

DDS WIRELESS INTERNATIONAL INC.

MANAGEMENT DISCUSSION AND ANALYSIS

First Quarter ended March 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 May 4, 2009, and should be read in conjunction with the unaudited interim consolidated financial statements and related notes thereto of the Company for the three months ended March 31, 2009, which were prepared in accordance with Canadian generally accepted accounting principles.

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 year ended December 31, 2008. 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:

For the first quarter of 2009, we delivered revenues of \$7.1 million representing modest growth over revenues of \$7.0 million for Q1 of 2008. This is notable given the prevailing economic environment and the strength of the preceding quarter which significantly reduced our project revenue backlog going into the first quarter of 2009. The most notable aspect of our results however, is a 21% increase in our Q1 recurring revenues over last year. Our maintenance, subscription, transaction based revenues, and recurring hardware based revenues were all up significantly over the same period in the prior year, and accounted for 82% of our total revenues in the quarter. This represents continued success in our goal of growing our recurring revenue base that provides a more predictable and reliable revenue stream.

Digital Dispatch, our Taxi business unit, saw its Q1 revenues grow by 10% from the same period in 2008. Recurring revenues accounted for all of the growth with subscription revenues up 84% over Q1 of the prior year. Transaction based revenues also showed very significant year-over-year growth of 22%. We continued to add new TaxiBook™ customers in Q1 which will deliver further growth in our subscription revenues going forward. We also added to our sales and marketing resources in Q1 and placed more emphasis on driving sales growth in TaxiBook™, our bundled subscription solution which is targeted at small and mid sized tax fleets, the largest segment of the taxi market.

StrataGen, our Transit business unit, closed and commenced delivery on a contract for upgrades and professional services to MTA New York City Transit, one of the largest global para-transit operators in the world, and closed and commenced delivery on a contract for additional product licenses to Broward County. In Europe, the Transit business unit signed a contract with the City of Helsinki demand response dispatch system to support a new travel dispatch centre being established by the City. StrataGen also made progress toward completion of the ASI \$3.2 million contract signed last year, and toward delivery of its first hosted solution, a product which we expect will significantly expand our market coverage and growth going forward.

Our eFleet™ hosted fleet management subscription solution continued to grow in revenue in Q1. Q1 revenues in 2009 were up 209% compared to Q1 of 2008, and up 38% over last quarter. Activated subscriptions are 62% higher than in Q1 of 2008. A greater emphasis is being placed on the heavy equipment markets this year which we believe represents a significant market for eFleet.

During Q1 Digital Wireless (“DW”) supplied additional Vector 530 mobile data terminals to a systems integrator serving the public utility market in South Africa. We continued our market development efforts for our recently launched iMAX™ series of mobile data terminals (“MDTs”). The iMAX™ series represents the latest generation of MDTs and establishes a new level of standards for performance, usability and integration for in-vehicle mobile computing and connectivity. The new iMAX™, coupled with our leading fleet management systems, presents an even more compelling suite of solutions for new and existing customers throughout all of our market segments, and will serve as a key driver of growth going forward.

We are reaffirming our previously issued guidance of revenues in the \$35 million to \$36 million range and positive earnings before interest, stock compensation, taxes, foreign exchange, and amortization for the year ending December 31, 2009. Actual revenues may vary significantly from guidance given due to economic conditions, foreign exchange and other factors.

“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.

Overall Performance

Company Overview

DDS Wireless is a global provider of wireless mobile data solutions to multiple markets using state of the art technologies in real-time dispatching, vehicle location and tracking, as well as computerized routing and scheduling. Its offerings include mobile data computers, fleet management applications, communications infrastructure, project management, long-term customer support as well as multimedia mobile commerce systems for fleets. Previously known as Digital Dispatch Systems Inc., the Company has been a world leader in providing wireless data dispatch systems to the taxi market for over 20 years.

In 2008, the Company reorganized itself to operate as four individual businesses: Taxi, Transit, eFleet and Wireless Devices and Communications - each committed to providing the best in class solutions for its specific market with a clear customer focus and dedicated resources. With a presence in Canada, the U.S., the U.K., Sweden, Finland, India and Singapore, the Company services the needs of its customers on a worldwide basis. Prior to 2008, the Company primarily focused on the taxi industry.

