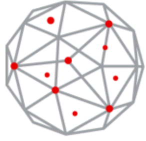


REDKNEE
Looking Beyond

REDKNEE SOLUTIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED SEPTEMBER 30, 2014

DATED: November 19, 2014

SCOPE OF ANALYSIS

This Management's Discussion and Analysis (MD&A) covers the results of operations, financial condition and cash flows of Redknee Solutions Inc. (the "Company" or "Redknee") for the fourth quarter and year-ended September 30, 2014. This document is intended to assist the reader in better understanding operations and key financial results as they are, in our opinion, at the date of this report.

The MD&A should be read in conjunction with the audited Consolidated Financial Statements for the fiscal year-ended September 30, 2014, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties". The consolidated financial statements and the MD&A have been reviewed by Redknee's Audit Committee and approved by its Board of Directors.

Unless otherwise indicated, all dollar amounts are expressed in U.S. Dollars. In this document, "we," "us," "our," "Company" and "Redknee" all refer to Redknee Solutions Inc. collectively with its subsidiaries.

FORWARD-LOOKING STATEMENTS

Certain statements in this document may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this document, such statements use such words as "may", "will", "expect", "continue", "believe", "plan", "intend", "would", "could", "should", "anticipate" and other similar terminology. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this document. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under the "Risk Factors" section of the Company's the most recently filed AIF. Although the forward-looking statements contained in this document are based upon what we believe are reasonable assumptions, we cannot assure investors that our actual results will be consistent with these forward-looking statements. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances, except as required by securities law.

OVERVIEW

The Company commenced operations in July 1999. Redknee is a leading global provider of innovative real-time monetization and subscriber management software products, solutions and services. Redknee's award-winning solutions enable service providers to monetize new services, business models and content and to deliver a comprehensive customer experience. Redknee's revenue and subscriber management platform provides innovative converged billing, charging, policy and customer care solutions for voice, messaging and data services to over 200 service providers in over 90 countries. The Company's software products allow mobile, multi-play and other service providers to extend and enhance their capabilities and service offerings, enabling them to introduce new revenue streams and improve customer satisfaction through the introduction of innovative tariffs and loyalty programs, data services, and advanced customer care and subscriber self-care. Redknee's solutions enable service providers to monetize new services, business models and content and to deliver a connected customer experience - through either Software-as-a-Service ("SaaS") or on-premise software-based solutions. Redknee's real-time monetization and subscriber management platform provides converged charging, billing, policy management, and customer care solutions. In addition to its deep technical expertise and customer footprint in the telecommunications space, Redknee's highly scalable solutions are also being leveraged in additional verticals, including utilities and railways. Established in 1999, Redknee Solutions Inc. (TSX: RKN) is the parent of the wholly-owned operating subsidiary Redknee Inc. and its various subsidiaries. The Company derives its revenue from three main geographic areas namely:

1. APAC – Asia and Pacific Rim
2. Americas – North America, South America and Caribbean
3. EMEA – Europe, Middle East and Africa

Available on-premise, via the cloud or as a SaaS offering, Redknee's highly scalable and agile, end-to-end platform, supports the following market solutions:

Converged Billing and Customer Care – Redknee's award-winning cloud-enabled real-time converged charging, billing, and customer care platform delivers the benefits of a flexible, end-to-end software platform, including real-time charging, billing, policy management and customer care for service providers' data, voice, and messaging services. Today, Redknee's highly scalable solution is supporting more than 100 million subscribers at a single customer and is enabling operators to launch and monetize their 3G and LTE networks and deliver advanced data services, including Voice over LTE, M2M, cloud-services and Over the Top (OTT) offerings.

Policy Management – Redknee's Policy Management solution provides a single solution that enables service providers to take control of network resource usage, assure quality of experience for key users, and offer personalized services and differentiated, service-specific charging. Serving more than 60 operators with a combined customer base of 1.6 billion subscribers, Redknee's Policy Management solution is key to supporting operator data monetization strategies for real-time applications such as video streaming, interactive gaming and voice-over-LTE (VoLTE).

Brand Challenger – Redknee's Brand Challenger solution provides a cloud-based end-to-end converged billing solution for Mobile Network Operators ("MNOs"), Mobile Virtual Network Enablers ("MVNEs") and Mobile Virtual Network Operators ("MVNOs") to launch quickly to the

market. Redknee's out-of-the-box solution offers a low risk business model that enables MNOs to launch a second brand, MVNEs to accelerate their growth strategies and MVNOs to improve their differentiation in the market. Redknee launched the Redknee Cloud in the US as part of its strategy to offer SaaS and a fully managed service to Tier 1 operators, MVNOs and service providers that want to launch to the market quickly.

Wholesale Settlement – Redknee's Wholesale Settlement is a cloud-based solution that provides operators with greater visibility into network transactions in order to achieve converged settlement and accurate interconnect billing. Redknee's solution helps service providers maximize the value of their network with a comprehensive and cost-effective interconnect, wholesale, roaming, MVNO, franchise management and content settlement software solution.

GSM-R Intelligent Network Solution – Redknee's Intelligent Network solution for GSM-Railway (GSM-R) networks enables Railway Network Operators ("RNOs") to deliver better operational support, increased reliability and higher quality railway communications system for their GSM-R networks. Redknee is the core provider of optimized communication services supporting more than 20 GSM-R networks in over a dozen countries across the world, providing advanced functionality to progress their infrastructure, enhance their operational requirements and improve the customer experience they deliver.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information of Redknee for the periods indicated. Each investor should read the following information in conjunction with those financial statements and related notes. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information set out below has been derived from the consolidated financial statements.

Consolidated Statements of Operations (all amounts in thousands of US$, except per share amounts) **(unaudited)**	**Three Months Ended September 30** **2014**	 **2013**	**Twelve Months Ended September 30** **2014**	 **2013**
Revenue				
Software, services and other	34,327	25,981	141,336	68,066
Support	26,611	31,456	116,361	73,981
	60,938	**57,437**	**257,697**	**142,047**
Cost of revenue	24,799	26,593	125,912	63,114
Gross profit	**36,139**	**30,844**	**131,785**	**78,933**
Operating expenses				
Sales and marketing	10,874	9,523	37,600	25,133
General and administrative	7,537	9,811	32,388	20,654
Research and development	14,606	15,415	62,214	34,422
Restructuring Costs	22,525	-	22,525	-
Acquisition and related costs	3,306	1,769	7,198	12,964
	58,848	**36,518**	**161,925**	**93,172**
Loss from operations	**(22,709)**	**(5,674)**	**(30,140)**	**(14,239)**
Foreign exchange gain (loss)	(5,806)	564	(5,590)	(676)
Other income (expense)	(1,849)	4,018	4,065	15,815
Finance income	1	9	45	31
Finance costs	(782)	(569)	(3,047)	(1,011)
Loss before income taxes	**(31,145)**	**(1,652)**	**(34,667)**	**(80)**
Income tax expense (recovery)	3,585	(683)	5,233	183
Net loss	**(34,730)**	**(969)**	**(39,900)**	**(263)**
Net loss per common share				
Basic	$ (0.32)	$ (0.01)	$ (0.39)	$ (0.00)
Diluted	$ (0.32)	$ (0.01)	$ (0.39)	$ (0.00)
Weighted average number of common shares (thousands)				
Basic	108,897	95,030	102,922	82,808
Diluted	108,897	95,030	102,922	82,808

Statement of Financial Position Data $US Thousands (unaudited)	As at September 30, 2014	As at September 30, 2013
Cash, Cash Equivalents and Restricted Cash	109,519	80,066
Trade Accounts, Other Receivables and Unbilled Revenue	113,791	105,815
Goodwill and Intangible Assets	40,458	46,371
Total Assets	287,359	258,046
Trade Payable and Accrued Liabilities	48,105	75,240
Deferred Revenue	24,346	19,085
Long-Term Debt and Other LT liabilities	64,994	62,142
Shareholders' Equity	118,147	97,557

CURRENT PERIOD OPERATING RESULTS

Revenue

The following tables set forth the Company's revenues by type and as a percentage of total revenue for the periods indicated:

$US Thousands	Three Months Ended September 30		Twelve Months Ended September 30	
(unaudited)	2014	2013	2014	2013
Software & Services	26,989	22,081	117,009	61,203
Support	26,611	31,456	116,361	73,980
Third Party Software & Hardware	7,338	3,900	24,327	6,864
Total	**60,938**	**57,437**	**257,697**	**142,047**

Percentage of Total Revenue (unaudited)	Three Months Ended September 30		Twelve Months Ended September 30	
	2014	2013	2014	2013
Software & Services	44%	38%	46%	43%
Support	44%	55%	45%	52%
Third Party Software & Hardware	12%	7%	9%	5%
Total	**100%**	**100%**	**100%**	**100%**

The Company recognizes revenue from the sale of software licenses, including initial licenses, capacity increases and/or upgrades; professional services; third party hardware and software components and customer support contracts. For the three-month period ended September 30, 2014, the Company's revenues have grown by $3.5 million, or 6%, from the previous year to $60.9 million. This increase was driven by the following: $4.9 million, or 22%, increase in software and services revenue; $4.8 million, or 15%, decrease in support revenue; and $3.4 million, or 88%, increase in third party software and hardware revenue. The key reason for the net increase related to more deployments in the quarter and an

increase in the number of third party hardware shipments. The decline in support revenue is mainly due to the expected non-renewal of certain support contracts.

For the year ended September 30, 2014, the Company's revenue increased to $257.7 million from $142.0 million in fiscal 2013. The increase is primarily attributable to the contribution of sales from customers attained through the acquisition of Nokia Networks' (formally Nokia Siemens Networks) Business Support Systems ("BSS") business, the results of which were included for six months in fiscal 2013 from date of acquisition, and twelve months in fiscal 2014.

Software and Services Revenue

Software and services revenue consists of fees earned from the on-premise licensing and deployment of software products to our customers, SaaS licensing revenue as well as the revenues resulting from consulting and training service contracts related to the software products.

Software and services revenue for the three-month period ended September 30, 2014 increased by $4.9 million to $27.0 million, or 44% of total revenue, compared to $22.1 million, or 38% of total revenue for the same period last year. This increase is mainly a result of higher software and services revenue in the APAC region arising from higher deployments of software contracts in the quarter.

For the year ended September 30, 2014, the Company's software and services revenue increased to $117.0 million, or 46% of total revenue, compared to $61.2 million, or 43% of total revenue, for the same period last year. The increase mainly relates to the impact of additional sales to acquired customers from the BSS acquisition.

Support Revenue

Support revenue consists of revenue from our customer support, subscription and maintenance contracts. These recurring revenue agreements allow customers to receive technical support and upgrades in the case of subscription agreements. Support revenue is generated from such agreements relative to current year sales and the renewal of existing agreements for software licenses sold in prior periods. Typically, support contracts commence for a period of one or more years upon completion of acceptance testing and then renew annually thereafter.

