31, 2008.

16. Share capital:

(a) Authorized:

200,000,000 common shares, without par value

50,000,000 preferred shares, without par value

(b) Issued and outstanding:

	Number of Shares	Amount
Balance at, December 31, 2007	13,143,191	22,836,687
Shares issued during period for payment of StrataGen Business Acquisition holdback	646,555	1,771,539
Balance at, December 31, 2008 and March 31, 2009	<u>13,789,746</u>	<u>\$ 24,608,226</u>

(c) Stock options:

The Company has granted stock options to a wide group of management, directors and employees. Under the approved stock option plan, options may be granted for up to 2,000,000 shares of common stock in aggregate. Options generally vest over a three-year term, and have a 37 month life with one-sixth of the option grant vesting at the end of each six-month interval.

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16. Share capital (continued):

Stock option activity since December 31, 2007 is presented below:

	Number of shares		Weighted average exercise price
Outstanding, December 31, 2007	834,834	\$	3.23
Granted	369,400	\$	2.65
Expired	(422,703)	\$	3.34
Outstanding, December 31, 2008	781,531	\$	2.90
Granted	389,250	\$	2.24
Expired	(82,583)	\$	2.96
Outstanding, March 31, 2009	1,088,198	\$	2.66

The following table summarizes the stock options outstanding and exercisable at March 31, 2009:

Exercise prices	Number of shares	Options outstanding		Options exercisable	
			Remaining contractual life		Number exercisable
\$ 1.65	313,650		2.73		-
\$ 3.00	671,048		1.94		176,801
\$ 3.50	103,500		0.25		86,402
	1,088,198		2.01		263,203

The options outstanding at March 31, 2009 expire between April 1, 2009 and February 27, 2012. During the three months ended March 31, 2009, there were no options granted to non-employees. The stock option expense in the three months ended March 31, 2009 was \$nil (2008 - \$33,540). The weighted average fair value of options granted in the three months ended March 31, 2009 was \$0.57 (2008 - \$3.01) determined using the Black-Scholes option-pricing model at the date of each grant with the following assumptions:

	March 31, 2009	March 31, 2008
Expected option lives	3 years	3 years
Risk-free interest rate	1.6%	3.7-4.5%
Expected dividend yield	0%	0%
Expected stock price volatility	157%	71 - 84%

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16. Share capital (continued):

(d) Normal course issuer bid:

During the three months ended March 31, 2009 the Company did not engage in any normal course issuer bids.

(e) Contributed surplus:

	March 31, 2009		March 31, 2008	
Balance, beginning of year	\$	814,459	\$	660,231
Stock compensation expense		-		33,540
Balance, end of year	\$	814,459	\$	693,771

(f) Warrants:

Part of the consideration for the acquisition of StrataGen was future maximum payments to the StrataGen shareholders of US\$2.3 million in the Company's common shares issued from treasury or cash at the Company's sole discretion. As at March 31, 2009 US\$300,000 was outstanding from this obligation. Such payment is based on revenue from certain contracts that StrataGen was negotiating at the time of the acquisition. As payment for such revenue is received, the Company's common shares will be issued from treasury unless the Company chooses to pay cash. The right to obtain such shares is represented by warrants issued on December 7, 2007 to the StrataGen shareholders entitling them to receive at the option of the Company, cash or the Company's common shares, which for financial reporting purposes are classified in liabilities at March 31, 2009. The number of common shares to be issued is based on the revenue and related payment received and the trading price of the shares at the time of their issuance.

17. Loss per share:

	Three Months Ended March 31, 2009			Three Months Ended March 31, 2008		
	Net loss	Common Shares	Per share amount	Net loss	Common Shares	Per share amount
Basic and diluted earnings per common share	\$ (1,056,143)	13,789,746	\$ (0.08)	\$ (645,554)	13,164,506	\$ (0.05)

For the above periods, the effect of outstanding stock options was anti-dilutive.

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18. Supplementary cash flow information:

Change in non-cash working capital:	Three Months Ended March 31,	
	2009	2008
Accounts receivable	\$ 3,291,167	\$ 669,811
Unbilled receivable	180,860	
Income taxes receivable	702	106,255
Prepaid expense	231,666	(203,975)
Inventories	(243,274)	(195,455)
Leases receivable	10,258	159,831
Accounts payable and accrued liabilities	(853,385)	(627,762)
Deferred revenue	427,512	1,159,665
	<u>\$ 3,045,506</u>	<u>\$ 1,068,370</u>

Supplemental disclosure of cash flow information:

Interest received	\$ 577	\$ 225
Cash paid for interest	7,096	6,152
Cash paid for income taxes	-	-

Non cash transactions:

Transfer of capital asset to inventory	\$ 208,084	\$ -
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	As at	
	March 31, 2009	December 31, 2008
The Company's cash (bank overdraft) consists of the following amounts:		
Cash	\$ 1,025,567	\$ 440,497
Bank overdraft	(291,456)	(503,245)
	<u>\$ 734,111</u>	<u>\$ (62,748)</u>

19. Related party transactions:

The Company is party to an operating lease agreement with a company controlled by the majority shareholder, as detailed in Note 20.