DDS Wireless offers a range of solutions for diverse market segments through the following four different businesses. For the three months ended March 31, 2009 approximately 82.1% of the Company's revenue is recurring from long term customer service agreements, transaction based revenue (credit cards, debit cards and trip dispatch), Bundled Subscription Solution ("BSS") and sale of accessories to its existing customer base.

Taxi Business Unit: Digital Dispatch

The Company's most established and largest business operates under the names of Digital Dispatch and MobiSoft.

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 addition of MobiSoft's bundled subscription solution for fleet management has further expanded Digital Dispatch's portfolio of offerings, and has enabled it to address the needs of small taxi fleets. In 2008 Digital Dispatch launched Mobisoft's bundled subscription solution in North America under the TaxiBook™ name. In addition, Digital Dispatch provides mobile commerce (credit and debit cards), interactive multimedia solutions information, entertainment and advertising solution for taxis through a passenger information monitor called SmartCab™. Working with taxi companies and advertising partners, this business is focused on leveraging the Company's strong taxi fleet management 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 small demand response operators in Europe, the Transit operations of StrataGen combine DDS Wireless' ongoing business as a supplier of mobile devices and wireless communications infrastructure with StrataGen's advanced scheduling, dispatching and client management software and MobiSoft's bundled scheduling and dispatching solution. This has positioned StrataGen as a premier solutions provider in the transit market with an end-to-end solution using core mobile data technologies from DDS Wireless. The combination of DDS Wireless' transit business with that of MobiSoft and StrataGen has provided critical mass to this business unit under a dedicated and focused team.

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™ system is a bundled subscription solution that includes 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. It is particularly successful in extending other third party applications to provide wireless capability by interfacing to eFleet™ services.

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.

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.

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"	Three months ended	
	March 31,	
EBITDAS (1)	2009	2008
EBITDAS	\$ (459,970)	\$ (8,852)
Amortization of PP&E	(113,733)	(143,936)
Amortization of intangible	(657,236)	(633,000)
Amortization of Sales related assets	(226,017)	(123,549)
Stock compensation	-	(33,540)
Other income (expense)	(8,996)	41,596
Income (loss) before income taxes per financial statements	\$ (1,465,952)	\$ (901,281)

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

Gross Margin without amortization of sales related assets (2)	Three months ended March 31,			
	2009		2008	
Revenue	\$7,106,507		\$7,001,000	
Gross margin without amortization of sales related assets	3,280,542	46.2%	3,298,969	47.1%
Less: Amortization of sales related assets	226,017		123,549	
Gross margin per financial statement	3,054,525	43.0%	3,175,420	45.4%

(2) Gross Margin without amortization of sales related assets is a non-gaap measure

Financial Results

Summary of Quarterly Results

(in \$'000's except for margin and per share)	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Revenue	\$4,329	\$5,096	\$7,278	\$7,001	\$8,216	\$7,636	\$10,648	\$7,107
Gross Margin %	49.7%	51.2%	43.5%	45.4%	48.4%	45.8%	47.9%	43.0%
Gross Margin	\$2,152	\$2,610	\$3,169	\$3,175	\$3,976	\$3,497	\$5,096	\$3,055
Operating Expenses	\$2,777	\$2,568	\$3,972	\$3,487	\$4,109	\$3,995	\$4,570	\$3,834
Net (loss) income	(\$1,196)	(\$592)	(\$999)	(\$646)	(\$602)	(\$766)	\$536	(\$1,056)
(Loss) earnings per share (EPS)	(\$0.09)	(\$0.05)	(\$0.08)	(\$0.05)	(\$0.05)	(\$0.06)	\$0.04	(\$0.08)

The Company's quarterly financial statements are not reviewed by the Company's auditor with the exception of the three months ended June 30, 2007 and September 30, 2007. The quarterly financial statements are the responsibility of management and are reviewed by the Company's audit committee.

