



CriticalControl Solutions Corp.
Consolidated Financial Statements
December 31, 2009

Management's Report

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements will also include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the consolidated financial statements are presented fairly in all material respects. All information in this report is the responsibility of management.

Management has established systems of internal control, including disclosure controls and procedures, which are designed to provide reasonable assurance that financial and non-financial information that is disclosed is timely, complete, relevant and accurate. These systems of internal control also serve to safeguard the Corporation's assets.

The Board of Directors is responsible for the corporate governance of the Corporation, including reviewing and approving the consolidated financial statements. The board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors, composed of independent Directors, meets with management and the external auditors to satisfy itself that each is properly discharging its responsibilities, and to review the consolidated financial statements and management's discussion and analysis. The Audit Committee reports its findings to the Board of Directors for its approval of such statements for issuance to the shareholders.

The consolidated financial statements have been audited by KPMG LLP, the independent external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. The auditors' report outlines the scope of their examination and sets forth their opinion.

(signed) "Alykhan Mamdani"

Alykhan Mamdani
President & Chief Executive Officer

(signed) "Hashu Remtulla"

Hashu Remtulla
Vice President & Chief Financial Officer

Calgary, Canada
March 12, 2010



KPMG LLP
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AUDITORS' REPORT

To the Shareholders of CriticalControl Solutions Corp.

We have audited the consolidated balance sheet of CriticalControl Solutions Corp. as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive income, deficit and accumulated other comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation at December 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.

KPMG LLP

Chartered Accountants
Calgary, Canada
March 12, 2010

Consolidated Balance Sheets

As at December 31, 2009 and 2008

(In thousands of Canadian dollars, except share data)

	2009	2008
Assets		
Current assets:		
Cash	1,049	1,127
Accounts receivable	7,326	4,338
Unbilled revenue	259	258
Inventory	2,768	136
Prepaid expenses and other	2,074	469
	13,476	6,328
Investment tax credit receivable	580	-
Deferred costs	59	59
Future tax asset (note 8)	435	-
Property & equipment (note 5)	3,421	2,328
Customer relationships & contracts (note 6)	11,114	4,521
Goodwill (note 7)	11,344	6,203
	40,429	19,439
Liabilities and Shareholders' Equity		
Current liabilities:		
Operating line of credit (note 9)	2,698	-
Accounts payable and accrued liabilities	4,628	2,431
Unearned revenue	2,331	753
Current portion of long-term debt (note 10)	1,610	600
Current portion of deferred lease inducement	160	160
	11,427	3,944
Deferred lease inducement and other long term liabilities	1,339	1,150
Future tax liability (note 8)	1,738	
Long term debt (note 10)	8,320	250
	22,824	5,344
Shareholders' equity:		
Share capital (note 11)	24,110	22,921
Contributed surplus (note 11)	1,005	1,724
Deficit	(7,526)	(10,550)
Accumulated other comprehensive income	16	-
	17,605	14,095
Commitments (note 13)		
	40,429	19,439

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(signed) "William Hammett"
William Hammett

(signed) "Alykhan Mamdani"
Alykhan Mamdani

Consolidated Statements of Operations

As At December 31, 2009 and 2008

(In thousands of Canadian dollars, except share data)

	2009	2008
Revenue	29,631	25,985
Cost of revenue	14,975	11,941
	14,656	14,044
Operating expenses:		
Selling and administrative	8,913	8,272
Research & development	750	665
Amortization of property & equipment	1,148	1,021
Amortization of customer relationships & contracts	799	570
Gain on sale of property & equipment	-	(55)
Loss on foreign exchange	72	42
Interest	101	85
	11,783	10,600
Income before income tax	2,873	3,444
Income tax expense (recovery) (note 8)	(151)	-
Net income	3,024	3,444
Net income per share (note 11g)		
Basic earnings	0.08	0.08
Diluted earnings	0.07	0.08
Weighted average number of shares outstanding		
Basic	40,997,434	43,274,370
Diluted	41,707,020	44,241,726

Consolidated Statements of Other Comprehensive Income

As At December 31, 2009 and 2008

(In thousands of Canadian dollars, except share data)

	2009	2008
Net income	3,024	3,444
Other comprehensive income		
Foreign currency translation	16	-
Other comprehensive income	3,040	3,444

Consolidated Statements of Deficit and Accumulated Other Comprehensive Income

As At December 31, 2009 and 2008

(In thousands of Canadian dollars, except share data)

	2009	2008
Deficit, beginning of year	(10,550)	(13,994)
Net income	3,024	3,444
Deficit, end of year	(7,526)	(10,550)
Accumulated other comprehensive income, beginning of year	-	-
Foreign currency translation	16	-
Accumulated other comprehensive income, end of year	16	-

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

As At December 31, 2009 and 2008

(In thousands of Canadian dollars, except share data)

