

THIRD QUARTER REPORT

Nine months ended September 30, 2008



Wireless Fleet Management Solutions

DDS  WIRELESS
INTERNATIONAL

About DDS Wireless International

DDS Wireless International Inc. (TSX: DD) is a global leader in providing application software and solutions for fleet management to multiple markets

- We operate four businesses dedicated to Taxi, Transit, Limousines and Work Trucks, and Wireless Devices and Communications Infrastructure
- We provide fleet management solutions, transit routing and scheduling software application, in-vehicle wireless devices and communications products
- We acquired businesses of Finland-based Mobisoft OY and Washington-based StrataGen Systems Inc. in 2007 to further diversify and expand our business
- Our customers include four of the top five, and 10 of the top 20 transit authorities in North America; 6 of the top 10 taxi operators in the world; the largest AAA clubs in North America
- We support customers worldwide from our offices in Canada, Finland, India, Singapore, Sweden, U.K., and U.S.A.
- We have installed approximately 75,000 wireless data devices and nearly 200 wireless data systems on five continents

Fellow Shareholders,

I am pleased to report that revenues for the nine months ended September 30, 2008 increased by 72% over the same period last year to \$22.9 million. The growth in revenue is a positive testament to our strategy of building the business through acquisitions and developing new market opportunities in areas closely related to our four core businesses. These initiatives include the acquisitions of Kirkland, Washington based StrataGen Systems Inc. ("StrataGen") and Finland based MobiSoft Oy ("MobiSoft") in Q4 of 2007, and the subsequent restructuring of our company into four separate and distinct market-focused business units in the first quarter of 2008: Taxi, Transit, eFleet and Digital Wireless (wireless devices and communications infrastructure).

Digital Dispatch, our Taxi business unit, continued to show strong growth in revenues from Bundled Subscription Solutions for both its Mobile Media and TaxiBook™ offerings. TaxiBook™, a hosted taxi dispatch solution gained through the acquisition of MobiSoft last year, is key to penetrating the market for small taxi fleets market and building on our base of recurring revenues. Small fleets constitute about 85% of the taxi market in North America and Q3 saw a 42% increase in TaxiBook™ deployments in this market over Q2, in addition to deployments in new markets in Europe and Australia. Similarly, the Taxi Division experienced a 40% increase in Mobile Media deployments, in conjunction with an increase in credit card penetration rates to over 20%.

During the third quarter, StrataGen, DDS's Transit business, announced the addition of two new modules, Dispatch Alert™ and Site Tuner™, to its industry leading ADEPT™ scheduling and dispatch platform. These new modules provide further enhancement of the operational efficiency of para-transit agencies using ADEPT. StrataGen also commenced the first phase of its \$3.3 million contract with Access Services Inc. of Los Angeles. The project involves integration between ADEPT™ and DDS's Shared Ride™ application. In addition to the success of the integration at the systems level, StrataGen continued to serve as an effective new sales channel for the Company's wireless Mobile Data Terminals. Through the acquisition, our Transit business is now positioned to offer a full end-to-end solution for the demand response transit market or specific hardware sales to end users and resellers or systems integrators in the market.

Our eFleet™ hosted fleet management subscription solution is showing even stronger momentum this quarter, with net subscribers up 68% over the end of 2007 and revenue growth of 57% over the previous quarter. eFleet™ has recently experienced its greatest success in the limousine and heavy equipment markets through partnerships with other software suppliers. eFleet™ enables 3rd party software applications to add wireless dispatch capability by integrating with the eFleet system.

Digital Wireless ("DW") continued to leverage its partnerships with independent software vendors, system integrators and value-added resellers, to reach into markets such as Europe, New Zealand, and South Africa. DW continues to develop its profile and presence with these partners which bring significant opportunity for further growth in these international markets. Closer to home, DW further built on its ongoing business relationship with the American Automobile Association.

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Letter to Shareholders

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We recently launched our iMAX™ series of mobile data terminals ("MDTs"). This latest generation of MDTs 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 revenue guidance for the 2008 fiscal year to between \$33 and \$34 million assuming current foreign exchange rates. This guidance represents growth in fiscal year revenues of over 60% and will mark the close of a year of significant transformation for the Company. These transformations include a considerable extension of the Company's geographic reach and development of lucrative and exciting new markets. We remain excited about continued opportunities for revenue growth and diversification garnered through these strategic changes.



Vari Ghai,
President 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.

Financial Statements

Interim Consolidated Balance Sheets (unaudited)

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,415,273	\$ 1,075,203
Short-term investments	152,444	-
Accounts receivable	4,920,097	7,473,503
Unbilled receivables	3,105,006	3,326,299
Income taxes receivable	-	147,601
Future income taxes	20,546	76,100
Inventories (note 10)	2,951,766	2,917,686
Prepaid expenses	1,002,932	620,444
Current portion of leases receivable (note 8)	430,536	475,377
	13,998,600	16,112,213
Plant and equipment (note 6)	3,480,683	2,660,921
Investment (note 9)	102,565	-
Leases receivable (note 8)	1,934,362	1,784,818
Future income taxes	5,054,628	3,933,562
Acquired intangible assets (note 7)	9,203,222	11,011,000
Goodwill	3,275,544	3,329,000
	\$ 37,049,604	\$ 38,831,514
Liabilities and Shareholders' Equity		
Current liabilities:		
Line of credit (note 11)	\$ 777,762	\$ 1,255,954
Accounts payable and accrued liabilities	4,676,517	4,527,892
Deferred acquisition costs payable	2,273,918	4,097,802
Income taxes payable	23,031	-
Future income taxes	849,246	820,761
Deferred revenue	2,605,314	1,459,894
Deferred gain	-	143,308
Current portion of long-term debt (note 12)	164,136	144,193
	11,369,924	12,449,804
Long-term debt (note 12)	382,609	506,053
Future income taxes	791,892	1,139,849
	12,544,425	14,095,706
Shareholders' equity:		
Share capital (note 14)	24,608,246	22,836,687
Contributed surplus (note 14(d))	717,755	660,231
Retained earnings	93,298	2,106,161
Accumulated other comprehensive loss	(914,120)	(867,271)
	24,505,179	24,735,808
	\$ 37,049,604	\$ 38,831,514

See accompanying notes to consolidated financial statements.

Financial Statements

Interim Consolidated Statements of Operations (unaudited)

	Three months ended,		Nine months ended,	
	Sep 30, 2008 (Unaudited)	Sep 30, 2007 (Unaudited)	Sep 30, 2008 (Unaudited)	Sep 30, 2007 (Unaudited)
Revenue (note 17)	\$ 7,635,780	\$ 5,096,077	\$ 22,852,758	\$ 13,280,652
Cost of sales				
Sales related expenses	3,937,359	2,485,987	11,774,977	6,523,610
Amortization of sales related assets	201,614	-	429,175	-
Total cost of sales	4,138,973	2,485,987	12,204,152	6,523,610
Gross margin	3,496,807	2,610,090	10,648,606	6,757,042
Operating expenses:				
Research and development	1,583,863	918,861	4,551,996	2,846,883
Sales and marketing	1,062,745	831,079	3,077,716	2,869,504
General and administrative	1,348,610	817,620	3,961,392	2,176,845
	3,995,218	2,567,560	11,591,104	7,893,232
(Loss) income before undernoted	(498,411)	42,530	(942,498)	(1,136,190)
Other (income) expense:				
Amortization of plant and equipment	118,854	78,403	351,300	221,348
Amortization of intangibles (note 7)	606,584	-	1,813,765	-
Foreign exchange (gain) loss	(106,529)	730,733	(326,154)	1,825,622
Stock-based compensation (note 14(c))	-	75,000	57,524	225,000
Other (note 13)	(29,169)	(47,412)	(84,049)	(131,796)
	589,740	836,724	1,812,386	2,140,174
Loss before income taxes	(1,088,151)	(794,194)	(2,754,884)	(3,276,364)
Income taxes				
Current expense (recovery)	79,749	30,086	642,963	(409,583)
Future (recovery)	(402,352)	(231,801)	(1,384,984)	(504,438)
	(322,603)	(201,715)	(742,021)	(914,021)
Net loss	(765,548)	(592,479)	(2,012,863)	(2,362,343)
Loss per common share (note 15):				
Basic	\$(0.06)	\$(0.05)	\$(0.15)	\$(0.20)
Diluted	\$(0.06)	\$(0.05)	\$(0.15)	\$(0.20)

See accompanying notes to consolidated financial statements.

Financial Statements

Interim Consolidated Statements of Comprehensive loss (unaudited)

	Three months ended Sep 30, 2008		Nine months ended Sep 30, 2007	
Net loss	\$ (765,548)	\$ (592,479)	\$ (2,012,863)	\$ (2,362,343)
Other Comprehensive loss and Unrealized loss on translation of self-sustaining foreign operations	(116,533)	-	(46,849)	-
Comprehensive loss	\$ (882,081)	\$ (592,479)	\$ (2,059,712)	\$ (2,362,343)

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

	Three months ended Sep 30, 2008		Nine months ended Sep 30, 2007	
Retained Earnings				
Beginning of period	\$ 858,846	\$ 3,697,566	\$ 2,106,161	\$ 5,467,430
Net (loss) earnings	(765,548)	(592,479)	(2,012,863)	(2,362,343)
End of period	93,298	3,105,087	93,298	3,105,087
Accumulated Other Comprehensive Loss on translation of Self-sustaining Foreign Operations				
Beginning of period	(797,587)	(896,614)	(867,271)	(896,614)
Net unrealized loss on translation of self-sustaining foreign operations in the year	(116,533)	-	(46,849)	-
	(914,120)	(896,614)	(914,120)	(896,614)
Total Retained Earnings and Accumulated Other Comprehensive (loss) income	\$ (820,822)	\$ 2,208,473	\$ (820,822)	\$ 2,208,473

See accompanying notes to consolidated financial statements.