Selected Quarterly Information

For the three months ended	March 31, 2009	December 31, 2008	March 31, 2008
Revenue	\$7,106,507	\$10,647,671	7,001,000
Net income	(\$1,056,143)	\$535,636	(\$646,554)
Basic earnings per common share	(\$0.08)	\$0.04	(\$0.05)
Common shares outstanding (weighted average)	13,789,746	13,789,746	13,164,506
Total assets	\$34,578,274	\$37,667,582	\$37,909,824
Total long term financial liabilities	\$320,569	\$1,049,854	\$787,099

Results of Operations

For the three months ended	March 31, 2009	December 31, 2008	March 31, 2008
Revenue	100.0%	100.0%	100.0%
Cost of sales	57.0%	52.1%	54.6%
Gross margin (with amortization of sales related assets)	43.0%	47.9%	45.4%
Gross margin (without amortization of sales related assets)	46.2%	49.8%	47.1%
Operations expenses			
Research and development	20.1%	13.2%	18.1%
Sales and marketing	13.2%	10.0%	13.4%
General and administrative	20.7%	19.8%	18.3%
Other expenses	9.7%	0.3%	8.4%
Earnings before income taxes	-20.7%	4.6%	-12.9%
Income taxes	5.8%	-0.4%	-3.7%
Net (loss) earnings	-14.9%	5.0%	-9.2%

The financial performance for the three months ended March 31, 2009 relative to the prior year is as follows:

- Revenues of \$7.1 million represented an increase of 1.5% or \$106,000 over the prior year; and
- Loss per share increased to \$0.08 from \$0.05 in the prior year.

The increase in revenues for the three months ended March 31, 2009 from the prior year is primarily due to increases in the North American Taxi business being partially offset by declines in the North American Transit business. Revenue compared to the prior quarter declined by \$3.5 million or 33.3%. This decline was due to a decrease in the delivery and implementation of enterprise systems in the Taxi and Transit divisions in the current quarter as compared to deliveries in the previous quarter. In the previous quarter there were several significant projects the Company delivered on, which did not reoccur in the current quarter resulting in a decrease in revenue for the quarter ending March 31. The quarter ending March 31 has historically been a seasonally slow quarter for the Company.

Recurring revenues (defined as revenues from long-term maintenance and support services, Bundled Subscription Solutions (“BSS”), transaction-based revenues and miscellaneous accessory sales to existing customers) accounted for 82.1% of total revenues in the first quarter of 2009.

Gross margin decreased to 43.0% for the three months ended March 31, 2009, from 45.4% over the same period in the prior year. The decrease in gross margins is partially attributable to an increase in the amortization of sales related assets which is a result of a significant increase in the deployment of the Company’s Bundled Subscription Solutions. Excluding this amortization, gross margin for the three months ended March 31, 2009 was 46.2%. The decrease in gross margins relative to the same period in the prior year is attributed to lower project staff utilization due to lower enterprise project related sales volumes in the quarter, and to one particular project that experienced higher than expected costs to complete. This project is not expected to negatively effect margins in future periods.

The Company’s operating expenses were \$3.8 million for the three months ended March 31, 2009, compared to \$3.5 million for the same period in the prior year. The increase in operating expenses over the three months ended March 31, 2008 of \$0.3 million is attributed to an increase in bad debts expense, legal costs and other professional fees relating to a legal proceeding that was dismissed in the current quarter, and to a marginally increased level of research and development expenses in the current period as the Company continues to invest in enhancing existing and developing new products.

Net loss for the three months ended March 31, 2009 was \$1.1 million compared to a net loss of \$0.6 million for the three months ended March 31, 2008. The increase in net loss is the result of a decline in gross margin of \$0.2 million and an increase in operating costs of \$0.3 million. The net loss for the three months ended March 31, 2009 includes amortization and stock compensation expenses of \$0.8 million compared to \$0.8 million for the same period in the prior year.

EBITDAS (defined as earnings before interest, tax, depreciation, amortization and stock compensation expense – a non-gaap measure) was a loss of \$0.5 million for the three months ended March 31, 2009 compared to a loss of \$9,000 in the same period of last year.

As at March 31, 2009, the Company had a cash balance of \$0.7 million as compared an overdraft of \$0.1 million as at December 31, 2008. The Company maintained a line of credit facility during 2009 which had a balance payable of \$nil as at March 31, 2009 as compared to \$1.4 million outstanding as of December 31, 2008. The increase in cash and cash equivalents as at March 31, 2009 is attributable to significant collection of accounts receivables in the first quarter of 2009. The Company had long-term debt of \$627,000 (including short term portion) as at March 31, 2009 which was obtained in its acquisitions of Mobisoft and StrataGen compared to \$601,000 as at December 31, 2008. The increase in long-term debt is due to the effects of foreign currency fluctuations.

