

**Mediagrif Interactive Technologies Inc./
Technologies Interactives Mediagrif Inc.**

Consolidated Financial Statements
March 31, 2009 and 2008

MANAGEMENT'S REPORT

To the Shareholders of Mediagrif Interactive Technologies Inc./Technologies Interactives Mediagrif Inc.

The accompanying consolidated financial statements of Mediagrif Interactive Technologies Inc. ("the Corporation") and all the information in the Management Discussion and Analysis are the responsibility of management and are approved by the Board of Directors.

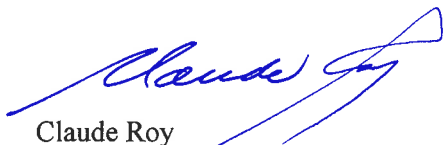
These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Under these principles, management has made certain estimates and assumptions that are reflected in the consolidated financial statements and notes.

Management has a system of internal controls designed to provide reasonable assurance that the consolidated financial statements are accurate and complete in all material respects.

The internal control process includes management's communication to employees of policies that govern ethical business conduct. Management believes that the internal controls provide reasonable assurance that its financial records are reliable and form a proper basis for preparing the consolidated financial statements, and that its assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the consolidated financial statements through its Audit Committee, consisting solely of independent directors. The Audit Committee meets with management and independent auditors to review the consolidated financial statements and the internal controls over financial reporting. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders. The independent auditors have full and free access to the Audit Committee and may meet with or without the presence of management.

PricewaterhouseCoopers LLP, appointed by the shareholders as the Corporation's independent auditors, have audited the consolidated financial statements.


Claude Roy
President and Chief Executive Officer


Suzanne Mercier
Chief Financial Officer

June 9, 2009

Auditors' Report

To the Shareholders of Mediagrif Interactive Technologies Inc./Technologies Interactives Mediagrif Inc.

We have audited the consolidated balance sheets and the consolidated statements of accumulated other comprehensive loss of **Mediagrif Interactive Technologies Inc./Technologies Interactives Mediagrif Inc.** (the "Company") as at March 31, 2009 and 2008 and the consolidated statements of earnings (loss), retained earnings, comprehensive income (loss) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP¹

Montréal, Quebec, Canada
June 9, 2009

¹ Chartered accountant auditor permit No. 19501

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

Mediagrif Interactive Technologies Inc./ Technologies Interactives Mediagrif Inc.

Consolidated Balance Sheets
As at March 31, 2009 and 2008

	2009 \$	2008 \$
Assets		
Current assets		
Cash and cash equivalents	27,733,976	27,798,057
Cash held for the benefit of others	2,379,832	2,709,450
Accounts receivable	6,479,491	6,298,230
Income tax receivable	758,026	-
Tax credits receivable	3,168,642	1,676,678
Prepaid expenses	838,574	896,636
Future income taxes (note 11(c))	346,643	222,154
	41,705,184	39,601,205
Premises and equipment (note 5)	1,826,409	2,877,888
Intangible assets (note 6(a))	1,375,892	4,544,478
Acquired intangible assets (note 6(b))	3,364,420	8,036,884
Goodwill (note 7(a))	25,991,266	25,991,266
Other assets (note 7(b))	27,028	98,653
Future income taxes (note 11(c))	7,528,029	4,432,513
	81,818,228	85,582,887
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	10,829,875	10,457,268
Income taxes payable	-	1,614,519
Deferred revenues	9,378,814	8,264,149
Purchase price payable	22,589	24,891
Deferred gain on licenses	-	478,562
Future income taxes (note 11(c))	999,380	516,440
	21,230,658	21,355,829
Future income taxes (note 11(c))	90,183	968,559
	21,320,841	22,324,388
Shareholders' Equity		
Capital stock (note 8)	48,078,790	50,110,729
Share purchase options (note 8(c))	1,646,780	2,300,776
Contributed surplus (note 8(d))	2,393,594	992,937
Retained earnings	9,261,678	10,719,142
Accumulated other comprehensive loss	(883,455)	(865,085)
	60,497,387	63,258,499
	81,818,228	85,582,887

Commitments (note 10)

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors

Gilles Laurin Director

Claude Roy Director

**Mediagrif Interactive Technologies Inc./
Technologies Interactives Mediagrif Inc.**

Consolidated Statements of Retained Earnings
For the years ended March 31, 2009 and 2008

	2009 \$	2008 \$
Retained earnings – Beginning of year	10,719,142	25,476,253
Net earnings (loss) for the year	(1,348,767)	1,950,916
	9,370,375	27,427,169
Premium on redemption of common shares for cancellation (note 8(b)(i))	(108,697)	(16,708,027)
Retained earnings – End of year	<u>9,261,678</u>	<u>10,719,142</u>

See accompanying notes to consolidated financial statements.

**Mediagrif Interactive Technologies Inc./
Technologies Interactives Mediagrif Inc.**

Consolidated Statements of Comprehensive Income (Loss)
For the years ended March 31, 2009 and 2008

	2009 \$	2008 \$
Net earnings (loss) for the year	(1,348,767)	1,950,916
Foreign currency translation adjustment	687,073	(535,880)
Changes in unrealized losses on short-term investments, net of future income taxes (2008 – \$1,497)	-	3,219
Reclassification of realized gains or losses on foreign currency forward contracts, net of future income taxes of \$177,223 (2008 – \$237,377)	396,314	(503,882)
Unrealized gains (losses) on foreign currency forward contracts, net of future income taxes of \$492,682 (2008 – \$319,926)	(1,101,757)	678,741
	(18,370)	(357,802)
Comprehensive income (loss) for the year	(1,367,137)	1,593,114

Consolidated Statements of Accumulated Other Comprehensive Loss
As at March 31, 2009 and 2008

	2009 \$	2008 \$
Foreign currency translation adjustment		
Cumulative effects of prior years	795,348	259,468
Current year	(687,073)	535,880
	108,275	795,348
Unrealized losses on foreign currency forward contracts		
Cumulative effects of prior years	69,737	-
Adjustment related to implementation of new accounting standards, net of future income taxes (2008 – \$113,733)	-	244,596
Current year, net of realized and unrealized losses and future income taxes of \$315,459 (2008 – \$82,549)	705,443	(174,859)
	775,180	69,737
Unrealized losses on short-term investments		
Adjustment related to implementation of new accounting standards	-	3,219
Current year, net of future income taxes (2008 – \$1,497)	-	(3,219)
	-	-
Accumulated other comprehensive loss	883,455	865,085

See accompanying notes to consolidated financial statements.

