

VendTek Systems Inc.
Consolidated Financial Statements
For the Three and Nine Months Ended
July 31, 2005 and 2004
(unaudited)

VendTek Systems Inc.

Consolidated Balance Sheets

	July 31, 2005 \$ (unaudited)	October 31, 2004 \$ (audited)
Assets		
Current Assets		
Cash and cash equivalents	179,108	508,443
Accounts receivable	970,283	621,333
Inventory (Note 4)	651,649	373,898
Prepaid expenses and deposits	5,645	4,604
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	1,806,685	1,508,278
Property, Plant and Equipment (Note 5)	224,402	230,802
Intangible Assets (Note 5)	22,901	26,863
Deferred Financing Costs (Note 6)	21,130	33,022
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	2,075,118	1,798,965
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	2,688,102	2,131,375
Current portion of long-term debt (Note 6)	2,559	6,486
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	2,690,661	2,137,861
Long-term Debt (Note 6)	499,754	486,400
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	3,190,415	2,624,261
Shareholders' Equity (Deficit)		
Share Capital (Note 7)	4,802,923	4,802,923
Contributed Surplus	23,349	—
Deferred Compensation	(13,341)	—
Equity Portion of Convertible Debt (Note 6(b))	34,000	34,000
Deficit	(5,962,228)	(5,662,219)
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	(1,115,297)	(825,296)
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	2,075,118	1,798,965
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(See accompanying notes to the consolidated financial statements)

Approved on Behalf of the Board:

/s/ "Paul Brock"

Paul Brock, Director

/s/ "Grant Shellborn"

Grant Shellborn, Director

VendTek Systems Inc.

Consolidated Statements of Operations and Deficit

For the Three Months and Nine Months Ended July 31, 2005 and 2004

(unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	2005 \$	2004 \$	2005 \$	2004 \$
Revenue (<i>Schedule</i>)	10,718,345	6,253,295	26,603,975	14,708,277
Direct Costs (<i>Schedule</i>)	10,196,483	5,978,094	25,579,259	14,071,665
Gross Profit	521,862	275,201	1,024,716	636,612
Expenses (<i>Schedule</i>)				
General and administrative	335,775	326,110	1,046,784	1,041,852
Engineering	71,922	84,412	200,074	194,418
Selling and marketing	36,900	71,419	77,866	133,682
	444,597	481,941	1,324,724	1,369,952
Net Earnings (Loss) For the Period	77,265	(206,740)	(300,009)	(733,340)
Deficit - Beginning of Period	(6,039,493)	(4,880,119)	(5,662,219)	(4,353,519)
Deficit - End of Period	(5,962,228)	(5,086,859)	(5,962,228)	(5,086,859)
Income (Loss) Per Share – Basic and Diluted	–	(0.01)	(0.01)	(0.03)
Weighted Average Shares Outstanding	32,401,000	26,041,000	32,401,000	24,876,000

(See accompanying notes to the consolidated financial statements)

VendTek Systems Inc.