The weighted average of the number of shares outstanding during the quarter was 13,789,746. There were no share issuances during the current period.

Results of Operations

Revenues

Three months ended 31-Mar-09	Three months ended 31-Dec-08	Three months ended 31-Mar-08
\$7,106,507	\$10,647,671	\$7,001,000

Revenues for the 3 months ended March 31, 2009 were \$7.1 million, which represents a 1.5% increase over the \$7.0 million in revenue recognized in the same period of the prior year. Revenues remained relatively consistent with the prior year, as revenue increases in the North American Taxi business were offset by declines in new customer projects in the North American Transit business. The increase in Taxi revenues over the same period in the prior year is attributable to increases in the business units recurring revenue base – maintenance, subscription and transaction revenues. Project and sales order revenues for the Taxi business unit remained consistent with the same period in the prior year. e-Fleet Revenues grew by approximately \$121,000 in the three months ended March 31, 2009 as compared to the three months ended March 31, 2008 due to an increase in subscriptions. Hardware revenues for the three months ended March 31, 2009 declined by approximately \$134,000 relating to the timing of customer orders for hardware units.

Revenue decreased by \$3.5 million or 33% from the previous quarter ending December 31, 2008, due to an decrease in the delivery and implementation of enterprise systems in the Taxi and Transit divisions in the current quarter as compared to deliveries in the previous quarter. In the previous quarter there were several significant projects the Company delivered on, which did not reoccur in the current quarter resulting in the decrease in revenue. The quarter ending March 31 has historically been a seasonally slow quarter for the Company.

The revenue contributions of the respective markets compared to the prior periods are summarized in the following table.

For the three months ended	31-Mar-09 (Unaudited)	31-Dec-08 (Unaudited)	31-Mar-08 (Unaudited)
Taxi	\$5,175,493	\$7,388,702	\$4,727,322
Transit	\$1,592,700	\$2,986,101	\$1,981,399
eFleet	\$189,493	\$132,033	\$67,599
Hardware & Infrastructure ⁽¹⁾	\$148,821	\$140,835	\$224,680
Total Revenue	\$7,106,507	\$10,647,671	\$7,001,000
% Recurring	82.1%	53.3%	63.0%

(1) Includes some corporate level revenues

For the three months ended March 31, 2009	Taxi	Transit	eFleet	Hardware & Infrastructure ⁽¹⁾	Total
Revenue	\$5,175,493	\$1,592,700	\$189,493	\$148,821	\$7,106,507
Gross Margin	\$2,327,350	\$502,279	\$89,765	\$135,131	\$3,054,525
Gross Margin %	45.0%	31.5%	47.4%	90.8%	43.0%
Gross Margin without amortization of sales related assets	\$2,524,886	\$502,279	\$118,246	\$135,131	\$3,280,542
Gross Margin % without amortization of sales related assets	48.8%	31.5%	62.4%	90.8%	46.2%

(1) Includes some corporate level revenues

For the three months ended March 31, 2008	Taxi	Transit	eFleet	Hardware & Infrastructure ⁽¹⁾	Total
Revenue	\$4,727,322	\$1,981,399	\$67,599	\$224,680 ⁽¹⁾	\$7,001,000
Gross Margin	\$2,032,017	\$1,139,191	\$11,483	\$(7,271)	\$3,175,420
Gross Margin %	43.0%	57.5%	17.0%	(3.2)%	45.4%
Gross Margin without amortization of sales related assets	\$2,144,741	\$1,139,191	\$22,039	\$(7,271)	\$3,298,970
Gross Margin % without amortization of sales related assets	45.4%	57.5%	32.6%	(3.2)%	47.1%

(1) Includes some corporate level revenues

Gross Margin

For the three months ended	31-Mar-09		31-Dec-08		31-Mar-08	
Revenue	\$7,106,507	100.0%	\$10,647,671	100.0%	\$7,001,000	100.0%
Costs of sales	\$4,051,982	57.0%	\$5,551,808	52.1%	\$3,825,580	54.6%
Gross Margin	\$3,054,525	43.0%	\$5,095,863	47.9%	\$3,175,420	45.4%
Gross Margin without amortization of sales related assets	\$3,280,542	46.2%	\$5,293,028	49.6%	\$3,298,970	47.1%

Gross margin percentage declined to 43.0% for the three months ended March 31, 2009, from 47.9% in the previous quarter and decreased from 45.4% in the same period in the prior year. Gross margin before amortization of capitalized assets charged to cost of sales was 46.2% for the quarter ended March 31, 2009, which is less than the Company's target of 50%. The decrease in gross margins relative to the same period in the prior year and to the prior quarter is attributed to lower project staff utilization due to lower enterprise project related sales volumes in the quarter, and one particular project that experienced higher than expected costs to complete. This project is not expected to negatively effect margins in future periods.