**Mediagrif Interactive Technologies Inc./
Technologies Interactives Mediagrif Inc.**

Consolidated Statements of Earnings (Loss)

For the years ended March 31, 2009 and 2008

	2009 \$	2008 \$
Revenues	47,940,421	47,748,903
Cost of revenues	11,121,612	10,042,443
Gross margin	36,818,809	37,706,460
Operating expenses		
General and administrative	16,301,324	12,690,779
Sales and marketing	11,158,719	10,716,887
Technology (note 9)	8,341,792	9,209,914
Amortization of acquired intangible assets	1,556,852	1,662,619
Stock-based compensation	465,514	641,127
Impairment of intangible and acquired intangible assets (note 6)	6,610,310	-
Loss on disposition of an investment (note 1(c))	212,980	-
	44,647,491	34,921,326
Earnings (loss) from operations	(7,828,682)	2,785,134
Other income, net (note 13(b))	2,299,142	1,261,850
Earnings (loss) before income taxes	(5,529,540)	4,046,984
Provision for (recovery of) income taxes (note 11(a))	(4,180,773)	2,096,068
Net earnings (loss) for the year	(1,348,767)	1,950,916
Basic net earnings (loss) per share	(0.09)	0.12
Diluted net earnings (loss) per share	(0.09)	0.12
Weighted average number of shares outstanding (note 8(g))		
Basic	14,261,939	16,201,280
Diluted	14,261,939	16,258,522
Number of shares outstanding – End of year	13,974,058	14,564,639

See accompanying notes to consolidated financial statements.

Mediagrif Interactive Technologies Inc./ Technologies Interactives Mediagrif Inc.

Consolidated Statements of Cash Flows

For the years ended March 31, 2009 and 2008

	2009 \$	2008 \$
Cash flows from		
Operating activities		
Net earnings (loss) for the year	(1,348,767)	1,950,916
Adjustments for		
Amortization of premises and equipment	1,582,151	1,603,672
Amortization of intangible assets	2,504,046	2,913,909
Amortization of acquired intangible assets	1,556,852	1,662,619
Amortization of other assets	71,625	85,800
Amortization of gain on licenses	(478,562)	(675,617)
Impairment of intangible and acquired intangible assets (note 6)	6,610,310	-
Stock-based compensation	465,514	641,127
Future income taxes (note 11(a))	(3,299,982)	(813,536)
Changes in non-cash working capital items (note 13(a))	(3,498,809)	(1,746,234)
	<u>4,164,378</u>	<u>5,622,656</u>
Investing activities		
Business acquisitions, net of cash and cash equivalents acquired (note 4)	(577,000)	(8,087,713)
Acquisition of premises and equipment, intangible assets and other assets	(2,783,830)	(4,309,562)
Decrease in short-term investments, net	-	53,098,550
	<u>(3,360,830)</u>	<u>40,701,275</u>
Financing activities		
Purchase of common shares for cancellation (note 8(b)(i))	(1,859,489)	(28,122,379)
Issuance of common shares (note 8(b)(ii) and (iii))	-	463,114
Repayment of purchase price payable	(2,302)	(699,634)
	<u>(1,861,791)</u>	<u>(28,358,899)</u>
Net increase (decrease) in cash and cash equivalents	(1,058,243)	17,965,032
Effect of exchange rate fluctuations on cash and cash equivalents	664,544	(605,617)
Cash and cash equivalents – Beginning of year	<u>30,507,507</u>	<u>13,148,092</u>
Cash and cash equivalents – End of year	<u>30,113,808</u>	<u>30,507,507</u>
Cash and cash equivalents comprise the following balance sheet amounts:		
Cash and cash equivalents	27,733,976	27,798,057
Cash held for the benefit of others	2,379,832	2,709,450
Supplementary information		
Interest paid	42,264	1,386
Income taxes paid	1,185,518	2,791,255

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

March 31, 2009 and 2008

1 Incorporation and nature of operations

The Company, incorporated on February 16, 1996 under the Canada Business Corporations Act, operates in the e-business industry. It is a developer, owner and operator of e-business networks and a provider of e-business solutions. Its e-business networks allow buyers and sellers within specific industries to source, purchase or sell products and to exchange information more efficiently using the Internet. Also, the Company provides equipment manufacturers with complete solutions to online trade-in, recycling, donation and promotion programs.

The Company operates its activities through its wholly owned subsidiaries. In addition, the Company had interests in three joint ventures (the “joint ventures”), currently two, in which it shares joint control with its co-venturers. The Company’s interest in and the operations of these joint ventures are summarized as follows:

- a) A 50% ownership in Société d’investissement M.-S. S.E.C. (a limited partnership), which operates under the name Global Wine & Spirits (“GWS”). GWS operates an Internet business-to-business (“B2B”) electronic network offering an integrated solution for the purchase and sale of wine products.
- b) A 50% ownership in Polygon DMCC, through its wholly owned subsidiary Mediagrif DMCC. In August 2008, the Board of Polygon DMCC decided to close its offices in Asia. However, the Company continues to manage its international members from Canada. Polygon DMCC is under liquidation.
- c) A 50% ownership in Centerac DMCC, through its wholly owned subsidiary Mediagrif DMCC. Centerac DMCC was sold to its co-venturer on March 30, 2009. Centerac DMCC owns e-business technology and operates a B2B network in the global textile industry.

2 Significant accounting policies

Changes in accounting policies

Capital disclosures

On April 1, 2008, the Company adopted Section 1535, “Capital Disclosures”, of the Canadian Institute of Chartered Accountants (“CICA”) Handbook, which requires an entity to disclose information to enable users of its financial statements to evaluate the entity’s objectives, policies and processes for managing capital. Disclosure requirements pertaining to Section 1535 are contained in note 15 to the consolidated financial statements.

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Financial instruments – Disclosures and presentation

On April 1, 2008, the Company adopted CICA Handbook Section 3862, “Financial Instruments – Disclosures”, and Section 3863, “Financial Instruments – Presentation”. These new sections require disclosure of risks associated with financial instruments, including fair value, as well as credit, liquidity and market risks. They also establish standards for presentation of financial instruments and non-financial derivatives. Sections 3862 and 3863 supersede Section 3861, “Financial Instruments – Disclosure and Presentation”. The adoption of Section 3862 requires additional disclosures found in note 16 to the consolidated financial statements.