Financial Statements

Interim Consolidated Statements of Cash Flows (unaudited)

	Three months ended Sep 30,		Nine months ended Sep 30,	
	2008	2007	2008	2007
Cash provided by (used in):				
Operations:				
Net loss	\$ (765,548)	\$ (592,479)	\$ (2,012,863)	\$ (2,362,343)
Items not involving cash:				
Amortization of plant and equipment	320,469	78,403	780,476	221,348
Amortization of acquired intangibles	606,584	-	1,813,765	-
Future income taxes	(402,352)	(231,801)	(1,384,984)	(504,438)
Unrealized foreign exchange gain	(107,493)	905,150	(32,994)	1,210,355
Amortization of gain on disposition property	(47,769)	(47,769)	(143,308)	(143,307)
Loss on disposal of asset	-	-	-	10,892
Stock based compensation	-	75,000	57,524	225,000
	(396,109)	186,504	(922,384)	(1,342,493)
Change in non-cash operating working capital (note 18)	2,941,131	(356,358)	3,261,785	157,903
	2,545,022	(169,854)	2,339,401	(1,184,590)
Investing:				
Purchase of short-term investments	(152,444)	1,226,240	(152,444)	(1,584,287)
Purchase of plant and equipment	(798,167)	(1,267,466)	(1,600,238)	(1,593,027)
Cash purchase of investment	-	-	(25,275)	-
Acquisitions, net of cash and cash equivalents	-	(85,720)	87,315	(85,720)
Repayments of lease receivables	23,543	267,186	326,193	870,883
	(927,068)	140,240	(1,364,449)	(2,392,151)
Financing:				
Repayment of long term debt	(96,898)	-	(146,410)	-
Drawing on line of credit	-	-	12,191,268	-
Repayment on line of credit	(116,521)	-	(12,669,460)	-
	(213,419)	-	(624,602)	-
Effect of foreign currency exchange rates on cash & cash equivalents	(10,280)	(423,866)	(10,280)	(1,052,589)
Increase (decrease) in cash and cash equivalents	1,394,255	(453,480)	340,070	(4,629,330)
Cash and cash equivalents, beginning of period	21,018	2,536,936	1,075,203	6,712,786
Cash and cash equivalents, end of period	\$ 1,415,273	\$ 2,083,456	\$ 1,415,273	\$ 2,083,456

See accompanying notes to consolidated financial statements.

Notes to 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.

The Company changed its name to DDS Wireless International Inc. from Digital Dispatch Systems Inc. on March 4, 2008.

As disclosed in Note 11, the Company is currently in default of its financial covenant related to its line of credit. Subsequent to September 30, 2008, the financial institution has agreed to waive the financial covenant as at September 30, 2008, and an amended credit agreement is anticipated to be presented by November 21, 2008. The Company is currently the beneficiary of a guarantee provided by Viksun Enterprise Inc., a company controlled by the Company's Chief Executive Officer. Management continues to review operations in order to identify additional strategies, including obtaining future sales contracts designed to generate cash flow, improve the Company's financial position, and enable the timely discharge of the Company's obligations.

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, 2007.

3. Significant accounting policies:

These interim consolidated financial statements follow the same accounting policies and methods of application used in the Company's audited consolidated financial statements as at and for the year ended December 31, 2007 with the exception of the following:

(i) Inventories

Commencing with the Company's 2008 fiscal year, the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") for accounting for inventories (CICA Handbook section 3031) apply to the Company. Under the new requirements, inventory must be valued at the lower of cost and net realizable value with any write-down reversed (to the extent of the original write-down) if circumstances change in subsequent periods. The new section also enhances guidance regarding the definition of cost and disclosure costs. The Company has commenced application of this section and as of January 1, 2008, it was determined no adjustment to inventory was required.

(ii) Capital Disclosures

Commencing with the Company's 2008 fiscal year, the new recommendations of the CICA for capital disclosures (CICA Handbook Section 1535) apply to the Company. This section will require quantitative and qualitative disclosure in the footnotes to the financial statements about the Company's capital requirements and objectives. The Company has commenced application of this section as of January 1, 2008, refer to note 5.

(iii) Presentation and Disclosure of Financial Instruments

Commencing with the Company's 2008 fiscal year, the new presentation and disclosure recommendations of the CICA for financial instruments (CICA Handbook Section 3862 and 3863) apply to the Company. These new recommendations increase the disclosure of the nature and extent of risks arising from financial instruments and how the Company manages those risks. The Company has commenced application of these sections as of January 1, 2008, refer to note 4.

Notes to Consolidated Financial Statements

4. Financial instruments:

Fair value estimation

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

The carry value of lease receivables also approximate their fair value as there are no changes in underlying market interest rates or credit risk that would result in a material difference in fair value.

	September 30, 2008		December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held for trading				
Cash and cash equivalents	\$ 1,415,273	\$ 1,415,273	\$ 1,075,203	\$ 1,075,203
Short-term investments	152,444	152,444	-	-
Loans and receivables				
Accounts receivable	4,920,097	4,920,097	7,473,503	7,473,503
Unbilled receivables	3,105,006	3,105,006	3,326,299	3,326,299
Financial liabilities				
Line of credit				
Accounts payable and accrued liabilities	777,762	777,762	1,255,954	1,255,954
Acquisition purchase price payable	4,676,517	4,676,517	4,527,892	4,527,892
	2,273,917	2,273,917	4,097,802	4,097,802
Loans and receivables				
Long-term debt	\$ 546,745	\$ 546,745	\$ 650,246	\$ 650,246

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 and cash equivalents and accounts receivable. Cash and cash equivalents consist primarily of deposits with major commercial banks. Credit risk with respect of 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 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 doubtful accounts that corresponds to the credit risk of its customers, historical trends and economic circumstances.

During the nine month period ended September 30, 2008, the Company recorded bad debt expense of \$116,543 to reflect accounts that may not be collectible and has a total reserve against accounts receivable totaling \$602,712 for such accounts.

Notes to Consolidated Financial Statements

4. Financial instruments (continued):

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, and by holding cash equivalents in the currency in which the Company expects to incur expenditures during the foreseeable future.

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. Although the Company is not engaged in hedging or other activities to reduce foreign currency risk, it may do so in the future if conditions change. If the value of the Canadian dollar relative to the U.S. dollar were to change by 10 percent, the Company's net loss would be impacted by \$45,000. The impact of the Euros, Great Britain Pounds, 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 September 30, 2008, a hypothetical 10% change in interest rates would not have a material impact on net loss.

Liquidity risk

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable and unbilled receivables. The Company typically invests its cash resources in guaranteed investment certificates and term deposits at financial institutions. The Company typically does not incur gains or losses due to market changes in the value of its securities. The Company incurred no such gains or losses in 2007 or the first nine months of 2008. In addition, the Company does not purchase financial instruments that have an inactive market or are not easily tradable.

The Company manages liquidity risk by acquiring only actively tradable securities of highly rated issuers with short maturities, typically three months or less, and by diversifying the portfolio among several issuers. The Company also staggers the maturity dates of its securities to have adequate cash on hand to meet its obligations. The Company's overall liquidity risk has not changed significantly from the prior year.

5. Capital disclosures:

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

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

Where considered appropriate the Company may incur and carry long-term debt from time to time as a result of expansion activities, including acquisitions. In October 2007, the Company assumed long term debt through its acquisition of MobiSoft. In keeping with the Company's capital strategy to maintain a low debt to equity ratio, this debt is less than 2% of the Company's shareholder's equity at September 30, 2008.

The Company has line of credit which is currently in default of a financial covenant. Refer to notes 1 and 11. Subsequent to September 30, 2008, the financial institution has agreed to waive the financial covenant as at September 30, 2008, and an amended credit agreement is anticipated to be presented by November 21, 2008.

Notes to Consolidated Financial Statements

6. Plant and equipment:

September 30, 2008			
	Cost	Accumulated amortization	Net book value
Furniture	\$ 2,601,110	\$ 2,354,117	\$ 246,993
Computer equipment and software	8,970,417	5,892,287	3,078,130
Leasehold improvements	298,631	143,071	155,560
	\$ 11,870,158	\$ 8,389,475	\$ 3,480,683

December 31, 2007			
	Cost	Accumulated amortization	Net book value
Furniture	\$ 2,763,885	\$ 2,480,146	\$ 283,739
Computer equipment and software	6,751,136	4,540,695	2,210,441
Leasehold improvements	281,810	115,069	166,741
	\$ 9,796,831	\$ 7,135,910	\$ 2,660,921

7. Intangible assets:

		September 30,		December 31,	
		2008		2007	
	Estimated useful life	Cost	Accumulated amortization	Net book value	Net book value
Acquired software	6	\$ 7,143,000	\$ 1,203,778	\$ 5,939,222	\$ 6,947,000
Customer relationships	6	1,998,000	278,000	1,720,000	1,952,000
Trademarks and brand	4	239,000	57,000	182,000	226,000
Non-compete agreements	3 to 5	479,000	105,000	374,000	456,000
Dispatch service agreements	2.5	1,115,000	446,000	669,000	981,000
Patent portfolio	6	317,000	40,000	277,000	313,000
Customer obligations	1	168,000	126,000	42,000	136,000
		\$ 11,459,000	\$ 2,255,778	\$ 9,203,222	\$ 11,011,000

Notes to Consolidated Financial Statements

8. Lease receivable:

	September 30, 2008	December 31, 2007
Leases receivable	\$ 2,789,254	\$ 2,701,040
Less unearned finance income	424,356	440,845
Net leases receivable	2,364,898	2,260,195
Current portion	430,536	475,377
	\$ 1,934,362	\$ 1,784,818

Future minimum lease payments receivable are as follows as at September 30, 2008:

Three months ending December 31, 2008	\$ 142,419
Year ending December 31, 2009	598,014
Year ending December 31, 2010	613,240
Year ending December 31, 2011	649,240
Year ending December 31, 2012	678,528
Thereafter	107,813
	\$ 2,789,254

9. Investment:

During the year the Company purchased 500,000 shares in Guard RFID Solutions for \$102,565 and is valued at cost. This investment is carried at cost as there is no quoted market price in an active market.