Support revenue for the three-month period ended September 30, 2014 decreased by $4.8 million, or 15%, to $26.6 million, or 44% of total revenue, compared to $31.5 million, or 55% of total revenue, for the same period last year. The decrease is mainly attributable to lower support revenue in the Americas and EMEA region as a result of the expected non-renewal of certain contracts taking effect in this period.

For the year ended September 30, 2014, the Company's support revenue increased to $116.4 million, or 45% of total revenue, compared to $74.0 million, or 52% of total revenue, in fiscal 2013. Support revenue for this period increased as a result of new customers acquired from the BSS acquisition.

Third Party Software and Hardware Revenue

Third party software and hardware revenue consists of revenue from the sale of other vendors' software and hardware components as part of Redknee's solutions, including server platforms, database software and other ancillary components.

Third party software and hardware revenue for the three-month period ended September 30, 2014 increased to $7.3 million, or 12% of total revenue, compared to $3.9 million, or 7% of total revenue, for the same period last year. For the year ended September 30, 2014, the Company's third party software and hardware revenue increased to $24.3 million, or 9% of total revenue, compared to $6.9 million, or 5% of total revenue, in fiscal 2013. The increase in third party revenue is mainly due to the fulfilment of third party hardware and software required for large capacity increases for customers in the APAC and EMEA region.

Revenue by Geography

Revenue is attributed to geographic locations based on the location of the customer. The following tables set forth revenues by main geographic area and as a percentage of total revenue for the periods indicated:

$US Thousands (unaudited)	Three Months Ended September 30		Twelve Months Ended September 30	
	2014	2013	2014	2013
Asia and Pacific Rim	20,395	14,942	76,337	40,054
North America, South America and Caribbean	6,252	7,415	26,652	24,230
Europe, the Middle East and Africa	34,291	35,080	154,708	77,763
Total	**60,938**	**57,437**	**257,697**	**142,047**

Percentage of Total Revenue (unaudited)	Three Months Ended September 30		Twelve Months Ended September 30	
	2014	2013	2014	2013
Asia and Pacific Rim	33%	26%	30%	28%
North America, South America and Caribbean	10%	13%	10%	17%
Europe, the Middle East and Africa	57%	61%	60%	55%
Total	**100%**	**100%**	**100%**	**100%**

For the three-month period ended September 30, 2014, revenue from the APAC region was $20.4 million, or 33% of total revenue, compared to $14.9 million, or 26% of total revenue, for the same comparable period in fiscal 2013. This quarter-over-quarter change is mainly attributable to an increase in both software and services revenue and third party revenue. For the year ended September 30, 2014, revenue from the APAC region increased to $76.3 million, or 30% of total revenue, compared to $40.1 million, or 28% of total revenue, for the same period last year. The increase is mainly a result of growing with the new customers acquired from the BSS acquisition in this region.

For the three-month period ended September 30, 2014, revenue from the Americas region decreased to $6.3 million, or 10% of total revenue, compared to $7.4 million, or 13% of total revenue, for the same

comparable period in fiscal 2013. This decrease is mainly attributable to lower support revenue in the region as a result of the expected non-renewal of certain contracts. For the year ended September 30, 2014, revenue from the Americas region increased to $26.7 million, or 10% of total revenue, as compared to $24.2 million, or 17% of total revenue, in the same comparable period in fiscal 2013. The increase is mainly a result of higher software and services revenue during the period arising from progress made on deployments.

For the three-month period ended September 30, 2014, revenue from the EMEA region decreased by $0.8 million, or 2%, to $34.3 million, or 57% of total revenue, compared to $35.1 million, or 61% of total revenue for the same comparable period in fiscal 2013. This decrease is primarily due to lower support revenue, partially offset by an increase in software and services revenue, and third party revenue in the region. For the year ended September 30, 2014, revenue from the EMEA region increased to $154.7 million, or 60% of total revenue, compared to $77.8 million, or 55% of total revenue, for the same period last year. The increase mainly relates to the impact of new customers acquired in the EMEA region from the BSS acquisition.

Cost of Revenue and Gross Margin

Cost of revenue consists of the expense of personnel providing professional services to implement and provide post sales technical support for our solutions, and the costs of third party hardware and software components sold as part of Redknee's solution. In addition, it includes an allocation of certain direct and indirect costs attributable to these activities.

For the three months ended September 30, 2014, cost of revenue decreased by $1.8 million to $24.8 million, from $26.6 million incurred for the same comparable period in 2013. During the same period, gross margin increased by 5% from 54% in the three months ended September 30, 2013 to 59% in the three months ended September 30, 2014. The increase in gross margin for the period presented is mainly a result of higher margins on software and services revenue and support revenue.

For the year ended September 30, 2014, gross margin decreased by 5% from 56% in the year ended September 30, 2013 to 51% in the year ended September 30, 2014. The decrease is primarily attributable to an increase in the use of subcontractors as the Company expands into new regions and incurs incremental expenses as it assumes new contracts. In addition, the revenue mix for third party software and hardware increased, which generally has low gross margins, resulting in lower overall gross margins.

Operating Expenses

Total operating expenses (excluding depreciation and amortization) in the three months ended September 30, 2014 increased to $56.0 million from $33.0 million for the same comparable period last year. This includes acquisition costs of $3.3 million and $1.8 million, for the three months ended September 30, 2014 and September 30, 2013. Excluding depreciation, amortization, restructuring and acquisition costs, total operating costs in the fourth quarter of fiscal 2014 were $30.2 million, or 49% of total revenue, compared to $31.2 million, or 54% of total revenue, for the same period last year. The decrease is mainly attributable to lower general and administrative costs, as compared to the same period last year.

Total operating expenses (excluding depreciation and amortization) for the year ended September 30, 2014 increased to $149.4 million, as compared to $86.7 million for the same period last year. This includes acquisition costs of $7.2 million and $13.0 million, for the year ended September 30, 2014 and September 30, 2013. Excluding depreciation, amortization, restructuring and acquisition costs, total operating costs in the year ended September 30, 2014 were $119.7 million, or 46% of total revenue, compared to $73.7 million, or 52% of total revenue, for the same period last year. This increase in overall operating expenses (excluding depreciation, amortization, restructuring and acquisition costs), is primarily due to the impact of additional headcount and other operational costs associated with the acquired BSS business.

The following tables set forth total operating expenses by function and as a percentage of total revenue for the periods indicated:

$US Thousands (unaudited)	Three Months Ended September 30		Twelve Months Ended September 30	
	2014	2013	2014	2013
Sales and Marketing	10,874	9,523	37,600	25,133
General and Administrative	7,537	9,811	32,388	20,654
Research and Development	14,606	15,415	62,214	34,422
Restructuring Costs	22,525	-	22,525	-
Acquisition and Related Costs	3,306	1,769	7,198	12,964
Total Operating Expenses	**58,848**	**36,518**	**161,925**	**93,172**
Excluding Amortization and Depreciation	*55,985*	*33,016*	*149,423*	*86,698*
Excluding Amortization, Depreciation, Restructuring and Acquisition Costs	*30,154*	*31,246*	*119,701*	*73,734*

Percentage of Total Revenue (unaudited)	Three Months Ended September 30		Twelve Months Ended September 30	
	2014	2013	2014	2013
Sales and Marketing	18%	17%	15%	18%
General and Administrative	12%	17%	13%	15%
Research and Development	24%	27%	24%	24%
Restructuring Costs	37%	0%	9%	0%
Acquisition and Related Costs	5%	3%	3%	9%
Total Operating Expenses	**96%**	**64%**	**64%**	**66%**
Excluding Amortization and Depreciation	*92%*	*57%*	*58%*	*61%*
Excluding Amortization, Depreciation, Restructuring and Acquisition Costs	*49%*	*54%*	*46%*	*52%*

Sales and Marketing Expenses

Sales and Marketing (“S&M”) expenses consist primarily of salaries, variable compensation costs and other personnel costs, travel, advertising, marketing and conference costs plus the allocation of certain overhead costs to support the Company’s sales and marketing activities.

For the three-month period ended September 30, 2014, S&M expenditures increased by 14% to $10.9 million from $9.5 million incurred during the same comparable period last year. As a percentage of total revenue, S&M increased to 18% from 17%, compared to same period last year due to an increase in headcount in the Sales function.

For the year ended September 30, 2014, S&M expenditures increased to $37.6 million, or 15% of total revenue, compared to $25.1 million, or 18% of total revenue, for the same comparable period last year. This increase is primarily attributable to higher headcount costs as a result of the BSS acquisition and hiring to increase sales headcount.

General and Administrative Expenses

General and administrative ("G&A") expenses consist of the Company's corporate and support activities such as finance, human resources, information technology, and professional costs associated with tax, accounting, and legal expenditures. Certain overhead costs such as facilities, communications and computer costs are allocated to G&A and the other departments on a per headcount basis.

For the three-month period ended September 30, 2014, G&A expenditures decreased by $2.3 million to $7.5 million from $9.8 million in the same comparable period last year. As a percentage of total revenue, G&A decreased to 12% from 17%, compared to same period last year. The decrease in G&A costs is mainly attributable to lower stock compensation costs in the fourth quarter of fiscal 2014.

For the year ended September 30, 2014, G&A expenditures increased to $32.4 million, or 13% of total revenue, from $20.7 million, or 15% of total revenue, in fiscal 2013. The increase in G&A is mostly due to higher operational costs as a result of the BSS acquisition, including increased intangible asset amortization costs. Additionally, the Company increased the allowance for doubtful accounts during fiscal 2014 by approximately $2.4 million, which has been charged to G&A.

Research and Development Expenses

Research and development expenses consist primarily of personnel costs associated with product management and the development and testing of new products plus the allocation of certain overhead costs.

For the three-month period ended September 30, 2014, R&D expenditures decreased by 5% to $14.6 million, as compared to $15.4 million for the same period last year. As a percentage of total revenue, R&D expenditures decreased to 24% for the three-month period ended September 30, 2014 from 27% in the same comparable period in fiscal 2013. The decrease in R&D costs is mostly attributable to lower professional fees and computer costs.

For the year ended September 30, 2014, R&D expenditures increased to $62.2 million, as compared to $34.4 million for the same period last year. The increase in R&D costs is mostly attributable to an increase in compensation expenses and other costs associated with increased headcount year over year. As a percentage of total revenue, R&D expenditures remained consistent period-over-period at 24%.

Restructuring Costs

In August 2014, the Company announced that it would eliminate satellite office locations, concentrate R&D and support staff into existing locations and consolidate activities to lower costs centers. The Company also announced restructuring actions throughout the organization intended to reduce its overall cost structure and improve its margin performance. In connection with these plans, the Company recorded restructuring charges of $22.5 million during the year for primarily employee termination costs. Of this amount, $0.4 million has been paid up to September 30, 2014, and an amount of $15.0 million is estimated as payable within 1 year. The balance of the provision, classified as long term, is payable over five years and amounts to $6.6 million, and has been discounted. The accretion expense of the long term provision will be included in finance costs.