Consolidated Statements of Operations Schedules

For the Three Months and Nine Months Ended July 31, 2005 and 2004

(unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	2005 \$	2004 \$	2005 \$	2004 \$
Revenue				
Systems and parts sales	25,722	130,096	70,355	335,532
License and engineering	374	6,200	9,942	48,850
Prepaid PIN	10,692,249	6,116,999	26,523,678	14,323,895
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	10,718,345	6,253,295	26,603,975	14,708,277
Direct Costs				
Commissions	182,468	78,712	422,159	154,818
Direct labour	33,424	46,900	109,183	140,960
Foreign exchange	4,143	—	8,706	—
Freight, shipping and customs	4,920	3,122	10,972	17,306
Purchases, net of rebates	9,938,589	5,843,218	24,997,033	13,738,922
Subcontract and miscellaneous	32,939	6,142	31,206	19,659
	<hr/>	<hr/>	<hr/>	<hr/>
	10,196,483	5,978,094	25,579,259	14,071,665
General and Administrative Expenses				
Accounting, legal and regulatory fees	9,984	3,961	59,142	86,864
Amortization of deferred financing costs	3,964	3,886	11,892	11,892
Amortization of intangible assets	1,321	1,739	3,962	5,216
Amortization of property, plant and equipment	29,596	7,337	82,087	21,728
Bad debts	(10)	—	6,622	—
Bank charges and interest	5,161	6,236	14,842	14,901
Computer	2,516	9,086	11,055	20,926
Interest on long-term debt	14,391	14,353	42,269	48,440
Investor relations	7,640	19,056	22,247	29,092
Office and miscellaneous	43,694	36,604	112,192	106,271
Rent and utilities (<i>Note 8</i>)	23,212	35,992	77,160	113,689
Salaries and benefits	163,018	147,763	499,152	492,471
Stock-based compensation	3,336	—	10,008	—
Telecommunications	26,943	30,902	75,332	74,987
Travel and promotion	1,009	9,195	18,822	15,375
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	335,775	326,110	1,046,784	1,041,852
Engineering Expenses				
Wages and benefits	71,922	84,412	200,074	194,418
Selling and Marketing Expenses				
Advertising, promotion and trade shows	1,993	12,105	18,477	18,778
Travel	34,907	52,860	56,321	104,600
Wages and benefits	—	6,454	3,068	6,454
Write-down of demonstration inventory	—	—	—	3,850
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	36,900	71,419	77,866	133,682

(See accompanying notes to the consolidated financial statements)

VendTek Systems Inc.

Consolidated Statements of Cash Flows

For the Three Months and Nine Months Ended July 31, 2005 and 2004

(unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	2005 \$	2004 \$	2005 \$	2004 \$
Operating Activities				
Net earnings (loss) for the period	77,265	(206,740)	(300,009)	(733,340)
Items not involving cash				
Accretion of convertible debenture to face value	1,700	1,700	5,100	5,100
Amortization of deferred finance charges	3,964	3,964	11,892	11,892
Amortization of intangible assets	1,321	1,739	3,962	5,216
Amortization of property, plant and equipment	29,596	7,337	82,087	21,728
Stock-based compensation	3,336	—	10,008	—
Changes in non-cash operating working capital items				
Accounts receivable	(307,246)	(79,494)	(348,950)	(183,602)
Inventory	(108,091)	(385)	(277,751)	(160,795)
Prepaid expenses and deposits	183	(1,273)	(1,041)	46,645
Accounts payable and accrued liabilities	287,567	(588,892)	556,727	(6,933)
Customer deposits	—	3,063	—	(39,415)
Cash Provided by (Used in) Operating Activities	(10,405)	(858,981)	(257,975)	(1,033,504)
Investing Activities				
Purchase of property, plant and equipment	(16,668)	(41,215)	(63,045)	(46,016)
Financing Activities				
Cost of share issuances	—	(9,550)	—	(9,550)
Shares issued	—	—	—	1,224,034
Repayment of capital lease obligations	(4,917)	(2,112)	(8,315)	(10,013)
Cash Provided By Financing Activities	(4,917)	(11,662)	(8,315)	1,204,471
Increase (Decrease) in Cash and Cash Equivalents	(31,990)	(911,858)	(329,335)	124,951
Cash and Cash Equivalents - Beginning of Period	211,098	1,176,026	508,443	139,217
Cash and Cash Equivalents - End of Period	179,108	264,168	179,108	264,168
Non-cash Investing and Financing Activities				
Issuance of 529,547 common shares for finder's fees	—	—	—	79,432
Supplemental Disclosures				
Income taxes paid	—	—	—	—
Interest paid	12,263	11,395	42,269	45,482

(See accompanying notes to the consolidated financial statements)

VendTek Systems Inc.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended July 31, 2005 and 2004

(unaudited)

1. Nature of Operations and Continuance of Business

VendTek Systems Inc. (the "Company") develops and licenses transaction automation system software and supporting technologies focusing primarily in the prepaid telecom and financial services industries. The Company is commercializing its products through a) its wholly-owned subsidiaries, Now Prepay Corp., based in Port Coquitlam, British Columbia, Canada and VendTek Systems Technologies (Beijing) Co., Ltd., which is based in Beijing, China, and VendTek Systems Asia Pacific (Singapore) Pte. Ltd., which is based in Singapore; and b) its customers.

