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**Versatile Systems Inc.**  
**Consolidated Financial Statements**  
(unaudited - prepared by management)  
**March 31, 2009**

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**Versatile Systems Inc.**  
**Consolidated Balance Sheets**

Expressed in U.S. dollars

March 31, 2009   June 30, 2008  
(unaudited)

## ASSETS

## Current Assets

Cash and cash equivalents	\$ 2,100,645	\$ 1,500,005
Accounts receivable	6,362,585	11,842,754
Current portion of deferred contract costs	4,670,355	4,918,704
Work-in-progress	91,246	80,668
Prepaid expenses	470,905	309,061
Inventory	1,456,467	1,944,100
Future income tax benefits (note 8)	718,002	706,249
	<u>15,870,205</u>	<u>21,301,541</u>

Long-term accounts receivable

100,401      26,522

Deferred contract costs

866,324      1,050,694

Capital Assets

850,874      867,771

Intangible assets

423,387      695,726

Future income tax benefits (note 8)

4,789,177      4,672,907

Goodwill

9,977,659      9,977,659

\$ 32,878,027   \$ 38,592,820

## LIABILITIES

## Current Liabilities

Line of credit (note 3)	\$ -	\$ 74,942
Bank overdraft	-	127,214
Accounts payable and accrued liabilities	7,028,228	10,704,330
Current portion of deferred revenue	6,447,454	6,582,593
Promissory Notes	-	40,000
	<u>13,475,682</u>	<u>17,529,079</u>

Deferred Revenue

1,068,146      1,272,536

14,543,828   18,801,615

## SHAREHOLDERS' EQUITY

Share Capital (note 4)	50,689,367	51,353,054
Warrants (note 5)	186,367	369,965
Contributed surplus	4,028,786	3,188,496
Deficit	(36,112,607)	(35,063,096)
Accumulated other comprehensive income (loss)	(457,714)	(57,214)
	<u>18,334,199</u>	<u>19,791,205</u>

\$ 32,878,027   \$ 38,592,820

APPROVED BY THE DIRECTORS:

DIRECTOR: *John Hardy*DIRECTOR: *Fraser Atkinson*

See Notes to Consolidated Financial Statements

**Versatile Systems Inc.**  
**Consolidated Statements of Earnings and Deficit**

(unaudited - prepared by management)

<i>Expressed in U.S. dollars</i>	Three months ended March 31		Nine months ended March 31	
	2009	2008	2009	2008
SALES	\$ 10,877,354	\$ 14,519,869	\$ 37,508,269	\$ 45,658,542
COST OF SALES	8,553,367	11,094,832	28,391,787	34,346,888
	2,323,987	3,425,037	9,116,482	11,311,654
EXPENSES				
General and administrative	899,421	1,176,901	3,500,901	3,561,691
Selling and marketing	1,515,711	1,746,710	5,002,847	5,034,578
Research and development	278,701	397,591	1,094,541	1,297,309
Non recurring expenses	160,158	-	532,335	-
Foreign Exchange (gain) Loss	(485)	43,003	(97,244)	174,162
Stock-based compensation	2,696	56,587	8,692	109,890
	2,856,202	3,420,792	10,042,072	10,177,630
Earnings (loss) before interest, taxes and amortization	(532,215)	4,245	(925,590)	1,134,024
Amortization of capital assets	91,598	70,282	248,904	187,629
Amortization of intangible assets	90,675	191,669	272,024	569,393
Interest expense (income)	(1,648)	(90,375)	27,794	(28,379)
EARNINGS (LOSS) BEFORE INCOME TAXES	(712,840)	(167,331)	(1,474,312)	405,381
Current income tax expense	(43,748)	(19,269)	(64,292)	(35,817)
Future income tax benefit	183,633	118,978	489,093	192,609
NET EARNINGS (LOSS) FOR THE PERIOD	(572,955)	(67,622)	(1,049,511)	562,173
DEFICIT, BEGINNING OF PERIOD	(35,539,652)	(34,633,431)	(35,063,096)	(35,263,226)
DEFICIT, END OF PERIOD	(36,112,607)	(34,701,053)	(36,112,607)	(34,701,053)
EARNINGS (LOSS) PER SHARE (basic and fully diluted)	(\$0.00)	\$0.00	(\$0.01)	\$0.00

See Notes to Consolidated Financial Statements

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**Versatile Systems Inc.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
(unaudited - prepared by management)

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<i>Expressed in U.S. dollars</i>	Three months ended March 31		Nine months ended March 31	
	2009	2008	2009	2008
Net earnings (loss) for the period	(572,955)	(67,622)	(1,049,511)	562,173
Other comprehensive income (loss)				
Foreign currency translation adjustments	(24,608)	(54,506)	(400,500)	227,353
Comprehensive income (loss) for the period	<u>(597,563)</u>	<u>(122,128)</u>	<u>(1,450,011)</u>	<u>789,526</u>