	2009	2008
Cash flows from (used in) operating activities:		
Net income from operations	3,024	3,444
Items not involving cash:		
Investment tax credit	(580)	
Amortization of property & equipment	1,148	1,021
Future income tax asset	(198)	
Amortization of customer relationships & contracts	799	570
Amortization of deferred lease inducement	(163)	(160)
Deferred share purchase plan	-	165
Gain on sale of property & equipment	-	(55)
Stock-based compensation	-	(4)
	4,030	4,981
Change in non-cash working capital balances from operations:		
Accounts receivable	1,624	(898)
Unbilled revenue	(1)	60
Inventory	(216)	(31)
Prepaid expenses and other	(360)	(67)
Accounts payable and accrued liabilities	(3,567)	519
Unearned revenue	(42)	321
Reduction in deferred cost	-	32
Increase in cash from operations	1,468	4,917
Cash flows from (used in) financing activities:		
Repurchase shares for cancellation	(470)	(1,378)
Shares issued for cash (note 11b(i) and (ii))	940	157
Deferred share purchase plan	-	13
Proceeds from operating line of credit	2,698	-
Repayment of operating loan acquired	(1,517)	(823)
Repayment of long term debt	(894)	(650)
	757	(2,681)
Cash flows from (used in) investing activities:		
Acquisition of businesses, net of cash acquired	(1,679)	(1,373)
Proceeds (to) / from short term investments (restricted cash)	-	200
Purchase of property & equipment	(624)	(587)
Proceeds on sale of property & equipment	-	85
	(2,303)	(1,675)
Increase (decrease) in cash	(78)	561
Cash, beginning of year	1,127	566
Cash, end of year	1,049	1,127
Supplemental disclosure of cash flow information:		
Interest paid	101	85

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

As At December 31, 2009 and 2008 and for the years then ended
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1. Incorporation and Nature of Business

CriticalControl Solutions Corp. (the "Corporation" or "CriticalControl") is a technology company, incorporated in Alberta, Canada, that enables its clients with better access to their critical business operational information. CriticalControl's proprietary products are technologies to allow faster access to and better control of the information required to operate the critical business operations of government and energy sector clients in Canada and the U.S.

2. Significant Accounting Policies

a. Consolidation

The consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Corporation and its wholly-owned subsidiaries.

b. Use of 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 assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant areas requiring the use of estimates are the useful lives and impairment of customer relationships & contracts, the impairment of goodwill and future income taxes. Actual results could differ from these estimates.

c. Inventory

Inventory is valued at lower of cost and net realizable value. The Company determines its allowance for inventory obsolescence based upon expected inventory turnover, inventory aging, and current and future expectations with respect to product offerings. Assumptions underlying the allowance for inventory obsolescence include future sales trends and offerings and the expected inventory requirements and inventory composition necessary to support these future sales offerings. The Company does not have an allowance for inventory obsolescence.

d. Property & Equipment

Property & equipment are amortized over their estimated useful lives using the declining balance ("DB") method or straight-line ("SL"), method depending upon asset type, at the following annual rates:

Assets	Rate
Computer software	DB 20% - 50%
Computer hardware	DB 30% - 45%
Office furniture and equipment	DB 20%
Vehicles	DB 30%
Leasehold improvements	SL over the lease term

Property & equipment under capital leases are initially recorded at the present value of the minimum lease payments at the inception of the lease. Amortization of the equipment under capital lease is on the same basis as similar property and equipment.

Capitalized costs for computer software include the costs of commercial software applications acquired through business acquisitions and costs incurred to develop commercial software applications. Costs incurred to develop commercial software applications are capitalized only after technological feasibility is established.

The Corporation reviews the carrying value of its property & equipment when there is an indication of impairment. If the carrying amount exceeds the estimated recoverable amount, a write-down is charged to the consolidated statement of operations in the period the impairment is identified.

Notes to Consolidated Financial Statements

As At December 31, 2009 and 2008 and for the years then ended
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e. **Customer Relationships and Contracts**

Acquired customer relationships and contracts associated with business acquisitions are initially recorded at fair value and are amortized on a straight-line basis over the terms of the underlying contracts or relationship. Acquired customer contracts are assessed for impairment when there is an indication of impairment estimating the associated net undiscounted future cash flows. The amount of impairment loss, if any, is the excess of the carrying value over fair value estimated as the present value of estimated future cash flows and is charged to the consolidated statement of operations in the period the impairment is identified.

f. **Goodwill**

Goodwill represents the excess of the purchase price of acquired businesses over the fair value of the underlying net identifiable assets acquired or liabilities assumed. The Corporation assesses the carrying value of goodwill for impairment on an annual basis, or more frequently when changes in circumstances indicate that impairment may exist. To test for impairment, the fair value of the reporting units to which the goodwill relates to is compared to the carrying value of the reporting units. The Corporation determines the fair value of the reporting units using the present value of estimated cash flows. If the carrying value exceeds the fair value, an impairment loss is recognized. The amount of impairment loss, if any, is the excess of the carrying value over the implied fair value of the goodwill and is charged to the consolidated statement of operations in the period the impairment is identified.

g. **Revenue Recognition**

The Corporation derives revenues primarily from providing solutions to clients in the Government and energy sectors. The Corporation's solutions for each sector is comprised of (i) services, (ii) maintenance & support services and (iii) hardware and third party software. Each component of the Corporation's solution has specific revenue recognition policies as follows:

i. **Services**

Services include the Corporation's document imaging and control business as well as the Corporation's solutions to the Energy sector which are dependent on the Corporation's proprietary ScanGas, NetFlow, ProTrend and PipeWatch applications.