Gross margin for the quarter ended March 31, 2009 was \$3.1 million, representing a decrease of 3.8% from \$3.2 million for the first quarter of 2008, and a 40.1% decrease from the \$5.1 million reported for the three months ended December 31, 2008. The change in gross margin from prior periods is related to the decrease in revenues for the three months ended March 31, 2009 as related to the prior quarter, as the taxi and transit divisions closed and delivered significant business in fourth quarter of 2008 that was not repeated in the first quarter of 2009, and to a cost overrun on a particular project in the current quarter, which is not expected to repeat itself in future periods.

Operating Expenses

For the three months ended	31-Mar-09	31-Dec-08	31-Mar-08
Total operating expenses	\$3,834,310	\$4,570,168	\$3,486,591
% of revenue	53.9%	42.9%	49.8%

Operating expenses for the three months ended March 31, 2009 totaled \$3.8 million compared to \$3.5 million for the same period in 2008, and \$4.6 million for the three months ended December 31, 2008. The increase of \$0.3 million over the three months ended March 31, 2008 is attributed to an increase in bad debts expense, legal costs and other professional fees relating to a legal proceeding that was dismissed in the current quarter, and to a marginally increased level of research and development expenses in the current period as the Company continues to invest in enhancing existing and developing new products. The decrease in operating expenses from Q4 of 2008, is attributable to a decrease in bad debts expense of approximately \$554,000 in the current quarter as a result of allowances for doubtful accounts that were required in Q4 of 2008 that did not reoccur in the current quarter, and a decline in sales related salary expenses in the current quarter.

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	31-Mar-09	31-Dec-08	31-Mar-08
Research & development	\$1,426,847	\$1,402,396	\$1,270,447
% of revenue	20.1%	13.2%	18.1%

Research and development expenditures increased to \$1.4 million in the three months ended March 31, 2009 as compared to the \$1.3 million incurred in the same period in the prior year and were consistent with the \$1.4 million incurred in the three months ended December 31, 2008. The Company has incurred an increase in research and development expenses in the first quarter, as compared to the same period in the prior year, as the Company is investing in a plan to enhance existing and develop new products. Research and development expenses were consistent with the prior quarter as there was minimal change in staffing levels as compared to the prior quarter. In accordance with its strategic plan, the Company intends to continue to invest a significant portion of future revenues in the enhancement of existing products and the development of new products.

Sales and Marketing

For the three months ended	31-Mar-09	31-Dec-08	31-Mar-08
Sales & marketing	\$935,971	\$1,062,384	\$938,303
% of revenue	13.2%	10.0%	13.4%

Sales and marketing expenditures of \$0.9 million for the three months ended March 31, 2009 were consistent with the \$0.9 million incurred in the same period in the prior year. Expenses were consistent as headcounts remained comparable to prior year. Sales and marketing expenditures decreased by \$0.1 million as compared to the previous quarter. The decrease as compared to the prior quarter is due to there being several unfilled positions in the current quarter, as well as decreases in discretionary travel and tradeshow expenses as compared to the prior quarter. The Company expects to continue investing in sales and marketing activities in the future and expects sales and marketing costs to increase marginally in the remainder of the year.

General and Administrative

For the three months ended	31-Mar-09	31-Dec-08	31-Mar-08
General & administration	\$1,471,492	\$2,105,388	\$1,277,841
% of revenue	20.7%	19.8%	18.3%

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 increased to \$1.5 million for the three months ended March 31, 2009 as compared to \$1.3 million for the same period in the prior year and decreased from \$2.1 million in the previous quarter. The increase from prior year is attributed to an increase in bad debt expense in the current quarter due to a general increase in provisions, and an increased in legal, and other professional fees relating to a lawsuit that was dismissed in the current period. The decrease as compared to the previous quarter was due to a decrease in bad debts expense in the current quarter of approximately \$0.6 million that was related to doubtful accounts in Q4 of 2008 that did not reoccur in the current quarter.