VendTek's e-Fresh™ products provide infrastructure to service providers, retailers and retail distributors allowing them to distribute electronic products and services with increased efficiency. By licensing to its customers, the Company is developing sources of recurring license revenues from a global and growing market.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred significant operating losses over the last five years and has a working capital deficiency of \$883,975 at July 31, 2005. This compares to \$980,102 at April 30, 2005; an improvement of \$96,127 (11%) in the quarter. These factors raise substantial doubt about the Company's ability to operate as a going concern. The continued operations of the Company are dependent on its ability to generate future profitable operations and obtain additional financing.

Management is of the opinion that sufficient working capital will be obtained from operations or external financing to meet the Company's liabilities and commitments as they become due. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

2. Summary of Significant Accounting Policies

a) Basis of consolidation and presentation

These financial statements include the accounts of the Company and its wholly owned Canadian subsidiaries, VendTek Industries Inc., and Now Prepay Corp. VendTek Industries Inc. owns VendTek International Inc. (a U.S. company), which is inactive and has no assets. These financial statements also include the accounts of its wholly owned operating Asian subsidiaries, VendTek Systems Technologies (Beijing) Co., Ltd. and VendTek Systems Asia Pacific (Singapore) Pte. Ltd.

b) Use of estimates

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Significant financial statement items, which involve the use of estimates, include the allowance for doubtful accounts, inventory valuation and the useful life of property, plant and equipment including intangible assets. Actual results could differ from those estimates.

c) Cash and cash equivalents

Cash and cash equivalents include: cash on hand, in banks, in lawyer's trust and all highly liquid investments with a maturity of three months or less when purchased.

d) Inventory

Inventory is carried at the lower of weighted average cost and net realizable value.

VendTek Systems Inc.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended July 31, 2005 and 2004

(unaudited)

2. Summary of Significant Accounting Policies (continued)

e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated amortization. For the assets listed below, amortization is computed on the declining balance basis over the estimated useful life of the asset at the following annual rates:

Computer hardware	30%
Computer hardware under capital lease	30%
Computer software	100%
Equipment	20%
Furniture and fixtures	20%
Office equipment	20%
Tools and dies	30%

f) Intangible assets

Intangible assets with estimated useful lives are stated at cost less accumulated amortization. Amortization is computed on a straight-line basis over five years for patents and domain names, and on a straight-line basis over three years for website development costs. Website planning and operating costs are charged to operations.

g) Long-lived assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds the undiscounted estimate of future cash flows from the asset. To July 31, 2005, no impairment losses have been recorded.

h) Foreign currency translation

The functional and reporting currency of the Company is the Canadian dollar. The financial statements of the Company's operations whose functional currency is not the Canadian dollar are translated to Canadian dollars at the exchange rate in effect at the balance sheet date for assets and liabilities, and at average rates for the period for revenues and expenses.

Transactions for the Company's Canadian operations denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date for monetary assets and liabilities, and at historical exchange rates for non-monetary assets and liabilities. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related assets. Resulting gains or losses are reflected in direct costs in the statement of operations.

i) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

VendTek Systems Inc.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended July 31, 2005 and 2004

(unaudited)

2. Summary of Significant Accounting Policies (continued)

i) Income taxes (continued)

In assessing the realization of future tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

j) Corporate transaction costs

The Company accounts for the direct costs of corporate transactions as follows:

(i) Issue of Equity Securities

These costs are deferred if the transaction is more likely than not to be completed. Upon completion the costs are recorded as a capital transaction and applied to reduce gross proceeds of the equity securities issued. If the transaction is abandoned the costs are charged against operations.

