

Consolidated Financial Statements

VendTek Systems Inc.

For the Three Months Ended
January 31, 2008 and 2007
(Unaudited)

VendTek Systems Inc.

Consolidated Balance Sheets

As at January 31, 2008, with comparative figures as at October 31, 2007

	January 31, 2008 (Unaudited)	October 31, 2007 (Audited)
Assets		
Current Assets		
Cash	\$ 1,461,293	\$ 329,431
Accounts receivable	2,286,069	3,357,431
Inventories	4,820,108	4,820,339
Prepaid expenses and deposits	41,129	27,401
Future income tax asset	91,948	91,948
	8,700,547	8,626,550
Equipment	984,315	932,063
Intangible Assets	761,054	805,753
Goodwill	522,349	522,349
	\$ 10,968,265	\$ 10,886,715
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 5,596,309	\$ 5,983,508
Income taxes payable	160,800	83,800
Current portion of capital lease (note 4)	130,933	148,926
	5,888,042	6,216,234
Capital Lease (note 4)	29,586	50,553
	5,917,628	6,266,787
Shareholders' Equity		
Share Capital (note 5)	7,990,437	7,990,337
Contributed Surplus (note 5)	1,436,335	1,156,204
Accumulated Deficit	(4,376,135)	(4,526,613)
	5,050,637	4,619,928
	\$ 10,968,265	\$ 10,886,715

See accompanying notes to the consolidated financial statements.

Approved on Behalf of the Board:

"Stuart Wooldridge"
Stuart Wooldridge, Director

"Sherri Macdonald"
Sherri Macdonald, Director

VendTek Systems Inc.

Consolidated Statements of Operations and Accumulated Deficit
For the three months ended January 31, 2008 and 2007

	2008	2007
	Restated (note 3)	
Revenues		
Prepaid telecommunication	\$28,727,731	\$16,117,312
Hardware and equipment	39,796	36,321
Software license and services	227,434	260,907
	<u>28,994,961</u>	<u>16,414,540</u>
Cost of revenues		
Prepaid telecommunication	27,294,842	15,253,118
Hardware and equipment	36,004	11,013
	<u>27,330,846</u>	<u>15,264,131</u>
	<u>1,664,115</u>	<u>1,150,409</u>
Operating Expenses		
General and administrative	1,052,000	547,089
Selling and marketing	115,297	123,436
Research and development	124,746	98,615
Amortization	111,584	80,497
Interest on capital lease obligations	33,010	32,954
	<u>1,436,637</u>	<u>882,591</u>
Net earnings prior to income tax provision	<u>227,478</u>	<u>267,818</u>
Income tax provision	77,000	-
Net earnings	<u>150,478</u>	<u>267,818</u>
Deficit - Beginning	<u>(4,526,613)</u>	<u>(5,295,641)</u>
Deficit – Ending	<u>\$ (4,376,135)</u>	<u>\$ (5,027,823)</u>
Basic and diluted earnings per share	<u>\$ 0.00</u>	<u>\$ 0.01</u>
Weighted average shares outstanding		
Basic	<u>44,441,168</u>	<u>43,065,919</u>
Diluted	<u>47,757,004</u>	<u>45,616,937</u>

See accompanying notes to the consolidated financial statements.

VendTek Systems Inc.

Consolidated Statements of Cash Flows

For the three months ended January 31, 2008 and 2007

	2008	2007
Operating Activities		
Net earnings	\$150,478	\$267,818
Items not involving cash		
Amortization of equipment and intangible assets	111,584	80,497
Unrealized foreign exchange gain	(7,099)	6,472
Stock-based compensation	280,131	143,042
	563,183	491,357
Net change in non-cash operating working capital items	747,751	328,699
Net Cash Provided By Operating Activities	1,282,845	820,056
Cash Flows From Financing Activities		
Proceeds from options exercised	-	25,000
Repayment of lease obligations	(38,960)	(40,550)
Issuance of shares	-	335,100
Net Cash (Used In)/Provided By Financing Activities	(38,960)	319,550
Cash Flows From Investing Activities		
Purchases of equipment	(112,023)	(149,967)
Net Cash Used In Investing Activities	(112,023)	(149,967)
Change in Cash	1,131,862	996,111
Cash - Beginning	329,431	763,664
Cash - Ending	1,461,293	1,759,775
Non-Cash Financing Activities		
Financing from purchase of equipment	-	92,000
Supplemental Disclosures		
Interest paid	33,010	32,957

See accompanying notes to the consolidated financial statements.

VendTek Systems Inc.

Notes to Consolidated Financial Statements

January 31, 2008 and 2007

1. Basis of Presentation

The unaudited interim consolidated financial statements for the quarter ended January 31, 2008, should be read in conjunction with the audited consolidated financial statements of VendTek Systems Inc. ("the Company") for the year ended October 31, 2007. These interim financial statements conform in all material respects to the requirements of Canadian generally accepted accounting principles for interim financial statements.

2. Summary of Significant Accounting Policies

These interim financial statements follow the same accounting policies and methods as the consolidated financial statements for the year ended October 31, 2007.