The Company is a beneficiary of a guarantee provided by the company controlled by the majority shareholder, as detailed in Note 13.

The Company provides sales and services to a customer that is related to a director. In the three months ended March 31, 2009 the total sales and services to this customer were \$148,912 (2008 - \$62,762). 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.

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20. Commitments and contingencies

(a) Operating leases:

The Company has entered into various operating lease agreements for leased premises, with remaining terms of up to 6 years. Of the total lease obligations, approximately 87% relates to a lease agreement with a company controlled by the majority shareholder for the land and building occupied by the Company. This lease arose as part of a sale and leaseback transaction entered into in 2003, resulting in a gain to the Company of \$955,381, which was amortized over the initial five year term of the lease expiring September 2008. The deferred gain represented by the unamortized portion is \$nil as at March 31, 2009 (2008 - \$95,538). This facility lease agreement was extended in January 2008 by the Company for a five year period ending September 2013. Under this extension the consolidated minimum lease payments in each of the next five years total as follows:

Year ending December 31:		
2009	\$	766,055
2010		941,954
2011		730,719
2012		702,122
2013		732,540
		<hr/>
	\$	3,873,390

(b) Legal Proceedings:

In 2008 a claim was filed against the Company in the United States District Court of New York for damages against DDS for infringement of copyright and breach of partnership agreement. The Company filed its answer to the claim, denying it in its entirety and counterclaiming against the plaintiff for breach of contract. During the three months ended March 31, 2009 the claim and counter claim were dismissed. The dismissal did not result in a material gain or loss to the Company.

(c) Performance bonds:

For certain contracts, the Company was required to post performance bonds totalling \$3,636,492 (USD\$2,969,535). The Company arranged the bonds with Canada Export Development Corporation ("EDC") and has agreed to indemnify EDC.

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Notes to Unaudited Interim Consolidated Financial Statements

21. Segmented information:

- (a) The Company operates in the wireless mobile data industry and all sales of its products and services are made in this industry. The revenues of the geographic segments based on the location of the customer are as follows:

	Three Months Ended	
	March 31, 2009	March 31, 2008
Revenues:		
United States	\$ 3,442,013	\$ 2,791,771
Canada	1,047,526	1,132,513
Europe	2,571,599	2,851,513
Other	45,369	225,203
	\$ 7,106,507	\$ 7,001,000
	March 31, 2009	December 31, 2008
Plant and equipment:		
Canada	\$ 948,692	\$ 1,013,492
United States	2,468,267	2,742,200
Europe	168,281	182,312
Other	-	252
	\$ 3,585,240	\$ 3,938,256
	March 31, 2009	December 31, 2008
Acquired intangibles:		
United States	\$ 4,389,374	\$ 4,629,070
Europe	4,390,478	4,778,216
	\$ 8,779,852	\$ 9,407,286
	March 31, 2009	December 31, 2008
Goodwill:		
United States	\$ 388,564	\$ 388,564
Europe	3,282,196	3,144,637
	\$ 3,670,760	\$ 3,533,201

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Notes to Unaudited Interim Consolidated Financial Statements

21. Segmented information (continued):

Effective January 1, 2008, the Company reorganized itself into four distinct business units; Taxi, Transit, eFleet and Hardware as a result of the Mobisoft and StrataGen acquisitions in late 2007.

Three Months ended March 31, 2009

	Taxi	Transit	eFleet	Hardware	Total
Revenues from external customers	\$ 5,175,493	\$ 1,592,700	\$ 189,493	\$ 148,821	\$ 7,106,507
Amortization of plant and equipment	238,996	24,957	31,466	44,331	339,750
Amortization of intangibles	417,540	239,696	-	-	657,236
Income tax (recovery) expense	(188,422)	(115,675)	(19,509)	(86,203)	(409,809)
Income (loss)	(38,886)	(605,273)	(46,468)	(365,516)	(1,056,143)
Expenditures for plant and equipment	\$ 78,432	\$ 109,091	\$ -	\$ 1,452	\$ 188,975

Three Months ended March 31, 2008

	Taxi	Transit	eFleet	Hardware	Total
Revenues from external customers	\$ 4,727,322	\$ 1,981,399	67,598	\$ 224,681	\$ 7,001,000
Amortization of plant and equipment	159,745	28,616	14,834	64,290	267,485
Amortization of intangibles	365,000	268,000	-	-	633,000
Income tax (recovery) expense	42,298	(249,631)	(57,696)	9,302	(255,727)
Income (loss)	-	-	-	-	-
Expenditures for plant and equipment	\$ 304,809	\$ 158,379	\$ -	\$ -	\$ 463,188

The Company does not allocate interest revenue and expenses and non-cash stock based compensation to individual segments, rather these are reported internally at the consolidated level.