*See Notes to Consolidated Financial Statements*

**Versatile Systems Inc.**  
**Consolidated Statements of Cash Flows**

(unaudited - prepared by management)

<i>Expressed in U.S. dollars</i>	Three months ended March 31		Nine months ended March 31	
	2009	2008	2009	2008
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>				
Net earnings (loss) for the period	\$ (572,955)	\$ (67,622)	\$ (1,049,511)	\$ 562,173
Items not affecting cash				
Amortization of capital and intangible assets	182,273	261,951	527,256	757,022
Loss on disposal of capital assets	-	-	-	212
Stock-based compensation	2,696	56,587	8,692	109,890
Foreign exchange loss (gain)	( 2,501)	43,375	33,531	67,840
Future income tax expense (benefit)	( 183,633)	( 118,978)	( 489,093)	( 192,609)
Cash flow from (used in) operations before other items	( 574,120)	175,313	( 969,125)	1,304,528
Net change in non-cash working capital items	309,926	2,597,341	2,138,591	1,534,730
	( 264,194)	2,772,654	1,169,466	2,839,258
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>				
Purchase of net assets	-	-	-	2,541
Proceeds from disposition of capital assets	1,820	-	1,820	1,867
Additions to capital assets	( 24,472)	( 155,839)	( 234,461)	( 463,711)
	( 22,652)	( 155,839)	( 232,641)	( 459,303)
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares, net of costs	-	-	-	416,202
Purchase of company shares	709	(219,791)	(24,379)	(307,269)
Repayment of line of credit	-	-	(74,942)	(3,383)
Proceeds from (Repayment of) bank overdraft	-	(1,147,336)	(127,214)	150,612
Repayment of the Bank Term Loan	-	(2,749,263)	-	(2,749,263)
Repayment of the Term Loan	-	-	-	(175,000)
Repayment of Promissory Notes	-	(20,000)	(40,000)	(20,000)
Repayment of capital lease obligations	-	(844)	-	(3,904)
	709	( 4,137,234)	( 266,535)	( 2,692,005)
Effect of foreign exchange rate on cash	15,269	( 276,896)	(69,650)	53,192
Increase (decrease) in cash and cash equivalents	( 270,868)	( 1,797,315)	600,640	( 259,702)
CASH and cash equivalents, beginning of period	2,371,513	4,906,700	1,500,005	3,369,087
CASH and cash equivalents, end of period	\$ 2,100,645	\$ 3,109,385	\$ 2,100,645	\$ 3,109,385
Supplementary information				
Cash paid for interest expense	\$ 757	\$ 18,526	\$ 26,558	\$ 149,997
Cash paid for income taxes	54,089	6,132	84,694	35,817
Non-cash investing and financing activities				
Promissory Notes issued for the acquisition of Sagent	-	-	-	80,000
Other consideration issued for the acquisition of Sagent	-	-	-	42,000

See Notes to Consolidated Financial Statements

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**Versatile Systems Inc.**  
**Notes to Consolidated Financial Statements**  
**For the period ended March 31, 2009**

(Unaudited - Prepared by Management)

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**1. Consolidated financial statement presentation:**

These unaudited interim consolidated financial statements at March 31, 2009 and the consolidated statements of operations and deficit, comprehensive income (loss) and cash flows for the periods ended March 31, 2009 and 2008, have been prepared in accordance with Canadian generally accepted accounting principles. These unaudited interim financial statements do not include all the disclosures required for annual audited financial statements and should be read in conjunction with the Company's annual audited consolidated financial statements and notes therein for the year ended June 30, 2008.

The results of operations for the period ended March 31, 2009 are not necessarily indicative of the results for the full year ending June 30, 2009. All amounts herein, including the comparative figures, have been expressed in United States dollars unless otherwise noted.

The financial statements as at and for the periods ended March 31, 2009 have not been reviewed or audited by the Company's auditor.

**2. Accounting Policies**

The accounting policies applied in these interim financial statements are consistent with those applied in the Annual financial statements.

**3. Bank Line of Credit**

The Company has a credit line facility for up to \$5,800,000, which is limited to 70% of eligible accounts receivable of certain U.S. subsidiaries from a U.S. based financial institution. The line of credit bears interest at the State of New York prime rate of lending and is secured with a first charge on the assets of these U.S. subsidiaries.

**4. Common Shares**

Authorized

Unlimited common shares without par value

Issued and outstanding

	<b>Number of shares</b>	<b>Amount</b>
Issued and outstanding - June 30, 2008	121,148,643	\$ 51,808,079
Cancelled shares that were held in Treasury	(2,559,000)	(1,094,333)
Less shares held in Treasury	(304,000)	(24,379)
Balance - March 31, 2009	<u>118,285,643</u>	<u>\$ 50,689,367</u>

During the first quarter the Company cancelled 2,559,000 common shares that had been purchased pursuant to a Normal Course Issuer Bid. As a result the share capital was reduced by the average cost of shares, which results in contributed surplus of \$639,308.