	September 30, 2008	December 31, 2007
Investment	\$ 102,565	\$ -

10. Inventories:

Carrying value of inventory by class:

	September 30, 2008	December 31, 2007
Raw Materials	\$ 2,599,506	\$ 2,641,199
Work in progress	3,286	-
Finished Goods	348,974	276,487
Total inventory	\$ 2,951,766	\$ 2,917,686

Notes to Consolidated Financial Statements

10. Inventories (continued):

Carrying value of inventory at net realizable value

September 30, 2008

Net realizable value	\$	33,240
Fair value		2,918,526
Amount other than lower of cost or net realizable value		-
Total inventory	\$	2,951,766

Amount of inventories recognized as expense

	Three months ended September 30, 2008	Nine months ended September 30, 2008
Net realizable value	\$ 1,301,016	\$ 3,968,140

During the three months and nine months ended September 30, 2008 the Company recognized a write down of inventory of \$13,255. There were 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 11).

11. Line of credit:

On November 9, 2007 the Company increased its line of credit to \$4.0 million which bears interest at prime plus 0.5%. The Company is the beneficiary of a guarantee provided by Viksun Enterprise Inc., a company controlled by the Company's Chief Executive Officer, in the amount of \$2.0 million with the remainder of the line of credit secured by all the assets of the Company. As at September 30, 2008, the Company had \$750,000 (December 31, 2007 - \$1,255,954) drawn on this line of credit. Under the facility the lender has the right to demand payment upon not meeting the financial covenant. As at September 30, 2008, the Company is in default of a financial covenant in respect of this line of credit while the lender has not demanded repayment. Subsequent to September 30, 2008, the financial institution has agreed to waive the financial covenant as at September 30, 2008, and an amended credit agreement is anticipated to be presented by November 21, 2008. Refer to Note 1.

The Company's subsidiary, Mobisoft, has a \$223,845 (€150,000) operating line of credit available as at September 30, 2008, which bears interest at one month Euribor rate plus 1%. As at September 30, 2008, the Company had \$27,762 (December 31, 2007 - \$nil) drawn on this line of credit. It is secured by way of a General Securities Agreement of Mobisoft.

The Company's subsidiary, Stratagen, has an \$105,990 (US\$100,000) operating line of credit available as at September 30, 2008, which bears interest at prime plus 0.5%. As at September 30, 2008, the Company had no outstanding balance on this line of credit. It is secured by way of a General Securities Agreement of Stratagen and requires Stratagen to maintain certain bank covenants.

Notes to Consolidated Financial Statements

12. Long term debt:

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

(a) A loan with the Nordea Bank for the purchase of the Telia Sonera business secured by the assets of Mobisoft consisting of the dispatch service call fees payable by Telia Sonera. The loan bears an interest rate of 5.52% with the balance as at September 30, 2008 of \$142,701 (€95,625). The loan has a four year term expiring March 15, 2010 with monthly payments of \$7,928 (€5,313) excluding interest.

(b) The Company has unsecured government loans with the State Treasury of Finland for the development of specific products totaling \$457,733 (€306,730) as at September 30, 2008 as follows:

(i) Loan for software product development payable in the amount of \$120,473 (€80,730) as at September 30, 2008 with an interest rate of 1.75% and repayment commencing April 7, 2006 and ending April 7, 2010 with annual payments on each anniversary date of \$60,237 (€40,365) excluding interest.

(ii) Loan for software product application service provider ("ASP") development payable in the amount of \$161,168 (€108,000) as at September 30, 2008 with an interest rate of 1.75% and repayment commencing November 24, 2009 and ending November 29, 2011 with annual payments on each anniversary date of \$53,723 (€36,000) excluding interest.

(iii) Loan for payment related software product development for \$176,092 (€118,000) as at September 30, 2008 with an interest rate of 1.75% with payment commencing December 12, 2009 and ending December 20, 2011 with annual payments on each anniversary date of \$58,697 (€39,333) excluding interest.

The Company assessed the fair value of the above government loans with the State Treasury of Finland assumed as at the acquisition date, based on an estimated cost of capital of 8% resulting in a related benefit of \$64,212 with the related interest expense being accreted over the remaining loan term. Interest expense recorded up to September 30, 2008 totaled \$12,216 (€8,185) resulting in a loan payable of \$536,222 in the consolidated financial statements.

(c) The Company also assumed a capital lease through its acquisition of Stratagen with a balance payable of \$10,523 as at September 30, 2008.

The long term debt of the Company is as follows as at September 30, 2008:

Nordea Bank	\$	142,701
Government loans with Finland State Treasury		393,521
Capital lease obligation		10,523
		546,745
Current portion		(164,136)
	\$	382,609
<hr/>		
Loan repayments for the years ending December 31,		
Three months ending December 31, 2008	\$	25,975
Year ending December 31, 2009		254,717
Year ending December 31, 2010		175,037
Year ending December 31, 2011		91,016
	\$	546,745

Notes to Consolidated Financial Statements

13. Other (income) expense:

	Three months ended Sep. 30,		Nine months ended Sep. 30,	
	2008	2007	2008	2007
Amortization of gain on disposal of land and building	\$ (47,769)	\$ (47,769)	\$ (143,308)	\$ (143,308)
Interest expense	9,479	-	39,936	-
Other	9,121	357	19,323	11,512
	\$ (29,169)	\$ (47,412)	\$ (84,049)	\$ (131,796)

The gain on disposal of land and building is amortized over the life of the original lease and is fully amortized at September 30, 2008.

14. Share capital:

(a) Authorized:

200,000,000 common shares, without par value
50,000,000 preferred shares, without par value

(b) Issued and outstanding:

	Number of Shares	Amount
Balance at, December 31, 2006	11,863,201	19,764,711
Shares Issued on acquisition	1,279,990	3,071,976
Balance at, December 31, 2007	13,143,191	22,836,687
Shares issued during period for payment of StrataGen Business Acquisition holdback	646,555	1,771,559
Balance at, September 30, 2008	13,789,746	24,608,246

(c) Stock options:

The Company has granted stock options to a wide group of management, directors and employees. Under the approved 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, with one-sixth of the option grant vesting at the end of each six-month interval.

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 September 30, 2008, the Company had outstanding 708,298 options to acquire common shares at prices ranging from \$3.00 to \$3.75 per share out of a maximum of 2,000,000 options that have already been approved by the shareholders. The Company has an obligation to issue a total of 421,000 options, to employees of StrataGen and MobiSoft under the terms of the acquisitions, by December 31, 2008.

The table below indicates the numbers of stock options granted, exercise price, calculate fair value per option using the Black-Scholes valuation model and the assumptions used in the calculation.

Notes to Consolidated Financial Statements

14. Share capital (continued):

	Three months ended Sep. 30,		Nine months ended Sep. 30,	
	2008	2007	2008	2007
Number of stock options granted	85,000	-	257,500	300,000
Exercise price per option	\$ 3.00	-	\$ 3.00	\$ 3.00
Fair value per option	\$ 1.61	-	\$ 0.87	\$ 1.65
Assumptions:				
Risk Free interest rate	3.0%	4.0%	3.2%	3.77%
Expected Lives of options	3.0 years	3.0 years	3.0 years	3.0 years
Expected dividend yield	0%	0%	0%	0%
Expected volatility	118.7%	77.4%	82.8%	87.7%

The following table summarizes the stock options outstanding and exercisable at September 30, 2008:

	Exercise prices	Number of shares	Options outstanding	Options exercisable
			Remaining contractual life (years)	Number exercisable
\$	3.00	592,798	2.51	66,111
\$	3.50	103,500	0.51	70,792
\$	3.55	3,000	0.02	2,000
\$	3.75	9,000	0.25	7,500
		708,298	2.18	146,403

The stock option expense in the three months ended September 30, 2008 was \$Nil (three months ended September 30, 2007 - \$75,000). The weighted average fair value of options granted in the three months ended September 30, 2008 was \$1.61 (three months ended September 30, 2007 - \$Nil) determined using the Black-Scholes option-pricing model at the date of each grant per the above assumptions.

	Number of shares	Weighted average exercise price
Balance, June 30, 2007	696,295	\$ 3.51
Granted	-	\$ -
Forfeited	(28,795)	\$ 3.36
Expired	-	\$ -
Outstanding, September 30, 2007	667,500	\$ 3.56
Granted	427,500	\$ 3.00
Forfeited	(248,501)	\$ 3.19
Expired	(183,001)	\$ 3.53
Balance, June 30, 2008	663,498	\$ 3.29
Granted	85,000	\$ 3.00
Forfeited	(30,200)	\$ 3.23
Expired	(10,000)	\$ 3.50
Outstanding, September 30, 2008	708,298	\$ 3.29

Notes to Consolidated Financial Statements

14. Share capital (continued):

Subsequent to September 30, 2008, the Company cancelled 12,000 options and granted an aggregate of 111,900 options with exercise prices ranging from \$1.65 to \$3.00, vesting 1/6th every six months with an expiry dates ranging from May 31, 2011 to October 30, 2011. As at November 14, 2008, the Company had 808,198 options outstanding to acquire common shares at prices ranging from \$1.65 to \$3.00 per share out of a maximum of 2,000,000 options that have already been approved by the shareholders. As at November 14, 2008, the Company has an obligation to issue a total of 421,000 options to employees of StrataGen and MobiSoft by the end of December 2008.