Other (Income) and Expense

For the three months ended	31-Mar-09	31-Dec-08	31-Mar-08
Other (income) and expense	\$686,167	\$34,889	\$590,110
% of revenue	-9.7%	-0.3%	-8.4%

The change in other (income) and expense for the three months ended March 31, 2009 over the prior periods is attributable to changes in amortization, foreign exchange and stock compensation expense as follows:

- Amortization of plant and equipment of \$114,000 for the quarter (Q4 2008 - \$125,000; Q1 2008 - \$144,000);
- Amortization of intangible assets related to the acquisition of MobiSoft and StrataGen of \$657,000 (Q4 2008 - \$595,000; Q1 2008 - \$633,000);
- Net foreign exchange gain of \$94,000 attributable to the impact of the strengthening of the US dollars, Euros, and UK pounds relative to the Canadian dollar, as compared to the prior period gain of \$795,000 and gain of \$179,000 in Q1 2008;
- Stock compensation expense (which represents the estimated cost to the Company of stock options, using the Black-Scholes option-pricing model factoring in additional options granted by the Company during the period) totaled \$nil compared to \$97,000 in Q4 2008 and \$34,000 in Q1 2008;
- Other income (expense) of \$(9,000) for the quarter (Q4 2008 - \$13,000; Q1 2008 - \$42,000).

Income Tax

The Company is subject to corporate income tax rates in varying jurisdictions, ranging principally from 20% 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 recovery in the three months ended March 31, 2009 of approximately \$458,843. The actual recovery of approximately \$409,809 was a result of significant portions of the Company's income and loss being generated in foreign jurisdictions where tax rates vary from the blended statutory rate.

Net Income after tax

Net loss after tax for the three months ended March 31, 2009 was \$1,056,143 or \$0.08 loss per share ("LPS") compared with \$645,554 net loss after tax or \$0.05 LPS for the same period in the prior year and an income of \$535,636 or \$0.04 earnings per share realized in the prior quarter.

Liquidity and Capital Resources

As at March 31, 2009, the Company had cash of \$0.7 million as compared with an overdraft of \$(0.1) million in cash and short-term investments as at December 31, 2008. The Company maintains a line of credit facility which was not being utilized as of March 31, 2009 and as at December 31, 2008 had a balance payable of \$1.4 million. The increase in cash and cash equivalents as at March 31, 2009 is attributable to an increase in the collection of accounts receivable during the quarter. This generation of cash was partially offset by the payment of outstanding liabilities during the quarter. The Company had long-term debt of \$626,000 (including short term portion) as at March 31, 2009 which was obtained in its acquisitions of Mobisoft and StrataGen compared to \$601,000 as at December 31, 2008.

For the three months ended March 31, 2009, cash flow generated by operations was \$2.4 million compared to cash flow generated in operations of \$0.8 million for the three months ended March 31, 2008. Operating cash flow for the quarter ended March 31, 2009 was primarily impacted by the operating loss and the change in non cash working capital during this period.

In the event that our cash and credit facilities are not sufficient to fund our operations, the Company may seek other sources of financing which may include debt or equity. In the current economic environment these sources of funding may be limited, or may be at a premium, and consequently the Company may review its operations. As of the date of this report, the Company believes it has sufficient capital to fund its operations.

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.

	Payments Due by Period				
	Total	Less than 1 year	1 – 3 Years	4 – 5 Years	After 5 years
Contractual Obligations					
Long Term Debt	\$618,850	\$299,602	\$319,248	-	-
Capital Lease Obligations	\$7,613	\$6,292	\$1,321	-	-
Operating Leases	\$3,858,412	\$755,084	\$1,662,665	\$1,440,662	-
Purchase Obligations	\$2,794,789	\$1,383,097	\$1,411,692	-	-
Acquisition Purchase Price Payable - Mobisoft	\$150,943	\$150,943	-	-	-
Acquisition Purchase Price Payable - StrataGen	\$612,300	\$612,300	-	-	-
Total Contractual Obligations	\$8,042,907	\$3,207,318	\$3,394,926	\$1,440,662	-

The Company entered 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

Given the significant uncertainty surrounding the global markets, it is extremely difficult to forecast the impact they will have on future business. Management does, however, expect the adverse economic conditions to continue to pose a challenge in 2009 as customers defer expenditures of a capital nature. Therefore, management has revised its budget to reflect this uncertainty. Management has, and will continue to monitor the market and the results of each of its regions and take additional measures as appropriate to maximize earnings.