General standards of financial statement presentation

On April 1, 2008, the Company adopted revised CICA Handbook Section 1400, “General Standards of Financial Statement Presentation”. The revision to this Section provides additional guidance related to management’s assessment of the Company’s ability to continue as a going concern. There were no adjustments to the Company’s consolidated financial statements upon adoption of this revised standard.

Credit risk and fair value of financial assets and financial liabilities

On January 20, 2009, the Emerging Issues Committee (“EIC”) issued EIC Abstract 173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”, which requires that the fair value of financial instruments, including derivative financial instruments, take into account the counterparties’ credit risks for assets and the Company’s credit risk for liabilities. This interpretation must be applied retrospectively without restatement of prior years. The effective date of application for the Company is April 1, 2008. The adoption of this interpretation did not have an impact on the Company’s financial position, earnings or cash flows.

Future accounting changes

Effective for fiscal years starting on or after October 1, 2008, CICA Handbook Section 3064, “Goodwill and Intangible Assets”, replaces Section 3062, “Goodwill and Other Intangible Assets”, and Section 3450, “Research and Development Costs”. The Company will adopt the new standards with the fiscal year beginning April 1, 2009. The new Section establishes standards for the recognition, costing, presentation and required information related to goodwill after its initial recognition. It also establishes the standard for when internally developed intangible assets satisfy recognition criteria as an asset. The Company is evaluating the impact of the adoption of this new Section on its consolidated financial statements.

Consolidation policies

These consolidated financial statements include the accounts of the Company and its subsidiaries. Interests in joint ventures are proportionately consolidated based on the Company’s ownership interest.

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Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the year and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management reviews its estimates, including those related to amortization methods and useful lives, impairment of assets including goodwill and intangible assets, stock-based compensation and provisions for income taxes. Actual results could differ from those estimates.

Classification and measurement of financial instruments

The accounting framework of financial instruments requires that all financial assets and financial liabilities be accounted for using one of the four available accounting models: held to maturity, available for sale, held for trading and other than held for trading. The Company has classified its accounts receivable as loans and receivables and its accounts payable, accrued liabilities and purchase price payable as other financial liabilities, each of which is carried at amortized cost. The Company has classified its cash and cash equivalents as held for trading.

Foreign currency translation

i) Foreign currency transactions and integrated foreign operations

The Company follows the temporal method for the translation of foreign currency transactions and integrated foreign operations. Monetary items are translated at the rate in effect at the balance sheet date, non-monetary items (and the related amortization) are translated at their historical rate, and revenues and expenses are translated at the average exchange rate during the year. Translation gains and losses are included in Other income.

ii) Self-sustaining foreign joint ventures

The Company follows the current rate method for the translation of the operations of its self-sustaining foreign joint ventures. Under this method, assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenues and expenses at the average exchange rate during the year. Gains and losses are included as a component of accumulated other comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances.

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Rebate and disposition of assets and liabilities and escrow transactions

The Company's service offerings include the administration of rebate programs and used equipment trade-in transactions for certain customers. In connection with these activities, the Company frequently receives cash from its customers (in the case of rebate programs) and remarketers of used equipment, which cash, net of any related commissions earned by the Company, must ultimately be remitted to the counterparty in such transactions.

Consequently, any cash received but not yet remitted to the counterparty is presented on the balance sheet as cash held for the benefit of others. As at March 31, 2009, the amount of accounts receivable related to rebate and disposition transactions amounted to \$1,519,132 (US\$1,205,469) (2008 – \$1,740,559 (US\$1,693,316)).

In addition, the Company offers an escrow service. In connection with these activities, the Company is appointed as escrow agent to receive, hold and process funds. The Company receives cash that is released, net of any related fees, costs or expenses, to the vendor at the conclusion of a transaction between a vendor and a buyer. The cash received is presented on the balance sheet as cash held for the benefit of others for an amount of \$1,942,450 (US\$1,541,382) (2008 – \$2,158,686 (US\$2,100,093)).

The total accounts payable for these transactions amount to \$3,898,964 (US\$3,093,924) (2008 – \$4,450,009 (US\$4,329,224)).

Revenue recognition

Revenues ensue regularly from membership fees, disposition fees, transaction fees, integration, maintenance and hosting services. From time to time, the Company generates revenues from software development, sales of licenses and gains on licenses transferred to joint ventures. In all instances, revenues are not recognized prior to the determination that persuasive evidence of an arrangement exists, delivery has occurred or the service has been rendered, the price is fixed or determinable, and collection of the resulting receivable is reasonably assured. In addition to the aforementioned general policies, the specific revenue recognition policies for the Company's major revenue categories are as follows:

- Membership fees are recognized ratably over the period of the agreement.
- Any initial up-front fees which do not have stand-alone value to the members are deferred and amortized on a straight-line basis over the shorter of the estimated useful life of the technology underlying the network and the estimated remaining life of the relationship with the corresponding membership group.
- Disposition revenue, which is the commission earned by the Company when used equipment is sold through the Company's website, is recognized when the related used equipment is accepted by the remarketer and is accounted for on a net basis as the Company acts as an agent between the entity selling and the entity buying the used equipment.
- Transactions fees are recognized when the transactions occur.

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- Revenues from integration, maintenance and hosting services are recognized ratably over the period of the agreement.
- Software development revenues are recognized using the percentage-of-completion method.
- Revenues from sales of licenses are recognized when the transactions occur.
- Gains on licenses transferred to joint ventures are deferred and amortized on a straight-line basis over the longer of three years and the development period of the joint ventures' vertical network.

For the year ended March 31, 2009, the Company has entered into non-monetary transactions whereby memberships are exchanged for advertising. These transactions are measured at a fair value of US\$123,984 (2008 – US\$136,813) and are recorded in Revenues and Sales and marketing expenses.

Premises and equipment

Premises and equipment are recorded at cost less accumulated amortization. Amortization is provided for based on the estimated useful lives of the related assets using the following methods and periods or annual rate:

	Method	Period/Rate
Office furniture	Declining balance	20%
Computer and other equipment	Straight-line	3 years
Leasehold improvements	Straight-line	Maximum of 5 years

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted future cash flows expected to be generated by their use and eventual disposal. Impairment is measured as the excess of the carrying value over the fair value, determined principally by discounting the estimated net future cash flows expected to be generated from the use and eventual disposal of the related asset.

Intangible assets

Intangible assets comprise software and acquired intangible assets.