**Versatile Systems Inc.**  
**Notes to Consolidated Financial Statements**  
**For the period ended March 31, 2009**  
(Unaudited - Prepared by Management)

**5. Warrants**

Issued and outstanding:

Expiry date	Exercise Price CDN\$	Number of Warrants	Cost
March 31, 2011	\$ 0.569	1,411,808	63,309
April 16, 2011	\$ 0.6636	583,770	81,058
January 22, 2012	\$ 0.30	600,000	42,000
Balance - March 31, 2009		<u>2,595,578</u>	<u>186,367</u>

During the current quarter 2,823,616 warrants expired with a cost of \$183,598, which has been recorded as contributed surplus.

**6. Stock Options**

	Number of Stock Options	Weighted average exercise price CDN\$
Balance - June 30, 2008	8,768,200	\$ 0.53
Granted during the period	-	
Forfeited during the period	(54,200)	\$ 0.25
Exercised during the period	-	
Balance - March 31, 2009	<u>8,714,000</u>	<u>\$ 0.53</u>

**7. Non Recurring Expenses**

In the second quarter and the current quarter the Company recorded an additional provision, including legal costs, for transactions occurring in prior periods.

**Versatile Systems Inc.**  
**Notes to Consolidated Financial Statements**  
**For the period ended March 31, 2009**  
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**8. Income taxes**

Canadian GAAP requires a valuation allowance to be recorded against any future tax asset to the extent that it is more likely than not that the future income tax asset will not be realized. This is also the Company's stated accounting policy.

Prior to the 2006 fiscal year the Company determined that it had not met this test so the Company recorded a full valuation allowance against the potential value of all of its tax losses and deductions available to be taken against future years' income tax returns. As a result there has been no future income tax asset.

During the 2006 fiscal year, the Company determined that the U.S. subsidiaries were generating sufficient profits that they were more likely than not to utilize the the losses and deductions attributable to these U.S. subsidiaries. Consequently, the Company concluded that the valuation allowance be reduced accordingly. The difference between the total value of these tax benefits less the valuation allowance is the amount of the future income tax asset that is recorded by the Company.

The tax effects of temporary differences that give rise to significant portions of future income tax assets and future income tax liabilities at the statutory enacted rates are as follows:

	<u>March 31, 2009</u>	<u>June 30, 2008</u>
	(unaudited)	
Future income tax assets		
Tax losses and deductions	\$ 7,736,722	\$ 8,201,781
Capital assets	394,265	441,178
Share issuance costs	235,267	354,780
Other	170,167	183,861
	<u>8,536,421</u>	<u>9,181,600</u>
Future income tax assets	8,536,421	9,181,600
Valuation allowance	(2,429,805)	(3,060,592)
	<u>6,106,616</u>	<u>6,121,008</u>
Net Future income tax asset	6,106,616	6,121,008
Future income tax liabilities - Goodwill	(599,437)	(741,852)
	<u>5,507,179</u>	<u>5,379,156</u>
Net Future income tax asset	5,507,179	5,379,156
	<u>(718,002)</u>	<u>(706,249)</u>
Less current portion	(718,002)	(706,249)
Non-current portion of net future income tax asset	<u>\$ 4,789,177</u>	<u>\$ 4,672,907</u>

During the three months ended March 31, 2009 the Company recorded a \$183,633 non-cash future income tax benefit (March 31, 2008 - \$118,978) related to the recognition of future income tax assets.

**Versatile Systems Inc.**  
**Notes to Consolidated Financial Statements**  
**For the period ended March 31, 2009**  
(Unaudited - Prepared by Management)

**9. Segmented Information**

The company's only reportable segment is the development and sales of computer software, hardware and system integration services.

The company's assets and sales by geographic area are as follows:

	March 31 2009	June 30 2008	Nine months ended March 31	
			2009	2008
	Capital assets, intangible assets and goodwill	Capital assets, intangible assets and goodwill	Revenue	Revenue
<i>U.S. companies</i>				
United States	\$ 11,244,597	\$ 11,529,258	\$ 36,829,381	\$ 44,765,368
Canada			79,215	183,496
Netherlands			-	14,900
France			194,218	243,405
United Kingdom			21,628	61,250
Other			-	12,300
<i>UK and Canadian companies</i>				
United Kingdom	4,841	11,574	383,827	377,823
Canada	2,482	324	-	-
	<u>11,251,920</u>	<u>11,541,156</u>	<u>37,508,269</u>	<u>45,658,542</u>

During the nine months ended March 31, 2009 the company did not have a customer with more than 10% of the total revenue. For the nine months ended March 31, 2008 the Company generated revenue of \$4,635,481 from Comcast Cable representing 10.2% of the revenue for that period.

During the nine months ended March 31, 2009 the company purchased products and services from one vendor for \$15,359,611 (March 31, 2008 - \$18,650,705) representing 54.1% (2008 - 54.3%) of the cost of sales.