Revenue related to services is on a time and materials basis and recognized as the services are performed. Amounts invoiced in advance of work performed are recorded as unearned revenue and revenue recognized in advance of being invoiced is recorded as unbilled revenue.

ii. **Maintenance and support services**

Revenue related to agreements for maintenance and support services is recognized on a straight-line basis over the term of the agreement.

iii. **Third party hardware and software**

Sales of hardware and third-party software applications are recognized if there is persuasive evidence of acceptance and delivery, revenue is determinable and collection is reasonably assured.

h. **Income Taxes**

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply in the years in which those temporary differences are expected to reverse. The effect on the future tax assets and liabilities of a change in tax rates is recognized in the consolidation of operations income in the period that includes the date of substantive enactment. Future tax asset is recognized to the extent it is more likely than not to be utilized.

i. **Foreign Currency**

For foreign entities whose functional currency is not the Canadian dollar, the Company translates assets and liabilities at year-end rates and income and expense accounts at average exchange rates. Adjustments resulting from these

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translations are reflected in the consolidated statements of other comprehensive income as unrealized gains or losses on translating financial statements of self-sustaining foreign operations.

Transactions of Canadian entities in foreign currencies are translated at rates in effect at the time of the transaction. Foreign currency monetary assets and liabilities are translated at current rates. Gains or losses from changes in exchange rates are recognized in consolidated statement of operations in the year of occurrence. Advances made by Canadian functional currency entities to subsidiaries for which settlement is not planned or anticipated in the foreseeable future will be considered part of the net investment. Accordingly, gains and losses from these advances are reported in the consolidated statements of other comprehensive income as unrealized gains or losses on translating financial statements of self-sustaining foreign operations.

j. **Stock-based Compensation**

The Corporation has stock-based compensation plans described in note 11(d) and 11(e).

The Corporation accounts for stock options using the fair value based method whereby compensation expense is recognized based on the fair value of stock options granted, over the vesting period. The fair value of stock options granted is determined using a Black-Scholes option pricing model and is recorded as compensation expense in selling and administration and a corresponding entry to contributed surplus. Contributed surplus is reduced as stock options are exercised and credited to share capital.

The Corporation accounts for deferred common shares using the market value method whereby the common shares are valued based on the volume weighted average price of all common shares traded on the Toronto Stock Exchange for the three (3) trading days immediately preceding the issue date and expensed over the vesting period.

k. **Net Income per Share**

The treasury stock method is used in calculating diluted earnings per share. This method assumes that any proceeds, including related unamortized stock based compensation costs, from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the period.

l. **Adoption of New Accounting Policies**

On January 1, 2008 the Corporation adopted the new accounting standards, CICA Section 3031 "Inventories" providing guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The adoption of this standard did not have a material impact on the consolidated financial statements.

On January 1, 2009 the Corporation has adopted the new accounting standards, 3064 *Goodwill and Intangible Assets* as issued by CICA. The adoption of this standard did not have a material impact on the consolidated financial statements.

m. **Lease Inducement**

All lease inducements received from the Corporation's landlords are recorded as liabilities and recognized as a reduction in rent over the term of the lease.

n. **Financial Instruments**

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Classification

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long term debt	Other liabilities
Operating line of credit	Other liabilities
Long term liabilities	Other liabilities

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Held-for-trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at each balance sheet date.

Loans and receivables

Loans and receivables are accounted for at amortized cost.

Other liabilities

Other liabilities are recorded at amortized cost and include all financial liabilities.

o. Future Accounting Changes

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011 with early adoption permitted. Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". Sections 1601 and 1602 together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements. It is equivalent to the corresponding provisions of IAS-27, "Consolidated and Separate Financial Statements". Early adoption of these standards is permitted and the Corporation has decided to adopt all of these standards as of January 1, 2010. The impact of the adoption of these standards is dependent on the occurrence of the business combinations.

3. Segmented Information

The Corporation has identified Government and Energy as reportable segments which are used to manage the business and key areas of potential growth to increase profitability. The segmented disclosures reflect these key segments.

All public company costs, interest and other expenses not directly attributed to the two operating segments are included in corporate and other.

In assessing performance of the segments and the allocation of resources to the segments, management of CriticalControl evaluates gross margin directly attributable to the segments.

All of the Corporation's identifiable assets are located in Canada and U.S.

