DDS WIRELESS INTERNATIONAL INC.

Unaudited Interim
Consolidated Financial Statements

For the three and six months ended June 30, 2009

DDS WIRELESS INTERNATIONAL INC.

Interim Consolidated Balance Sheets (unaudited)

	As at,	
	June 30, 2009 (unaudited)	December 31, 2008 (audited)
Assets		
Current assets:		
Cash and cash equivalents	**$ 417,317**	$ -
Accounts receivable, net (Note 8)	**4,732,786**	6,943,023
Contract work-in-progress (Note 8)	**3,179,688**	3,241,843
Income taxes receivable	**-**	86,491
Future income taxes	**16,814**	19,253
Inventories (Note 10)	**2,425,980**	2,165,696
Prepaid expenses	**798,251**	831,404
Current portion of leases receivable (Note 11)	**493,202**	501,484
	12,064,038	13,789,194
Plant and equipment (Note 6)	**3,005,172**	3,938,256
Investment (Note 12)	**102,565**	102,565
Long-term leases receivable (Note 11)	**1,703,479**	1,926,872
Future income taxes	**5,641,973**	4,970,208
Acquired intangibles (Note 9)	**8,232,046**	9,407,286
Goodwill (Note 7)	**3,587,759**	3,533,201
	34,337,032	37,667,582
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank overdraft	**-**	62,748
Lines of credit (Note 13)	**196,868**	1,401,431
Acquisition purchase price payable	**609,326**	763,243
Accounts payable and accrued liabilities	**4,374,800**	5,093,321
Future income taxes	**414,565**	695,336
Deferred revenue	**2,632,957**	1,883,984
Current portion of long-term debt (Note 14)	**321,032**	313,666
	8,549,548	10,213,729
Long-term debt (Note 14)	**207,038**	287,187
Future income taxes	**593,484**	762,667
	9,350,070	11,263,583
Shareholders' equity:		
Share capital (Note 16)	**24,608,226**	24,608,226
Contributed surplus (Note 16)	**1,002,803**	814,459
(Accumulated Deficit) Retained earnings	**(1,099,413)**	628,936
Accumulated other comprehensive income (loss)	**475,346**	352,378
	24,986,962	26,403,999
	$ 34,337,032	$ 37,667,582

Commitments and contingencies (Note 19)

Approved on behalf of the Board:

____________________ Director ____________________ Director

See accompanying notes to unaudited consolidated financial statements.

DDS WIRELESS INTERNATIONAL INC.

Interim Consolidated Statements of Operations (unaudited)

	Three months ended		Six months ended	
	June 30, 2009 (Unaudited)	June 30, 2008 (Unaudited)	June 30, 2009 (Unaudited)	June 30, 2008 (Unaudited)
Revenue (Note 20)	**$ 9,140,393**	$ 8,215,978	**$ 16,246,901**	$ 15,216,978
Cost of sales				
Sales related expenses	**4,913,479**	4,135,587	**8,739,444**	7,837,618
Amortization of sales related assets	**220,474**	104,012	**446,491**	227,561
	5,133,953	4,239,599	**9,185,935**	8,065,179
	4,006,440	3,976,379	**7,060,966**	7,151,799
Operations expenses:				
Research and development	**1,288,631**	1,697,686	**2,715,478**	2,968,133
Sales and marketing	**1,075,682**	1,076,668	**2,011,653**	2,014,971
General and administrative	**1,361,243**	1,334,941	**2,832,736**	2,612,782
	3,725,556	4,109,295	**7,559,867**	7,595,886
Profit/(Loss) before under noted	**280,884**	(132,916)	**(498,901)**	(444,087)
Other (income) expense:				
Amortization of plant and equipment	**118,942**	88,510	**232,675**	232,446
Amortization of acquired intangibles (Note 9)	**653,902**	574,181	**1,311,138**	1,207,181
Foreign exchange (gain) loss	**345,737**	(40,855)	**251,939**	(219,625)
Stock compensation (Note 16)	**188,344**	23,984	**188,344**	57,524
Other (Note 15)	**15,202**	(13,284)	**24,198**	(54,880)
	1,322,127	632,536	**2,008,294**	1,222,646
Loss before income taxes	**(1,041,243)**	(765,452)	**(2,507,195)**	(1,666,733)
Income tax provision (recovery)				
Current	**48,052**	234,981	**73,292**	563,214
Future (recovery)	**(417,089)**	(398,672)	**(852,138)**	(982,632)
	(369,037)	(163,691)	**(778,846)**	(419,418)
Net loss	**$ (672,206)**	$ (601,761)	**$ (1,728,349)**	$ (1,247,315)
Loss per common share:				
Basic and Diluted	**$ (0.05)**	$ (0.04)	**$ (0.13)**	$ (0.09)
Weighted average number of shares outstanding	**13,789,746**	13,789,746	**13,789,746**	13,477,126