(d) Contributed surplus:

Balance, December 31, 2006	\$	378,069
Stock option expense		282,162
Balance, December 31, 2007		660,231
Stock option expense		57,524
	\$	717,755

(e) Warrants:

Part of the consideration for the acquisition of StrataGen is a future maximum payment to the StrataGen shareholders of US\$2.3 million in DDS common shares issued from treasury or cash at DDS' sole discretion. Such payment is based on revenue from certain contracts that StrataGen was negotiating at the time of the acquisition. As payment for such revenue is received DDS common shares will be issued from treasury unless the Company chooses to pay cash. The right to obtain such shares is represented by warrants issued on December 7, 2007 to the StrataGen shareholders entitling them to receive at the option of DDS, cash or DDS common shares, which for financial reporting purposes are classified in liabilities at September 30, 2008. The number of common shares to be issued is based on the revenue and related payment received and the trading price of the shares at the time of their issuance. Prior to September 30, 2008, the Company issued 646,555 shares from treasury for payment of US\$1.8 million deferred acquisition consideration already recorded resulting in total issued and outstanding shares of 13,789,746.

15. (Loss) earnings per share:

Three months ended September 30:

	2008			2007		
	Net loss	Common shares	Per share amount	Net loss	Common shares	Per share amount
Basic and diluted earnings per common share	\$(765,548)	13,789,746	(\$0.06)	\$(592,479)	11,863,201	(\$0.05)

Nine months ended September 30:

	2008			2007		
	Net loss	Common shares	Per share amount	Net loss	Common shares	Per share amount
Basic and diluted earnings per common share	\$(2,012,863)	13,583,701	(\$0.15)	\$(2,362,343)	11,863,201	(\$0.20)

For the above periods, the effect of outstanding stock options was antidilutive.

Notes to Consolidated Financial Statements

16. 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 82% relates to a lease agreement with a company controlled by the majority shareholder for the land and building occupied by the Company. This lease arose as part of a sale and leaseback transaction entered into in 2003, resulting in a gain to the Company of \$955,381, which is amortized over the initial five year term of the lease which expired September 2008. Accordingly the deferred gain represented by the unamortized portion is \$Nil as at September 30, 2008 (September 30, 2007 - \$191,076). The payments with respect to this lease are based on fair market value and aggregated \$153,362 for the three months ended September 30, 2008 (three months ended September 30, 2007 - \$148,034), and for the nine months ended September 30, 2008 is \$460,087 (2007 \$444,102). This facility lease agreement was extended in January 2008 by the Company for a five year period ending September 2013. Under this extension the consolidated minimum lease payments in each of the next five years total as follows:

Three months ending December 31, 2008	\$	268,828
Year ending December 31, 2009		973,052
Year ending December 31, 2010		902,750
Year ending December 31, 2011		727,810
Year ending December 31, 2012		714,227
Year ending December 31, 2013		549,405
	\$	4,136,072

(b) Legal Proceedings:

A claim has been 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 has filed its answer to the claim, denying it in its entirety and counterclaiming against the plaintiff for breach of contract. The court has issued its judgement on the claimant's request for an injunction against the Company and has denied the request. The Company believes the claim is without merit and continues to vigorously defend its position.

(c) Performance bonds:

For certain contracts, the Company was required to post two performance bonds totaling \$3,147,410 (USD\$2,969,535). The Company arranged the bonds with Canada Export Development Corporation ("EDC") and has agreed to indemnify EDC.

Notes to Consolidated Financial Statements

17. Segment 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 revenue and plant and equipment of the geographic segments based on the location of the customer are as follows:

	Three months ended Sep. 30,		Nine months ended Sep. 30,	
	2008	2007	2008	2007
Revenues:				
United States	\$ 3,291,220	\$ 2,726,464	\$ 8,810,884	\$ 6,359,788
Canada	975,967	843,261	3,399,628	2,297,680
Europe	3,164,179	1,310,692	9,347,210	4,147,499
Other	204,414	215,660	1,295,036	475,685
	\$ 7,635,780	\$ 5,096,077	\$ 22,852,758	\$ 13,280,652

	2008		2007	
Plant and equipment:				
Canada	\$	868,897	\$	811,826
United States		2,424,854		1,655,738
Europe		186,705		189,010
Other		227		4,347
	\$	3,480,683	\$	2,660,921

	2008		2007	
Acquired intangibles:				
United States	\$	4,813,158	\$	5,724,000
Europe		4,390,064		5,287,000
	\$	9,203,222	\$	11,011,000

	2008		2007	
Goodwill:				
Canada	\$	722,000	\$	722,000
Europe		2,553,544		2,607,000
	\$	3,275,544	\$	3,329,000

Notes to Consolidated Financial Statements

17. Segmented information (continued):

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

Three months ended Sep. 30, 2008

	Taxi	Transit	eFleet	Hardware	Total
Revenues from external customers	\$5,348,943	\$1,903,733	\$147,798	\$235,306	\$7,635,780
Amortization of plant and equipment	225,339	26,014	22,635	46,480	320,468
Amortization of intangibles	338,072	268,512	-	-	606,584
Income tax (recovery) expense	(198,766)	147,149	(34,673)	(236,313)	(322,603)
Income (loss)	(556,126)	182,993	(81,004)	(311,411)	(765,548)
Expenditures for plant and equipment	655,006	135,014	1,844	6,303	798,167

Nine months ended Sep. 30, 2008

	Taxi	Transit	eFleet	Hardware	Total
Revenues from external customers	\$15,881,479	\$5,594,769	\$307,032	\$1,069,478	\$22,852,758
Amortization of plant and equipment	519,889	83,472	53,026	124,088	780,475
Amortization of intangibles	1,008,230	805,535	-	-	1,813,765
Income tax (recovery) expense	(43,857)	(204,923)	(143,068)	(350,173)	(742,021)
Loss	(238,686)	(586,891)	(322,182)	(865,104)	(2,012,863)
Expenditures for plant and equipment	1,196,550	253,690	137,277	12,721	1,600,238

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

For the three months and nine months ended September 30, 2007, none of the segments, other than taxi, were reportable, and therefore segmented information was not required to be provided.

(b) The Company's revenue is earned through the following activities for the three and nine months ended September 30:

	Three months ended Sep. 30,		Nine months ended Sep. 30,	
	2008	2007	2008	2007
Product and services	\$ 7,600,777	\$ 4,863,071	\$ 22,725,850	\$ 12,788,177
Investments	11,238	181,736	21,147	341,821
Financing lease income	23,765	51,270	105,761	150,654
	\$ 7,635,780	\$ 5,096,077	\$ 22,852,758	\$ 13,280,652

Notes to Consolidated Financial Statements

18. Supplementary cash flow and other information:

	Three months ended Sep. 30,		Nine months ended Sep. 30,	
	2008	2007	2008	2007
Accounts receivable	\$ 2,753,595	\$ (1,299,301)	\$ 2,470,129	\$ 2,424,211
Unbilled receivable	625,228	60,309	221,293	\$ (1,733,790)
Income taxes receivable	14,529	(134,458)	147,601	\$ 293,432
Prepaid expense	(80,510)	131,145	(382,488)	\$ (20,629)
Inventories	(191,149)	1,406,367	(34,080)	\$ (119,844)
Leases receivables	(430,896)	59,709	(430,896)	\$ (408,200)
Accounts payable and accrued liabilities	575,422	(612,123)	101,775	\$ (277,765)
Deferred revenue	(348,119)	51,399	1,145,420	\$ 179,155
Income taxes payable	23,031	(19,405)	23,031	(178,667)
	\$ 2,941,131	\$ (356,358)	\$ 3,261,785	\$ 157,903
Supplemental disclosure of cash flow information				
Cash paid for interest	\$ 9,479	\$ -	\$ 39,936	\$ -
Cash paid for income taxes	39,425	36,653	73,040	186,876
	\$ 48,904	\$ 36,653	\$ 112,976	\$ 186,876
Non cash transactions				
Purchase of investment	\$ (3,988)	\$ -	\$ (77,290)	\$ -
Issue of shares in settlement of deferred acquisition costs	\$ -	\$ -	\$ 1,771,559	\$ -

19. Related party transactions:

The Company is party to an operating lease agreement with a company controlled by the majority shareholder, as detailed in Note 16.

The Company is a beneficiary of a guarantee provided by the company controlled by the majority shareholder, as detailed in Note 11.

The Company provides sales and services to a customer that is related to a director. In the three and nine months ended September 30, 2008 the total sales and services to this customer were \$237,437, \$421,717 (three and nine months ended September 30, 2007 - \$72,751, \$214,285). 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.

20. Subsequent events:

(a) Cash payout of \$961,565 (€644,351) was made to former Mobisoft shareholders in respect of deferred acquisition costs classified as liabilities on the balance sheet at September 30, 2008.

(b) Cash payout of \$211,980 (US\$200,000) was made to former Stratagen shareholders in respect of deferred acquisition costs classified as liabilities on the balance sheet at September 30, 2008.

(c) Subsequent to September 30, 2008 the Company arranged for a Standby Letter of Guarantee for \$94,340 (GBP 50,000) with respect to import customs costs into Great Britain.