(ii) Issue of Debt Securities

These costs are deferred if the transaction is more likely than not to be completed. Upon completion the costs are recorded as an asset and amortized to operations over the term to maturity. If the transaction is abandoned the costs are charged against operations.

k) Financial instruments

(i) Fair values

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their short-term maturity. The fair values of capital lease obligations and long-term debt are estimated to approximate their carrying values based on borrowing rates currently available to the Company for loans with similar terms.

(ii) Foreign currency risk

Foreign currency risk reflects the risk that the Company's foreign currency denominated net assets or operations will be negatively impacted due to fluctuations in exchange rates. Revenue and expenses of the Company 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 hedges in place.

(iii) Credit risk/economic dependence

Financial instruments subjecting the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions.

The Company's customers are concentrated in Canada and China. As at July 31, 2005, 28% (2004 – 33%) of the Company's accounts receivable are with one customer. The Company performs ongoing credit evaluations and generally does not require collateral based upon factors surrounding the credit risk of customers, historical trends and other information.

VendTek Systems Inc.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended July 31, 2005 and 2004

(unaudited)

2. Summary of Significant Accounting Policies (continued)

l) Revenue recognition

The Company's revenue is comprised of three sources: systems and parts sales, license and engineering revenue and the resale of prepaid telecommunication services, principally from the sale of prepaid calling and prepaid cellular services. Revenue is recognized in accordance with EIC-141, "Revenue Recognition". Revenue is recognized when a contractual arrangement is in place, the fee is fixed and determinable, and the products and services have been delivered to the customer.

The resale of prepaid long distance – sales of third party brands "first use cards" where the Company incurs inventory risk and is not the ultimate obligor to the retail or wholesale customer are recognized at the date of sale as the Company's continued obligations effectively end on that date. These sales are recorded on the gross basis with the cost of inventory recorded as direct costs because of the risk of carrying inventory.

m) Stock-based compensation

The Company has a stock option plan, which is described in Note 7(d). The Company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870 "*Stock-based Compensation and Other Stock-based Payments*". When stock or stock options are issued to non-employees, compensation expense is recognized based on the fair value of the stock options issued. During 2005, the Company changed its accounting policy related to employee stock options, and began to recognize compensation expense for stock or stock option grants to employees, based on the fair value of the stock or stock options issued. See Notes 3 and 7(d).

n) Loss per share

Basic net earnings (loss) per share is computed using the weighted average number of common shares outstanding during the periods. The treasury stock method is used for the calculation of diluted net earnings (loss) per share. Stock options and warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

As the Company has recorded a net loss in each of the periods presented, basic and diluted net loss per share are the same since the exercise of warrants or options or the conversion of convertible securities would reduce the loss per share.

o) Comparative figures

Certain comparative figures have been reclassified to confirm with the current period's presentation.

3. Change in Accounting Policy

On November 1, 2004, the Company adopted the provisions of CICA Handbook Section 3870, "*Stock-Based Compensation and Other Stock Based Payments*", as it relates to employee stock options. In accordance with the provisions of this section, the Company has accounted prospectively for all employee stock options granted, settled or modified since November 1, 2004 using the fair value method. The fair value method requires the Company to expense the fair value, as determined using the Black-Scholes option pricing model, of the employee options granted or modified during a period. Accordingly, the Company has recorded an amount of \$23,349 in respect of employee options granted in 2005 (Note 7(d)). Pro forma loss will continue to be disclosed as it relates to employee stock options granted and modified during 2004.

