

# **Acceleware Corp.**

**Interim Financial Statements  
September 30, 2009 and 2008 (Unaudited)**

# Acceleware Corp.

## Interim Financial Statements September 30, 2009 and 2008 (Unaudited)

### Contents

Balance Sheets	2
Statements of Operations, Comprehensive Loss and Deficit	3
Statements of Cash Flows	4
Notes to Financial Statements	5-16

# Acceleware Corp.

## Balance Sheets

As at:

	September 30, 2009 (unaudited)	December 31, 2008 (audited)
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 564,511	\$ 1,052,724
Accounts receivable (note 8)	561,980	312,340
Inventories (note 3)	104,123	217,981
Prepaid expenses	22,306	47,583
	<b>1,252,920</b>	<b>1,630,628</b>
Investment (note 5)	689,546	721,817
Property and equipment (note 6)	608,172	744,596
	<b>\$ 2,550,638</b>	<b>\$ 3,097,041</b>
<b>Liabilities and Shareholders' Equity</b>		
Current		
Accounts payable and accrued liabilities	\$ 636,795	\$ 693,051
Deferred revenue	240,038	247,320
Current debt (note 4)	406,480	355,587
	<b>1,283,313</b>	<b>1,295,958</b>
<b>Shareholders' Equity</b>		
Share capital (note 7)	16,359,210	16,261,366
Warrants (note 7)	78,583	1,406,584
Contributed surplus (note 7)	5,526,031	3,960,120
Deficit	(20,696,499)	(19,826,987)
	<b>1,267,325</b>	<b>1,801,083</b>
	<b>\$ 2,550,638</b>	<b>\$ 3,097,041</b>

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

*(signed) "Bohdan Romaniuk"*

Director

*(signed) "Don Verdonck"*

Director

# Acceleware Corp.

## Statement of Operations, Comprehensive Loss and Deficit For the:

	Three months ended September 30, 2009 (unaudited)	Three months ended September 30, 2008 (unaudited)	Nine months ended September 30, 2009 (unaudited)	Nine months ended September 30, 2008 (unaudited)
<b>Revenue (note 10)</b>	<b>\$ 782,207</b>	<b>\$ 472,620</b>	<b>\$ 2,988,113</b>	<b>\$ 2,900,910</b>
<b>Expenses</b>				
Cost of revenue	313,013	429,238	737,493	1,897,917
General and administrative	635,105	2,036,721	1,909,491	5,870,177
Research and development	298,305	950,443	1,137,274	3,015,752
Gain on investment (note 5)	(12,183)	-	(19,407)	-
(Gain) loss on disposal of property and equipment	(1,225)	102,148	3,947	102,148
Amortization	29,660	62,278	88,827	196,182
	<b>1,262,675</b>	<b>3,580,828</b>	<b>3,857,625</b>	<b>11,082,176</b>
<b>Loss for the period, being comprehensive loss</b>	<b>(480,468)</b>	<b>(3,108,208)</b>	<b>(869,512)</b>	<b>(8,181,266)</b>
<b>Deficit, beginning of period</b>	<b>(20,216,031)</b>	<b>(14,403,174)</b>	<b>(19,826,987)</b>	<b>(9,330,116)</b>
<b>Deficit, end of period</b>	<b>\$ (20,696,499)</b>	<b>\$ (17,511,382)</b>	<b>\$ (20,696,499)</b>	<b>\$ (17,511,382)</b>
<b>Loss per share</b>				
Basic and diluted	<b>\$ (0.009)</b>	<b>\$ (0.074)</b>	<b>\$ (0.017)</b>	<b>\$ (0.194)</b>
Weighted average shares outstanding	<b>52,238,235</b>	<b>42,038,830</b>	<b>50,993,586</b>	<b>42,081,330</b>

The accompanying notes are an integral part of these financial statements.