(d) Refer to Note 14 for changes to options outstanding subsequent to September 30, 2008.

(e) Subsequent to September 30, 2008, the financial institution has agreed to waive the financial covenant as at September 30, 2008, and an amended credit agreement is anticipated to be presented by November 21, 2008.

Management Discussion and Analysis

This Management Discussion and Analysis ("MD&A") of DDS Wireless International Inc. (the "Company" or "DDS Wireless") has been prepared by management as of November 14, 2008, and should be read in conjunction with the unaudited consolidated financial statements and related notes thereto of the Company for the three and nine months ended September 30, 2008, which were prepared in accordance with Canadian generally accepted accounting principles.

In addition, the following should be read in conjunction with the December 31, 2007 audited consolidated financial statements, the related annual management discussion and analysis and the Annual Information Form as well as other information relating to the Company on file with the Canadian provincial regulatory authorities on SEDAR, at www.sedar.com and on the Company's website at www.ddswireless.com.

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 customers' requirements; the possibility of development or deployment difficulties or delays; the dependence on our customers' 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, 2007. 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.

Management Discussion and Analysis

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", "might occur", "be achieved", "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.

Non-GAAP Measurements

The following are non-GAAP measurements and investors are cautioned not to place undue reliance on it and are urged to read all GAAP accounting disclosures present in the unaudited interim 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.

EBITDAS (1)	Three months ended Sep. 30,		Nine months ended Sep. 30,		
	2008	2007	Jun. 30, 2008	2008	2007
EBITDAS	\$(142,499)	\$(640,434)	\$59,720	\$(43,861)	\$(3,276,364)
Amortization of PP&E	(118,854)	(78,403)	(88,510)	(351,300)	(1,733,790)
Amortization of intangible	(606,584)	-	(574,181)	(1,813,765)	293,432
Amortization of Sales related assets	(201,614)	-	(104,012)	(429,175)	(20,629)
Stock compensation	-	(75,000)	(23,984)	(57,524)	(119,844)
interest & misc expense	(18,600)	(357)	(34,485)	(59,259)	(685,965)
Loss before income taxes per financial statements	\$(1,088,151)	\$(794,194)	\$(765,452)	\$(2,754,884)	\$(5,543,160)

(1) Earnings before interest, taxes, depreciation, amortization and stock compensation.

Gross Margin without amortization of sales related assets

	Three months ended Sep. 30,		Nine months ended Sep. 30,		
	2008	2007	2008	2007	
Revenue	\$7,635,780	\$5,096,077	\$22,852,758	\$13,280,652	
Gross margin without amortization of sales related assets	3,698,421	48.4%	2,610,090	51.2%	11,077,781
Less: Amortization of sales related assets	201,614	0	429,175	0	48.5%
Gross margin per financial statement	3,496,807	45.8%	2,610,090	51.2%	10,648,606
					46.6%
					6,757,042
					50.9%

Net cash is defined as total cash and cash equivalents less amounts borrowed against its line of credit.

Management Discussion and Analysis

Overall Performance

Company Overview

DDS Wireless is a global leader in providing application software and solutions for wireless fleet management for multiple markets. It is diversified in taxi, transit, trucking, roadside assistance and other transportation-related markets worldwide. Previously known as Digital Dispatch Systems Inc., a world leader in providing wireless data dispatch systems to the taxi market for over 20 years, the Company had primarily focused on the taxi industry but restructured its operations into four markets focused businesses in the first quarter of 2008 to facilitate diversification and growth and effectively integrate the newly acquired businesses of MobiSoft OY ("MobiSoft") and StrataGen Systems Inc. ("StrataGen"). DDS Wireless offers a range of solutions for diverse transportation market segments through the four different businesses: Taxi, Transit, eFleet and Digital Wireless - each committed to providing the best in class solutions for its specific market with a clear customer focus and dedicated resources. With offices in Canada, U.S., U.K., Sweden, Finland, India and Singapore, the Company serves its customers worldwide.

For financial reporting purposes prior to 2008, the four market segments do not meet the criteria for separate disclosure.

Taxi Business Unit: Digital Dispatch Systems Inc.

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 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 technologies from within 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.

Management Discussion and Analysis

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.

Financial Results

The financial performance for the nine months ended September 30, 2008 can be summarized as follows:

- EBITDAS (defined as earnings before interest, tax, depreciation, amortization and stock compensation expense) was a loss of \$43,861 for first nine months of 2008 compared to a loss of \$2,818,504 in the same period of last year.
- Revenues increased by 72% to \$22,852,758 over the same period in the prior year primarily due to revenues attributable to MobiSoft and StrataGen included in the Company's consolidated financial results since their respective acquisition dates of October 8, 2007, and December 7, 2007.
- 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 63.5% of total revenues in the first nine months of 2008.
- Gross margin decreased to 46.6% for the nine months ended September 30, 2008, from 50.9% over the same period in the prior year
- The Company's operating expenses were \$11,591,104 for the nine months ended September 30, 2008, compared to \$7,893,232 for the same period in 2007.
- Net loss for the nine months ended September 30, 2008 was \$2,012,863 compared to a net loss of \$2,362,343 for the nine months ended September 30, 2007. The net loss for the nine months ended September 30, 2008 includes amortization and stock compensation expenses of \$2,651,764 compared to \$446,348 for the same period in the prior year.
- As of September 30, 2008, the Company had \$1,415,273 in cash and short term investments with \$777,762 drawn on its \$4,329,835 line of credit facilities.
- The Company had 13,789,746 shares outstanding as at September 30, 2008. The weighted average of the number of shares outstanding during the first nine months was 13,583,701.

The financial performance for the quarter ended September 30, 2008, can be summarized as follows:

- EBITDAS (defined as earnings before interest, tax, depreciation, amortization, and stock compensation expense) was a loss of \$142,499 for the quarter compared to \$59,720 in the previous quarter and a loss of \$640,434 in the same period of last year.
- Revenues increased by 49.8% to \$7,635,780 over the same period in the prior year primarily due to revenues attributable to MobiSoft and StrataGen being included in the Company's consolidated financial results since their respective acquisition dates of October 8, 2007, and December 7, 2007. Revenue decreased by 7.1% from the previous quarter ending June 30, 2008, due to a decrease in revenue from the delivery and implementation of systems in the Taxi division, and a decrease in the revenues in the Digital Wireless division from Q2 when the division closed a number of very significant sales. The decline in revenues from delivery and implementation of systems from Q2 2008 was due in part to the tightening of credit extended by the Company to its customers which resulted in the delay in the delivery of some projects.
- 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 67.2% of total revenues in the third quarter of 2008 and 60.2% in the previous quarter (Q2 2008).
- Gross margin decreased to 45.8% for the three months ended September 30, 2008, from 51.2% the same period in the prior year, and from 48.4% in the previous quarter.
- The Company's operating expenses were \$3,995,218 for the three months ended September 30, 2008, compared to \$4,109,295 for the previous quarter and \$2,567,560 for the same period in 2007.

Management Discussion and Analysis

- Net loss for the quarter was \$765,548 compared to a net loss of \$601,761 and \$592,479 respectively for the previous quarter and the third quarter of 2007. This includes amortization and stock compensation expenses of \$927,052.
- The weighted average of the number of shares outstanding for the third quarter was 13,789,746.

The majority of the Company's sales are in foreign markets, primarily denominated in US dollars and Euros.

Selected Financial Information

For Nine months ended	Q3 2008	Q3 2007
Revenue	\$22,852,758	\$13,280,652
Net loss	(\$2,012,863)	(\$2,362,343)
Basic loss per common share	(\$0.15)	(\$0.20)
Weighted Average Common shares	13,583,701	11,863,201
As at		
Total assets	\$37,049,604	\$26,428,590
Total long term financial liabilities	\$382,609	Nil

Results of Operations

For Nine months ended	Q3 2008	Q3 2007
Revenue	100.0%	100.00%
Cost of sales	53.4%	49.1%
Gross margin	46.6%	50.9%
Gross margin (without amortization of sales related assets)	48.5%	50.9%
Operating		
Research and development	19.9%	21.4%
Sales and marketing	13.5%	21.6%
General and administrative	17.3%	16.4%
Other expenses	7.9%	16.1%
Loss before income taxes	-12.1%	-24.7%
Income taxes	-3.2%	-6.9%
Net loss	-8.8%	-17.8%

Management Discussion and Analysis

Financial Results for the Nine Months ended September 30, 2008

Revenue

Q3 2008	Change	Q3 2007
\$22,852,758	72%	\$13,280,652

Revenues for the period ended September 30, 2008 were \$22.9 million representing an increase of 72% from \$13.3 million for the same period in the prior year primarily due to the inclusion of MobiSoft and StrataGen revenues in the Company's consolidated financial results since their respective acquisition dates of October 8, 2007, and December 7, 2007.

Commencing in 2008, the Company segregated its operations into the following business units and as such, reports the results on a segmented basis for the nine months ended September 30, 2008, as follows:

	Q3 2008 (Unaudited)	Q3 2007 (Unaudited)
		(Management's Estimate)
For the nine months ended		
Taxi	\$15,881,478	\$11,682,711
Transit	\$5,594,769	\$722,649
eFleet	\$307,032	\$105,315
Hardware & Infrastructure	\$1,069,479 ⁽¹⁾	\$769,977
Total Revenue	\$22,852,758	\$13,280,652
% Recurring	63.5%	57.3%

For nine months ended	Taxi	Transit	eFleet	Hardware & Infrastructure	Total
Revenue	\$15,881,478	\$5,594,769	\$307,032	\$1,069,479(1)	\$22,852,758
Gross Margin	\$6,956,954	\$2,923,550	\$106,849	\$661,252	\$10,648,605
Gross Margin %	43.8%	52.3%	34.9%	61.8%	46.6%
Gross Margin without amortization of sales related assets	\$7,345,306	\$2,923,550	\$147,672	\$661,252	\$11,077,780
Gross Margin % without amortization of sales related assets	46.2%	52.3%	48.2%	61.8%	48.5%

Note:

(1) Includes some corporate level revenue.