VendTek Systems Inc.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended July 31, 2005 and 2004

(unaudited)

4. Inventory

	July 31, 2005 \$	October 31, 2004 \$ (audited)
Finished goods	979	1,541
Prepaid products	646,209	365,543
Raw materials	4,461	6,814
	<u>651,649</u>	<u>373,898</u>

5. Property, Plant and Equipment and Intangible Assets

	Cost \$	Accumulated Amortization \$	July 31, 2005 Net Carrying Value \$	October 31, 2004 Net Carrying Value \$ (audited)
Property, Plant and Equipment				
Computer hardware	234,230	151,112	82,118	105,711
Computer hardware under capital lease	56,326	53,094	3,232	12,494
Computer software	29,000	25,641	3,359	5,375
Equipment	192,820	68,743	124,076	95,444
Furniture and fixtures	9,855	4,895	4,960	5,818
Office equipment	14,997	9,340	6,656	5,960
	<u>537,228</u>	<u>312,825</u>	<u>224,402</u>	<u>230,802</u>
Intangible Assets				
Domain names and patent costs	71,710	48,809	22,901	26,863

6. Long-term Debt

	July 31, 2005 \$	October 31, 2004 \$ (audited)
Convertible Debentures – See below	491,500	486,400
Capital Leases - capital leases in respect of computer equipment mature at varying dates to 2010 and bear interest at a weighted average rate of 8.4%	10,813	6,486
	<u>502,313</u>	<u>492,886</u>
Less: Current portion of capital leases	(2,559)	(6,486)
	<u>499,754</u>	<u>486,400</u>

VendTek Systems Inc.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended July 31, 2005 and 2004

(unaudited)

6. Long-term Debt (continued)

On November 29, 2001 the Company completed a convertible debenture financing. The Company received \$500,000 and issued \$500,000 of redeemable convertible debentures with a principal amount of \$1,000 each to one investor. A 7% cash finders' fee was paid. Costs of completing this transaction, totalling \$76,346, were deferred and are amortized to operations over the five-year term. The debentures attract interest at a rate of 9½% per annum and mature June 30, 2006. These debentures are convertible, at the option of the holder, into common shares at the following rates:

- i) July 1, 2004 to June 30, 2005 - \$4.00 per share (expired unexercised)
- ii) July 1, 2005 to June 30, 2006 - \$5.00 per share

The estimated equity value of the conversion feature of the debentures totalling \$34,000 was included as a separate component of shareholders' equity. The equity component was calculated as the difference between the gross proceeds received by the Company and the discounted cash flow of repayments based on an annual rate of 12%, which was consistent with similar borrowings available to the Company, without conversion features. The remaining portion of \$466,000 was classified as a long-term liability. The debt component is being accreted to its face value at maturity over the term of the debt through a charge to interest expense.

7. Share Capital

Authorized:

100,000,000 common shares without par value

	Number #	Value \$
Issued at October 31, 2003	23,711,294	3,588,439
Issued for cash pursuant to a private placement ((a) below)	8,160,211	1,224,032
Issued for finders' fees	529,547	79,432
Share issuance costs	—	(88,980)
Issued at October 31, 2004 and January 31, 2005	32,401,052	4,802,923

(a) Private placement

On March 26, 2004 and April 13, 2004, the Company completed a private placement in tranches of 4,967,544 and 3,192,667 units at \$0.15 per unit for gross proceeds of \$1,224,032. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.20 expiring April 13, 2006 and March 26, 2006 respectively. The Company issued an additional 529,547 units in finders' fees.

(b) Escrowed shares

As at July 31, 2005, there are 363,146 shares held in escrow.

VendTek Systems Inc.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended July 31, 2005 and 2004

(unaudited)

7. Share Capital (continued)

(c) Share purchase warrants

The following table summarizes the continuity of the Company's warrants:

	Number of shares	Weighted average exercise price \$
Balance, October 31, 2003	5,201,728	0.18
Issued with private placement [Note 7(a)]	8,689,758	0.20
Expired	(4,003,126)	0.17
Balance, October 31, 2004	9,888,360	0.21
Expired	(1,198,602)	0.20
Balance, July 31, 2005	8,689,758	0.20

Warrants outstanding as at July 31, 2005:

#	Exercise Price \$	Expiry Date
5,198,913	0.20	March 26, 2006
3,490,845	0.20	April 13, 2006
<u>8,689,758</u>		

(d) Stock options

The Company has a Stock Option Plan (the "Plan") whereby it may grant 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, vest over eighteen months, with exercise prices equal to the fair value of the shares on the date of grant.