See accompanying notes to unaudited consolidated financial statements.

DDS WIRELESS INTERNATIONAL INC.

Interim Consolidated Statements of Comprehensive Income (Loss) (unaudited)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Net loss	**$ (672,206)**	$ (601,761)	**$ (1,728,349)**	$ (1,247,315)
Other Comprehensive Income (Loss) and Unrealized gain on translation of self-sustaining foreign operations	**34,052**	18,965	**122,968**	69,684
Comprehensive Income (Loss)	**$ (638,154)**	$ (582,796)	**$ (1,605,381)**	$ (1,177,631)

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

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Retained Earnings (Deficit)				
Beginning of period	**$ (427,207)**	$ 1,460,607	**$ 628,936**	$ 2,106,161
Net (loss) earnings	**(672,206)**	(601,761)	**(1,728,349)**	(1,247,315)
End of period	**(1,099,413)**	858,846	**(1,099,413)**	858,846
Accumulated Other Comprehensive Income (Loss) on translation of Self-sustaining Foreign Operations				
Beginning of period	**441,294**	(816,552)	**352,378**	(867,271)
Net unrealized gain on translation of self-sustaining foreign operations	**34,052**	18,965	**122,968**	69,684
	475,346	(797,587)	**475,346**	(797,587)
Total (Deficit) Retained Earnings and Accumulated Other Comprehensive Income (Loss)	**$ (624,067)**	$ 61,259	**$ (624,067)**	$ 61,259

See accompanying notes to unaudited consolidated financial statements.

DDS WIRELESS INTERNATIONAL INC.

Interim Consolidated Statements of Cash Flows (unaudited)

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Cash provided by (used in):				
Operations:				
Net (loss)	**$ (672,206)**	$ (601,761)	**$ (1,728,349)**	$ (1,247,315)
Items not involving cash:				
Amortization of plant and equipment	**446,957**	192,522	**786,707**	460,007
Amortization of acquired intangibles	**653,902**	574,181	**1,311,138**	1,207,181
Future income taxes	**(578,876)**	(398,672)	**(1,119,280)**	(982,632)
Unrealized foreign exchange gain	**94,937**	-	**(53,152)**	-
Amortization of gain on disposition property	**-**	(47,769)	**-**	(95,539)
Stock compensation	**188,344**	23,984	**188,344**	57,524
	133,058	(257,515)	**$ (614,592)**	(600,774)
Change in non-cash operating working capital	**(525,926)**	(627,657)	**2,509,320**	468,455
	(392,868)	(885,172)	**1,894,728**	(132,319)
Investing:				
Purchase of plant and equipment	**(77,294)**	(338,883)	**(266,269)**	(802,071)
Investment	**-**	(98,577)	**-**	(98,577)
Acquisitions, net of cash and cash equivalents	**(153,917)**	-	**(153,917)**	87,315
Repayments of lease receivables	**135,702**	142,819	**261,205**	302,650
	(95,509)	(294,641)	**(158,981)**	(510,683)
Financing:				
Decrease in long-term debt	**(25,285)**	(49,512)	**(51,119)**	(49,512)
Drawings on bank overdraft	**-**	-	**-**	-
Increase (decrease) in line of credit	**196,868**	564,283	**(1,267,311)**	(361,671)
	171,583	514,771	**(1,318,430)**	(411,183)
(Decrease) Increase in cash and cash equivalents	**(316,794)**	(665,042)	**417,317**	(1,054,185)
Cash and cash equivalents, beginning of period	**734,111**	686,060	**-**	1,075,203
Cash and cash equivalents, end of period	**$ 417,317**	$ 21,018	**$ 417,317**	$ 21,018

