

Consolidated Financial Statements

VendTek Systems Inc.

For the Three and Six Months Ended
April 30, 2008 and 2007
(Unaudited)

VendTek Systems Inc.

Consolidated Balance Sheets

April 30, 2008 and October 31, 2007

	April 30, 2008 (unaudited)	October 31, 2007 (audited)
Assets		
Current Assets		
Cash	\$ 1,531,391	\$ 329,431
Accounts receivable	2,680,775	3,357,431
Inventories	5,292,628	4,820,339
Prepaid expenses and deposits	70,661	27,401
Future income tax asset	91,948	91,948
	9,667,403	8,626,550
Equipment	981,528	932,063
Intangible assets	634,388	805,753
Goodwill	522,349	522,349
	\$ 11,805,668	\$ 10,886,715
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 5,980,449	\$ 5,983,508
Income taxes payable	163,731	83,800
Current portion of capital lease obligations (note 4)	102,282	148,926
	6,246,462	6,216,234
Capital lease obligations (note 4)	29,862	50,553
	6,276,324	6,266,787
Shareholders' Equity		
Share Capital (note 5)	8,047,658	7,990,337
Contributed Surplus (note 5)	1,692,119	1,156,204
Accumulated Deficit	(4,210,433)	(4,526,613)
	5,529,344	4,619,928
	\$ 11,805,668	\$ 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 and six months ended April 30, 2008 and 2007

	Three months ended		Six months ended	
	2008	2007	2008	2007
Revenues				
Prepaid telecommunication	\$28,589,269	\$17,039,986	\$57,317,000	\$33,157,298
Hardware and equipment	28,680	20,488	68,476	56,809
Software license and services	265,514	231,384	492,948	492,291
	<u>28,883,463</u>	<u>17,291,858</u>	<u>57,878,424</u>	<u>33,706,398</u>
Cost of revenues				
Prepaid telecommunication	27,046,733	16,126,907	54,341,575	31,380,025
Hardware and equipment	27,610	15,010	63,614	26,023
	<u>27,074,343</u>	<u>16,141,917</u>	<u>54,405,189</u>	<u>31,406,048</u>
	<u>1,809,120</u>	<u>1,149,941</u>	<u>3,473,235</u>	<u>2,300,350</u>
Operating Expenses				
General and administrative	1,067,228	668,365	2,126,327	1,215,454
Selling and marketing	177,790	134,872	293,087	258,308
Research and development	136,900	125,168	261,646	223,783
Amortization	134,048	84,175	245,632	164,672
	<u>1,515,966</u>	<u>1,012,580</u>	<u>2,926,692</u>	<u>1,862,217</u>
Earnings before undernoted	293,154	137,361	546,543	438,133
Other expenses				
Interest expense	21,075	40,257	54,085	73,211
Foreign exchange loss	21,377	-	14,278	-
	<u>42,452</u>	<u>40,257</u>	<u>68,363</u>	<u>73,211</u>
Earnings before income taxes	250,702	97,104	478,180	364,922
Income taxes	85,000	-	162,000	-
Net earnings	<u>165,702</u>	<u>97,104</u>	<u>316,180</u>	<u>364,922</u>
Deficit - Beginning	(4,376,135)	(5,027,823)	(4,526,613)	(5,295,641)
Deficit - Ending	<u>\$ (4,210,433)</u>	<u>\$ (4,930,719)</u>	<u>\$ (4,210,433)</u>	<u>\$ (4,930,719)</u>
Basic and diluted earnings per share	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.01
Weighted average shares outstanding				
Basic	44,578,161	43,271,593	44,578,161	43,271,593
Diluted	48,009,114	47,235,816	48,009,114	47,235,816

See accompanying notes to the consolidated financial statements.

VendTek Systems Inc.

Consolidated Statements of Cash Flows

For the three and six months ended April 30, 2008 and 2007

	Three months ended		Six months ended	
	2008	2007	2008	2007
Operating Activities				
Net earnings	\$ 165,702	\$ 97,104	\$ 316,180	\$ 364,922
Items not involving cash				
Amortization of equipment, intangible assets and deferred finance charges	134,048	84,175	245,632	164,672
Deferred acquisition costs	-	(42,574)	-	(42,574)
Effect of foreign exchange	21,377	-	14,278	-
Stock-based compensation	283,465	153,747	563,596	296,789
	604,592	292,452	1,139,686	738,809
Net change in non-cash operating working capital items	(509,772)	(603,193)	237,979	(268,022)
Net Cash Provided In Operating Activities	94,820	(310,741)	1,377,665	515,787
Cash Flows From Financing Activities				
Proceeds from options exercised	57,321	83,000	57,321	108,000
Repayment of debt and lease obligations	(28,374)	(185,590)	(67,334)	(226,140)
Issuance of shares	-	-	-	335,100
Net Cash Provided By Financing Activities	28,947	(102,590)	(10,013)	216,960
Cash Flows From Investing Activities				
Purchases of equipment	(53,669)	(175,726)	(165,692)	(325,693)
Net Cash Used In Investing Activities	(53,669)	(175,726)	(165,692)	(325,693)
Change in Cash	70,098	(589,057)	1,201,960	407,054
Cash - Beginning	1,461,293	1,759,775	329,431	763,664
Cash - Ending	1,531,391	1,170,718	1,531,391	1,170,718
Non-Cash Financing Activities				
Financing from purchase of equipment				-
Supplemental Disclosures				
Interest paid	21,075	40,257	54,085	73,211