Off-Balance Sheet Arrangements

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

Legal Proceeding

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.

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. 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 is amortized over the term of the initial lease term that expired in September 2008.

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 in the amount of \$2.0 million provided by Viksun Enterprises Inc., a company controlled by the Company's Chief Executive Officer, with the remainder of the line of credit secured by all the assets of the Company. As at March 31, 2009, the Company had a balance payable of \$nil (December 31, 2008 - \$1,401,431) drawn on this line of credit.

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 (2007 - \$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.

Proposed Transactions

As of May 4, 2009, 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 financial statements.

Revenue recognition

The Company's revenues come from these primary sources:

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

Contracts for complete wireless dispatch systems include multiple deliverables, which are separated into discrete units of accounting based on the residual method. Revenues from installation of system infrastructure are recorded using the percentage-of-completion method, which results in deferred revenue on the balance sheet when services are invoiced in advance of the revenue being earned, and unbilled receivables on the balance sheet when revenue is earned prior to invoicing the customer. Profit estimates on contracts where the percentage-of-completion method is applied are revised periodically based on changes in circumstances, and losses on contracts are recognized immediately. Revenues from system devices related to contracts for complete wireless dispatch systems are recorded when all significant acts have been completed and delivery has occurred with no substantial risk of return and collectability is reasonably assured. While the Company maintains a security interest in certain systems and devices until payment has been received in full, such right does not preclude the buyer from full use in the ordinary course of business or rights thereto.

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.

Contracts for software development systems include multiple deliverables, which are separated into discrete units of accounting based on the residual method. Revenues from installation and customization of system infrastructure and sales of third party hardware and software are recorded using the percentage-of-completion method. Where reliable input measures and estimates for completion exist, the input method is used to determine the percent complete, otherwise, the output method, using contract milestones to estimate percentage completion is used. These estimates result in deferred revenue on the balance sheet when services are invoiced in advance of the revenue being earned, and unbilled receivables on the balance sheet when revenue is earned prior to invoicing the customer. Profit estimates on contracts where the percentage-of-completion method is applied are revised periodically based on changes in circumstances, and losses on contracts are recognized immediately.

Revenue for the provision of taxi dispatch services and ASP service offerings are recognized as these services are provided with any related costs recorded as cost of sales.

Software licenses which are perpetual in nature and sold to Mobisoft's enterprise customers are recognized upon delivery where persuasive evidence of an arrangement exists, the selling price is fixed or determinable and collection is reasonably assured. Software licenses sold 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 recognized once delivery has occurred with no substantial risk of return and collectability is reasonably assured.

Revenue from embedded maintenance both for contracts and sales orders are deferred and recognized over the effective life of the contract.

Revenue associated with devices shipped but not yet delivered to the customer's location is deferred and recognized when delivery occurs. There was no deferred revenue in respect of such goods in transit at March 31, 2009 (December 31, 2008 – \$nil).

Valuation of Goodwill and Intangible Assets

The purchase method of accounting for acquisitions requires estimates and assumptions to allocate the purchase price to the fair value of net tangible and intangible assets acquired. The amounts allocated to, and the useful lives estimated for, other intangible assets, affect future amortization. There are a number of generally accepted valuation methods used to estimate fair value of intangible assets, and we use primarily a discounted cash flow method, which requires significant management judgment to forecast the future operating results and to estimate the discount factors used in the analysis. If assumptions and estimates used to allocate the purchase price or used to assess impairment prove to be inaccurate, future asset impairment charges could be required.

Goodwill and intangible assets determined to have indefinite lives are not amortized, but are subject to an annual impairment test. To determine any goodwill impairment, we perform a two-step process on an annual basis, or more frequently if necessary, to determine 1) whether the fair value of the relevant reporting unit exceeds carrying value and 2) the amount of impairment loss, if any. We review our intangible assets for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Measurement of an impairment loss is based on the fair value of the asset compared to carrying value.

We performed an annual test for impairment of goodwill and intangible assets in the fourth quarter of 2008 and determined that there was no impairment. The assumptions used to test for impairment, including expected revenues, discount rates, and terminal values, are highly subjective. Valuation models are sensitive to changes in assumptions, and therefore changes in these assumptions in the future could result in significant impairment charges or changes to our expected amortization.