Software

Certain software is purchased to fulfill the Company's technological needs and is recorded at cost. Software also includes internally developed software and websites, which comprise capitalized personnel costs of the Company's research and development group that meet accepted criteria for deferral. These costs are amortized on a straight-line basis over their estimated useful lives ranging from three to five years.

Mediagrif Interactive Technologies Inc./ Technologies Interactives Mediagrif Inc.

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Acquired intangible assets

Acquired intangible assets, which consist of exclusive contracts, customer bases, technology, trademarks, lead databases and non-compete agreements, derived from business acquisitions are recorded at cost less accumulated amortization. Acquired intangible assets are amortized on a straight line-basis over the estimated useful lives of the related assets, as follows:

Customer bases	5 to 10 years
Technology	5 years
Trademarks	10 years
Lead databases	5 to 10 years
Non-compete agreements	3 to 4 years

Goodwill

Goodwill represents the excess of the purchase price of businesses acquired over the fair value of the underlying net identifiable assets acquired or liabilities assumed. Goodwill is not amortized; however, it is evaluated for impairment using a two-step test annually or when events or changes in circumstances indicate an impairment may have occurred. The first step involves comparing the carrying value of the reporting unit to which goodwill relates to its fair value. If the carrying value of the reporting unit exceeds its estimated fair value, its goodwill is tested for impairment. If the carrying value of its goodwill is determined to be in excess of its fair value, an impairment loss is recognized as the excess of the carrying value over the fair value. The Company has selected March 31 as the date of its annual impairment test for goodwill.

Other assets

Deferred start-up and organizational costs are amortized on a straight-line basis over their estimated useful lives of three years commencing once commercial operations have begun. These costs, which relate to the launch of e-business networks and consist mainly of consulting fees, salaries and technology support costs, are deferred when it is probable that they will be recovered from future operations. When the expected recovery through future revenues less related costs is less than the unamortized balance of such costs, the difference is charged to earnings during the year.

Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the financial statement values and tax values of assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

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Tax credits

Pursuant to a Quebec government program aimed at assisting companies operating in the information technology sector, the Company has received formal confirmation of its eligibility to receive supplementary tax credits (New Economy Tax Credits). These refundable tax credits are generally earned at an annual rate of 40% of salaries paid to employees engaged in eligible activities, to a maximum annual refundable tax credit of \$15,000 per employee.

Research and development and other tax credits are accounted for as a reduction of the related expenditures. The refundable portion of tax credits is recorded in the year in which the related expenditures are incurred. The non-refundable portion of tax credits is recorded in the year in which the related expenditures are incurred to the extent that realization of such credits is considered to be reasonably assured.

Technology

Technology expenses consist principally of payroll and related expenses for research and development as well as amortization of certain assets required for research and development activities. Technology expenses are expensed as incurred, except for certain costs relating to the development of internally developed software and websites, including upgrades and enhancements of the Company's websites, which are capitalized and amortized over a period ranging from three to five years. Amortization of internally developed software and websites is included in Technology expenses.

Stock-based compensation plan and other stock-based payments

The Company has a stock-based compensation plan which is described in note 8. Stock-based compensation expense is recognized over the vesting periods of the options with an offsetting credit to Share purchase options. Upon exercise of the share purchase options, the associated compensation amount is reclassified from Share purchase options to Capital stock. Consideration paid by employees and directors upon exercise of share purchase options is credited to Capital stock. Forfeitures are accounted for as they occur.

Derivative financial instruments

A portion of the Company's revenues and operating expenses is denominated in US dollars. The Company uses foreign currency forward contracts to hedge a portion of these revenues. It does not use derivative financial instruments for speculative purposes. Effectiveness of the hedge is assessed both at inception and on an ongoing basis. Management considers the hedges to be effective and thus accounts for the contracts in accordance with hedge accounting requirements. Gains and losses on foreign currency forward contracts designated as effective hedges are recognized in the consolidated statement of earnings (loss) during the same period as the underlying revenues. The Company may also use forward contracts to hedge its purchase price payable related to its business acquisitions.

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3 Joint ventures

The Company's pro rata share of its joint ventures' operations included in the consolidated financial statements is summarized as follows:

	2009 \$	2008 \$
Earnings		
Revenues	2,014,821	1,799,966
Cost of revenues	345,436	567,734
Operating expenses	2,051,080	2,246,313
Net loss	(321,698)	(775,799)
Cash flows		
Provided by operating activities	100,301	(290,662)
Provided by (used in) investing activities	123,491	(17,089)
Used in financing activities	(31,540)	-
Balance sheet		
Current assets	4,071,011	4,309,688
Long-term assets	18,641	153,373
Current liabilities	405,464	869,354

4 Business acquisitions

In fiscal 2009 and 2008, the Company completed certain business acquisitions which were accounted for using the purchase method. All references to cash purchase prices for these acquisitions include any related acquisition costs. The net earnings (loss) of each of these acquired businesses has been included in the Company's consolidated statement of earnings (loss) from their dates of acquisition.

Fiscal 2009

On September 2, 2008, the Company purchased the assets of BUS System Inc. ("BUS"), which offers web applications to the automotive industry, for a cash consideration of \$520,000 and a liability assumed of \$57,000.

Allocation of the purchase price is detailed as follows:

	\$
Premises and equipment	60,000
Intangible assets	367,000
Acquired intangible assets	150,000
	<hr/>
	577,000
	<hr/>

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Fiscal 2008

- a) On July 11, 2007, the Company purchased Market Velocity Inc. (“MVI”) a leading service and technology provider for equipment trade-in, recycling, and donation programs in the US, for a cash consideration of \$5,668,071 (US\$5,368,508).
- b) On September 10, 2007, the Company purchased epipeline Inc. (“EPI”), a leading online source of research for US government contractors, for a total cash consideration of \$4,013,959 (US\$3,813,738), including the reimbursement of long-term notes and other liabilities totalling \$1,870,324 (US\$1,777,030).