Supplementary cash flow information (note 17)

See accompanying notes to unaudited 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.

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.

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.

3. Significant accounting policies:

These unaudited interim consolidated financial statements follow the same accounting policies and methods of their application as 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 policies:

CICA Handbook Section 3064 – Goodwill and Intangible Assets

The CICA has issued new accounting recommendations for goodwill and intangible assets which establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets (including internally developed intangible assets). These recommendations are effective for the Company beginning January 1, 2009. Goodwill and intangible assets that are not assets as defined by GAAP will be derecognized and charged to equity at that date. Adoption of this section did not have any impact on the Company's financial statements.

(b) Canadian GAAP developments:

Business Combination and Related Sections

The CICA has issued new accounting recommendations related to business combinations and minority interests effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under GAAP and IFRS. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The CICA concurrently issued new accounting recommendations that provide revised guidance on the preparation of consolidated financial statements and accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. The Company is evaluating the effect of these recommendations on its financial statements.

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.

The carrying value of the trade receivables, accounts payable, line of credit, acquisition purchase price payable and accrued liabilities approximate their fair values due to their immediate or short-term maturity. The investment is recorded at cost as it is in a private company and there is no quoted market price.

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

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 June 30, 2009, the Company had no foreign exchange contracts outstanding.

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, contract work-in-progress 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 and six months ended June 30, 2009, the Company recorded bad debt expense of $46,841 and $105,606 respectively, and has a total reserve against accounts receivable totalling $613,589 for such accounts as of June 30, 2009.

Currency risk

The Company generates revenues and incurs expenses and expenditures primarily in Canada, the United States and Europe and is exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities in foreign currencies that expose the Company to foreign exchange risks. The Company also utilizes foreign currency contracts to mitigate the risks arising from changes in foreign currency rates.

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

4. Financial instruments (continued):

At June 30, 2009 the Company is exposed to translation foreign currency risk through the following financial assets and liabilities denominated in Euro and US Dollars:

	June 30, 2009		December 31, 2008	
	(EUR)	(USD)	(EUR)	(USD)
Cash	173,461	139,499	(56,337)	(57,585)
Accounts Receivable	795,965	3,244,656	702,841	3,785,648
Accounts Payable & Accrued Liabilities	(1,068,407)	(1,209,758)	(429,355)	(2,898,277)
Long Term Debt	(354,543)	(4,586)	(386,418)	(8,382)
	(453,524)	2,169,812	(169,269)	821,404

At June 30, 2009 with other variables unchanged, a +/-10% change in the USD/CAD and Euro/CAD exchange rates would result in net decrease/increase pre-tax translation loss for the six month period by +/- $178,333 (USD 216,981 net of Euro 45,352).

The impact of fluctuations in other currencies is not material.

Interest rate risk

The Company is exposed to interest rate risk on cash balances earning interest income and to the extent that it draws on its operating lines of credit which calculate interest as a function of variable interest rates. Based on the amounts drawn on the Company's line of credit facilities at June 30, 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.

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

	Maturity		
Financial Liability	Less than one year	One to Two Years	Greater than two years
Line of credit	$ 196,868	$ -	$ -
Accounts payable and accrued liabilities	4,374,800	-	-
Acquisition price payable	609,326	-	-
Long-Term debt	321,032	152,414	54,624
	$ 5,502,026	$ 152,414	$ 54,624

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 debt and shareholders' equity. Shareholder's equity is 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, the total debt is approximately 2.9% of the Company's shareholder's equity at June 30, 2009.