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	Government	Energy	Corporate	Year ended December 31, 2009
Revenue	14,901	14,730	-	29,631
Cost of revenue	9,330	5,645	-	14,975
Gross margin	5,571	9,085	-	14,656
Selling & administrative expense	3,596	2,996	2,321	8,913
Research & development expense	-	750	-	750
Amortization of property & equipment	336	807	5	1,148
Amortization of customer relationships & contracts	370	429	-	799
Interest & other expenses	-	-	173	173
	4,302	4,982	2,499	11,783
Income before income tax	1,269	4,103	(2,499)	2,873
Segment assets	14,435	25,965	29	40,429
Goodwill	2,709	8,635	-	11,344
Capital expenditures	390	234	-	624

	Government	Energy	Corporate	Year ended December 31, 2008
Revenue	14,201	11,784	-	25,985
Cost of revenue	7,670	4,271	-	11,941
Gross margin	6,531	7,513	-	14,044
Selling & administrative expense	3,190	2,690	2,392	8,272
Research & development expense	-	665	-	665
Amortization of property & equipment	251	764	6	1,021
Amortization of customer relationships &	212	358	-	570
Interest & other expenses	-	-	127	127
Gain on sale of property & equipment	-	-	(55)	(55)
	3,653	4,477	2,470	10,600
Income before income tax	2,878	3,036	(2,470)	3,444
Segment assets	5,011	13,568	860	19,439
Goodwill	2,490	3,713	-	6,203
Capital expenditures	284	303	-	587

For the year ended December 31, 2009 the Corporation derived approximately 30% (2008 – 47%) of its total revenue from the Government of Alberta. As at December 31 2009, 12% (2008 – 26%) of accounts receivable pertained to this customer.

Notes to Consolidated Financial Statements

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The Corporation earned revenue from sales to customers in the following geographical areas (based on location of the customer):

	Year ended December 31, 2009	Year ended December 31, 2008
Canada	26,703	25,985
U.S.A.	2,928	-
	29,631	25,985

	December 31, 2009		December 31, 2008	
	Canada	U.S.A.	Canada	U.S.A.
Segmented Assets	29,094	11,335	19,439	-
Goodwill	6,402	4,942	6,203	-

4. Business Acquisitions

- a. On November 1, 2009, CriticalControl Energy Services Inc., ("CCES") incorporated in Delaware, a wholly-owned subsidiary of the Corporation acquired 100% of the outstanding shares of Gas Analytical Service, Inc. ("GAS") for \$11,170. GAS is a provider of natural gas measurement services based in Bridgeport, WV with field offices in Indiana, PA and Canonsburg, PA.

The purchase price consisted of \$960 cash, \$9,669 promissory note bearing an interest rate of 4% over a period of 5 years and transaction costs of \$541. The acquisition has been accounted for using the purchase method and the results of operations are included in the consolidated statements of operations and other comprehensive income from closing the date of acquisition. The purchase equation is preliminary and subject to change.

Fair value of net assets acquired	
Cash	422
Non-cash working capital	3,068
Property & equipment	873
Long term debt	(244)
Future tax liability	(1,737)
Customer relationships & contracts	3,846
Goodwill	4,942
Net assets acquired	11,170
Consideration	
Cash	960
Promissory note	9,669
Transaction costs	541
	11,170

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As At December 31, 2009 and 2008 and for the years then ended
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- b. On October 1, 2009 the Corporation acquired 100% of the outstanding shares of Southport Data Systems Inc. ("Southport") for \$1,828, consisting of \$1,500 cash, \$300 non-interest bearing promissory note due on the 12 month anniversary, and transaction costs of \$28. Contingent consideration of \$500 will be payable upon meeting certain performance criteria, the occurrence of which is not currently determinable. This component of the purchase price will be recognized as an additional cost of the purchase being assigned to customer relationships if and when the future event is realized and the contingent consideration is paid.

The acquisition has been accounted for using the purchase method and the results of operations are included in the consolidated statements of operations and other comprehensive income from the closing date of acquisition. The purchase equation is preliminary and subject to change.

Fair value of net assets acquired	
Cash	191
Non-cash working capital	1
Property & equipment	417
Long term liabilities	(69)
Future tax liabilities	(699)
Customer relationships & contracts	1,768
Goodwill	219
Net assets acquired	1,828
Consideration	
Cash	1,500
Promissory note	300
Transaction costs	28
	1,828

- c. On July 31, 2009, the Corporation acquired 100% of the outstanding shares of BPO Management Services, Ltd. ("BPOMS"). Pursuant to the acquisition, the Corporation's non-cash working capital of \$2,527 including BPOMS line of credit for \$1,517 and long term debt of \$17, which was paid out on closing. The acquisition has been accounted for using the purchase method and the results of operations are included in the consolidated statements of operations and other comprehensive income from the date of acquisition. The purchase equation is preliminary and subject to change.

Fair value of net assets acquired	
Cash	268
Property & equipment	339
Future tax asset	936
Non-cash working capital	(2,527)
Customer relationships & contracts	1,984
Net assets acquired	1,000
Consideration	
Cash	100
Restructuring costs	725
Transaction costs	175
	1,000

- d. Effective October 1, 2008, the Corporation acquired the business and assets of Western Corrosion Technologies ("WCT") for \$542, consisting of \$502 cash and transaction costs of \$40.