Allocation of the purchase price to the identifiable assets acquired and liabilities assumed is detailed as follows:

	MVI \$	EPI \$	Total \$
Assets			
Cash and cash equivalents	1,105,193	26,310	1,131,503
Accounts receivable	1,503,210	279,385	1,782,595
Prepaid expenses	29,744	44,252	73,996
Future income taxes	2,284,490	1,161,187	3,445,677
Premises and equipment	144,505	5,727	150,232
Acquired intangible assets			
Customer base	2,196,064	578,875	2,774,939
Technology	717,944	1,084,075	1,802,019
Trademarks	-	178,925	178,925
	7,981,150	3,358,736	11,339,886
Liabilities			
Accounts payable and accrued liabilities	2,384,808	2,131,297	4,516,105
Deferred revenues	37,298	975,285	1,012,583
Future income taxes	1,059,825	669,890	1,729,715
	3,481,931	3,776,472	7,258,403
Net identifiable assets acquired (liabilities assumed)	4,499,219	(417,736)	4,081,483
Goodwill, not deductible for tax purposes	1,168,852	2,561,371	3,730,223
Purchase price, net of liabilities reimbursed	5,668,071	2,143,635	7,811,706
Reimbursement of long-term notes and other liabilities	-	1,870,324	1,870,324
Less: Cash and cash equivalents acquired	1,105,193	26,310	1,131,503
Less: Balance of purchase price payable	10,558	452,256	462,814
Net cash paid	4,552,320	3,535,393	8,087,713

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Notes to Consolidated Financial Statements

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5 Premises and equipment

- a) Premises and equipment comprise the following:

	2009		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	\$
Office furniture	1,333,335	1,097,081	236,254
Computer and other equipment	11,173,950	9,660,920	1,513,030
Leasehold improvements	1,314,644	1,237,519	77,125
	<u>13,821,929</u>	<u>11,995,520</u>	<u>1,826,409</u>
			2008
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	\$
Office furniture	1,258,345	970,902	287,443
Computer and other equipment	11,397,879	8,914,126	2,483,753
Leasehold improvements	1,297,520	1,190,828	106,692
	<u>13,953,744</u>	<u>11,075,856</u>	<u>2,877,888</u>

- b) Computer and other equipment includes assets under capital lease with a cost of \$1,104,312, which are fully amortized (2008 – cost of \$1,104,312).
- c) Amortization of premises and equipment amounted to \$1,582,151 for the year ended March 31, 2009 (2008 – \$1,603,672).
- d) Acquisition of premises and equipment amounted to \$530,672 for the year ended March 31, 2009 (2008 – \$1,837,108), including \$60,000 related to a business acquisition (note 4).

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Notes to Consolidated Financial Statements

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6 Intangible and acquired intangible assets

a) Intangible assets comprise the following:

	2009 \$	2008 \$
Software, net of accumulated amortization of \$5,313,904 (2008 – \$5,178,165)	810,123	802,089
Internally developed software and websites, net of accumulated amortization of \$235,448 (2008 – \$7,695,523)	565,769	3,742,389
	<u>1,375,892</u>	<u>4,544,478</u>

- i) Amortization of software amounted to \$513,044 for the year ended March 31, 2009 (2008 – \$441,341).
- ii) Amortization of internally developed software and websites amounted to \$1,991,002 for the year ended March 31, 2009 (2008 – \$2,472,568).
- iii) Acquisition of software amounted to \$816,945 for the year ended March 31, 2009 (2008 – \$466,939), including \$367,000 related to a business acquisition (note 4).
- iv) Additions to capitalized internally developed software and websites amounted to \$1,863,213 for the year ended March 31, 2009 (2008 – \$1,937,239).
- v) As a result of current market conditions, the newly appointed Board of Directors and Chief Executive Officer of the Company conducted during the third and fourth quarters of fiscal 2009, a strategic and operational review of the Company's business activities. As part of this review, certain projects related to internally developed software were abandoned, resulting in a \$3,048,831 writeoff.

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b) Acquired intangible assets comprise the following:

	2009 \$	2008 \$
Customer bases, net of accumulated amortization of \$3,709,585 (2008 – \$3,638,159) and impairment of \$2,080,169 (2008 – nil)	2,822,260	5,803,555
Technology, net of accumulated amortization of \$721,609 (2008 – \$715,277) and impairment of \$884,909 (2008 – nil)	466,663	1,690,787
Trademarks, net of accumulated amortization of \$241,039 (2008 – \$317,501) and impairment of \$292,598 (2008 – nil)	70,731	418,271
Lead databases, net of accumulated amortization of \$336,903 (2008 – \$274,034) and impairment of \$7,936 (2008 – nil)	4,766	75,571
Non-compete agreements, net of accumulated amortization of \$586,330 (2008 – \$537,630)	-	48,700
	<u>3,364,420</u>	<u>8,036,884</u>

- i) Amortization of acquired intangible assets amounted to \$1,556,852 for the year ended March 31, 2009 (2008 – \$1,662,619).
- ii) Acquired intangible assets related to business acquisitions amounted to \$150,000 for the year ended March 31, 2009 (2008 – \$4,755,883) (note 4).
- iii) As a result of current market conditions, the Company performed, during the fourth quarter, an impairment test on its long-lived assets. The Company tested its long-lived assets using a two-step methodology:
- Step 1 is to compare the carrying value of the long-lived assets to estimated undiscounted cash flows from the use and eventual disposition of the assets. Estimating the cash flows from the Company's current and future activities is complex given current economic conditions and contains estimates and judgments that are subjective and uncertain and thus may change over time. Based on the Company's forecast, the book value of certain of its long-lived assets was greater than the expected undiscounted cash flows from the use and eventual disposition of those assets.
 - For those assets, step 2 was performed. It consisted of comparing the carrying value of the long-lived assets which failed step 1 to their fair value determined through discounted cash flows. Based on its assessment, the Company recorded impairment charges of \$3,265,612 to acquired intangible assets and \$295,867 to software, which represent the excess of the carrying value over the fair value for those intangible assets.

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7 Goodwill and other assets

a) Goodwill

	2009	2008
	\$	\$
Beginning of year	25,991,266	22,261,043
Business acquisitions (note 4)	-	3,730,223
	<hr/>	<hr/>
End of year	<u>25,991,266</u>	<u>25,991,266</u>

b) Other assets

	2009	2008
	\$	\$
Deferred start-up and organizational costs, net of accumulated amortization of \$493,077 (2008 – \$421,452)	27,028	98,653
	<hr/>	<hr/>

- i) Amortization of deferred start-up and organizational costs amounted to \$71,625 for the year ended March 31, 2009 (2008 – \$85,800).
- ii) Acquisition of other assets amounted to nil for the year ended March 31, 2009 (2008 – \$28,669).