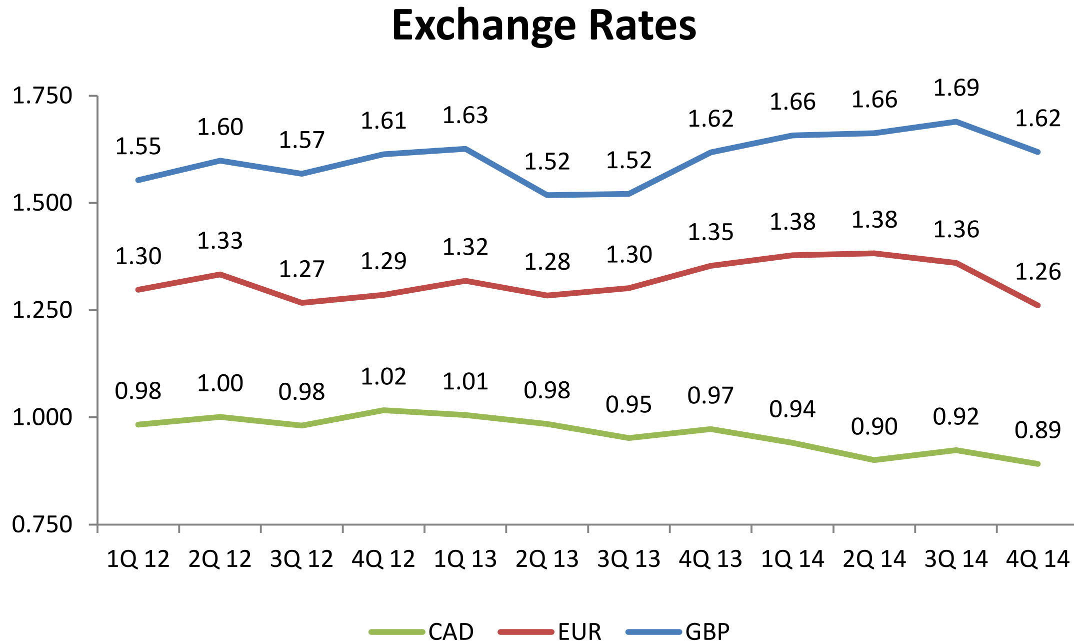
The recognition of restructuring charges required management to make certain judgments and estimates regarding the nature, timing and amounts associated with the restructuring actions. Management's major assumptions included the timing and number of employees to be terminated and the measurement of termination costs. The Company developed a detailed plan and have recorded termination costs for employees informed of their termination. At the end of each reporting period, management will evaluate the appropriateness of the restructuring charges and provision balances. Further adjustments may be required to reflect actual experience or changes in estimates.

Acquisition and Related Costs

For the three-month period ended September 30, 2014, acquisition and related costs were $3.3 million, as compared to $1.8 million for the same period last year. For the year ended September 30, 2014, the Company incurred acquisition and related costs of $7.2 million (2013 - $13.0 million), which included expenses for legal, professional and other costs.

Foreign Exchange Gain/Loss

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. Dollar. Consequently, movements in the foreign currencies in which we transact could significantly affect future net earnings. Currently, we do not use derivative instruments to hedge such currency risks. The graph below displays the change in rates relative to the U.S. Dollar.



For the three-month period ended September 30, 2014, the Company recognized a foreign currency exchange loss of $5.8 million, compared to a foreign currency exchange gain of $0.6 million in the same period of fiscal 2013. For the year ended September 30, 2014, the Company recognized a foreign currency exchange loss of $5.6 million, compared to a foreign currency exchange loss of $0.7 million in the same period of fiscal 2013. The Company has monetary assets and liabilities in multiple currencies, the most significant of which are denominated in Euro, the Canadian Dollar and GBP. The loss for the three and twelve-month period ended September 30, 2014 is mainly attributable to the U.S. Dollar strengthening relative to the Euro, the Canadian Dollar and GBP.

Finance Costs

On April 1, 2013, the Company entered into an Amended and Restated Credit Agreement with Wells Fargo Capital Finance, part of Wells Fargo & Company ("Wells Fargo") to add to its existing senior secured credit facility for up to $20.0 million with two new term loan facilities in the amount of $15.0 million each, for a total credit facility of $50.0 million. As at September 30, 2014, $48.7 million (2013 - $35.9 million) is outstanding and interest is payable monthly over the term of five years. In 2013, the Company incurred $2.0 million of transaction costs and has recorded these costs as deferred financing costs that are being amortized over the expected five-year term of the loans using the effective interest rate method. During the year ended September 30, 2014, $0.5 million was amortized (2013 - $0.3 million) as finance costs.

The Company uses the credit facilities for working capital, general corporate purposes, capital expenditures and for potential acquisitions. The credit facilities are secured by the assets of Redknee Inc., Redknee Solutions (UK) Limited ("Redknee UK") and Redknee Germany GmbH ("Redknee Germany"). The Company, Redknee UK, and Redknee Germany have guaranteed the obligations of Redknee Inc. The Company's guarantee is secured by a pledge of all of its shares in Redknee Inc.

Income Taxes

The Company’s income tax expense for the year ended September 30, 2014 is $5.2 million (2013 - $0.2 million). The most significant expense relates to withholding taxes paid on certain increased gross revenues earned in countries where the Company does not have a legal entity or permanent establishment and where full treaty benefits are not available

The Company has approximately $83.7 million (2013 - $52.4 million) of unrecognized loss carry-forwards and other deductible temporary differences. This includes $35.3 million (2013 - $4.6 million) of Canadian unclaimed SR&ED expenditures and federal non-capital losses which are available to reduce future years' income for Canadian income tax purposes.

The Company has approximately $8.1 million (2013 - $9.0 million) of Canadian ITCs, which can also be used to reduce future federal income taxes. These credits have a life of 20 years and will not begin to expire until 2024. The Company has previously recorded $0.4 million (2013 - $0.4 million) of these credits as it is probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

SUMMARY OF RESULTS

All financial results are in thousands, unless otherwise stated, with the exception of per share amounts and number of shares outstanding. The table below provides summarized information for our eight most recently completed quarters:

$ Thousands (Unaudited)	4Q 14	3Q 14	2Q 14	1Q 14	4Q 13	3Q 13	2Q 13 (1)	1Q 13 (1)
Revenue	$60,938	$63,923	$72,433	$60,403	$57,437	$58,620	$11,753	$14,237
Net Income (Loss)	$(34,730)	$(6,878)	$ 4,770	$(3,061)	$(969)	$ 80	$ 2,365	$(1,739)
Basic Income (Loss) per Share	$(0.32)	$(0.06)	$ 0.05	$(0.03)	$(0.01)	$ -	$ 0.03	$(0.02)
Diluted Income (Loss) per Share	$(0.32)	$(0.06)	$ 0.05	$(0.03)	$(0.01)	$ -	$ 0.03	$(0.02)
Weighted average shares outstanding – Basic	108,897	108,892	98,362	95,529	95,030	80,728	79,841	75,446
Weighted average shares outstanding - Diluted	108,897	108,892	101,797	95,529	95,030	84,548	83,505	75,446

(1) Pre BSS Acquisition

TRADE ACCOUNTS AND OTHER RECEIVABLES

The Company's Days Sales Outstanding in Trade Receivable ("DSO") is 101 days as at September 30, 2014 compared to 100 days as of September 30, 2013. Redknee calculates its DSO based on the annualized revenue and the accounts receivable balance at period end. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed. Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Company's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 120 days. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful accounts, as soon as the account is perceived not to be fully collectible.

The Company's trade and other receivables had a carrying value of $71.4 million as at September 30, 2014 comprised of $63.3 million for Trade receivables, net of allowance for doubtful accounts, and $8.1 million for other receivables mainly relating to receivables that were a part of the initial net working capital acquired through the BSS acquisition.

The allowance for doubtful accounts as at September 30, 2014 was $4.3 million, compared to $2.1 million as at September 30, 2013. The increase is mainly attributable to the bankruptcy of one customer for which a provision of $1.3 million was recorded during the third quarter of fiscal 2014. In addition, the Company booked a $0.5 million allowance for a separate customer in the fourth quarter of fiscal 2014. Bad debt is charged to general and administrative expense. Estimates for allowance for doubtful accounts are determined based on a customer-by-customer evaluation of collectability at each consolidated statements of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and ability to pay.

UNBILLED REVENUE

Unbilled revenue represents revenue that has been earned but not billed. Redknee operates in an industry where contract prices are fixed and payments are often based on billing milestones. All services provided from inception are due and payable under the contract terms. Differences between the timing of billings, based upon billing milestones or other contractual terms, and the recognition of revenue are recognized as either unbilled revenue or deferred revenue. Revenue recognized in advance of contractual billings is recorded as unbilled revenue.

Revenue in a typical implementation project is recognized on a percentage of completion basis. This revenue results in unbilled revenue until the customer is invoiced. Based on Redknee’s contracts, the customer is invoiced upon the completion of defined milestones, and/or required customer acceptance. Delays in the completion of a billing milestone does not indicate that the contract is on hold or that the customer is unwilling to pay its contracted fee. Historically, Redknee has not written-off any unbilled revenue balances.

Unbilled revenue increased marginally to $42.4 million at September 30, 2014, as compared to $39.4 million as at September 30, 2013.

PENSION AND NON-PENSION POST-EMPLOYMENT BENEFIT PLANS

As a result of the acquisition of the BSS business in 2013, the Company acquired a number of employees and assumed the corresponding liabilities relating to pension and non-pension post-employment benefit plans in Germany, as well as other countries.

In Germany, there are a number of pensions and post-employment benefit plans, including a cash balance plan that provides benefits on retirement, disability and death, a salary sacrifice plan, as well as other post-employment benefit schemes. The liabilities relating to the German pension and post-employment benefit plans were fully funded by Nokia Networks as at the acquisition date of March 29, 2013. The plan assets are held in a separate Contractual Trust Arrangement with Deutsche Pensions Treuhand GmbH. The German pension plans operate under the legal framework of the German Company Pension Law and under the German Labour Law.

The other post-employment employee benefit plans relate to a number of other countries, including Austria, Bulgaria, France, Indonesia, Kuwait, Philippines, Saudi Arabia and Tanzania. These plans are generally unfunded.

The Company's pensions and post-employment benefit plans are subject to risks from changes in the market discount rate, the rate of salary and pension increases and longevity. A lower discount rate results in a higher defined benefit obligation and/or higher benefit costs.

The Company has assessed the valuation for pension and non-pension post-employment benefits. Pension fund assets are invested primarily in fixed income and equity securities. The Company's pension funds do not invest directly in the Company's shares, but may invest indirectly as a result of the inclusion of the Company's shares in certain market investment funds. These plan assets are maintained in segregated accounts by a custodian that is independent from the fund managers. The Company believes that the counterparty credit risk is low.

OTHER ASSETS

Other assets decreased to $3.0 million at September 30, 2014 from $4.0 million at September 30, 2013. The Company recognized up-front direct costs related to two customer contracts as an asset as it is probable that these assets will be recovered through future minimum contractual payment terms. During the year ended September 30, 2014, $1.0 million was amortized to cost of revenue (2013 - $0.4 million).