The Company's revenues are internally further segmented into the following. All, except the last one, are considered recurring revenue:

- Customer service contracts for maintenance;
- Transaction based revenue from credit and debit card transactions, call center revenue in Finland for call booking;
- Bundled subscription service for Taxi Book, New York City Taxi Limousine Commission ("TLC"); and eFleet services.
- Accessories and small repetitive orders from existing customers in all markets; and,
- Enterprise system sales, advertising revenue and hardware sales.

Management Discussion and Analysis

Gross Margin

	Q3 2008	%	Change	Q3 2007	%	Change	Q3 2006
Revenue	\$22,852,758	100.0%	72.1%	\$13,280,652	100.0%	-24.3%	\$17,542,527
Costs of sales	\$12,204,152	53.4%	87.1%	\$6,523,610	49.1%	-21.0%	\$8,254,123
Gross margin	\$10,648,606	46.6%	57.6%	\$6,757,042	50.9%	-27.3%	\$9,288,404

Gross margin for the nine months ended September 30, 2008 (defined as total revenues less cost of sales) was \$10.6 million representing an increase of 57.6% from \$6.8 million for the same period in 2007. The increase is primarily attributable to gross margin contribution of MobiSoft and StrataGen which were acquired in October 2007. Gross margin as a percentage of sales decreased to 46.6% compared to 50.9% for the same period in the prior year. The decrease in gross margin is partially due to an increase in the amortization of sales related assets associated with bundled subscription services (Taxi Book, TLC, and eFleet initiatives).

Operating Expenses

	Q3 2008	Change	Q3 2007	Change	Q3 2006
Total operating expenses	\$ 11,591,104	47%	\$ 7,893,232	10%	\$ 7,151,068
% of revenue	51%		59%		41%

Operating expenses totaled \$11.6 million for the nine months ended September 30, 2008 as compared to \$7.9 million and \$7.2 million for the same periods ended 2007 and 2006, respectively. The increase of 47% experienced by the Company for the nine months ended September 30, 2008 over the same period in the prior year is primarily attributable to the addition of operating expenses of the MobiSoft and StrataGen operations which were acquired late in 2007.

Research and Development

	Q3 2008	Change	Q3 2007	Change	Q3 2006
Research & Development	\$ 4,551,996	60%	\$ 2,846,883	2.0%	\$ 2,779,270
% of revenue	20%		21%		16%

The Company has research and development groups located in Richmond, B.C., Canada; Tampere, Finland; and Kirkland, Washington, U.S.A with the large majority of its research and development employee head count based in Richmond, B.C., Canada. The Taxi group's research and development team located in Tampere, Finland is involved in development of the Taxi Book product and the Richmond, B.C. group is responsible for the development of the Pathfinder™ and SmartCab™ products. The Transit group develops products in Kirkland, WA and Richmond, B.C., Canada. All eFleet and Digital Wireless development teams are located in Richmond, B.C. as well. 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.

Research and Development expenditures for the nine months ended September 30, 2008 were \$4.6 million as compared to \$2.8 million in the same period in 2007. The increase is primarily attributable to the inclusion of the R&D operations of MobiSoft and StrataGen acquired late in 2007.

Management Discussion and Analysis

Sales and Marketing

	Q3 2008	Change	Q3 2007	Change	Q3 2006
Sales and marketing	\$ 3,077,716	7.3%	\$ 2,869,504	33.9%	\$ 2,143,074
% of revenue	14%		22%		12%

The Company maintains a direct sales force, with staff in Canada, the UK and Finland. A centralized marketing department in Richmond, B.C. supports the worldwide sales organization. Sales and marketing expenses are made up of employee compensation and related travel, trade shows, advertising, promotion, communication and facilities costs.

Sales and marketing costs for the nine months ended September 30, 2008 were \$3.1 million, and increased by 7.3% from the same period in the prior year. The increase is attributable to the addition of the sales and marketing overheads of MobiSoft. This increase, however, was offset by a reduction in other sales in marketing expenditures due to a number of one-time sales and marketing activities in the same period last year. These included the launch of the ASP eFleet offering and the expensing of \$238,000 of project costs relating to the project initiative with the New York City Taxi and Limousine Commission for the new Smart Cab TM. product offering that were incurred prior to receipt of a notice to proceed.

General and Administrative

	Q3 2008	Change	Q3 2007	Change	Q3 2006
General and Administration	\$ 3,961,392	82%	\$ 2,176,845	(2.3%)	\$ 2,228,724
% of revenue	17%		16%		13%

General and administrative expenses include executive and administrative staff, facilities, public company costs, insurance, audit and legal fees as well as a number of minor administrative costs. General and administrative costs increased to \$4.0 million for the nine months ended September 30, 2008 compared to \$2.2 million for the same period in the prior year due to the acquisition of MobiSoft and StrataGen.

Other (Income) and Expense

	Q3 2008	Change	Q3 2007	Change	Q3 2006
Other (income) and expense	\$ 1,812,386	-15%	\$ 2,140,174	275.8%	\$ 569,529
% of revenue	8%		16%		3%

Other (income) expense includes items such as amortization of plant and equipment, amortization of intangible assets, foreign exchange gains and losses, and stock compensation expense. Other expense for the nine months ended September 30, 2008 decreased to \$1.8 million, from \$2.1 million in the same period last year. The decrease is attributed to a \$0.3 million foreign exchange gain in the current period, as compared to a foreign exchange loss of \$1.8 million in the comparative period. The change in the foreign exchange largely offset a \$1.8 million increase in amortization expense for intangibles acquired from StrataGen and Mobisoft. Foreign exchange gains and losses are primarily incurred on the translation of accounts receivable denominated in US dollars, British pounds, or Euros. The \$0.3 million gain in the period reflects the impact of a weakening Canadian dollar on the translation of accounts receivable denominated primarily in US dollars.

Foreign currency risk is the risk to the Company's earnings that arises from fluctuations in foreign currency exchange rates and the degree of volatility of these rates. A substantial portion of the Company's sales are derived in US dollars and Euros. The Company has not entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

Management Discussion and Analysis

Stock compensation expense totaled \$57,524 for the nine months ended September 30, 2008 compared to \$225,000 for the same period in the prior year. This represents an estimated cost to the Company of stock options granted during the period using the Black-Scholes option-pricing model. The reduction in the stock based compensation expense is primarily attributable to the reduction of options granted, a decrease in the risk free interest rate, and an increase in forfeitures, offset by the increased volatility.

Income Tax

The Company's effective tax rate for the nine months ended September 30, 2008 was 27% as compared to the 2007 rate of 25% for the same period. The Company is subject to corporate income tax rates in varying jurisdictions, ranging principally from 20% to 34%, 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.

Summary of Quarterly Results

(in \$'000's other than EPS)	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008
Revenue	\$6,080	\$3,856	\$4,329	\$5,096	\$7,278	\$7,001	\$8,216	\$7,636
Gross Margin %	48.8%	51.7%	49.7%	51.2%	43.5%	45.4%	48.4%	45.8%
Gross Margin	\$2,966	\$1,995	\$2,152	\$2,610	\$3,169	\$3,174	\$3,976	\$3,497
Operating Expenses	\$2,752	\$2,548	\$2,777	\$2,567	\$3,972	\$3,487	\$4,109	\$3,995
Net (loss) income	\$1,215	(\$574)	(\$1,196)	(\$592)	(\$999)	(\$646)	(\$602)	(\$1,108)
(Loss) earnings per share (EPS)	\$0.10	(\$0.05)	(\$0.10)	(\$0.05)	(\$0.08)	(\$0.05)	(\$0.04)	(\$0.06)

The Company does not have a policy to pay regular dividends but has paid a one time dividend in Q3 2006 in the amount of \$7.1 million.

The Company's quarterly financial statements are not reviewed by the Company's auditor with the exception of the three months ended September 30, 2008, September 30, 2007, and June 30, 2007.

Financial Results for the Three Months Ended September 30, 2008

Revenue

Three months ended September 30, 2008	Three months ended June 30, 2008	Three months ended September 30, 2007
\$7,635,780	\$8,215,978	\$5,096,077

Revenues increased by 49.8% to \$7.6 million over the same period in the prior year primarily due to revenues attributable to MobiSoft and StrataGen being included in the Company's consolidated financial results since their respective acquisition dates of October 8, 2007, and December 7, 2007. Revenue decreased by 7.1% from the previous quarter ending June 30, 2008, due to an decrease in the delivery and implementation of systems in the Taxi division and a decrease in the revenues in the Digital Wireless division from Q2 when the division closed a number of very significant sales. The decline in revenues is partially a result of the tightening of credit extended by the Company to its customers delaying project delivery and offset by an increase in recurring revenues.