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8 Capital stock, share purchase options and contributed surplus

- a) Authorized, unlimited as to number
Common shares
Preferred shares, issuable in series, with terms, conditions and dividends to be determined by the Board of Directors upon issuance

- b) The following table summarizes common share activity for the last two fiscal years:

	2009		2008	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance – Beginning of year	14,564,639	50,110,729	17,802,095	61,035,538
Purchased for cancellation (note 8(b)(i))	(590,581)	(2,031,939)	(3,317,706)	(11,414,352)
Exercise of stock options (note 8(b)(ii))	-	-	80,250	489,543
Balance – End of year	13,974,058	48,078,790	14,564,639	50,110,729

- i) During the year ended March 31, 2009, the Company purchased 590,581 of its own shares (2008 – 444,143) for cancellation for a cash consideration totalling \$1,859,489 (2008 – \$2,865,943) in connection with its normal course issuer bid. Capital stock has been reduced by the average issue price per share before buy-back of \$3.44 (2008 – \$3.44) totalling \$2,031,939 (2008 – \$1,527,644), with the resulting premium or discount on redemption having been charged to retained earnings or contributed surplus.

On September 25, 2007, as part of a substantial issuer bid, the Company purchased 2,873,563 of its own common shares for cancellation, at a price of \$8.70 per share, totalling \$25,000,000. The Company incurred costs of \$256,436 in respect of this share buy-back, which represents \$0.09 per share. Capital stock was reduced by the average cost per share before buy-back of \$3.44, totalling \$9,886,708, with the resulting premium on redemption as well as costs related to the share buy-back charged to retained earnings.

- ii) During the year ended March 31, 2009, no common shares were issued pursuant to the exercise of stock options (2008 – 80,250 common shares for a cash consideration of \$339,275 or \$4.23 per share). In fiscal year 2008, an amount of \$150,268 representing the stock-based compensation previously recognized for these options in Share purchase options was classified to capital stock (note 8(c)).

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iii) During the year ended March 31, 2008, the Company received from its employees \$123,839 relating to share purchase loans under the employee stock purchase plan, outstanding as at March 31, 2007. The decrease in the loans has therefore been presented in the consolidated statement of cash flows as an issuance of common shares of \$123,839 for the year ended March 31, 2008, in addition to the exercise price of stock options. There are no such loans outstanding as at March 31, 2008 and 2009.

c) The following table summarizes the share purchase option activity:

	2009	2008
	\$	\$
Balance – Beginning of year	2,300,776	2,802,854
Stock-based compensation expense	465,514	641,127
Transfer of accumulated compensation cost upon exercise of stock options (note 8(b)(ii))	-	(150,268)
Transfer of accumulated compensation cost related to stock options vested but not exercised	(1,119,510)	(992,937)
	<u>1,646,780</u>	<u>2,300,776</u>
Balance – End of year		

d) The following table summarizes contributed surplus activity for the last two fiscal years:

	2009	2008
	\$	\$
Balance – Beginning of year	992,937	-
Transfer of accumulated compensation cost related to stock options vested but not exercised	1,119,510	992,937
Discount on redemption of common shares for cancellation (note 8(b)(i))	281,147	-
	<u>2,393,594</u>	<u>992,937</u>
Balance – End of year		

e) Stock purchase plan

The Company maintains a stock purchase plan for the benefit of all regular full-time employees who are Canadian residents and for directors. Under the terms of the plan, employees may elect to contribute through payroll deductions up to 3% of their annual income, up to a maximum of \$3,000 annually, for the purchase of common shares of the Company on the open market. Senior employees and directors can contribute up to 5% of their annual income, up to a maximum of \$5,000 annually. Under the plan, the Company has committed to match employee contributions to the plan. The purchase price of shares under the plan shall be equal to the market price of the Company's common shares on the purchase date. On February 6, 2009, directors ceased to be eligible to participate in the stock purchase plan.

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f) Stock option plan

The Company maintains a stock option plan. Under this plan, the maximum number of shares which may be issued pursuant to the exercise of options is 3,375,351, and the maximum number of shares which may be issued in the aggregate to any single individual may not exceed 5% of the number of common shares issued and outstanding at the date of grant. The exercise price of options granted under the plan, as determined by the Board of Directors, shall not be less than the market price of the Company's common shares at the date of grant, the market price being the closing price per share on the Toronto Stock Exchange on the last trading day immediately preceding the date of grant.

Up until March 2005, options granted under the plan vested over a period of three years, with 10% becoming exercisable six months after the date of grant, with further tranches of 30% becoming exercisable after each of 12, 24 and 36 months following the date of grant, except for options granted to directors, which were vested immediately. From March 2005 to March 2007, options granted vested over a period of three years with tranches of 30%, 30% and 40% becoming exercisable after 12, 24 and 36 months respectively following the date of grant, except for options granted to directors, which vested 12 months following the date of grant. Since March 2007, option grants vest over a period of three years with 100% becoming exercisable 36 months following the date of grant, except for options granted to directors, which vest 12 months following the date of grant. The vesting period is determined by the Board of Directors. Options granted under the plan shall expire no later than five years after the date of grant.

The following summarizes stock option activity under this plan:

	2009		2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance – Beginning of year	1,035,500	9.64	1,069,350	9.30
Granted	175,000	5.89	499,500	9.48
Exercised	-	-	(80,250)	4.23
Forfeited	(507,700)	9.23	(453,100)	9.62
	702,800	9.01	1,035,500	9.64

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The following tables summarize information about stock options outstanding as at March 31, 2009:

Exercise price \$	Options outstanding			Options exercisable	
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
5.89	144,500	4.04	5.89	20,000	5.89
9.00–11.15	<u>558,300</u>	2.72	9.82	<u>237,260</u>	10.07
	<u>702,800</u>	2.99	9.01	<u>257,260</u>	9.74

The fair value of the share purchase options granted was estimated using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Risk-free interest rate	3.1%	4.2% to 4.7%
Expected life of options	3 to 5 years	3 to 5 years
Volatility	32.9%	33.6% to 33.9%
Dividend rate	Nil	Nil
Weighted average fair value of options granted per unit	\$1.60	\$3.27

g) Weighted average number of shares outstanding

The following table outlines the weighted average number of shares used in the calculation of the basic and diluted net earnings per share:

	2009	2008
Weighted average number of shares outstanding		
Basic	14,261,939	16,201,280
Dilutive effect of stock options	-	32,905
Dilutive effect of share purchase financing agreements	-	24,337
Diluted	<u>14,261,939</u>	<u>16,258,522</u>

Options to purchase 702,800 shares (2008 – 983,600) at a weighted average exercise price of \$9.01 per share (2008 – \$9.86) were outstanding at year-end but were not included in the calculation of diluted earnings per share because the options' exercise price was greater than the average price of the shares.