# Acceleware Corp.

## Statements of Cash Flows For the:

	Three months ended September 30, 2009 (unaudited)	Three months ended September 30, 2008 (unaudited)	Nine months ended September 30, 2009 (unaudited)	Nine months ended September 30, 2008 (unaudited)
<b>Cash flows from (used for) operating activities</b>				
Loss for the period, being comprehensive loss	\$ (480,468)	\$ (3,108,208)	\$ (869,512)	\$ (8,181,266)
Items not involving cash:				
Amortization	59,320	124,555	177,654	392,364
(Gain) loss on disposal of property and equipment	(1,225)	102,148	3,947	102,148
Accrued interest on investment (note 5)	-	-	-	(25,552)
Gain on investment (note 5)	(12,183)	-	(19,407)	-
Write-down of inventory	-	-	21,080	-
Accrued interest on debt (note 4)	220	-	2,714	-
Stock-based compensation (note 7)	66,976	82,702	237,910	264,064
	(367,360)	(2,798,803)	(445,614)	(7,448,242)
Changes in non-cash working capital items				
Accounts receivable	63,080	892,601	(249,640)	716,598
Prepaid expenses	2,138	99,000	25,277	26,426
Inventories	16,205	311,199	49,717	(500,407)
Accounts payable and accrued liabilities	22,938	(280,450)	41,588	(277,126)
Deferred revenue	(11,890)	(39,855)	(7,282)	36,707
	(274,889)	(1,816,308)	(585,954)	(7,446,044)
<b>Cash flows from financing activities</b>				
Issuance of common shares and warrants, net of issue costs (note 7)	-	-	-	469,136
Proceeds from issuing debt (note 4)	123,000	350,977	123,000	350,977
Repayment of debt (note 4)	(4,829)	-	(74,822)	-
	118,171	350,977	48,178	820,113
<b>Cash flows from investing activities</b>				
Proceeds from investment (note 5)	2,502	-	51,679	1,550,017
Proceeds from sale of property and equipment	1,225	17,151	5,226	17,151
Purchase of property and equipment	-	-	(7,342)	(136,987)
	3,727	17,151	49,563	1,430,181
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(152,991)</b>	<b>(1,448,180)</b>	<b>(488,213)</b>	<b>(5,195,750)</b>
Cash and cash equivalents, beginning of period	717,502	2,449,324	1,052,724	6,196,894
<b>Cash and cash equivalents, end of period</b>	<b>\$ 564,511</b>	<b>\$ 1,001,144</b>	<b>\$ 564,511</b>	<b>\$ 1,001,144</b>
<b>Comprised of:</b>				
Cash on hand	\$ 524,511	\$ 751,144	\$ 524,511	\$ 751,144
Cash equivalents	40,000	250,000	40,000	250,000
	\$ 564,511	\$ 1,001,144	\$ 564,511	\$ 1,001,144
Interest received	\$ 3,992	\$ 28,511	\$ 28,301	\$ 182,785
Interest paid	\$ 145	\$ 1,916	\$ 825	\$ 2,228
Income taxes paid	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

# Acceleware Corp.

## Notes to Financial Statements September 30, 2009 and 2008

### 1. Description of business, basis of presentation and going concern

Acceleware Corp. (the "Company" or "Acceleware") is a technology company based in Calgary, Alberta, that specializes in the development and marketing of special purpose software accelerators used to reduce engineering design simulation and data processing run times. The Company trades on the TSX Venture Exchange under the symbol AXE.

The unaudited interim financial statements of the Company have been prepared in accordance with Canadian generally accounting principles and are consistent with those policies set out in the audited financial statements of the Company for the year ended December 31, 2008, except as disclosed below. These unaudited interim financial statements do not contain all the disclosures provided in the December 31, 2008 financial statements and should be read in conjunction with these statements. The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has accumulated losses amounting to \$20,696,499 (including a net loss of \$869,512 for the nine months ended September 30, 2009) largely due to investments in new product development and in the penetration of new markets.