There are no restrictions on the capital of the Company.

6. Plant and equipment:

June 30, 2009	Cost	Accumulated amortization	Net Book Value
Furniture and equipment	$ 2,584,096	2,359,298	$ 224,798
Computer equipment and software	9,417,355	6,786,556	2,630,799
Leasehold improvements	346,279	196,704	149,575
	$ 12,347,730	9,342,558	$ 3,005,172

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 six months ended June 30, 2009 the Company transferred certain computer equipment assets with a net book value of $347,116 from Plant and equipment to inventory as the goods are held for resale. No gain or loss resulted from the transfer of these assets.

DDS WIRELESS INTERNATIONAL INC.

Notes to Unaudited Interim Consolidated Financial Statements

7. Goodwill

Goodwill arose as a result of the acquisitions of MobiSoft and StrataGen in 2007. Details are as follows:

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
Subsequent purchase price allocation		(327,469)
Goodwill December 31, 2008	$	3,533,201
Translation adjustment for self sustaining operation		54,558
Goodwill June 30, 2009	$	3,587,759

8. Accounts receivable:

		As at June 30, 2009		As at December 31, 2008
Accounts receivable	**$**	**5,346,375**	$	7,639,977
Less allowance for doubtful accounts		**(613,589)**		(696,954)
Net Accounts Receivable	**$**	**4,732,786**	$	6,943,023
Contract work-in-progress		**3,179,688**		3,241,843
	$	**7,912,474**	$	10,184,866

	Current	30-60	60-90	90-120	120+	Total
Accounts Receivables	$ 3,106,067	$ 436,320	$ 415,890	$ 145,345	$ 1,242,753	$ 5,346,375
Less: Allowance for Doubtful Accounts	(5,384)	(5,250)	(11,424)	(43,035)	(548,496)	(613,589)
Net Accounts Receivables	$ 3,100,683	$ 431,070	$ 404,466	$ 102,310	$ 694,257	$ 4,732,786

See note 4 for a description of credit risk.

9. Intangibles:

As at June 30, 2009	Estimated useful life	Cost	Accumulated amortization	Net book value
Acquired software	6	$ 7,783,545	$ 2,126,272	$ 5,657,273
Customer relationships	6	2,229,760	600,160	1,629,600
Trademarks and brand	4	248,858	105,155	143,703
Non-compete agreements	3 to 5	530,329	214,236	316,093
Dispatch service agreements	2.5	1,136,311	925,857	210,454
Patent portfolio	6	372,000	97,077	274,923
Customer obligations	1	197,625	197,625	-
		$ 12,498,428	$ 4,266,382	$ 8,232,046

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. The cost of the intangible assets includes translation adjustments related to MobiSoft, which is considered a self-sustaining subsidiary.

10. Inventories:

Details of inventories are as follows:

	June 30, 2009	December 31, 2008
Raw materials	$1,723,916	$1,774,205
Finished goods	702,064	391,491
Total inventory	$2,425,980	$2,165,696

During the three and six months ended June 30, 2009 the Company charged $1,120,099 and $1,741,582 of Inventory related amounts to Cost of Sales respectively ,and recognized a write down of inventory of $75,000 (2008 - $nil). 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:

Leases receivable relates to equipment leased to customers. Details are as follows:

	As at June 30, 2009	As at December 31, 2008
Leases receivable	$ 2,542,484	$ 2,851,072
Less unearned finance income	345,803	422,716
Net leases receivable	2,196,681	2,428,356
Current portion	493,202	501,484
	$ 1,703,479	$ 1,926,872

Future minimum lease payments receivable are as follows:

Years ending December 31:	
2009 (July to December)	$ 238,847
2010	521,742
2011	600,527
2012	677,982
2013	157,583
	$ 2,196,681

12. Investment:

During the year ended December 31, 2008, the Company purchased shares in a third party, private company for total 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. See Note 4.