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9 Technology

	2009 \$	2008 \$
Gross research and development expenses	9,958,018	10,871,455
Research and development tax credits	(203,188)	(527,127)
New Economy Tax Credits	(1,540,827)	(1,669,743)
	<u>8,214,003</u>	<u>8,674,585</u>
Capitalized internally developed software and websites	(1,863,213)	(1,937,239)
	<u>6,350,790</u>	<u>6,737,346</u>
Amortization of internally developed software and websites	1,991,002	2,472,568
	<u>8,341,792</u>	<u>9,209,914</u>

10 Commitments

Future minimum payments under long-term operating leases of premises are as follows for fiscal years ending March 31:

	\$
2010	1,690,696
2011	1,074,432
2012	327,074
2013	235,283
2014	128,716
Thereafter	10,873

11 Income taxes

a) The provision for (recovery of) income taxes is composed of the following:

	2009 \$	2008 \$
Current	(880,791)	2,909,604
Future	(3,299,982)	(813,536)
	<u>(4,180,773)</u>	<u>2,096,068</u>

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- b) The provision for (recovery of) income taxes reflects an effective tax rate which differs from the statutory tax rate for the following reasons:

	2009	2008
	%	%
Weighted average statutory income tax rate	30.9	31.7
Increase (decrease) resulting from		
Geographical distribution of taxable profits	0.9	(3.4)
Non-deductible stock-based compensation	(2.6)	4.8
Non-taxable foreign exchange gain	3.7	(0.8)
Unrecognized benefit of foreign exchange loss	(1.1)	-
Non-deductible expenses of foreign operations	(6.0)	8.2
Reversal of reserve for an uncertain tax position	31.3	-
Interest income taxed at higher rate in Quebec	-	2.0
Effect of change in statutory rate on future income taxes	19.7	(0.6)
Prior year's tax adjustments and assessment	(0.3)	2.4
Unrecognized benefit of tax losses – US state level	-	6.3
Other	(0.9)	1.2
	<hr/>	<hr/>
Effective tax rate	75.6	51.8
	<hr/>	<hr/>

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c) Future income tax balances are summarized as follows:

	2009 \$	2008 \$
Future income tax assets		
Premises and equipment and intangible assets	1,149,811	570,118
Amounts not currently deductible	103,537	149,563
Deferred gain on licenses related to foreign joint venture	-	190,968
Change in unrealized foreign exchange gains and losses	408,054	-
Net operating losses of US subsidiaries	18,341,673	15,991,548
	<u>20,003,075</u>	<u>16,902,197</u>
Valuation allowance	(12,291,849)	(11,059,876)
	<u>7,711,226</u>	<u>5,842,321</u>
Future income tax liabilities		
Tax credits	(926,117)	(517,483)
Acquired intangible assets	-	(1,963,026)
Change in unrealized foreign exchange gains and losses	-	(192,144)
	<u>(926,117)</u>	<u>(2,672,653)</u>
Net future income tax assets	<u>6,785,109</u>	<u>3,169,668</u>
Presented as:		
Current asset	<u>346,643</u>	<u>222,154</u>
Long-term asset	<u>7,528,029</u>	<u>4,432,513</u>
Current liability	<u>(999,380)</u>	<u>(516,440)</u>
Long-term liability	<u>(90,183)</u>	<u>(968,559)</u>

As at March 31, 2009, the Company's US subsidiaries have accumulated net operating losses at the federal level of approximately US\$40,244,980 (\$50,716,724) which may be carried forward and used to reduce taxable income in future years. Such losses expire beginning in fiscal 2018 through fiscal 2029. Due to Section 382 limitations from the change in ownership relating to the MVI and EPI acquisitions, the use of approximately US\$27,781,130 (\$35,009,780) of the pre-acquisition net operating loss carryforwards is limited to US\$296,817 (\$374,049) on an annual basis, resulting in a valuation allowance being established with respect to approximately US\$26,763,404 (\$33,727,242) of pre-acquisition net operating loss carryforwards for which realization is not more likely than not.

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In addition, the Company's US subsidiaries have accumulated net operating losses at the state level of approximately US\$42,436,368 (\$53,478,311) which may be carried forward and used to reduce taxable income in future years. Such losses expire beginning in fiscal 2010 through fiscal 2029. A valuation allowance has been provided with respect to approximately US\$34,869,618 (\$43,942,692) of these net operating losses.

12 Related party transactions

Details of related party transactions not otherwise disclosed in the consolidated financial statements are as follows:

	2009	2008
	\$	\$
Revenues		
Joint ventures	1,204,763	1,405,576
Accounts receivable from		
Joint ventures	121,106	627,440
Accounts payable to		
Joint ventures	12,770	10,088

Balances and transactions with the joint ventures represent the amounts corresponding to the Company's interest therein.

All related party transactions occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration agreed upon by the parties.

Revenues from joint ventures include amortization of gains on licenses of \$478,562 (2008 – \$675,617) which derive from the creation of Polygon DMCC.

During the fiscal year, the Company paid a management fee of \$65,000 to a corporate shareholder having a significant influence over the Company. The transaction was in the normal course of business and was measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

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13 Changes in non-cash working capital items and Other income

a) Changes in non-cash working capital items are as follows:

	2009	2008
	\$	\$
Decrease (increase) in		
Accounts receivable	(181,261)	169,384
Income tax receivable	(758,026)	-
Tax credits receivable	(1,491,964)	(4,691)
Prepaid expenses	58,062	(81,494)
Increase (decrease) in		
Accounts payable and accrued liabilities	(625,766)	421,090
Income taxes payable	(1,614,519)	(1,167,791)
Deferred revenues	1,114,665	(1,082,732)
	<u>(3,498,809)</u>	<u>(1,746,234)</u>

b) Other income consists of the following:

	2009	2008
	\$	\$
Interest income	516,107	1,832,084
Financial expense	(219,233)	(414,161)
Foreign exchange gain (loss)	2,212,723	(92,203)
Other expense	(210,455)	(63,870)
	<u>2,299,142</u>	<u>1,261,850</u>

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14 Segment information

The Company has only one reportable segment.