3. Restatement of the First Quarter 2008 Consolidated Financial Statements

During the year, the Company discovered an error in its previously reported consolidated financial statements for the period ending January 31, 2008. Upon discovery of such discrepancies, the Company took steps to quantify the extent of any incorrect financial reporting, and correct material misstatements. Revenues and cost of revenues previously reported were \$30,091,179 and \$28,427,064. Revenues and cost of revenues have been reduced by \$1,096,218 to \$28,994,961 and \$27,330,846 respectively. Gross margin and net earnings were not affected.

4. Capital Lease

		Jan. 31, 2008	Jan. 31, 2007
Capital leases for terminals	(a)	\$ 107,355	\$ 294,474
Capital lease for computer equipment	(b)	53,164	-
		<u>160,519</u>	<u>294,474</u>
Less: current portion		130,933	272,698
		<u>\$ 29,586</u>	<u>\$ 21,776</u>

- (a) The Company finances the purchase of point-of-sale equipment by way of capital leases payable over two years, with imputed interest at a nominal rate of 72% per annum, which mature in 2009.
- (b) The Company finances the purchase of computer equipment by way of a capital lease payable over three years, secured by the related equipment, with imputed interest at a nominal rate of 11% and 15% per annum, which matures in 2010.

Minimal annual repayments of lease indebtedness are as follows:

October 31, 2008	\$ 188,564
October 31, 2009	31,064
October 31, 2010	<u>11,829</u>
	\$ 231,457

Thereafter all current lease commitments are fulfilled.

VendTek Systems Inc.

Notes to Consolidated Financial Statements
January 31, 2008 and 2007

5. Share Capital

a) Issued and Outstanding

	3 months ended		3 months ended	
	January 31, 2008		January 31, 2007	
	Number of shares	\$000's	Number of shares	\$000's
100,000,000 Authorized:				
Common shares Issued				
Balance, beginning of period	44,441,168	\$7,990	41,883,483	\$6,804
Stock options exercised			225,000	45
Warrants exercised			-	-
Subscriptions received			957,436	335
Subscriptions receivable			-	(20)
Balance, end of period	44,441,168	\$7,990	43,065,919	\$7,164

b) Contributed Surplus

A summary of contributed surplus is as follows:

	Quarter Ended January 31	
	2008	2007
Balance, beginning	\$ 1,156,204	\$ 438,525
Stock-based compensation	280,131	143,042
Fair value of expired warrants	-	34,000
Balance, ending	\$ 1,436,335	\$ 615,567

The Company reclassified the fair value of expired warrants from share capital.

c) Stock Options

The Company has a stock option plan (the "Plan") whereby it may grant up to 8,671,184 options to its directors, officers and employees. The terms and conditions of options granted under the Plan are determined solely by the Board of Directors. Options are generally granted with a term of five years and vest over eighteen months.

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted average exercise price
Balance, October 31, 2007	7,203,286	\$0.32
Granted	-	-
Exercised	-	-
Balance, January 31, 2008	7,203,286	\$0.32

VendTek Systems Inc.

Notes to Consolidated Financial Statements
January 31, 2008 and 2007

5. Share Capital

c) Stock Options (continued)

The following table summarizes information about share options outstanding at January 31, 2008:

Range of Exercise Prices (\$)	Weighted Average Remaining Contractual Life (Years)	Options Outstanding		Options Exercisable	
		Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
0.20 – 0.40	1.68	3,094,286	\$0.20	3,094,286	\$0.20
0.41 – 0.60	3.79	2,000,000	\$0.53	1,389,841	\$0.53
0.61 – 0.88	3.75	2,109,000	\$0.81	948,552	\$0.79
	2.23	7,203,286	\$0.32	5,432,679	\$0.33

The fair value of each option is estimated as at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	January 31, 2008
Risk free interest rate	4.14%
Expected life	5 years
Expected volatility	105%
Expected dividends	-
Fair value per share option granted	0.41

6. Related Party Transactions

During the three months ended January 31, 2008, the Company paid rent of \$11,317 (2007-\$11,317) to a company in which a director has a minority equity interest. On November 1, 2006, the Company signed a three-year lease which expires on October 31, 2009. In addition to minimum lease payments of \$3,772 per month, the facility lease requires payment of a proportionate share of taxes and strata fees. This transaction was in the normal course of operations and, in management's opinion, undertaken with the same terms and conditions as a transaction with unrelated parties.

VendTek Systems Inc.

Notes to Consolidated Financial Statements
January 31, 2008 and 2007

7. Segmented Information

The Company operates in one industry and two geographic segments, being Canada and Asia. The accounting policies of the segments are the same as those described in Note 2.

	North America	China	Total
Quarter ended January 31, 2008			
Revenue	\$ 28,973,862	\$21,099	\$ 28,994,961
Amortization	109,383	2,201	111,584
Segment earnings (loss)	161,082	(10,604)	150,478
Segment assets	\$ 10,968,265	88,575	\$ 10,968,265
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	North America	China	Total
Quarter ended January 31, 2007			
Revenue	\$ 16,392,286	\$22,254	\$ 16,414,540
Amortization	78,291	2,206	80,497
Segment earnings (loss)	282,811	(14,993)	267,818
Segment assets	6,102,677	89,707	6,192,384

8. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current period.