	As at June 30, 2009	As at December 31, 2008
Investment	**$ 102,565**	$ 102,565

13. Lines of Credit:

The Company signed an amendment to its $4.0 million line of credit that bears interest at prime plus 0.5% during the first quarter in 2009. The line of credit is guaranteed by Viksun Enterprise Inc., a company controlled by the Company's Chief Executive Officer, for the amount of $2.0 million. The assets of the Company are provided as collateral for the line of credit. As at June 30, 2009, the Company has $196,868 drawn on the line of credit (December 31, 2008 - $1,187,862).

The Company's subsidiary, MobiSoft, has a $244,000 (€150,000) operating line of credit available as at June 30, 2009, which bears interest at one month Euribor rate plus 1%. As at June 30, 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 $116,000 (US$100,000) operating line of credit available as at June 30, 2009, which bears interest at US prime plus 0.5%. As at June 30, 2009, the Company had $nil drawn on this line of credit (December 31, 2008 - $116,136 (US$94,836)). It is secured by a General Security Agreement of StrataGen and requires StrataGen to maintain certain bank covenants. On July 31, 2009, this line of credit was not renewed.

The Company is in compliance with financial covenants as of June 30, 2009.

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 June 30, 2009 of $77,922 (€47,811). The loan has a four year term expiring March 15, 2010 with monthly payments of $8,658 (€5,313) excluding interest.

(b) The Company has unsecured government loans with the State Treasury of Finland for the development of specific products totaling $444,816 (€272,939) as at June 30, 2009 as follows:

   (i) Loan for software product development payable in the amount of $131,568 (€80,730) as at June 30, 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 $65,784 (€40,365) excluding interest.

   (ii) Loan for software product application service provider ("ASP") development payable in the amount of $192,308 (€118,000) as at June 30, 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 $64,104 (€39,334) excluding interest.

14. Long-term Debt (continued):

(iii) Loan for payment related software product development for $176,010 (€108,000) as at June 30, 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 $58,670 (€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 June 30, 2009 is $55,070 (€33,791) and is shown net in the balance of the loan set out above.

The Company also assumed a capital lease through the acquisition of StrataGen with a balance payable of $5,333 as at June 30, 2009 with $3,020 payable within 2009.

The long-term debt of the Company is as follows:

	As at June 30, 2009	As at December 31, 2008
Nordea Bank	$ 77,922	$ 135,835
Government loans with Finland State Treasury	444,816	454,753
Capital lease obligation	5,332	10,265
	528,070	600,853
Current portion	(321,032)	(313,666)
	$ 207,038	$ 287,187

Loan repayments for the years ending December 31,

2009	$ 223,242
2010	195,580
2011	109,248
Total	$ 528,070

15. Other (income) expense:

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Amortization of gain on disposal of land and building	**$ -**	$ (47,769)	**$ (3,000)**	$ (95,538)
Interest expense	**11,095**	30,457	**18,845**	30,457
Other	**4,107**	4,028	**8,353**	10,201
	$ 15,202	$ (13,284)	**$ 24,198**	$ (54,880)

The gain on disposal of land and building was 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 Common 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 June 30, 2009	13,789,746	$	24,608,226

(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. No options were granted to non-employees.

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

	Number of options		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	513,750	$	2.09
Forfeiture	(22,000)	$	3.50
Expired	(60,583)	$	2.95
Outstanding, June 30, 2009	1,212,698	$	2.56

16. Share capital (continued):

The following table summarizes the stock options outstanding and exercisable at June 30, 2009:

		Options outstanding	Options exercisable
Exercise prices	Number of options	Remaining contractual life	Number exercisable
$ 1.65	438,150	2.62	-
$ 3.00	671,048	1.69	211,587
$ 3.50	103,500	0.08	86,402
	1,212,698	1.88	297,989