DEFERRED REVENUE

Deferred revenue represents amounts that has been billed in accordance with the terms of the contract but where the criteria for revenue recognition has not been met. Redknee operates in an industry where contract prices are fixed and payments are based on billing milestones. All services provided from inception are due and payable under the contract terms. Differences between the timing of billings, based upon billing milestones or other contractual terms, and the recognition of revenue are recognized as either unbilled revenue or deferred revenue. Deferred revenue increased to $24.3 million at September 30, 2014, as compared to $19.1 million at September 30, 2013.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s objective in managing capital resources is to ensure sufficient liquidity to drive its organic growth, fund operations and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company currently funds its operations, changes in non-cash working capital and capital expenditures from internally generated cash flows, senior secured credit facility, and cash on hand.

The table below outlines a summary of cash inflows and outflows by activity.

Statement of Cash Flows Summary ($ US Thousands) (Unaudited)	Three months ended September 30, 2014	 2013	Twelve months ended September 30, 2014	 2013
Cash inflows and (outflows) by activity:				
Operating activities	19,764	(4,477)	(36,736)	(11,005)
Investing activities	(4,878)	(10,513)	(9,098)	(16,608)
Financing activities	(744)	15,922	77,162	90,011
Effect of foreign currency exchange rate changes on cash and cash equivalents	(3,331)	1,217	(1,746)	(223)
Net cash inflows (outflows)	10,811	2,149	29,582	62,175
Cash and cash equivalents, beginning of period	97,826	76,905	79,054	16,879
Cash and cash equivalents, end of period	108,637	79,054	108,636	79,054

The Company uses Working Capital and Days Sales Outstanding in Trade Receivable as measures to enhance comparisons between periods. These terms do not have a standardized meaning under GAAP and are not necessarily comparable to similar measures presented by other companies. The calculation of each of these items is more fully described below.

Cash from Operating Activities

Cash provided by operating activities was $19.8 million in the three months ended September 30, 2014, compared to cash used by operating activities of $4.5 million in the same period last year. The source of cash in the three months ended September 30, 2014 is mostly attributed to a decrease in accounts receivable and unbilled revenue. Cash used by operating activities was $36.7 million in the year ended September 30, 2014, compared to $11.0 million for the same period last year. The use of cash in the year ended September 30, 2014 is mostly attributable to a decrease in trade payable and accrued liabilities and an increase in trade receivables and unbilled revenue, slightly offset by an increase in deferred revenue.

Working capital represents the Company’s current assets less its current liabilities. The Company’s working capital balance increased to $132.3 million as at September 30, 2014, as compared to $100.1 million at September 30, 2013. This increase is mainly a result of an increase in cash and cash equivalents, trade receivables and unbilled revenue and a decrease in trade payable and accrued liabilities.

The Company’s net cash position at September 30, 2014 increased to $60.9 million from $44.2 million at September 30, 2013.

Cash from Investing Activities

Cash used for investing activities during the three months ended September 30, 2014 was $4.9 million, compared to $10.5 million in 2013. For the year ended September 30, 2014, cash used for investing activities was $9.1 million, compared to $16.6 million in the comparable period in fiscal 2013. The use of cash in the year ended September 30, 2014 mainly relates to contingent consideration payments and the purchase of property and equipment.

Cash from Financing Activities

In the three months ended September 30, 2014, cash used by financing activities was $0.8 million, compared to cash provided by financing activities of $15.9 million during the same period in 2013.
For the year ended September 30, 2014, cash provided by financing activities was $77.2 million, compared $90.0 million during the same period in 2013. The source of cash relates to bought deal financing in the second quarter of fiscal 2014, and the proceeds of the term loan in the first and second quarter of fiscal 2014. The source of cash for the year ended September 30, 2013 relates to bought deal financing in the first quarter of fiscal 2013, private placement financing and the proceeds of the term loans in the third and fourth quarter of fiscal 2013.

BUSINESS ACQUISITION

On March 29, 2013, the Company acquired Nokia Networks' BSS business. The acquisition involved the purchase of certain assets and obligations, which include Nokia Networks' BSS customer and supplier contracts, intellectual property rights, tangible assets and associated liabilities, along with the transfer of BSS employees. The acquisition has been accounted for as a business combination under the purchase method. The results of operations of the BSS business since the date of acquisition have been consolidated.

The Company completed the purchase price allocation as at September 30, 2013.

(a) Consideration transferred:

Redknee financed the transaction through a combination of cash and debt facilities. The consideration for the BSS business is €15.0 million base amount; plus the net working capital balance, less an adjustment for non-German pension liabilities.

In addition to the purchase price, the Company agreed to pay additional consideration of up to a maximum of €25.0 million for certain performance-based cash earn-outs.

The fair value of the contingent consideration has been calculated by using probabilities-based outcomes. Subsequent changes in the estimated fair value are recorded in the statements of comprehensive income (loss). During the year ended September 30, 2014, an amount of $4.8 million was paid to the vendor. The fair value of the contingent consideration liability was $14.5 million as at September 30, 2014 (2013 - $24.8 million). An amount of $4.1 million as at September 30, 2014 (2013 - $nil) was recorded as other income to reflect changes in the estimate of fair value mainly arising from the accretion in the liability and changes due to foreign exchange revaluation of liability of $1.5 million.

(b) Other items:

During the year ended September 30, 2014, the Company incurred acquisition and related costs of $7.2 million (2013 - $13.0 million), which included expenses for legal, professional and other costs. These costs have been presented separately as acquisition and related costs in the consolidated statements of comprehensive income (loss).

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Long Term Debt and Credit Facilities

On April 1, 2013, the Company entered into an Amended and Restated Credit Agreement with Wells Fargo to add to its existing senior secured credit facility for up to $20.0 million with two new term loan facilities in the amount of $15.0 million each, for a total credit facility of $50.0 million.

The Company uses the credit facilities for working capital, general corporate purposes, capital expenditures and for potential acquisitions. The credit facilities are secured by the assets of Redknee Inc., Redknee Solutions (UK) Limited ("Redknee UK") and Redknee Germany GmbH ("Redknee Germany"). The Company, Redknee UK, and Redknee Germany have guaranteed the obligations of Redknee Inc. The Company's guarantee is secured by a pledge of all of its shares in Redknee Inc.

As at September 30, 2014, $48.7 million (2013 - $35.9 million) is outstanding and interest is payable monthly over the term of five years. In 2013, the Company incurred $2.0 million of transaction costs and has recorded these costs as deferred financing costs that are being amortized over the expected five-year term of the loans using the effective interest rate method. During the year ended September 30, 2014, $0.5 million was amortized (2013 - $0.3 million).

Interest is at LIBOR plus an applicable margin which was 4.5% at September 30, 2014 and September 30, 2013. LIBOR is defined to have a floor of no less than 1.25% which has been determined to be an embedded derivative. The fair value of the embedded derivative liability is estimated at $0.7 million at September 30, 2014 (2013 - $0.9 million), using the assumption that the expected repayment of this line of credit will be at maturity and repayment of the term loans are per the repayment terms. The change in fair value of $0.2 million for the year ended September 30, 2014 (2013 - $nil) was recorded in finance costs in the consolidated statements of comprehensive income (loss). The embedded derivative liability was included in other liabilities in the consolidated statement of financial position.

For the year ended September 30, 2014, interest expense of $2.8 million (2013 - $0.7 million), in connection with loans payable, has been recognized in the consolidated statements of comprehensive income (loss).

The Company is required to comply with certain financial and non-financial covenants that exist under the agreement, which, if violated, could result in the amounts borrowed being due and payable to the lender on demand. The Company has assessed its debt covenants as at September 30, 2014 and September 30, 2013 and determined it is in compliance.

Lease Commitments

The Company leases certain property and equipment under operating leases. Operating lease payments are expensed on a straight-line basis over the term of the relevant lease agreements. Lease inducements received upon entry into an operating lease are recognized on a straight-line basis over the lease term. Operating lease payments for the year ended September 30, 2014 were $4.6 million (2013 - $2.6 million). The Company is obligated to make future annual lease payments under operating leases for office equipment and premises.

Future minimum lease payments under non-cancellable operating leases as at September 30, 2014 are as follows:

	$ (thousands)
2015	4,701
2016	3,527
2017	3,138
2018	2,708
2019 and thereafter	1,523
	15,597

MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy, fund research and development and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed of share capital and senior secured credit facility, which assist in financing (i) acquisitions and/or (ii) working capital requirements. The Company's primary uses of capital are financing its operations, increases in non-cash working capital, capital expenditures, debt repayments and acquisitions. The Company currently funds these requirements from cash flows from operations, cash raised through past share issuances, and lines available under certain credit facilities. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity so it can provide services to its customers and increase shareholder value. Management monitors its compliance with financial and non-financial covenants imposed by loan agreements on a quarterly basis. The Company does not have any externally imposed capital requirements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified and passed to its Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation

of financial statements for external purposes in accordance with IFRS. The control framework used by the CEO and the CFO to design the Company's internal control over financial reporting is the "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 1992.

Changes in Internal Controls over Financial Reporting

The Company has substantially integrated the operations of the acquired BSS business, which involved, amongst other things, transitioning of employees in various countries to Redknee subsidiaries and branches, finalization of customer contract delivery arrangements and assumption of key facilities and infrastructure. Consequently, management has designed and implemented internal controls over financial reporting that have been impacted by this acquisition. Other than the foregoing, there have been no changes to the Company's internal controls over financial reporting during the year ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

ACCOUNTING CHANGES AND NEW ACCOUNTING PRONOUNCEMENTS

The following new standards and interpretations have been adopted by the Company effective October 1, 2013.

(a) IFRS 10 Consolidated Financial Statements ("IFRS 10")

IFRS 10 replaces the guidance in IAS 27, Consolidated and Separate Financial Statements and Standing Interpretation Committee 12 ("SIC-12"), Consolidation - Special Purpose Entities ("SPEs"). IAS 27 (2008) survives as IAS 27 (2011), Separate Financial Statements, only to carry forward the existing accounting requirements for separate financial statements.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).

The Company adopted IFRS 10 for the annual period beginning on October 1, 2013. IFRS 10 did not have a material impact on these consolidated financial statements.

(b) IFRS 11 Joint Arrangements ("IFRS 11")

Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31, Interests in Joint Ventures. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

The Company adopted IFRS 11 for the annual period beginning on October 1, 2013. IFRS 11 did not have a material impact on these consolidated financial statements.

(c) IFRS 12 Disclosure of Interests in Other Entities (“IFRS 12”)

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Company adopted IFRS 12 for the annual period beginning on October 1, 2013. The amendments did not have a material impact on these consolidated financial statements.

(d) IFRS 13, Fair Value Measurement ("IFRS 13"):

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e., an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income.

The Company adopted IFRS 13 prospectively in its interim and annual financial statements beginning on October 1, 2013. IFRS 13 did not have a material impact on these consolidated financial statements other than the inclusion of certain fair value disclosures.