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

	Number of shares	Weighted average exercise price \$
Outstanding, October 31, 2003	1,995,900	0.20
Granted	830,000	0.20
Forfeited	(195,000)	0.20
Expired	(582,000)	0.20
Outstanding, October 31, 2004	2,048,900	0.20
Granted	543,000	0.20
Expired	(6,000)	0.20
Outstanding, July 31, 2005	2,585,900	0.20
Exercisable at end of period	1,842,329	0.20

VendTek Systems Inc.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended July 31, 2005 and 2004

(unaudited)

7. Share Capital (continued)

(d) Stock options (continued)

Additional information regarding options outstanding as at July 31, 2005 is as follows:

Exercise price \$	Number Outstanding	Outstanding		Exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number Exercisable	Weighted average exercise price \$
0.20	2,585,900	2.4	0.20	1,842,329	0.20

During 2005, the Company adopted the provisions of CICA Handbook Section 3870, "Stock Based Compensation and Other Stock Based Payments", as it relates to employee stock options. See Note 3 for a description of the effects of this change in accounting policy.

The total fair value of employee stock options granted during 2005 was \$23,349. Of this amount, the Company charged \$10,008 to operations and the balance will be charged to operations at a rate of \$3,336 quarterly until May 2006. The weighted average grant date fair value of options granted during 2005 was \$0.043.

The fair value for stock options granted was estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2005
Interest rate	3.76%
Expected life (in years)	5
Expected volatility	50%

The Company is required to disclose the pro forma effects on net loss and net loss per share as if the Company had elected to use the fair value approach to account for its employee stock-based compensation plans for any options granted, settled or modified from November 1, 2003 to October 31, 2004. If this approach had been applied, the Company's loss and loss per share would have been as indicated below:

	Three months ended July 31,		Nine months ended July 31,	
	2005 \$	2004 \$	2005 \$	2004 \$
Net earnings (loss)				
As reported	77,265	(206,740)	(300,009)	(733,340)
Pro forma	72,494	(211,466)	(314,322)	(739,182)
Net earnings (loss) per share – basic and diluted				
As reported	–	(0.02)	(0.01)	(0.03)
Pro forma	–	(0.02)	(0.01)	(0.03)

VendTek Systems Inc.

Notes to the Consolidated Financial Statements

For the Three and Nine Months Ended July 31, 2005 and 2004

(unaudited)

8. Related Party Transactions

For the nine months ended July 31, 2005, the Company paid rent of \$38,440 (nine months 2004 \$61,526) to a company in which a director has a minority interest. The Company's premises lease with the related company expired on October 31, 2001 and is currently on a month-to-month basis. 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.

9. 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.

	Canada			Asia	Total
	Now Prepay Corp. \$	Other \$	Total \$	\$	\$
Nine months ended July 31, 2005					
Revenue	26,547,838	38,219	26,586,057	17,918	26,603,975
Amortization	39,582	56,083	95,665	2,276	97,941
Write-down of inventory	—	—	—	—	—
Segment operating loss	144,837	(319,196)	(174,359)	(125,650)	(300,009)
Segment assets	1,879,131	146,523	2,025,654	49,464	2,075,118
Nine months ended July 31, 2004					
Revenue	14,261,153	215,201	14,476,354	77,105	14,553,459
Amortization	15,310	9,668	24,978	1,966	26,944
Write-down of inventory	3,850	—	3,850	—	3,850
Segment operating loss	(254,842)	(393,555)	(649,397)	(84,943)	(733,340)
Segment assets	1,000,165	523,516	1,523,681	97,919	1,621,600

10. Subsequent Events

On August 8, 2005 the Company granted stock options to certain employees, directors and consultants to purchase up to 1,665,000 common shares exercisable at \$0.20 per share expiring August 8, 2010.

During August and September, 2005 1,705,444 warrants were exercised for \$0.20 per share.