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The acquisition has been accounted for using the purchase method and the results of operations are included in the consolidated statements of operations and other comprehensive income from the date of acquisition. Upon further review of the purchase equation, the original purchase price allocation as reported as of December 31, 2008 has been revised and \$107 was reallocated from intangible assets to goodwill.

Fair value of net assets acquired	
Computer software	139
Customer relationships & contracts	326
Goodwill	107
Non-cash working capital	(30)
Net assets acquired	542
Consideration	
Cash	502
Transaction costs	40
	542

- e. Effective July 2, 2008 the Corporation acquired a web-based Supervisory Control and Data Acquisition (SCADA) business called SCADANet from Matrikon Inc. for \$831 consisting of \$800 cash and transaction costs of \$31.

The assets from the acquisition have been accounted for using the purchase method and the results of operations are included in the consolidated statements of operations and other comprehensive income from the date of acquisition

Fair value of assets acquired	
Customer relationships & contracts	738
Goodwill	93
Net assets acquired	831
Consideration	
Cash	800
Transaction costs	31
	831

5. Property & Equipment

2009	Cost	Accumulated amortization	Net book value
Computer software	7,832	7,095	737
Computer hardware	2,893	2,286	607
Office furniture and equipment	1,526	666	860
Vehicles	391	6	385
Leasehold improvements	1,358	526	832
	14,000	10,579	3,421

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2008	Cost	Accumulated amortization	Net book value
Computer software	7,455	6,497	958
Computer hardware	2,626	1,937	689
Office furniture and equipment	865	603	262
Leasehold improvements	819	400	419
	11,765	9,437	2,328

6. Customer Relationships & Contracts

	Net book value
Balance, December 31, 2007	3,920
Acquisition of WCT (note 4d)	433
Acquisition of ScadaNet (note 4e)	738
Amortization	(570)
Balance, December 31, 2008	4,521
Acquisition of BPOMS (note 4c)	1,984
Acquisition of Southport (note 4b)	1,768
Acquisition of GAS (note 4a)	3,846
Foreign currency translation adjustment	(99)
Adjustment to WCT (note 4d)	(107)
Amortization	(799)
Balance, December 31, 2009	11,114

7. Goodwill

The changes in the carrying amount of goodwill are as follows:

	Net book value
Balance, December 31, 2007	6,110
Acquisition of ScadaNet (note 4e)	93
Balance, December 31, 2008	6,203
Acquisition of GAS (note 4a)	4,942
Acquisition of Southport (note 4b)	219
Foreign currency translation adjustment	(127)
Adjustment to WCT (note 4d)	107
Balance, December 31, 2009	11,344

No impairment charges resulted from the required impairment evaluations of the operations reporting units.

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8. Income Taxes

The provision for income taxes differs from the amount computed by applying the statutory income tax rate to income from operations. The sources and tax effects of the differences are as follows:

	Year ended December 31, 2009	Year ended December 31, 2008
Income from operations	2,873	3,444
Statutory income tax rate	29%	29.50%
Expected income tax expense (recovery)	833	1,016
Adjustments resulting from:		
Rate adjustment	(86)	(157)
Other	(206)	68
Change in valuation allowance	(692)	(927)
Income tax (recovery) / expense	(151)	-

Future income tax assets and liabilities are comprised of:

	Canada	U.S.A.	Year ended December 31, 2009	Year ended December 31, 2008
Future tax assets				
Non-capital losses	4,049	-	4,049	2,334
Property & equipment	-	-	-	597
Share issuance costs	-	-	-	20
Valuation allowance	(1,728)	-	(1,728)	(2,420)
	2,321	-	2,321	531
Future tax liabilities				
Investment tax credit receivable	(201)	-	(201)	-
Property & equipment	23	(195)	(172)	-
Customer relationships contracts	(1,708)	(1,543)	(3,251)	(531)
	(1,886)	(1,738)	(3,624)	(531)
Net future tax asset (liability)	435	(1,738)	(1,303)	0

As at December 31, 2009 the Corporation and its subsidiaries have approximately \$14,309 (2008 - \$9,336) of non-capital loss carry-forwards for income tax purposes available to reduce future taxable income. These losses expire between 2010 and 2029.

9. Operating Line of Credit

The Corporation has a secured revolving line of credit with a Schedule "A" Canadian chartered bank, for up to \$5,000 to support the Corporation's working capital requirements. The line bears interest at prime plus 1.25% payable monthly in arrears. The line of credit is limited by the standard margining of accounts receivable and the outstanding letters of credit which reduce the Corporation's available funds under its operating line of credit.

Pursuant to a US\$9,000 promissory note issued in relation to the acquisition of GAS, the Corporation has agreed with the vendor not to increase the Corporation's operating line above \$5,000 until a total of US\$3,000 has been repaid on the promissory note due to the vendor (notes 4a and 10).

As of December 31, 2009, \$2,698 was drawn on the line of credit, which is within the allowed margin limits of \$3,005.