The options outstanding at June 30, 2009 expire between July 31, 2009 and February 27, 2012. Subsequent to the balance sheet date, 103,500 options expired and were not exercised. During the three and six months ended June 30, 2009, there were no options granted to non-employees. The stock option expense in the three and six months ended June 30, 2009 was $188,344 (2008 - $23,984) and $188,344 (2008 - $57,524) respectively. The weighted average fair value of options granted in the three and six months ended June 30, 2009 was $1.20 (2008 - $0.93) and $0.78 (2008 - $0.93) respectively, determined using the Black-Scholes option-pricing model at the date of each grant with the following assumptions:

	June 30, 2009	December 31, 2008
Expected life	3.0 years	3.0 years
Risk-free interest rate	1.61%	2.5-3.5%
Expected dividend yield	0%	0%
Expected stock price volatility	156-173%	65-162%

(d) Contributed surplus:

Balance at December 31, 2008	$	814,459
Stock compensation expense		188,344
Balance at June 30, 2009	$	1,002,803

16. Share capital (continued):

(e) Warrants:

Part of the consideration for the acquisition of StrataGen was future maximum payments to the StrataGen shareholders of US$2.3 million payable in the Company's common shares issued from treasury or cash, at the Company's discretion. Such payments were based on revenue from certain contracts that StrataGen was negotiating at the time of the acquisition. 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. In 2008, Company issued 646,555 shares from treasury for payment of US$1.8 million in respect of these payments. The criteria for the balance of payments were not met and as at June 30, 2009, there are no amounts outstanding from this obligation.

17. Supplementary cash flow information:

Change in non-cash working capital:	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	**2009**	2008
Accounts receivable	**$ (1,080,930)**	$ (1,283,910)	**$ 2,210,237**	$ (614,099)
Contract work-in-progress	**(118,705)**	22,575	**62,155**	
Income taxes receivable	**85,789**	26,817	**86,491**	133,072
Prepaid expense	**(198,513)**	(98,003)	**33,153**	(301,978)
Inventories	**330,106**	352,524	**86,832**	157,069
Accounts payable and accrued liabilities	**134,866**	18,466	**(718,521)**	(399,148)
Deferred revenue	**321,461**	333,874	**748,973**	1,493,539
	$ (525,926)	$ (627,657)	**$ 2,509,320**	$ 468,455
Supplemental disclosure of cash flow information:				
Interest received	**$ 50,047**	$ 4,028	**$ 50,624**	$ 10,201
Cash paid for interest	**11,094**	30,457	**18,190**	30,457
Cash paid for income taxes	**20,551**	-	**20,551**	-
Non cash transactions:				
Transfer of capital asset to inventory	**$ 139,032**	$ -	**$ 347,116**	$ -
Amortization included in sales related expenses	**$ 107,541**	$ -	**$ 107,541**	$ -

	As at	
	June 30, 2009	December 31, 2008
The Company's cash (bank overdraft) consists of the following amounts:		
Cash	**$ 417,317**	$ 440,497
Bank overdraft	**-**	(503,245)
	$ 417,317	$ (62,748)

18. Related party transactions:

The Company is party to an operating lease agreement with and a beneficiary of a guarantee provided by a 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 and six months ended June 30, 2009 the total sales and services to this customer were $216,768 and $365,680, respectively (2008 - $145,213 and $207,975, respectively). These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the respective parties.

19. 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 Company's majority shareholder for the land and building occupied by the Company expiring September 2013. The consolidated minimum lease payments for all lease agreements in each of the next five years are as follows:

Year ending December 31:		
2009 (July to December)	$	489,683
2010		908,476
2011		724,597
2012		708,122
2013		732,540
	$	3,563,418

(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 six months ended June 30, 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 $2,289,584 (USD$1,969,535). The Company arranged the bonds with Canada Export Development Corporation ("EDC") and has agreed to indemnify EDC.