(e) Amendments to IAS 19, Employee Benefits ("IAS 19"):

The amendments require the following:

- Recognition of actuarial gains and losses immediately in other comprehensive income.

- Full recognition of past service costs immediately in profit or loss.

- Recognition of expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation.

- Additional disclosures that explain the characteristics of the entity’s defined benefit plans and risks associated with the plans, as well as disclosures that describe how defined

benefit plans may affect the amount, timing and uncertainty of future cash flows, and details of any asset-liability match strategies used to manage risks.

The amendments also impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37 and when the entity can no longer withdraw the offer of the termination benefits.

The Company adopted the amendments in its financial statements for the annual period beginning on October 1, 2013. The amendments to IAS 19 did not have a material impact on the consolidated financial statements.

(f) Amendments to IFRS 7, Offsetting Financial Assets and Liabilities (“IFRS 7”):

IFRS 7 has been amended to include additional disclosure requirements for financial assets and liabilities that can be offset in the statements of financial position.

The Company adopted the amendments to IFRS 7 in its interim and annual financial statements beginning on October 1, 2013. The adoption did not have a material impact on these consolidated financial statements.

(g) Recent accounting pronouncements:

The IASB has issued new standards and amendments to existing standards. These changes in accounting are not yet effective at September 30, 2014 and could have an impact on future periods.

- IAS 32, Financial Instruments: Presentation ("IAS 32") - In December 2011, the IASB amended IAS 32 to clarify the meaning of when an entity has a current legally enforceable right of set-off. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. We do not expect this to have significant impact on our consolidated financial statements.

- International Financial Reporting Interpretations Committee ("IFRIC 21"), Levies ("IFRIC 21") - In May 2013, the IASB issued IFRIC 21, which provides guidance on when to recognize a liability for a levy imposed by a government , both for levies that are accounted for in accordance with IAS 37 and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with relevant legislation. It provides the following guidance on recognition of a liability to pay levies: (i) the liability is recognized progressively if the obligating event occurs over a period of time; and (ii) if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. The standard is effective for annual periods beginning on or after January 1, 2014 with early adoption permitted. We are assessing the impact of this new standard on our consolidated financial statements.

- IFRS 9, Financial Instruments ("IFRS 9") - The IASB issued IFRS 9, which replaces IAS 39, and which establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduces more judgment to assess the effectiveness of a hedging relationship. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with certain exemptions.

- IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The IASB issued IFRS 15, which is effective for annual periods beginning on or after January 1, 2017. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time and over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company is in the process of assessing the impact of this standard on its consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

General

The Company's revenue is derived primarily from licensing of software products under non-cancellable license agreements, the provision of related professional services (including installation, integration and training) and post-contract customer support ("PCS"). In certain cases, the Company also provides customers with hardware in conjunction with its software offerings.

Revenue comprises the fair value of consideration received or receivable from the sale or license of products or the provision of services in the ordinary course of business, net of discounts and sales taxes. Out-of-pocket expenditures that are contractually reimbursable from customers are recorded as gross revenue and expenditures.

Arrangements with multiple components

The Company enters into arrangements that contain separately identifiable components, which may include any combination of software, services, PCS and/or hardware.

Where multiple transactions or contracts are linked, such that the individual transactions have no commercial effect on their own, the transactions are evaluated as a combined customer arrangement for

purposes of revenue recognition. When two or more revenue-generating activities or deliverables are sold under an arrangement, each deliverable that is considered a separate component is accounted for separately. A deliverable is separately accounted for when a delivered item has standalone value from undelivered items based on the substance of the arrangement. When services are essential to the functionality of the software, the software does not have standalone value and is combined with the essential services as a single component.

Where an arrangement includes multiple components, revenue is allocated to the different components based on their relative fair values or the residual method, as applicable. The Company generally uses optional stated renewal rates to evidence fair value of undelivered term-license/PCS services when the renewal fees and terms are substantive. When stated renewal rates do not exist for an arrangement, the Company considers fees charged on standalone PCS renewals in other similar arrangements to establish fair value. The Company typically evidences fair value for other products and services based on the pricing when those deliverables are sold separately. Where reasonable vendor-specific or third party inputs do not exist to reliably establish fair value, the Company allocates revenue based on its best estimate of selling price that the Company would transact at if the deliverable were sold on a standalone basis. For services, this includes the expected cost of delivery plus an estimated profit margin. Under the residual method, revenue is allocated to undelivered components of the arrangement based on their fair values and the residual amount of the arrangement revenue is allocated to delivered components.

The revenue policies below are applied to each separately identifiable component. Revenue associated with each component is deferred until the criteria required to recognize revenue have been met.

The Company recognizes revenue once persuasive evidence exists, generally in the form of an executed agreement, it is probable the economic benefits of the transaction will flow to the Company and revenue and costs can be measured reliably. If collection is not considered probable, revenue is recognized only once fees are collected.

Software licenses

Revenues for combined licensed software and essential services are recognized using contract accounting, following the percentage-of-completion method. The Company uses either the ratio of hours to estimated total hours or the completion of applicable milestones, as appropriate, as the measure of its progress to completion on each contract. If a loss on a contract is considered probable, the loss is recognized at the date determinable.

Perpetual software licenses, when not combined with services for accounting purposes, are recognized upon delivery and commencement of the license term. Term licenses and software subscriptions are generally recognized ratably over the term of the subscription license.

Other services

Revenue for installation, implementation, training and other services, where not essential to the functionality of the software, is recognized as the services are delivered to the customer. Fixed fee services arrangements are recognized using the percentage-of-completion method based on labour input measures.

Post-contract customer support (PCS)

Post contract support revenue is recognized rateably over the term of the PCS agreement.

Hardware

Hardware revenue is recognized when delivery has occurred and risks and rewards have transferred to the customer.

Unbilled and deferred revenue

Amounts are generally billable on reaching certain performance milestones, as defined by individual contracts. Revenue in excess of contract billings is recorded as unbilled revenue. Cash proceeds received in advance of performance under contracts are recorded as deferred revenue. Deferred revenue is classified as long-term if it relates to performance obligations that are expected to be fulfilled after 12 months from year end.

Deferred contract costs

Up-front direct costs that relate to future activity on the contract are recognized as an asset when it is probable that they will be recovered through future minimum payments specified in contractual agreements.

Income Taxes

Income taxes comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year using enacted or substantively enacted tax rates at the end of the reporting year, and any adjustments to tax payable related to prior years. Deferred tax assets and liabilities are determined based on differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recognized to the extent that realization is considered probable. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. Management considers projected future taxable income, uncertainties related to the industry in which the Company operates and income tax planning strategies in making this assessment. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset these tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Allowance for doubtful accounts

The allowance for doubtful accounts represents the Company's best estimate of probable losses that may result from the inability of its customers to make required payments. The Company regularly reviews accounts receivable and uses judgment such as the customer’s financial position, past experience with

the customer and other factors to assess its ability to collect specific accounts and, based on this assessment, an allowance is maintained for those accounts that are deemed to be uncollectible.

Accounting for business combinations

The Company completed the BSS acquisition during the year ended September 30, 2013. The determination and measurement of fair value of the net assets and liabilities acquired are based on management's best estimates and assumptions and utilizes established methodologies.

Contingent consideration

The contingent consideration liability, arising from the acquisition of BSS is measured at fair value each year. Management's estimates are required to assess the amount of estimated contingent consideration to be paid in future years, along with the estimated timing of when such payments will be made. As additional information becomes available, the Company will reassess the estimated payments and timing at each reporting date.

Fair value estimates of share-based compensation

Fair value of stock options is determined using the Black-Scholes option pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates. In addition to the fair value calculation, the Company estimates the expected forfeiture rate with respect to equity-settled share-based payments based on historical experience.

Pension and non-pension post-employment benefit plans

The actuarial valuation of defined benefit obligation and fair value of plan assets require estimates, including discount rates applied to the Company's pension plan and non-pension post-employment benefit liabilities.

PATENT PORTFOLIO

As part of Redknee's commitment to R&D to maintain its position as a key industry innovator in the real-time BSS software space, the Company currently has a portfolio of 48 filed and 156 granted patents. To date we have not initiated any action with respect to assertions and/or claims of patent infringement.

OUTSTANDING SHARE DATA

The current number of common shares outstanding as at September 30, 2014 is 108,903,734 (2013 – 95,510,022). In addition, there were 4,656,003 (2013 – 4,762,459) stock options outstanding with exercise prices ranging from $0.23 CDN to $6.30 CDN per share.

CAPITAL STOCK

(a) Normal Course Issuer Bid

On May 30, 2014, the Company announced a Normal Course Issuer Bid ("NCIB") under which it may purchase up to 9,358,502 of its common shares, commencing on June 3, 2014 and terminating on June 2, 2015 or on such earlier date as the Company may complete its purchases pursuant to the notice of intention to make an NCIB filed with the Toronto Stock Exchange ("TSX"). Purchases will be made on the open market by the Company through the facilities of the TSX in accordance with TSX requirements. The prices that the Company will pay for any purchased common shares will be the market price of such shares on the TSX at the time of acquisition. As of September 30, 2014, the Company has not purchased any common shares under this NCIB.

(b) Bought Deal Financing

On March 13, 2014, the Company completed an offering of 12,820,520 common shares (the "Common Shares") of the Company at a price of CAD $5.85 per Common Share for aggregate gross proceeds of $67.5 million (CAD $75.0 million) (the "Offering"). The Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters led by GMP Securities L.P. and Canaccord Genuity Corp.

The Common Shares were offered by way of a short form prospectus filed in all provinces of Canada.

Transaction costs directly associated with this issuance of shares of $3.7 million (CAD $3.8 million) have been recognized as a reduction of the proceeds.

(c) Treasury Stock

During the year ended September 30, 2012, the Company paid $0.7 million to a trustee to purchase 568,906 of the Company's common shares in the open market to satisfy the delivery of common shares under its equity-based compensation plans. No additional purchases were made in 2013 and 2014. The Company classifies these shares as treasury stock until they are delivered pursuant to the terms of the awards.

During the year ended September 30, 2014, 88,228 shares with a cost of $0.1 million have been issued (2013 - 105,512 shares with a cost of $0.1 million). The remaining number of treasury stock held by the Company as at September 30, 2014 is 16,898 with a cost of less than $0.1 million (2013 - 105,126 with a cost of $0.1 million).

RELATED PARTY TRANSACTIONS

Compensation of key management personnel:

Key management personnel comprise the Company's directors and executive officers.

The aggregate remuneration of key management personnel during the year ended September 30 is as follows:

$US Thousands (unaudited)		2014		2013
Salaries and employee benefits	$	2,656	$	2,896
Share-based compensation[(i)]		1,611		4,779
	$	4,267	$	7,675

[(i)]Share-based compensation include cash-settled and equity-settled awards

FINANCIAL RISK MANAGEMENT

The Board of Directors has the overall responsibility and oversight of the Company's risk management practices. The Company does not follow a specific risk model, but rather includes risk management analysis in all levels of strategic and operational planning. The Company's management, specifically the Senior Leadership Team, is responsible for developing and monitoring the Company's risk strategy. The Company's management reports regularly to the Board of Directors on its activities.