Income Taxes

In estimating our annual effective tax rate we review our forecasted net income for the year by geographic area and apply the appropriate tax rates. We also consider the income tax credits and net operating losses, if any, available in each tax jurisdiction. Our operations are conducted in a number of countries with complex tax legislation and regulations pertaining to our activities. We have recorded income tax liabilities based on our estimates and interpretations of those regulations for the countries we operate in. However, our estimates are subject to review and assessment by the tax authorities and the courts of those countries. The timing of any such review and final assessment of our liabilities by local authorities is substantially out of our control and is dependent on the actions by those authorities in the countries we operate in. Any re-assessment of our tax liabilities by tax authorities may result in adjustments of the income taxes we pay or refunds that are due to us. In certain jurisdictions we have incurred losses and other costs that can be applied against future taxable earnings to reduce our tax liability on those earnings. We believe that we will realize the future benefit of those losses and expenditures. If our forecast of taxable income changes, we may record a valuation allowance against these future income tax assets which may result in a charge to net income.

Changes in Accounting Policies including Initial Adoption

All accounting policies remain consistent with those in effect for the year ended December 31, 2008.

Future Changes in Accounting Policies

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064

establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The new Section is applicable to the Company's consolidated financial statements for its fiscal year beginning January 1, 2009.

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.

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.

During the first quarter of 2009, the Company has commenced the scoping and planning phase of its changeover plan. The Company will designate the appropriate resources to the project to develop an effective plan and will continue to assess resource and training requirements as the project progresses. 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 will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impacts on the Company and its reporting.

Financial and Other Instruments

The Company's use of financial instruments and other instruments is limited to highly liquid short term investments whose fair values approximate their carrying values; lease receivables resulting from the sale of certain systems using sales-type leases; line of credit; acquisition purchase price payable; long term debt; and trade accounts receivable and payable.

Fair value estimation

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.

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>

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 (bank overdraft), 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.

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)
	<u> </u>	<u> </u>
Cash	60,492	155,118
Accounts receivable	644,022	1,984,986
Accounts Payable and Accrued Lia	(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 +/- \$25,696. (\$20,329 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

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	Greater than two years
Accounts payable and accrued liabilities	\$ 4,239,435	\$ -	\$ -
Acquisition price payable	763,243	-	-
Long-Term debt	305,894	259,688	60,881
	\$ 5,273,465	\$ 259,688	\$ 60,881

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 May 4, 2009, the Company had outstanding 1,088,198 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

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company evaluated the design of its disclosure controls and as of March 31, 2009 as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, the Company's disclosure controls and procedures were designed to timely alert them to the material information relating to the Company (or its consolidated subsidiaries) required to be included in the Company's periodic SEDAR filings.

Management has also designed internal controls over financial reporting and 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 is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting 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 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 are reasonable.

There were however 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. As a result, the Company is enhancing the processes related to these areas of internal control to ensure that the specific roles and duties of the individuals managing these specific areas are clearly defined, policies are formally documented and communicated, and proper segregation of duties or other compensating controls exist. Management noted additional weaknesses in password and access controls to key systems involved with financial reporting. Management believes that there were compensating controls in place to mitigate the noted weaknesses as of March 31, 2009. Management is currently developing a remediation plan to ensure proper access controls are established for all key systems.

Because of the inherent limitations in a cost-effective control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the financial statements.

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.digital-dispatch.com.

Additional Information

Additional information related to the Company, including the Company's Annual Information Form for the year ended December 31, 2008, 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 substantially all of DDS Wireless revenues are 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 in the current period is presented below:

	Sensitivity Analysis as at March 31, 2009		
Effect of a +/- 10% change in the foreign currency exchange rate	USD (\$000's)	Euro (\$000's)	Total (\$000's)
Revenue +/-	\$384	\$156	\$540
Net monetary assets +/-	\$26	\$139	\$165

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 three months ended March 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 three months ended March 31, 2009, DDS Wireless revenue from sales of wireless data solution products and services to the taxi market accounted for approximately 70% of DDS Wireless total revenue (2008 -75%). 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 two quarters 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

The Company has operated as a loss in each of the last two fiscal years, and 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.