See accompanying notes to the consolidated financial statements.

VendTek Systems Inc.

Notes to Consolidated Financial Statements (unaudited)
For the three and six months ended April 30, 2008 and 2007

1. Basis of Presentation

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended October 31, 2007 except as disclosed below. The disclosures provided below are incremental to those included in the annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended October 31, 2007.

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

2. Changes in Accounting Policies

Effective February 1, 2008, the Company adopted the recommendations of Section 1535, "*Capital Disclosures*", of the CICA Handbook. This section establishes standards for disclosing information about a Company's capital and how it is managed in order that a user of the financial statements may evaluate the Company's objectives, policies, and processes for managing capital. Beyond additional disclosure, these new standards did not have an effect on our financial position or results of operations. The new disclosures are included in Note 3.

Sections 3862, "*Financial Instruments – Disclosures*", and 3863, "*Financial Instruments – Presentation*", of the CICA Handbook replaced Section 3861, "*Financial Instruments – Disclosure and Presentation*", and were adopted by the Company effective February 1, 2008. The new standards revise and enhance the disclosure requirements on the nature and extent of risks arising from financial instruments and how a Company manages those risks. Beyond additional disclosure, the adoption of these new pronouncements did not have an effect on the Company's financial position or results of operations. The new disclosures are included in Note 6.

3. Capital Disclosures

The Company includes shareholders' equity, short-term and long-term debt in the definition of capital.

The Company manages its capital and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company will make changes to its capital structure as deemed appropriate under the specific circumstances. The current objectives are to meet the capital requirements through funds from operations. There are no current plans to issue long-term debt. The Company's overall strategy with respect to management of capital remains unchanged from the year ended October 31, 2007.

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

	April 30, 2008	October 31, 2007	Change %
Short Term Debt	\$5,980,449	\$5,983,508	(0.05%)
Long Term Debt	-	-	-
Shareholders' Equity	5,529,344	4,619,928	19.68%
Total Capital	\$11,509,793	\$10,603,436	8.55%

VendTek Systems Inc.

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4. Capital Lease

		2008	2007
Capital leases for terminals	(a)	\$ 88,353	\$ 276,725
Capital lease for computer equipment	(b)	43,791	-
		132,144	276,725
Less: current portion		102,282	95,860
		\$ 29,862	\$ 180,865

- (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	\$ 159,913
October 31, 2009	31,064
October 31, 2010	11,829
	\$ 202,806

Thereafter all current lease commitments are fulfilled.

5. Share Capital

a) Issued and Outstanding

	Six Months Ended		Six Months Ended	
	April 30, 2008		April 30, 2007	
	Number of shares	\$000's	Number of shares	\$000's
100,000,000 Authorized:				
Common shares Issued				
Balance, beginning of period	44,441,175	\$7,990	41,883,483	\$6,804
Stock options exercised	136,986	57	540,000	108
Warrants exercised			-	-
Subscriptions received			957,436	335
Balance, end of period	44,578,161	\$8,047	43,380,919	\$7,247

VendTek Systems Inc.

Notes to Consolidated Financial Statements (unaudited)
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5. Share Capital (con't)

b) Contributed Surplus

A summary of contributed surplus is as follows:

	6 Months Ended April 30	
	2008	2007
Balance, beginning	\$ 1,156,204	\$ 438,525
Stock-based compensation	563,596	296,789
Share capital reallocation	(27,681)	-
Balance, ending	\$ 1,692,119	\$ 735,314

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	20,000	0.88
Exercised	(136,986)	0.20
Balance, April 30, 2008	7,086,300	\$0.32

The following table summarizes information about share options outstanding at April 30, 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	1.43	2,957,300	\$0.20	2,957,300	\$0.20
0.41 – 0.60	3.54	2,000,000	\$0.53	1,675,556	\$0.53
0.61 – 0.89	3.50	2,129,000	\$0.82	1,217,648	\$0.80
	2.82	7,086,300	\$0.32	5,850,504	\$0.34