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10. Long-term Debt

The Corporation has the following long-term debt obligations:

	December 31, 2009	December 31, 2008
Secured term loan, \$1,500, expiring June 2010, monthly payments of \$50 general security agreement placing a charge on the assets of the Corporation and securities pledge agreements, have been provided as collateral.	-	850
Unsecured promissory note, \$300 due on October 1, 2010.	300	-
Secured promissory note US\$9,000 expiring November 1, 2014.	9,419	-
Installment loans with financial institutions, payable in variable monthly installments of \$12, including interest rates of 0% to 9.25%, maturing at various dates through July 2013, secured by vehicles.	211	-
	9,930	850
Less: current portion	1,610	600
	8,320	250

On December 21, 2007, the Corporation secured a term loan facility in the principal amount of \$1,500. The term of the facility was for a period of 30 months, included interest rate of bank prime plus 1% and monthly payment of principal plus interest. The loan was paid out in March 2009.

On October 1, 2009 the Corporation, upon the acquisition of Southport (note 4b) issued a \$300 promissory note to the previous shareholders of Southport Data Systems Inc. The note is non interest bearing, due and payable on October 1, 2010.

On November 1, 2009 the Corporation, upon the acquisition of GAS (note 4a) issued a \$9,669 (US\$9,000) promissory note, bearing interest at the rate of 4% per annum over a 5 year term. The promissory note is secured by a general security agreement with a first priority security interest on all of the Corporation's present and after acquired property and assets of GAS. Interest payments are payable on a quarterly basis and the principal payment will be made as per the following schedule:

Year	
2010	1,177 (US\$1,125)
2011	2,355 (US\$2,250)
2012	2,747 (US\$2,625)
2013	1,570 (US\$1,500)
2014	1,570 (US\$1,500)
	9,419 (US\$9,000)

As part of the acquisition of GAS, the Corporation assumed various long term debt obligations for vehicle financing, secured by such vehicles.

11. Share Capital

On September 12, 2008 the Corporation completed the Normal Course Issuer Bid ("NCIB") having purchased for cancellation, 2,218,000 common shares of the Corporation or 5% of the 43,306,338 shares outstanding.

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On December 10, 2008, the Corporation completed the Amended Normal Course Issuer Bid ("Amended NCIB") having purchased for cancellation, an additional 909,833 common shares of the Corporation for a total of 3,127,833 common shares at an average cost per share of \$0.437.

On February 11, 2009, the Corporation consolidated its shares on a one (1) new for three (3) old shares. All comparative information reflects the consolidation of the shares.

Effective May 19, 2009, the Corporation received regulatory approval for Normal Course issuer bid ("the bid") from the Toronto Stock Exchange to purchase for cancellation, from time to time as the Corporation considers advisable, up to 2,788,457 common shares or 10% of the Corporation's public float. The bid commenced on May 21, 2009 and will expire on May 20, 2010. During the year ended December 31, 2009, the Corporation purchased 1,005,755 shares through the bid.

a. **Authorized:** Unlimited common shares without nominal or par value.

b. **Issued and Outstanding**

Common shares	Number	Amount
Balance, December 31, 2007	43,884,371	\$23,995
Issued on exercise of stock options – see (i) below	524,356	279
Issued on exercise of warrants	91,411	25
Shares repurchased and cancelled	(3,127,833)	(1,378)
Balance, December 31, 2008	41,372,305	22,921
Issued on exercise of stock options – see (ii) below	16,666	6
Issued on exercise of warrants - see (iii) below	1,898,382	1,672
Shares purchased and cancelled - see (iv) below	(1,005,744)	(470)
Shares cancelled see (v) below	(64,827)	(19)
Balance, December 31, 2009	42,216,782	\$24,110

- i. During the year ended December 31, 2008, options to purchase common shares were exercised for proceeds of \$157. The additional \$122 credited to share capital represents a transfer of the contributed surplus in respect of these options.
- ii. During the year ended December 31, 2009, options to purchase common shares were exercised for proceeds of \$5. The additional \$1 credited to share capital represents a transfer of the contributed surplus in respect of these options.
- iii. During the year ended December 31, 2009, warrants for common shares were exercised on a cashless basis, such that 481,716 shares were issued on the exercise and cancellation of 2,934,783 warrants. A further 1,416,666 warrants were exercised for \$935. The \$737 credited to share capital represents a transfer of the contributed surplus in respect of these warrants.
- iv. During the year ended December 31, 2009, through the bid, the Corporation purchased for cancellation 1,005,744 shares at an average cost per share of \$0.468.
- v. During the year ended December 31, 2009, 64,827 common shares of the Corporation issued in accordance with a plan of arrangement pursuant to the acquisition of TCENet Inc. in August, 2003 were cancelled. The plan of arrangement required security holders of TCENet Inc. to return their shares to the transfer agent for conversion to shares of the Corporation by October 1, 2009, failing which shareholders of such untendered shares would lose their right to have them exchanged for shares of the Corporation. The \$19 credited to share capital represents a transfer to contributed surplus in respect of these cancelled shares.