(d) Purchase obligations:

The Company has outstanding purchase obligations at June 30, 2009 as follows:

Year ending December 31:		
2009 (July to December)	$	724,768
2010		1,009,356
2011		994,249
	$	2,728,373

20. 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		Six Months Ended	
	June 30,	June 30,	**June 30,**	June 30,
Revenues:	**2009**	2008	**2009**	2008
United States	**$ 3,118,782**	$ 2,727,893	**$ 6,228,230**	$ 5,519,664
Canada	**1,531,793**	1,291,148	**2,887,947**	2,423,661
Europe	**4,460,514**	3,331,518	**7,060,879**	6,183,031
Other	**29,304**	865,419	**69,845**	1,090,622
	$ 9,140,393	$ 8,215,978	**$ 16,246,901**	$ 15,216,978

	June 30, 2009	December 31, 2008
Plant and equipment:		
Canada	**$ 861,205**	$ 1,013,492
United States	**1,993,449**	2,742,200
Europe	**150,518**	182,312
Other	**-**	252
	$ 3,005,172	$ 3,938,256

	June 30, 2009	December 31, 2008
Acquired intangibles:		
United States	**$ 4,230,255**	$ 4,629,070
Europe	**4,001,791**	4,778,216
	$ 8,232,046	$ 9,407,286

	June 30, 2009	December 31, 2008
Goodwill:		
United States	**$ 388,564**	$ 388,564
Europe	**3,199,195**	3,144,637
	$ 3,587,759	$ 3,533,201

20. Segmented information (continued):

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

Three Months ended June 30, 2009

	Taxi	Transit	eFleet	Digital Wireless	Total
Revenues from external customers	$6,371,190	$2,472,171	$198,893	$98,139	**$9,140,393**
Amortization of plant and equipment and sales related assets	$234,708	$27,634	$31,072	$46,002	**$339,416**
Amortization of intangibles	$415,422	$238,480	-	-	**$653,902**
Income tax (recovery) expense	($153,979)	($137,432)	($27,411)	($50,215)	**($369,037)**
Income (loss)	$1,174,623	$1,586	($76,872)	($1,771,544)	**($672,206)**
Expenditures for plant and equipment	($42,570)	$8,085	$26,040	$85,739	**$77,294**

Three months ended June 30, 2008

	Taxi	Transit	eFleet	Digital Wireless	Total
Revenues from external customers	5,805,214	1,709,637	91,635	609,492	8,215,978
Amortization of plant and equipment and sales related assets	134,535	29,112	15,558	13,317	192,522
Amortization of intangibles	305,158	269,023	-	-	574,181
Income tax (recovery) expense	112,610	(102,441)	(123,161)	(50,699)	(163,691)
Income (loss)	379,472	6,912	(114,311)	(873,834)	(601,761)
Expenditures for plant and equipment	236,735	(39,703)	135,433	6,418	338,883

20. Segmented information (continued):

Six Months ended June 30, 2009

	Taxi	Transit	eFleet	Digital Wireless	Total
Revenues from external customers	$11,546,683	$4,064,872	$388,386	$246,960	**$16,246,901**
Amortization of plant and equipment and sales related assets	$473,705	$52,591	$62,538	$90,332	**$679,166**
Amortization of intangibles	$832,962	$478,176	-	-	**$1,311,138**
Income tax (recovery) expense	($342,401)	($253,107)	($46,920)	($136,418)	**($778,846)**
Income (loss)	$1,135,737	($603,687)	($123,340)	($2,137,060)	**($1,728,349)**
Expenditures for plant and equipment	$35,862	$117,176	$26,040	$87,191	**$266,269**

Six months ended June 30, 2008

	Taxi	Transit	eFleet	Digital Wireless	Total
Revenues from external customers	10,532,536	3,691,036	159,234	834,172	15,216,978
Amortization of plant and equipment and sales related assets	294,280	57,728	30,391	77,608	460,007
Amortization of intangibles	670,158	537,023	-	-	1,207,181
Income tax (recovery) expense	154,909	(352,072)	(108,395)	(113,860)	(419,418)
Income (loss)	1,096,696	(231,575)	(241,179)	(1,871,257)	(1,247,315)
Expenditures for plant and equipment	541,544	118,676	135,433	6,418	802,071

The Company allocates interest revenue and expenses and non-cash stock based compensation to the Digital Wireless segment.