Geographical information is as follows:

	2009		2008	
	Revenues \$	Premises and equipment, intangible assets, acquired intangible assets and goodwill \$	Revenues \$	Premises and equipment, intangible assets, acquired intangible assets and goodwill \$
Canada	17,405,493	4,714,898	15,767,816	8,677,407
United States	22,116,701	27,757,511	21,403,140	32,667,205
Europe	2,653,350	-	2,971,989	-
Asia and other	5,764,877	85,578	7,605,958	105,904
	47,940,421	32,557,987	47,748,903	41,450,516

Revenues are attributed to geographic areas based on the location of the business places of the related customers.

15 Capital disclosures

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth, to undertake selective acquisitions and to provide an appropriate return on investment to its shareholders. The Company's capital consists of long-term debt, shareholders' equity and deferred revenues, net of cash and cash equivalents and short-term investments. The Company's primary uses of capital are to finance non-cash working capital requirements, capital expenditures and business acquisitions. The Company has historically funded its needs from cash and short-term investments on hand, internally generated cash flows and share issuances. In order to adjust its capital structure, the Company may from time to time issue shares for cash or in connection with business acquisitions, repurchase shares or secure bank debt to fund capital expenditures or business acquisitions. There were no changes in the Company's objectives for managing capital or the definition thereof as compared to the previous year.

The Company is not subject to any externally imposed capital requirements and does not presently use any quantitative measures to monitor its capital.

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16 Financial risk management

The Company's financial assets and financial liabilities expose it to the following risks: market risk, including foreign currency risk and interest rate risk, credit risk and liquidity risk. The main objective of the Company's risk management process is to ensure that risks are properly identified and addressed to minimize potential adverse effects on financial performance.

Risk management is carried out by the finance department, which identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated.

Foreign currency risk

Foreign currency risk is related to the Company's business transactions denominated in a currency other than the Canadian dollar, primarily US dollars. Foreign currency risk arises from future sales and purchase transactions as well as recognized financial assets and financial liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign currency risk is to reduce fluctuations in performance. In order to reduce the potentially negative effects of a fluctuating Canadian dollar, the Company has entered into foreign currency forward contracts to stabilize anticipated future revenues and purchase prices payable denominated in US dollars. Foreign currency forward contracts may only be entered into for purposes of managing foreign currency risk and not for speculative purposes.

The balances in foreign currencies as at March 31, 2009 are as follows:

	US\$	€
Cash and cash equivalents	9,848,914	1,375
Cash held for the benefit of others	1,888,456	-
Accounts receivable	3,280,420	38,902
Accounts payable and accrued liabilities	(4,321,072)	-
Purchase price payable	(21,463)	-
	<hr/>	<hr/>
Net position in foreign currency	10,675,255	40,277
	<hr/>	<hr/>
Net position in Canadian dollars	\$13,452,956	\$67,303

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Based on the above net exposures as at March 31, 2009, and taking into account the foreign currency forward contracts and assuming that all other variables remain constant, a 5% appreciation or depreciation of the Canadian dollar against the various currencies would result in a decrease (increase) in net loss (in Canadian dollars) as follows:

	US\$	€
Canadian dollar appreciates 5%	(362,358)	(3,365)
Canadian dollar depreciates 5%	362,358	3,365

In order to reduce the potentially negative effects of a fluctuating Canadian dollar, the Company has entered into foreign currency forward contracts to hedge a portion of anticipated future revenues denominated in US dollars. The following table provides the details of the arrangements used as hedging instruments:

				2009
Buy currency	Sell currency	Notional amount US dollar	Weighted average rate	Maturity (fiscal year)
CAS	US\$	8,060,000	1.1192	2010
				2008
Buy currency	Sell currency	Notional amount US dollar	Weighted average rate	Maturity (fiscal year)
CAS	US\$	9,135,000	1.0189	2009

Foreign currency forward contracts are contracts whereby the Company has the obligation to sell or buy US dollars at a specific rate.

The fair value of these forward contracts of \$1,121,823 (US\$890,194) reflects, in general, the estimated amounts that the Company would have to pay to settle the contracts as at March 31, 2009 using relevant market rates. This amount is included in accounts payable and accrued liabilities as an accrued liability (2008 – \$100,921 (US\$98,180)).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents earn interest at market rates.

As at March 31, 2009, the Company's exposure to interest rate risk is on its cash and cash equivalents whose interest rates vary from 0% to 0.55%. If interest rates as at March 31, 2009 had been 0.5% higher or 0.5% lower, the impact on net loss would have been insignificant.

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Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company is not subject to significant interest rate risk with respect to financial assets and financial liabilities due to their short-term maturity.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents, cash held for the benefit of others and accounts receivable. The Company's cash and cash held for the benefit of others are maintained at major financial institutions; therefore, the Company considers the risk of non-performance on these instruments to be remote.

The Company believes that its credit risk with respect to accounts receivable is limited based on past experience. The Company generally does not require collateral in connection with accounts receivable. Furthermore, its trade accounts receivable are not concentrated on any specific customers but rather are from a wide range of organizations. In addition, the Company performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts receivable when accounts are determined to be uncollectible. The allowance for doubtful accounts is determined based on past experience of what is considered uncertain to be collectible after 60 days and 90 days, and inactive and restricted accounts are fully provided for.

The carrying value of the Company's trade accounts receivable is net of an allowance for doubtful accounts. Changes in the allowance during the year are as follows:

	2009 \$	2008 \$
Beginning of year	(360,228)	(422,510)
Credit (charge) for the year	(158,391)	62,282
End of year	<u>(518,619)</u>	<u>(360,228)</u>

The aging analysis of trade accounts receivable, all of which are overdue, is as follows:

	1-30 Days \$	31-60 Days \$	61-90 Days \$	Over 90 days \$	Total \$
Accounts receivable	<u>3,346,593</u>	<u>2,002,152</u>	<u>269,537</u>	<u>861,209</u>	<u>6,479,491</u>

There is no impairment or amounts past due related to assets other than accounts receivable.

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Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company is currently not exposed to liquidity risk as it has sufficient cash and cash equivalents to sustain its operations and anticipated investing and financing activities. The Company's financial liabilities, which consist of accounts payable and accrued liabilities, are due within 12 months or less.

Fair value

Cash and cash equivalents and cash held for the benefit of others are carried at fair value. Accounts receivable, accounts payable and accrued liabilities, and purchase price payable are financial instruments whose fair values approximate their carrying values because of their short term to maturity.

17 Comparative figures

Certain figures for fiscal year 2008 have been reclassified in order to conform to the basis of presentation adopted in the current year.