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c. Contributed Surplus

Balance, December 31, 2007	\$1,697
Stock-based compensation expense	(4)
Reclassification of deferred share purchase plan	178
Reclassification to share capital for stock options exercised (note 11b(i))	(122)
Reclassification to share capital for warrants	(25)
Balance, December 31, 2008	\$1,724
Stock-based compensation expense	-
Shares cancelled (note 11(b)(v))	19
Reclassification to share capital for stock options exercised (note 11b(ii))	(1)
Reclassification to share capital for warrants (note 11b(iii))	(737)
Balance, December 31, 2009	\$1,005

d. Stock Option Plan

The Corporation grants stock options pursuant to an incentive plan (the "Plan"). Under the Plan, stock options may be granted to directors, officers and employees of the Corporation. A maximum of 10% of the issued and outstanding common shares of the Corporation have been reserved for issuance under the Plan. If any option expires without having been exercised or an award is terminated or forfeited for any reason, the common shares shall again be available for issuance in connection with future awards under the Plan. The Board of Directors (or Compensation Committee of the Board, if designated by the Board) may set the exercise price of each option, subject to certain pricing restrictions. Generally, stock options vest over a three-year period from the date of grant and are exercisable over a period of not more than five years. The Board of Directors or Compensation Committee, as the case may be, must specify the vesting schedule for each option upon its grant.

As at December 31, 2009, the Corporation had 139,327 (2008 – 182,133) stock options outstanding with exercise prices ranging from \$0.36 to \$0.75 per share, expiring January 7, 2010 to August 9, 2011. The following table summarizes stock option transactions:

	Number of options	Weighted-average exercise price
Outstanding, December 31, 2007	831,100	\$0.36
Exercisable, December 31, 2007	763,764	\$0.36
Exercised	524,355	0.30
Forfeited	124,612	0.45
Outstanding, December 31, 2008	182,133	0.51
Exercisable, December 31, 2008	178,800	0.51
Exercised	16,666	0.30
Forfeited	26,140	0.60
Outstanding, December 31, 2009	139,327	0.54
Exercisable, December 31, 2009	139,327	0.54

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The Corporation has the following stock options outstanding:

Exercise Price	Number outstanding at December 31, 2009	Weighted-average remaining contractual life (years)	Number exercisable at December 31, 2009
\$0.36	56,665	0.02	56,665
\$0.60	31,665	0.66	31,665
\$0.75	50,997	0.33	50,997
	139,327	0.28	139,327

The Corporation records compensation costs on the granting of stock options using the fair value based method. The following table presents the weighted-average assumptions used to determine stock-based compensation expense using the Black-Scholes option pricing model:

	December 31, 2009	December 31, 2008
Stock-based compensation expense	-	(4)
Dividend yield	0%	0%
Expected volatility	106.05%	91.01%
Risk-free interest rate	0.50%	2.60%
Expected life	1 year	1 year
Weighted-average grant date fair value	\$0.45	\$0.42

e. **Deferred Annual Bonus and Share Purchase Plan**

As an additional performance incentive measure, the Corporation adopted a Deferred Annual Bonus and Share Purchase Plan ("DSP") in 2006. The DSP enables employees to elect to receive up to 10% of their annual base salary and up to 100% of any annual bonus to which they become entitled in the form of Deferred Common Shares ("DCS"). Each DCS may be redeemed by the holder for one common share of the Corporation for no additional payment on the death or termination of the holder's service to the Corporation. Up to 1,000,000 DCS may be issued under the Plan, but in no event shall the total number of DCS, combined with the number of outstanding stock options issued pursuant to the Corporation's stock option plan, exceed 10% of the outstanding shares of the Corporation.

The following table represents all DCS granted:

	Deferred Common Shares	Deemed Value
Outstanding, December 31, 2007	158,494	105
Issued in 2008	538,695	178
Outstanding, December 31, 2008 and 2009	697,189	283

f. **Warrants and Special Warrants**

As at December 31, 2009, the Corporation had no Warrants outstanding to acquire common shares.

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The following table summarizes Warrant and Special Warrant transactions:

	Number of warrants	Weighted-average exercise price
Outstanding December 31, 2007	4,660,543	\$0.45
Expired	217,682	\$0.36
Exercised	91,411	\$0.36
Outstanding, December 31, 2008	4,351,450	\$0.45
Expired	2,453,067	\$0.36
Exercised	1,898,382	\$0.58
Outstanding, December 31, 2009	-	-

g. **Net Income per Share**

On February 11, 2009 the Corporation consolidated the shares of the Company on a one (1) new share for three (3) old shares basis as approved by the Company's shareholders on November 26, 2008. The calculation of net income per share is based on the consolidated weighted-average number of common shares outstanding and the diluted shares for the year ended December 31, 2009 of 41,707,020 (year ended December 31, 2008 - 44,241,726). Diluted amounts are calculated using the treasury stock method, taking into consideration the potential conversions and the exercise of options, warrants and deferred share units.

12. Capital Disclosures

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders.

The Corporation monitors capital on the basis of debt to equity. This ratio is calculated as long term debt, net of cash, divided by equity.