Management Discussion and Analysis

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

			(Management's Estimate)
For the three months ended	Q3 2008 (Unaudited)	Q2 2008 (Unaudited)	Q3 2007 (Unaudited)
Taxi	\$5,348,943	\$5,805,214	\$4,265,110
Transit	\$1,903,733	\$1,709,637	\$328,220
eFleet	\$147,798	\$91,635	\$39,749
Hardware & Infrastructure	\$235,306	\$609,492	\$408,998
Total Revenue	\$7,635,780	\$8,215,978	\$5,096,077
% Recurring	67.2%	62.0%	47.6%

Commencing in 2008, the Company has segregated its operations into the below noted business units and as such, reports the results on a segmented basis for the three months ended September 30, 2008, as follows:

	Taxi	Transit	eFleet	Hardware & Infrastructure	Total
Revenue	\$5,348,943	\$1,903,733	\$147,798	\$235,306	\$7,635,780
Gross Margin	\$2,311,999	\$947,677	\$64,773	\$172,358	\$3,496,807
Gross Margin %	43.2%	49.8%	43.8%	73.2%	45.8%
Gross Margin without amortization of sales related assets	\$2,495,075	\$947,677	\$83,311	\$172,358	\$3,698,421
Gross Margin % without amortization of sales related assets	46.6%	49.8%	56.4%	73.2%	48.4%

Gross Margin

For the three months ended	Q3 2008	%	Q2 2008	%	Q3 2007	%
Revenue	\$7,635,780	100.0%	\$8,215,978	100.0%	\$5,096,077	100.0%
Costs of sales	\$4,138,973	54.2%	\$4,239,599	51.6%	\$2,485,987	48.8%
Gross Margin	\$3,496,807	45.8%	\$3,976,379	48.4%	\$2,610,090	51.2%
Gross Margin without amortization of sales related assets	\$3,698,421	48.4%	\$4,080,391	49.7%	\$2,610,090	51.2%

Gross margin percentage decreased to 45.8% for the three months ended September 30, 2008, from 48.4% in the previous quarter and decreased from 51.2% in the same period in the prior year. Gross margin before amortization of capitalized assets charged to cost of sales is 48.4% in the current quarter which is lower than the company's target of 50%.

Management Discussion and Analysis

Gross margin for the quarter ended September 30, 2008 was \$3.5 million representing an increase of 34% from \$2.6 million for the third quarter of 2007 and a 12% decrease from the \$3.9 million reported for the three months ended June 30, 2008. The change in gross margin from prior periods is directly related to changes in revenues for the same period.

Gross margin as a percentage of sales decreased to 45.8% compared to 51.2% for the same period in the prior year. The decrease in gross margin is partly due to an increase in the amortization of sales related assets charged to cost of sales associated with its bundled subscription services (Taxi Book, TLC and eFleet initiatives). Lower than planned utilization of project staff also contributed to the lower gross margin.

Gross margin before amortization of sales related assets charged to cost of sales is \$3.7 million for the quarter. The Company expects costs associated with amortization of sale related assets charged to cost of sales related to its bundled subscription services (Taxi Book, TLC, and eFleet initiatives) to increase with the growth of this business. However, this will be offset by increased utilization of fixed capital costs and resources associated with these revenues as the costs are spread out over a greater number of subscriptions.

Operating Expenses

Operating expenses for the three months ended September 30, 2008 totaled \$4.0 million compared to \$2.6 million for the same period in 2007, and \$4.1 million for the quarter ended June 30, 2008. The increase over the third quarter in 2007 is primarily attributable to addition of the operations of MobiSoft and StrataGen acquired by the Company in Q4 of 2007. The decrease in operating expenses from Q2 of 2008 is attributable to non-recurring research and development costs incurred in Q2 of 2008 to localize the TaxiBook product for the North American market.

For the three months ended	Q3 2008	Q2 2008	Q3 2007
Total operating expenses	\$3,995,218	\$4,109,295	\$2,567,560
% of revenue	52.3%	50.0%	50.4%

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	Q3 2008	Q2 2008	Q3 2007
Research & development	\$1,583,863	\$1,697,686	\$918,861
% of revenue	20.7%	20.7%	18.0%

Research and development expenditures increased to \$1.6 million in the three months ended September 30, 2008 from \$0.9 million in the same period in the prior year and decreased from \$1.7 million in the three months ended June 30, 2008. The increase over Q3 2007 is due to acquisitions of MobiSoft and StrataGen and the resulting inclusion of their R&D overheads in the Company's consolidated financial results. The decrease from the prior quarter is due to decrease in R&D costs in Finland to localize the Taxi Book application for North America. 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.

Management Discussion and Analysis

Sales and Marketing

For the three months ended	Q3 2008	Q2 2008	Q3 2007
Sales & marketing	\$1,062,745	\$1,076,668	\$831,079
% of revenue	13.9%	13.1%	16.3%

Sales and marketing costs increased to \$1.1 million for the three months ended September 30, 2008 compared to \$0.8 million in the same period in the prior year. The increase is attributable to the addition of the sales and marketing operations of MobiSoft and StrataGen. Sales and marketing expenditures were largely unchanged from the previous quarter. The Company expects to continue investing in sales and marketing activities as it grows its recently formed market-focused business units.

General and Administrative

For the three months ended	Q3 2008	Q2 2008	Q3 2007
General & Administration	\$1,348,610	\$1,334,941	\$817,620
% of revenue	17.7%	16.2%	16.0%

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 \$1.3 million for the three months ended September 30, 2008 compared to \$0.8 million for the same period in the prior year and remained largely unchanged from the previous quarter. The increase from Q3 2007 is primarily attributable to the addition of MobiSoft and StrataGen after their respective acquisition dates.

Other (Income) and Expense

For the three months ended	Q3 2008	Q2 2008	Q3 2007
Other (income) and expense	\$589,740	\$632,536	\$836,724
% of revenue	7.7%	7.7%	16.4%

The change in other (income) and expense for the three months ended September 30, 2008 over the prior periods is attributable to changes in amortization, foreign exchange and stock compensation expense as follows:

- Amortization of plant and equipment of \$119,000 for the quarter (Q2 2008 - \$89,000; Q3 2007 - \$78,000);
- Amortization of intangible assets related to the acquisition of MobiSoft and StrataGen of \$607,000 (Q2 2008 - \$574,000; Q3 2007 - nil);
- Net foreign exchange gain of \$107,000 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 \$41,000 and loss of \$731,000 in Q3 2007;
- 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 \$24,000 in Q2 2008 and \$75,000 in Q3 2007;
- Other income of \$29,000 for the quarter (Q2 2008 - \$13,000; Q3 2007 - \$47,000).

Foreign currency risk is the risk to the Company's earnings that arises from fluctuations in foreign currency exchange rates, and the degree of volatility of these rates with a substantial portion of the Company's sales derived in U.S. dollars and Euros. The Company has not entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

Management Discussion and Analysis

Liquidity and Capital Resources

Net Cash is defined as total cash and cash equivalents less amounts borrowed against its line of credit. The Company had Net Cash of \$0.6 million as of September 30, 2008 compared to negative \$0.2 million as at December 31, 2007. The increase is attributable to the Company's change in non-cash working capital over the period, primarily the result of improved collection of accounts receivables. The Company has line of credit facilities totaling \$4.3 million, of which \$0.8 million (December 31, 2007 - \$1.3 million) was drawn at September 30, 2008. As at September 30, 2008, the Company is in default of a financial covenant in respect of this line of credit while the lender has not demanded repayment. Subsequent to September 30, 2008, the financial institution has agreed to waive the financial covenant as at September 30, 2008, and an amended credit agreement is anticipated to be presented by November 21, 2008. Refer to Note 1 and 11.

The Company had long-term debt of \$0.6 million (including the current portion) as at September 30, 2008 compared to \$0.7 million as at December 31, 2007. The long-term debt was assumed through the Company's acquisition of MobiSoft.

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.

Commitments

The Company had the following commitments as at September 30, 2008:

Payments Due by Period as at January 1, 2007					
Contractual Obligations	Total	< 1 year	1 - 3 years	4 - 5 years	> 5 years
Long Term Debt	546,745	164,136	382,609	-	-
Capital Lease Obligations	10,523	2,191	8,332	-	-
Operating Leases	4,136,072	268,828	2,603,612	1,263,632	-
Purchase Obligations	1,634,653	1,588,690	37,606	8,357	-
Other Long Term Obligations	-	-	-	-	-
Acquisition Purchase Price Payable - MobiSoft	1,110,820	1,110,820	-	-	-
Acquisition Purchase Price Payable - StrataGen	1,163,097	265,104	897,993	-	-
Total Contractual Obligations	8,601,910	3,399,769	3,930,152	1,271,989	-

The Company entered into operating leases in the normal course of business which are primarily attributable to facility leases for its operations. The Company also has purchased 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.

Off-Balance Sheet Arrangements

For certain contracts, the Company was required to post two performance bonds totalling \$3,147,410 (USD\$2,969,535). The Company arranged the bonds with Canada Export Development Corporation ("EDC") and has agreed to indemnify EDC in the event that the bonds are called in.

Management Discussion and Analysis

Legal Proceeding

A claim has been 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 has filed its answer to the claim, denying it in its entirety and counterclaiming against the plaintiff for breach of contract. The court has issued its judgement on the claimant's request for an injunction against the Company and has denied the request. The Company believes the claim is without merit and continues to vigorously defend its position.

Transactions with Related Parties

The Company leases its head office land and building located in Richmond, B.C., Canada, from a company controlled by the Company's majority shareholder, under an operating lease expiring in September 2008. 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 expiring September 2008. The deferred gain represented by the unamortized portion is \$nil as at September 30, 2008 (September 30, 2007 - \$191,076). The payments with respect to this lease are based on fair market value and aggregated \$153,362 for the three months ended September 30, 2008 (three months ended September 30, 2007 - \$148,034), and for the nine months ended September 30, 2008 are \$460,087 (2007 - \$444,102). This lease agreement has been extended in 2008 by the Company for a five year period ending September 2013. The minimum lease payments under the lease are \$268,828 for the three months ending December 31, 2008.