The Company's management identifies and analyzes the risks faced by the Company. Risk management strategy and risk limits are reviewed regularly to reflect changes in the market conditions and Company's activities. The Company's management aims to develop and implement a risk strategy that is consistent with the Company's corporate objectives.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk:

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from banks and customers.

The Company has credit risk relating to cash and cash equivalents and restricted cash, which it manages by dealing with large chartered Canadian and international banks and investing in highly liquid investments of a rating of no less than R1, the credit rating assigned to those who pay on time.

The Company's exposure to credit risk geographically for cash and cash equivalents and restricted cash as at September 30 was as follows:

	September 30, 2014	September 30, 2013
Europe, Middle East and Africa	54%	36%
North America, Latin America and Caribbean	40%	58%
Asia and Pacific Rim	6%	6%
	100%	100%

For the year ended September 30, 2014, the Company's three largest customers accounted for 23% (2013 - 16%) of revenue. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed.

Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful accounts, as soon as the account is perceived not to be fully collectible.

The Company's trade receivables had a carrying value of $67.7 million as at September 30, 2014 (2013 - $53.0 million), representing the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers varies based upon the size of the customer, type of revenue and geographic region, and generally call for payment within 30 to 120 days. At September 30, 2014, approximately 19.9% of trade receivables, or $14.8 million was outstanding for more than 120 days (2013 - 8% in the amount of $4.6 million).

The activity of the allowance for doubtful accounts for the year ended September 30 is as follows:

$US Thousands	September 30, 2014	September 30, 2013
Allowance for doubtful accounts, beginning of year	$ 2,063	$ 1,459
Allowance for doubtful accounts made during the year	2,388	942
Allowance utilized for bad debts	(102)	(338)
	$ 4,349	$ 2,063

Bad debts are charged to general and administrative expense. Estimates for allowance for doubtful accounts are determined on a customer-by-customer evaluation of collectability at each consolidated statements of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and going concern risks.

The Company's exposure to credit risk for trade receivables by geographic area as at September 30 was as follows:

	September 30, 2014	September 30, 2013
Europe, Middle East and Africa	57%	62%
North America, Latin America and Caribbean	13%	10%
Asia and Pacific Rim	30%	28%
	100%	100%

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities as at September 30, 2014 will mature as follows:

US$ Thousands	Less than 1 year	1 to 2 years	2 years and thereafter
Trade payables	$ 9,538	$ –	$ –
Accrued liabilities	38,566	–	–
Loans and borrowings	750	4,500	41,310
Contingent consideration	14,455	–	–
Provisions	14,968	3,129	3,479
Other liabilities	–	–	2,281
	$ 78,277	$ 7,629	$ 47,070

Management believes the Company's existing cash and cash equivalents, restricted cash and cash from operating and financing activities will be adequate to support all of its financial liabilities and contractual commitments.

Market risk:

Market risk is the risk that the value of the Company's financial instruments will fluctuate due to changes in the market risk factors. The market risk factors which affect the Company are foreign currency and interest rates.

(a) Foreign currency risk:

The Company conducts a significant portion of its business activities in foreign countries. Foreign currency risk arises because of fluctuations in foreign currency exchange rates. The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by converting foreign-denominated cash balances into U.S. dollars to the extent practical to match U.S. dollar obligations. The monetary assets and liabilities that are denominated in foreign currencies are affected by changes in the exchange rate between the U.S. dollar and these foreign currencies. The Company recognized a foreign currency exchange loss of $5.6 million during the year ended September 30, 2014 (2013 - loss of $0.7 million).

If a shift in foreign currency exchange rates of 10% were to occur, the foreign currency exchange gain or loss on the Company's net monetary assets could change by approximately $8.6 million

(2013 - $0.5 million) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive income (loss).

(b) Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. The Company is subject to interest rate risk on its cash and cash equivalents, restricted cash and certain loans and borrowings. If a shift in interest rates of 10% were to occur, the impact on cash and cash equivalents and restricted cash and the related income for the year ended September 30, 2014 would not be material. On the loans and borrowings, an incremental increase or decrease in the LIBOR rate by 10% will impact interest expense by approximately $0.2 million.

RISK FACTORS

In addition to all of the other information set out in this MD&A, potential investors and readers should carefully consider the risk factors set out below that the Company considers to be most significant to the business of the Company.

The risks and uncertainties below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations and cause the price of its common shares to decline. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly. In that event, the trading price of its common shares could decline, and an investor may lose all or part of his, her or its investment.

An investment in the Company may not be suitable for all recipients of this document. Potential investors are therefore strongly recommended to consult an independent financial adviser who specializes in advising upon the acquisition of shares and other securities before making a decision to invest.

Market Development

The market in which the Company operates is still developing and the market demand, price sensitivity and preferred business model to deliver innovative mobile communications infrastructure software and value-added services for mobile communication service providers ("CSPs") remains highly uncertain. The Company's growth is therefore dependent on, among other things, the size and pace at which the markets for its software products and services develop. If the markets for the Company's software products and services decline, remain constant, or grow more slowly than anticipated, the Company's growth plans, business and financial results may suffer. Furthermore, the timing of revenue from sales of the Company's products and services in any financial year may change as a result of the specific requirements of the Company's customers and their available financial resources and, as such, may result in fluctuations in the Company's operating performance.

The Company faces intense competition from several competitors and if it does not compete effectively with these competitors, its revenue may not grow and could decline.

The Company has experienced, and expects to continue to experience, intense competition from a number of companies. The Company competes principally with multi-national vendors including Amdocs, Ericsson, Comverse, Oracle, SAP, Huawei, NetCracker and CSGi. The Company's competitors may announce new products, services or enhancements that better meet the needs of end-users or changing industry standards. Further, new competitors or alliances among competitors could emerge. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Many of the Company's competitors and potential competitors have significantly greater financial, technical, marketing or service resources than the Company. Many of these companies also have a larger installed base of products, have longer operating histories or have greater name recognition than the Company. End-users of the Company's products are particularly concerned that their suppliers will continue to operate and provide upgrades and maintenance over a long-term period. The Company's relatively small size and short operating history may be considered negatively by prospective end-users. In addition, the Company's competitors may be able to respond more quickly than the Company to changes in end-user requirements and devote greater resources to the enhancement, promotion and sale of their products.

The Company's ability to recruit and retain personnel is crucial to its ability to develop market, sell and support its products and services.

The Company depends on the services of its key technical, sales, marketing and management personnel. The loss of any of these key persons could have a material adverse effect on the Company's business, results of operations and financial condition. The Company's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified technical, sales, marketing and management personnel. Competition for such personnel can be intense, and the Company cannot provide assurance that it will be able to attract or retain highly qualified technical, sales, marketing and management personnel in the future. The Company's inability to attract and retain the necessary technical, sales, marketing and management personnel may have a material adverse effect on its future growth and profitability. It may be necessary for the Company to increase the level of compensation paid to existing or new employees to a degree that its operating expenses could be materially increased.

Currency fluctuations may adversely affect the Company.

A substantial portion of the Company's revenue is earned in US Dollars and in Euros, and a substantial portion of the Company's operating expenses is incurred in U.S. Dollars, Euros, and Canadian Dollars. Fluctuations in the exchange rate between the U.S. Dollar and Euros and other currencies, such as the Canadian Dollar, may have a material adverse effect on the Company's business, financial condition and operating results.

Sales and Product Implementation Cycles

The Company's customers typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to license the Company's software. Typically, the larger the potential sale, the more time, money and other resources will be invested. As a result, it may take many months after the first contact with a customer before a sale can actually be completed. The Company may invest significant sales and other resources in a potential customer that may not generate revenue for a substantial period of time, if at all. The time required for implementation of the Company’s software varies among customers and may last several months, depending on customer needs and the products deployed.

During these long sales and implementation cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled. For example:

- purchasing decisions may be postponed, or large purchases reduced, during periods of economic uncertainty;
- the Company, or its competitors, may announce or introduce new products; or
- the customer's budget and purchasing priorities may change.

If these events were to occur, sales of the Company's software or services may be cancelled or delayed, which could reduce revenue.

Customer Credit Risk

The Company is exposed to credit risk related to accounts receivable from customers and amounts owing from channel partners and other third parties that the Company engages in business with. Third parties may default on their obligations to the Company due to bankruptcy, lack of liquidity, operational failure or other reasons. Credit risk may be dependent on general economic conditions, and regional and political risks. If a material number of third parties fail to make payment in respect of amounts owing to the Company to an extent that is in excess of the Company’s estimated default rates, the Company’s business, financial condition and results of operation could be materially adversely affected.

In accordance with industry practice, payment by customers under the Company’s commercial contracts generally is based on achieving specified milestones, which may occur over extended periods of time. Therefore the Company is exposed to credit and bad-debt risks and such risks may vary with economic conditions.

Maintaining Business Relationships

The Company has relationships with third parties that facilitate its ability to sell and implement its products. These business relationships are important to extend the geographic reach and customer penetration of the Company's sales force and ensure that the Company's products are compatible with customer network infrastructures and with third party products. However, the Company does not have formal agreements governing ongoing relationships with certain of these third parties, and the agreements that the Company does have, generally do not include obligations with respect to co-operating on future business. Should any of these third parties go out of business or choose not to work with the Company, it may be forced to increase the development of those capabilities internally,

incurring significant expense and adversely affecting operating margins. Any of these third parties may develop relationships with other companies, including those that develop and sell products that compete with the Company's software. The Company could lose sales opportunities if it fails to work effectively with these parties or they choose not to work with the Company.

The Company's quarterly revenue and operating results can be difficult to predict and can fluctuate substantially, which may harm its results of operations.

The Company is deriving a material portion of its license revenues from relatively large sales. Accordingly, the Company believes that period-to-period comparisons are not necessarily meaningful and should not be relied upon as indications of future performance. The factors affecting the Company's revenue and results of operations include, but are not limited to:

- the size and timing of individual transactions;
- competitive conditions in the industry, including strategic initiatives by the Company or its competitors, new products or services, product or service announcements and changes in pricing policy by the Company or its competitors;
- market acceptance of the Company's products and services;
- the Company's ability to maintain existing relationships and to create new relationships with channel partners;
- varying size, timing and contractual terms of orders for the Company's products, which may delay the recognition of revenue;
- the discretionary nature of purchase and budget cycles of the Company's end-users and changes in their budgets for, and timing of, telecommunications infrastructure related purchases;
- the length and variability of the sales cycles for the Company's products;
- strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- general weakening of the economy resulting in a decrease in the overall demand for telecommunications infrastructure products and services or otherwise affecting the capital investment levels of businesses with respect to telecommunications industry; and
- timing of product development and new product initiatives.

Because the Company's quarterly revenue is dependent upon a relatively small number of transactions, even minor variations in the rate and timing of conversion of its sales prospects into revenue could cause it to plan or budget inaccurately, and those variations could adversely affect its financial results. Delays, reductions in the amount or cancellations of end-users' purchases would adversely affect the Company's business, results of operations and financial condition.