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:

	April 30, 2008
Risk free interest rate	4.22%
Expected life	5 years
Expected volatility	103%
Expected dividends	-
Fair value per share option granted	0.45

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6. Financial Instruments

The Company classifies its financial instruments as follows:

- Cash as held-for-trading, which is measured at fair value
- Accounts receivable as loans and receivables, which are measured at amortized cost
- Accounts payable and accrued liabilities, and income taxes payable as other financial liabilities, which are measured at amortized cost

The following table presents the carrying amounts of each category of financial assets and liabilities:

	<u>April 30,</u> <u>2008</u>	<u>October 31,</u> <u>2007</u>
Financial Assets:		
Held-for-trading financial assets	\$1,531,931	\$329,431
Loans and receivables	2,680,775	3,357,431
	<u>4,212,706</u>	<u>3,686,862</u>
Financial Liabilities:		
Other financial liabilities	<u>6,144,180</u>	<u>6,067,308</u>

(a) Fair values of financial instruments:

The fair values of cash, accounts receivable, accounts payable and accrued liabilities, and income taxes payable approximate their carrying values due to their short-term to maturities.

(b) Foreign currency risk:

Foreign currency risk reflects the risk that the Company's net assets or operations will be negatively impacted due to fluctuations in exchange rates. Accounts receivable and payable denominated in foreign currencies come due in the short-term and accordingly, management of the Company believes there is no significant exposure to foreign currency fluctuations.

The Company does not have foreign currency derivatives in place. The majority of the Company's revenues and purchases are made in Canadian dollars. However certain of the Company's revenues and expenses are denominated in US dollars and Chinese renminbi. Fluctuations in the exchange rates could significantly impact profitability.

During the quarter and six months ended April 30, 2008, approximately 13% of the Company's gross margin was originated in US dollars and less than 1% of expenses were incurred in US dollars. During the quarter, about 1% of the Company's gross margins originated in Chinese renminbi and approximately 4% of expenses were incurred in Chinese renminbi. During the six months ended April 30, 2008, approximately 1% of the Company's gross margins originated in Chinese renminbi and approximately 3% of expenses were incurred in Chinese renminbi. With all of the variables held constant, a 1% increase in the value of the Canadian dollar relative to the U.S. dollar would have reduced the gross margin by approximately \$5,470 for the six months ended April 30, 2008. A 1% increase in the value of the Canadian dollar relative to the Chinese renminbi would have decreased net income for the six months by \$5,275 for the six months ended April 30, 2008.

(c) Credit risk:

Credit risk reflects the risk that the Company may be unable to recover accounts receivable. The Company's customers are currently concentrated in Canada and in the United Arab Emirates. There have been minimal write-offs of receivables in the last 5 years. The Company generally does not require collateral. The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within operating expenses.

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6. Financial Instruments (con't)

When a receivable balance is considered uncollectible it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

The Company is exposed to concentration of credit risk. As at April 30, 2008, no customers accounted individually for more than 10% of consolidated revenues; however, the Company's largest customer group accounted for 17% of consolidated revenues, but the amounts due from the group are collected on an individual basis and generally are individually immaterial. As at April 30, 2008, the maximum credit risk exposure for accounts receivable corresponds to the carrying value.

The following table sets forth details of the age of receivables that are not overdue as well as an analysis of overdue amounts and related allowance for doubtful accounts:

Unaudited	April 30, 2008
Total accounts receivable	\$ 2,680,775
Less: Allowance for doubtful accounts	-
Total accounts receivable, net	<u>\$ 2,680,775</u>
Of which	
Not overdue	\$ 2,182,775
Past due for less than 30 days	477,682
Past due for less than 60 days	3,454
Past due for less than 90 days	-
Past due for 90 days or greater	<u>16,864</u>
Total accounts receivable, net	<u>\$ 2,680,775</u>

7. Related Party Transactions

During the six months ended April 30, 2008, the Company paid rent of \$22,635 (2007-\$22,635) 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.

8. Segmented Information

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

	North America	China	Total
Six Months Ended April 30, 2008			
Revenue	\$ 57,834,229	\$ 44,195	\$ 57,878,424
Amortization	241,282	4,350	245,632
Segment earnings (loss)	373,645	(57,465)	316,180
Segment assets	\$ 11,715,276	90,392	\$ 11,805,668

VendTek Systems Inc.

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8. Segmented Information (con't)

	North America	China	Total
Six Months Ended April 30, 2007			
Revenue	\$ 33,659,636	\$46,762	\$ 33,706,398
Amortization	160,088	4,584	164,672
Segment earnings (loss)	405,565	(40,643)	364,922
Segment assets	6,059,266	85,078	6,144,344