The Corporation is meeting its objective of managing capital by maintaining a debt to equity ratio below 0.5:1, performing detailed due diligence on all potential acquisitions, and a monthly review of financial results.

The debt to equity ratio calculations at December 31, 2009 and December 31, 2008 were as follows:

	December 31, 2009	December 31, 2008
Current portion of long term debt	1,610	600
Long term debt	8,320	250
Cash	(1,049)	(1,127)
Net debt	8,881	0
Share capital	24,110	22,921
Contributed surplus	1,005	1,724
Deficit	(7,526)	(10,550)
Accumulated other comprehensive income	16	-
Equity	17,605	14,095
Debt to equity	0.5:1	0:1

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13. Commitments

The Corporation is committed to annual minimum lease payments under operating leases for premises and equipment through 2019. Annual payments required are as follows:

Year ending December 31	Annual Payments
2010	1,526
2011	1,435
2012	1,149
2013	1,085
Thereafter	2,984

14. Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable, operating line of credit, accounts payable and accrued liabilities and long term debt.

The Corporation has classified cash as held-for-trading measured at fair value with any gains or losses identified during periodic evaluations recorded in net income.

Accounts receivable are classified as loans and receivables and are measured at amortized cost. The carrying value of these financial assets approximates their fair value due to the relatively short period to maturity.

Operating line of credit and accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost. The carrying value of these other financial liabilities approximate their fair value due to the relatively short period to maturity. The fair value of the long term debt approximates its fair value at December 31, 2009 due to the relative short period of issuance before the end of year.

Financial Risk management

The Corporation's activities expose it to a variety of financial risks including foreign currency, credit risk and liquidity risk. Management reviews these risks on an ongoing basis to ensure that the risks are appropriately managed. The Corporation does not have a practice of trading derivatives and has none outstanding at December 31, 2009.

a. Interest Rate Risk

The Corporation's objective in managing interest rate risk is to monitor expected volatility in interest rates while also minimizing financing expense levels. Interest rate risk mainly arises from fluctuations of interest rates and the impact on the return earned on cash and the expense on floating rate debt. On an ongoing basis, management monitors changes in short-term rates and considers long-term forecasts to assess potential cash flow impacts to the Corporation. A change of 100 basis points in the market interest rate would have had for the year ended December 31, 2009 an approximate impact on net earnings of \$27 (\$15 -2008). The Corporation does not currently hold any financial instruments to mitigate its interest risk.

b. Credit Risk

Credit risk is the risk of a financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation is exposed to credit risk through its cash and accounts receivable. Credit risk for accounts receivables are managed through established credit monitoring activities.

The Corporation has a concentration of customers in government agencies. Losses under trade accounts receivable have been historically insignificant. The credit worthiness of new customers is subject to review by management and that of existing customers is monitored.

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The Corporation reviews its trade receivable accounts regularly and amounts are written down to their expected realizable value when the account is determined not to be fully collectible. The bad debt expense is charged to net income in the period that the account is determined to be doubtful. The accounts receivable aging for the years ended December 31, 2009 and 2008 were as follows:

Accounts receivable carrying values	Current	30 days	60 days	over 90 days
2009	3,881 53%	2,131 29%	622 9%	692 9%
2008	2,723 63%	1,030 24%	386 9%	199 5%

The Corporation has a \$215 allowance for doubtful accounts as of December 31, 2009 (2008 - \$36).

c. Liquidity Risk

The Corporation's liquidity risk results from its potential ability to meet its financial liabilities. The Corporation regularly monitors its operations and cash flow to ensure that current and future obligations will be met.

The Corporation's financial liabilities inclusive of operating leases were as follows:

	Balance 2009	2010	2011	2012	Beyond 2012
Operating line of credit	2,698	2,698			
Accounts payable and accrued liabilities	4,628	4,628	-	-	-
Long term liabilities	68	68			
Long term debt	9,930	1,610	2,433	2,747	3,140
Commitments	8,179	1,526	1,435	1,149	4,069
Total	25,503	10,530	3,868	3,896	7,209

Management believes that forecasted cash flows from operating activities will provide sufficient cash requirements to cover the Corporation's forecasted operating and capital expenditures.

d. Foreign exchange rate risk

A portion of the Corporation's sales and long term debt are in U.S. dollars. Future fluctuations in the exchange rates could have an effect on the Corporation's business and results of operations. In particular, a further decline in the value of the United States dollar relative to the Canadian dollar could have a material adverse effect on the Corporation's results of operations and cash flows. The Corporation does not currently undertake any exchange rate hedging activities.

A change of 100 basis points in exchange rate would have had for the year ended December 31, 2009 an approximate impact on net earnings of \$6. The Corporation does not currently hold any financial instruments to mitigate foreign exchange rate risk.

15. Transactions with Related Parties

Related party transactions in the normal course of operations are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the quarter ended December 31, 2009, the Corporation leased its offices in Stonewood, VW and Indiana, PA from an officer of the Corporation. The amount paid was \$41, and was recorded as rent expense. The Corporation has an ongoing five year lease for both of the offices.