Product Liability

The Company's agreements with its customers typically contain provisions designed to limit its exposure to potential product liability claims. Despite this, it is possible that these limitations of liability provisions may not be effective as a result of existing or future laws or unfavourable judicial decisions. The Company has not experienced any product liability claims to date. However, the sale and support of the Company's products may entail the risk of those claims, which are likely to be substantial in light of the

use of its products in critical applications. A successful product liability claim could result in significant monetary liability and could seriously harm the Company's business.

System Failures and Breaches of Security

The successful operation of the Company's business depends upon maintaining the integrity of the Company's computer, communication and information technology systems. These systems and operations are vulnerable to damage, breakdown or interruption from events which are beyond the Company's control, such as (i) fire, flood and other natural disasters; (ii) power loss or telecommunications or data network failures; (iii) improper or negligent operation of the Company's system by employees, or unauthorized physical or electronic access; and (iv) interruptions to Internet system integrity generally as a result of attacks by computer hackers or viruses or other types of security breaches. Any such damage or interruption could cause significant disruption to the operations of the Company. This could be harmful to the Company's business, financial condition and reputation and could deter current or potential customers from using its services.

There can be no guarantee that the Company's security measures in relation to its computer, communication and information systems will protect it from all potential breaches of security, and any such breach of security could have an adverse effect on the Company's business, results of operations or financial condition.

Transfer Pricing

The Company conducts business operations in various jurisdictions and provides products and services to, and may from time to time undertake certain significant transactions with, other subsidiaries in different jurisdictions. The tax laws of these jurisdictions have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles and that contemporaneous documentation exists to support such pricing.

Taxation authorities, including the Canada Revenue Agency, could challenge the validity of the Company's arm's length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities are successful in challenging the Company's transfer pricing policies, income tax expense may be adversely affected and the Company could also be subjected to interest and penalty charges. Any such increase in income tax expense and related interest and penalties could have a significant impact on the Company's future earnings and future cash flows.

Government Incentive Programs

The Company has benefited, currently benefits, or anticipates benefiting from a variety of government programs and tax credits, primarily in Canada. Generally, these programs contain conditions that must be met in order to be eligible to obtain any benefit. Additionally, some of these programs and the related tax credits are available for a limited number of years and such benefits expire from time to time.

Any of the following could have a material effect on the overall effective tax rate:

- some programs may be discontinued;
- the Company may be unable to meet the requirements for continuing to qualify for some programs;
- these programs and tax benefits may be unavailable at their current levels; or
- upon expiration of a particular benefit, the Company may not be eligible to participate in a new program or qualify for a new tax benefit that would offset the loss of the expiring tax benefit.

Taxation

Any change in the Company's tax status or in taxation legislation in any jurisdiction in which the Company operates could affect the Company's financial condition and results and its ability (if any) to provide returns to shareholders of the Company. The taxation of an investment in the Company depends on the individual circumstances of investors.

Financial Resources

The Company's future capital requirements will depend on many factors, including its ability to maintain and expand its customer base and potential acquisitions. In the future, the Company may require additional funds and may attempt to raise additional funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to holders of common shares of the Company and any debt financing, if available, may require restrictions to be placed on the Company's future financing and operating activities. The Company may be unable to obtain additional financing on acceptable terms if market and economic conditions, the financial condition or operating performance of the Company or investor sentiment are unfavourable. The Company's inability to raise further funds may hinder its ability to grow in the future.

The market price of the Company's common shares may be volatile.

The market price of the Company's common shares may be volatile and could be subject to wide fluctuations due to a number of factors, including:

- actual or anticipated fluctuations in the Company's results of operations;
- changes in estimates of the Company's future results of operations by it or securities analysts;
- announcements of technological innovations or new products or services by the Company or its competitors;
- general industry changes in the market for telecommunications software or related markets; or
- other events or factors.

In addition, the financial markets have experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many technology companies and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the telecommunications industry specifically, may adversely affect the market price of the Company's common shares.

The industry in which the Company operates is characterized by rapid technological changes, and the Company's continued success will depend upon its ability to react to such changes.

The markets for the Company's products are characterized by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. The introduction of products embodying new technology and the emergence of new industry standards can render the Company's existing products obsolete and unmarketable and can exert price pressures on existing products. It is critical to the success of the Company that the Company is able to anticipate and react quickly to changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products on a timely basis. There can be no assurance that the Company will successfully develop new products or enhance and improve its existing products, that new products and enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhanced existing products by others will not render the Company's products obsolete. The Company's inability to develop products that are competitive in technology and price and that meet end-user needs could have a material adverse effect on the Company's business, financial condition or results of operations.

Failure to manage the Company's growth successfully may adversely impact its operating results.

The growth of the Company's operations places a strain on managerial, financial and human resources. The Company's ability to manage future growth will depend in large part upon a number of factors, including the ability of the Company to rapidly:

- build a network of channel partners to create an expanding presence in the evolving marketplace for the Company's products and services;
- build a sales team to keep end-users and channel partners informed regarding the technical features, issues and key selling points of its products and services;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;
- develop support capacity for end-users as sales increase, so that the Company can provide post-sales support without diverting resources from product development efforts; and
- expand the Company's internal management and financial controls significantly, so that the Company can maintain control over its operations and provide support to other functional areas as the number of personnel and size increases.

The Company's inability to achieve any of these objectives could harm the Company's business, financial condition and results of operations.

Defects in components or design of the Company's solutions could result in significant costs to the Company and could impair its ability to sell its solutions.

The Company's solutions are complex, although the Company employs a vigorous testing and quality assurance program, its solutions may contain defects or errors, particularly when first introduced or as new versions are released. The Company may not discover such defects or errors until after a solution has been released to a customer and used by the customer and end-users. Defects and errors in the Company's solutions could materially and adversely affect the Company's reputation, result in

significant costs to it, delay planned release dates and impair its ability to sell its solutions in the future. The costs incurred in correcting any solution defects or errors may be substantial and could adversely affect the Company's operating margins. While the Company plans to continually test its solutions for defects and errors and work with end-users through the Company's post-sales support services to identify and correct defects and errors, defects or errors in the Company's solutions may be found in the future.

The Company relies on a small number of customers for a large percentage of its revenue.

The Company has been dependent, and expects that during Fiscal 2014 it will continue to be dependent, on a relatively small number of customers for a large percentage of its revenue. As at September 30, 2014, the Company's three largest customers accounted for 23% of sales (2013 – 16%). If one or more of the Company's end-users discontinues its relationship with the Company for any reason, or reduces or postpones current or expected purchases of the Company's products or services, the Company's business, results of operations and financial condition could be materially adversely affected.

The Company may infringe on the intellectual property rights of others.

The Company's commercial success depends, in part, upon the Company not infringing intellectual property rights owned by others. A number of the Company's competitors and other third parties have been issued patents and may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those used by the Company in its products. Some of these patents may grant very broad protection to the owners of the patents. The Company cannot determine with certainty whether any existing third party patents or the issuance of any third party patents would require it to alter its technology, obtain licenses or cease certain activities. The Company may become subject to claims by third parties that its technology infringes their intellectual property rights due to the growth of products in the Company's target markets, the overlap in functionality of these products and the prevalence of products. The Company may become subject to these claims either directly or through indemnities against these claims that it routinely provides to its end-users and channel partners.

The Company has received, and may receive in the future, claims from third parties asserting infringement, claims based on indemnities provided by the Company, and other related claims. Litigation may be necessary to determine the scope, enforceability and validity of third party proprietary or other rights, or to establish the Company's proprietary or other rights. Some of the Company's competitors have, or are affiliated with companies having, substantially greater resources than the Company and these competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than the Company. Regardless of their merit, any such claims could:

- be time consuming to evaluate and defend;
- result in costly litigation;
- cause product shipment delays or stoppages;
- divert management's attention and focus away from the business;
- subject the Company to significant liabilities;
- require the Company to enter into costly royalty or licensing agreements; and
- require the Company to modify or stop using the infringing technology.

Any such claim may therefore result in costs or other consequences that have a material adverse effect on the Company's business, results of operations and financial condition.

The Company may be prohibited from developing or commercializing certain technologies and products unless the Company obtains a license from a third party. There can be no assurance that the Company will be able to obtain any such license on commercially favourable terms, or at all. If the Company does not obtain such a license, its business, results of operations and financial condition could be materially adversely affected and the Company could be required to cease related business operations in some markets and to restructure its business to focus on operations in other markets.

The Company may engage in future acquisitions that could disrupt its business, cause dilution to its shareholders and harm its financial condition and operating results.

In the future, the Company may pursue acquisitions of assets, products or businesses that it believes are complementary to its existing business and/or to enhance its market position or expand its product portfolio. There is a risk that the Company will not be able to identify suitable acquisition candidates available for sale at reasonable prices, complete any acquisition, or successfully integrate any acquired product or business into its operations. The Company is likely to face competition for acquisition candidates from other parties including those that have substantially greater available resources. Acquisitions may involve a number of other risks, including:

- diversion of management's attention;
- disruption to the Company's ongoing business;
- failure to retain key acquired personnel;
- difficulties in integrating acquired operations, technologies, products or personnel;
- unanticipated expenses, events or circumstances;
- assumption of disclosed and undisclosed liabilities; and
- inappropriate valuation of the acquired in-process research and development, or the entire acquired business.

If the Company does not successfully address these risks or any other problems encountered in connection with an acquisition, the acquisition could have a material adverse effect on the Company's business, results of operations and financial condition. Problems with an acquired business could have a material adverse effect on the Company's performance or its business as a whole. In addition, if the Company proceeds with an acquisition, the Company's available cash may be used to complete the transaction, diminishing its liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders.

If the Company is required to change its pricing models to compete successfully, its margins and operating results may be adversely affected.

The intensely competitive market in which the Company conducts its business may require it to reduce its prices. If the Company's competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products and services, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would reduce the Company's margins and could adversely affect the Company's operating results.

If the Company's intellectual property is not adequately protected, the Company may lose its competitive advantage.

The Company's success depends in part on its ability to protect its rights in its intellectual property. The Company relies on various intellectual property protections, including patents, copyright, trade-mark and trade secret laws and contractual provisions, to preserve its intellectual property rights. Despite these precautions, it may be possible for third parties to obtain and use the Company's intellectual property without its authorization. Policing unauthorized use of intellectual property is difficult, and some foreign laws do not protect proprietary rights to the same extent as the laws of Canada, the United States or the United Kingdom.

To protect the Company's intellectual property, the Company may become involved in litigation, which could result in substantial expenses, divert the attention of its management, because significant delays, materially disrupt the conduct of the Company's business or materially adversely affect its revenue, financial condition and results of operations.

Future sales of common shares by the Company's existing shareholders could cause the Company's share price to fall.

If the Company's shareholders sell substantial amounts of the Company's common shares in the public market, the market price of the Company's common shares could fall. The perception among investors that these sales will occur could also produce this effect.

Operating internationally exposes the Company to additional and unpredictable risks.