The Company is the beneficiary of a guarantee provided by Viksun Enterprises Inc., a company controlled by the Company's Chief Executive Officer in the amount of \$2.0 million with the remainder of the line of credit secured by all the assets of the Company. As at September 30, 2008, the Company had a balance payable of \$750,000 (December 31, 2007 - \$1,255,954) on this line of credit.

The Company provides sales and services to a customer that is related to Mark Joseph, a director of the Company. During the three and nine months ended September 30, 2008, the total sales and services to this customer were \$237,437 and \$421,717 (three and nine months ended September 30, 2007 are \$72,751 and \$214,285, respectively). These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the respective parties.

Proposed Transactions

As of November 14, 2008, the Board of Directors had not committed to proceed with any proposed asset or business acquisitions or dispositions.

Critical Accounting Policies and 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 policies, please refer to note 2 to the annual financial statements.

Revenue recognition:

The Company's revenues come from these primary sources:

- Contracts for complete wireless dispatch and software development systems
- Provision of bundled subscription solutions for mobile fleet management solutions
- Sales of mobile fleet management software licenses
- Maintenance and support services related thereto
- Sales of additional and replacement devices

Management Discussion and Analysis

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.

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 subscribed 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 existing, the selling price is fixed or determinable and collection is reasonably assured. Software licenses sold to subscription customers that are required to use the subscription service are deferred and recognized over the related term of the subscription service agreement.

Maintenance and support service revenues are recognized proportionately over the term of the contract in the case of long-term contracts, and at the time of performance for other services.

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

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.

Revenues associated with devices shipped are recognized based upon the terms of the shipping agreement, when there is no substantial risk of return, and collectability is reasonably assured. There was no deferred revenue in respect of goods in transit at September 30, 2008 (December 31, 2007 - nil).

Changes in Accounting Policies including Initial Adoption

Inventories

Commencing with the Company's 2008 fiscal year, the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") for accounting for inventories (CICA Handbook section 3031) apply to the Company. Under the new requirements, inventory must be valued at the lower of cost and net realizable value with any write-down reversed (to the extent of the original write-down) if circumstances change in subsequent periods. The new section also enhances guidance regarding the definition of cost and disclosure costs. The Company has commenced application of this section as of January 1, 2008, and it was determined that no adjustment to inventory was required.

Management Discussion and Analysis

Capital Disclosures

Commencing with the Company's 2008 fiscal year, the new recommendations of the CICA for capital disclosures (CICA Handbook Section 1535) apply to the Company. This section will require quantitative and qualitative disclosure in the footnotes to the financial statements about the Company's capital requirements and objectives. The Company has commenced application of this section as of January 1, 2008.

Presentation and Disclosure of Financial Instruments

Commencing with the Company's 2008 fiscal year, the new presentation and disclosure recommendations of the CICA for financial instruments (CICA Handbook Section 3862 and 3863) apply to the Company. These new recommendations increase the disclosure of the nature and extent of risks arising from financial instruments and how the Company manages those risks. The Company has commenced application of these sections as of January 1, 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 will be applicable to the Company's consolidated financial statements for its fiscal year beginning January 1, 2009. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

Convergence with IFRS

In January 2006, CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") for accounting periods commencing on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS and will commence the planning process in the next fiscal year to adopt IFRS by 2011. We will continually review and adjust our changeover plan to ensure our implementation process properly addresses the key elements of the conversion.

Financial Instruments 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; and trade accounts receivable and payable.

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents consist primarily of deposits with major commercial banks. Credit risk with respect of 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 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 doubtful accounts that corresponds to the credit risk of its customers, historical trends and economic circumstances.

Management Discussion and Analysis

Fair value estimation

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these instruments.

The carry value of lease receivables also approximate their fair value as there are no changes in underlying market interest rates or credit risk that would result in a material difference in fair value.

	September 30, 2008		December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held for trading				
Cash and cash equivalents	\$1,415,273	\$1,415,273	\$1,075,203	\$1,075,203
Short-term investments	152,444	152,444	-	-
Loans and receivables				
Accounts receivable	4,920,097	4,920,097	7,473,503	7,473,503
Unbilled receivables	3,105,006	3,105,006	3,326,299	3,326,299
Income taxes receivable	-	-	147,601	147,601
Financial liabilities				
Line of credit	777,762	777,762	1,255,954	1,255,954
Accounts payable and accrued liabilities	4,676,517	4,676,517	4,527,892	4,527,892
Acquisition purchase price payable	2,273,917	2,273,917	4,097,802	4,097,802
Loans and receivables				
Long-term debt	\$546,745	\$546,745	\$650,246	\$650,246

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 and cash equivalents and accounts receivable. Cash and cash equivalents consist primarily of deposits with major commercial banks. Credit risk with respect of 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.

Management Discussion and Analysis

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 doubtful accounts that corresponds to the credit risk of its customers, historical trends and economic circumstances.

During the nine month period ended September 30, 2008, the Company recorded bad debt expense of \$386,303 to reflect accounts that may not be collectible and has a total reserve against accounts receivable totaling \$602,712 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, and by holding cash equivalents in the currency in which the Company expects to incur expenditures during the foreseeable future.

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. Although the Company is not engaged in hedging or other activities to reduce foreign currency risk, it may do so in the future if conditions change.

If the value of the Canadian dollar relative to the U.S. dollar were to change by 10 percent, the Company's net loss would be impacted by \$45,000. The impact of the Euros, Great Britain Pounds, 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 September 30, 2008, a hypothetical 10% change in interest rates would not have a material impact on net loss.

Liquidity risk

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable and unbilled receivables. The Company typically invests its cash resources in guaranteed investment certificates and term deposits at financial institutions. The Company typically does not incur gains or losses due to market changes in the value of its securities. The Company incurred no such gains or losses in 2007 or the first nine months of 2008. In addition, the Company does not purchase financial instruments that have an inactive market or are not easily tradable.

The Company manages liquidity risk by acquiring only actively tradable securities of highly rated issuers with short maturities, typically three months or less, and by diversifying the portfolio among several issuers. The Company also staggers the maturity dates of its securities to have adequate cash on hand to meet its obligations. The Company's overall liquidity risk has not changed significantly from the prior year.

Management Discussion and Analysis

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 of September 30, 2008 there were 708,298 options outstanding. Subsequent to September 30, 2008, the Company cancelled 12,000 options and granted an aggregate of 111,900 options with exercise prices ranging from \$1.65 to \$3.00, vesting 1/6th every six months with an expiry dates ranging from May 31, 2011 to October 30, 2011. As at November 14, 2008, the Company had 808,198 options outstanding to acquire common shares at prices ranging from \$1.65 to \$3.00 per share out of a maximum of 2,000,000 options that have already been approved by the shareholders. As at November 14, 2008, the Company has an obligation to issue a total of 371,650 options, to employees of StrataGen and MobiSoft, by the end of December 2008.

Part of the consideration for the acquisition of StrataGen was a future maximum payment to the StrataGen shareholders of US\$2.3 million in DDS Wireless common shares issued from treasury or cash at DDS Wireless' sole discretion. Such payment is based on receipt of revenue from certain contracts that StrataGen was negotiating at the time of the acquisition. As payment for such revenue is received DDS Wireless common shares will be issued from treasury unless the Company chooses to pay cash. The right to obtain such shares is represented by warrants issued on December 7, 2007 to the StrataGen shareholders entitling them to receive at the option of DDS Wireless, cash or DDS Wireless common shares, which for financial reporting purposes are classified in liabilities at September 30, 2008. The number of common shares to be issued is based on the revenue and related payment received and the trading price of the shares at the time of their issuance. Prior to September 30, 2008, the Company issued 646,555 shares from treasury for payment of US\$1.8 million deferred acquisition consideration payable resulting in total issued and outstanding shares of 13,789,746 at September 30, 2008.

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 effectiveness of the design and operation of its disclosure controls and procedures as of September 30, 2008 (the "Evaluation Date") 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, as of the Evaluation Date, the Company's disclosure controls and procedures were effective in timely alerting 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 Discussion and Analysis

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

Management has concluded that the internal controls of the Company have been adequately designed. However, there were several instances identified in which the internal controls relating to accounts receivable and allowance for doubtful accounts, income tax expense and sales contract fulfillment administration did not operate effectively. Management has determined that these instances in which internal controls did not operate effectively are primarily due to a change in personnel or a change in the roles of personnel involved in such processes. 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 in addition to enhancing the Company's financial reporting close process, translation and consolidation of foreign entities, the tax review process, and internal documentation and assessment of complex revenue arrangements. Further, management has determined that it will assess the need for improvements pertaining to the Company's internal controls, if any, including ensuring that the personnel implementing its internal controls have appropriate skills and training, that checklists are used to ensure that internal control processes are well defined and adhered to and that its internal controls are sufficiently documented regarding the review and evidence of operation.

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 quarterly 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.

Additional Information

Additional information related to the Company, including the Company's Annual Information Form for the year ended December 31, 2007, is available on SEDAR at www.sedar.com.

Listing

DDS Wireless International is listed on the Toronto Stock Exchange (TSX) under trading symbol DD.

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Vari Ghai
President, CEO and Chairman
DDS Wireless International Inc.

Daniel Daviau
Principal
Genuity Capital Markets

Sal Visca
Chief Technology Officer
Business Objects SA.

Executive Management

Vari Ghai
President and Chief Executive Officer

Jim Zadra
Chief Financial Officer

Steven Juliver
President, Digital Dispatch Systems Inc.

Mike Nienhuis
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George Lipski
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