The Company sells its products throughout the world and intends to continue to increase its penetration of international markets. A number of risks are inherent in international transactions. Future results could be materially adversely affected by a variety of factors including, many of which are beyond the Company's control, including risks associated with: (i) foreign currency fluctuations; (ii) political, security and economic instability in foreign countries; (iii) changes in and compliance with local laws and regulations, including export control laws, tax laws, labour laws, employee benefits, currency restrictions and other requirements; (iv) differences in tax regimes and potentially adverse tax consequences of operating in foreign countries; (v) customizing products for foreign countries; (vi) legal uncertainties regarding liability, export and import restrictions, tariffs and other trade barriers; (vii) hiring qualified foreign employees; and (viii) difficulty in accounts receivable collection and longer collection periods. Any or all of these factors could materially adversely affect the Company's business or results of operations.

Many of the Company's sales are made by competitive bid, which makes forecasting difficult and often requires us to expend significant resources with no guaranty of recoupment.

Many of the Company's sales, particularly in larger installations, are made by competitive bid. Successfully competing in competitive bidding situations subjects us to risks associated with: (i) the frequent need to bid on programs in advance of the completion of their design, which may result in unforeseen technological difficulties and cost overruns; (ii) research and development to improve or refine the Company's product in advance of winning the sale; and (iii) the substantial time, money, and effort, including design, development, and marketing activities, required to prepare bids and proposals

for contracts that may not be awarded to us. If the Company does not ultimately win a bid, the Company may obtain little or no benefit from those expenditures and may not be able to recoup them on future projects.

The Company's business is sensitive to changes in spending for network operator technology infrastructure.

The market for the Company's solutions has been adversely affected in the past by declines in mobile network technology infrastructure spending and continues to be affected by fluctuations in mobile network operator technology spending. If sales do not increase as anticipated or if expenses increase at a greater pace than revenues, the Company may not be able to attain or sustain or increase profitability on a quarterly or annual basis.

Key shareholders maintain de facto control of the Company

Insiders or management could have the ability to control all matters submitted to the Company's shareholders for approval, including the election and removal of directors, amendments to the Company's articles of incorporation and bylaws and the approval of any business combination, amalgamation or sale of assets. This may delay or prevent an acquisition or cause the market price of the Company's common shares to decline. Principal shareholders may have interests that differ from other shareholders.

The Company's engagements with its customers involve complex arrangements which may require interpretation of GAAP and may result in deferral of revenue recognition.

The Company may be required to defer recognizing revenue from the sale of products until all the conditions necessary for revenue recognition have been satisfied. Conditions that can cause delays in revenue recognition include (i) arrangements that have undelivered elements for which objective evidence of fair value has not been established; (ii) requirements to deliver services for significant enhancements or modifications to customize Redknee's software for a particular customer; or (iii) material customer acceptance criteria. Redknee may be required to defer revenue recognition for a period of time after its products are delivered and billed to a customer, and such deferral may extend over one or more fiscal quarters. The period of deferral, if any, depends on the specific terms and conditions of each customer contract, and therefore it is difficult for the Company to predict with accuracy at the beginning of any fiscal period the amount of revenues that it will be able to recognize from anticipated customer deployments in that period. Moreover, any changes in accounting principles or interpretations and guidance could have a significant effect on the Company's reported financial results.

Use of Open Source Software

The Company uses certain "open-source" or "free-ware" software tools in the development of its software products which are not maintained or supported by the original developers thereof. The Company has conducted no independent investigation to determine whether the sources of these tools have the rights necessary to permit the Company to use these tools free of claims of infringement by third parties. The Company could be required to replace these components with internally developed or commercially licensed equivalents which could delay the Company's product development plans,

interfere with the ability of the Company to support its customers and require the Company to pay licensing fees.

Dependence Upon Relationships With Sales Channel Partners

As the Company expects to sell an increasing number of its products and services through sales channel partners, rather than directly to the customer, it is increasingly dependent upon its ability to establish and develop new relationships and to build on existing relationships with sales channel partners. The Company cannot guarantee that it will be successful in developing, maintaining or advancing its relationships with sales channel partners or that such sales channel partners will act in a manner that will promote the success of the Company's products and services. Failure by the sales channel partners to promote and support the Company's products and services could adversely affect its business, financial condition or results of operations.

Dependence Upon Suppliers

The Company licenses certain technologies used in its products from third parties, generally on a non-exclusive basis. The termination of any of these licenses, or the failure of the licensors to adequately maintain or update their products, could delay the Company's ability to ship its products while the Company seeks to implement alternative technology offered by other sources which may require significant unplanned investments on its part. In addition, alternative technology may not be available on commercially reasonable terms or may not be available at all. In the future, it may be necessary or desirable to obtain other third party technology licenses relating to one or more of the Company's products or relating to current or future technologies to enhance the Company's product offerings. There is a risk that the Company will not be able to obtain licensing rights to the required technology on commercially reasonable terms, if at all.

Economic and geopolitical uncertainty may negatively affect the Company.

The market for the Company's products depends on economic and geopolitical conditions affecting the broader market. Economic conditions globally are beyond the Company's control. In addition, acts of terrorism and the outbreak of a global health crisis or hostilities and armed conflicts between countries can create geopolitical uncertainties that may affect the global economy. Downturns in the economy or geopolitical uncertainties may cause end-users to delay or cancel projects, reduce their overall security or IT budgets or reduce or cancel orders for the Company's products, which could have a material adverse effect on its business, results of operations and financial condition.

We caution that period-to-period comparison of results of operations is not necessarily meaningful and should not be relied upon as any indication of future performance.

Some of the Company's employees are represented by trade unions.

Some of the employees in Europe are represented by trade unions, works councils and other employee representative bodies. To the extent that the Company is not able to develop and maintain an effective working relationship with such representative bodies and negotiate appropriate employment arrangements in accordance with applicable laws governing employees represented by such bodies, the

Company may experience work stoppages or slowdowns or other labour disputes, which could materially adversely affect its reputation, business, operating results and financial condition.

Risks associated with the Credit Agreement.

Redknee is exposed to interest rate risk from fluctuations in interest rates on advances under the Credit Agreement that bear interest at an annual rate of interest determined in accordance with the Credit Agreement. Redknee manages its interest rate risk by monitoring its respective mix of fixed and floating rate debt net of cash and cash equivalents and short term investments. Despite these steps, changes in interest rates could negatively affect the Company's financial performance.

Post-closing events contemplated by the acquisition of BSS division from Nokia may not happen in a timely manner, or at all.

It is contemplated that the remaining assets and employee contracts are to be transferred to Redknee by Nokia by March 2015. While the Company expects such transfers to occur within this timeframe, there can be no guarantee that such transfers will occur by March 2015, or at all. If such transfers do not occur, Redknee may not achieve the expected financial and other benefits of the acquisition and may be required to hire other qualified personnel, who may not be available or available on employment terms commensurate with the employee contracts that were to have been transferred. In addition, pursuant to the terms of the agreement with Nokia, Nokia is entitled to terminate any contract that has not been transferred, or in the case of certain contracts, replaced with a new contract between the customer or supplier and Redknee by March 2015. If Nokia were to terminate any of these contracts, there is no guarantee that Redknee would be able to enter into an agreement with any of these customers or suppliers, which could have a material adverse effect on Redknee's revenues, and consequently Redknee's business, operating results and financial condition.

Risks relating to any default by Nokia of its obligations under the agreement and certain contracts, whether pursuant to financial difficulty, unforeseen external events or otherwise could have a material impact on the Company's business, operating results, and financial condition.

Redknee is still reliant upon Nokia to fulfil its obligations to invoice certain customers, collect and remit payments to the Company under the back-to-back arrangement.

In addition, Redknee may not have identified all risks or have fully assessed risks identified with the acquisition of the BSS division. There is also a risk that the expected benefits of the acquisition may not be achieved in the expected timeframe or to the extent expected. The individual or combined effect of these risks could have a material adverse effect on Redknee's business, operating results and financial condition.

Charges to earnings resulting from the BSS acquisition from Nokia may adversely affect Redknee.

Under IFRS 3, Business Combinations, the accounting standard for business combinations, the total purchase price of the acquired business assets and intangible assets acquired and liabilities assumed are allocated based on their values as of the date of the acquisition (including certain assets and liabilities that are recorded at fair value) and record the excess of these values over the purchase price as bargain purchase gain. Management's estimates of fair value are based upon assumptions believed to be

reasonable but which are inherently uncertain. Subsequent to the completion of the BSS acquisition, the following factors, among others, may result in material changes that would materially adversely affect Redknee's operating results, cash flows and financial condition:

- Impairment of goodwill or intangible assets;
- A reduction in the useful lives of intangible assets acquired;
- Identification of assumed contingent consideration and contingent liabilities after Redknee finalizes the purchase price allocation period.

Routine charges to Redknee's operating results associated with the BSS acquisition include amortization of intangible assets, as well as other acquisition related charges. Charges to Redknee's operating results in any given period could differ substantially from other periods based on the timing and size of Redknee's future acquisitions and the extent of integration activities.

Redknee expects to continue to incur additional costs associated with combining the operations of the acquired business, which may be substantial. Additional costs may include costs of employee redeployment, relocation and retention, including salary increases or bonuses, severance payments, taxes and costs relating to incorporating new legal entities, and termination of contracts that provide redundant or conflicting services. These costs would be accounted for as expenses and would decrease Redknee's net income and earnings per share for the periods in which those adjustments are made.

Redknee has acquired contingent liabilities through the BSS acquisition that could adversely affect Redknee.

The Company has acquired contingent liabilities in connection with the acquisition. Although Redknee's management uses its best efforts to estimate the risks associated with these contingent liabilities and the likelihood that they will materialize, their estimates could differ materially from the liabilities actually incurred. For example, Redknee acquired certain long-term contracts that contain contingent liabilities associated with the acquired business. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the estimated liability amounts recorded in connection with the contracts assumed on acquisition. Such maximum financial liabilities potentially due to customers under these acquired contracts may significantly exceed the maximum financial liabilities potentially due to customers pursuant to customer contracts entered into by Redknee in the course of its business prior to the acquisition of the acquired business. Among the acquired business' contingent liabilities are liquidated damages contractually available to customers for breaches of contracts by Nokia/Redknee and for estimated damages available to customers for breaches of such contracts by Nokia/Redknee where such contracts did not contain specified penalties. In addition, as the acquirer of the acquired business, Redknee may acquire contingent liabilities in addition to liabilities assumed pursuant to the Agreement, such as statutory liabilities imposed on the acquirer of a business pursuant to applicable laws such as bulk sales and other creditor protection legislation related to the sale of assets other than in the ordinary course of business, legislation relating to the protection of personal information, and anti-bribery legislation. Any of the contingent liabilities referred to above may be material and could materially adversely affect Redknee's operating results, cash flows and financial condition.

ADDITIONAL INFORMATION

Additional information, including the quarterly and annual consolidated financial statements, annual information form, management proxy circular and other disclosure documents may be examined by accessing the SEDAR website at www.sedar.com.