The Company plans to manage its cash flow and investment in new products to match the cash requirements to cash generated from operations. Plans include programs to improve gross margin through the introduction of a software-only business model, focus on core vertical markets, reduce operating expenses, and limit capital expenditures. The Company's management ("Management") believes that successful execution of its business plan will result in sufficient cash flow to fund projected operational and investment requirements. However, no assurances can be given that the Company will be able to achieve all or part of the objectives discussed above, or that sufficient financing from outside sources will be available. Further, if the Company's operations are unable to generate cash flow levels at or above current projections, the Company may not have sufficient funds to meet its obligations over the next twelve months. Should such events occur, Management is committed to implementing all or a portion of its contingency plan. This plan has been developed and designed to provide additional cash flow, and includes, but is not limited to, deferring certain additional product development initiatives, and further reducing sales, marketing and general and administrative expenses. The failure of the Company to achieve one or all of the above items may have a material adverse impact on the Company's financial position, results of operations and cash flows.

The ability of the Company to continue as a going concern is dependent upon successful execution of its plans noted above. The outcome of these initiatives cannot be predicted at this time. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern for a reasonable period of time.

# Acceleware Corp.

## Notes to Financial Statements September 30, 2009 and 2008

### 2. Adoption of New Accounting Standards

#### Goodwill and Intangible Assets

Effective January 1, 2009 the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, Goodwill and Intangible Assets, which replaces CICA Handbook Section 3062 "Goodwill and Intangible Assets", and Section 3450 "Research and Development Costs", establishes the standards for recognition, measurement and disclosure of goodwill and intangible assets. Under these new standards, internally generated intangible assets may be recognized in the financial statements under certain circumstances. The adoption of this standard did not have a material impact on the Company's financial statements.

#### Recent accounting pronouncements

#### International Financial Reporting Standards

The CICA plans to transition from Canadian Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) effective January 1, 2011. The impact of the transition to IFRS on the Company's financial statements has not yet been determined.

### 3. Inventories

	September 30, 2009		December 31, 2008
Computer hardware	\$ 88,909	\$	196,901
Demonstrator inventory	15,214		21,080
	\$ 104,123	\$	217,981

During the three months ended September 30, 2009, the Company expensed inventories of \$104,027 (three months ended September 30, 2008 - \$277,507) including write-downs of slow moving and obsolete inventories in the amount of \$nil (2008 - \$161,442). During the nine months ended September 30, 2009, the Company expensed inventories of \$198,198 (nine months ended September 30, 2008 - \$1,711,355) including write-downs of slow moving and obsolete inventories in the amount of \$21,080 (2008 - \$161,442).

### 4. Current debt

In the three months ended September 30, 2009, the Company utilized a line of credit that is secured by the Company's investment in third party non-bank sponsored asset backed commercial paper ("ABCP"). The line of credit has a maximum limit of \$410,479 that may be increased at the lender's option, is due on demand, has no set maturity date, has an interest rate of 90 day Bank of Montreal Bankers Acceptances and requires payments of interest only. \$406,480 was outstanding on the line of credit as of September 30, 2009 (December 31, 2008 - \$355,587).

# Acceleware Corp.

## Notes to Financial Statements September 30, 2009 and 2008

### 5. Investment – Measurement Uncertainty - Asset Back Commercial Paper Investment

The Company holds an investment in third party ABCP with a face amount of \$1,441,241, which it acquired in 2007. The investment was made on a short term basis. However, due to liquidity issues experienced in and the collapse of the Canadian ABCP market in 2007, the Company continues to hold the investment.

The Pan-Canadian Investors Committee was formed to develop a solution to the liquidity issues facing the Canadian ABCP market. On December 23, 2007, the Pan-Canadian Investors Committee for Third-Party Structured ABCP approved an agreement in principle to restructure the affected ABCP issued by 20 trusts. On December 24, 2008, an agreement was reached with all key stakeholders, including the governments of Canada, Quebec, Ontario and Alberta, regarding the restructuring of \$32 billion of third-party ABCP. The restructuring plan (the “Plan”) was implemented on January 21, 2009.

In accordance with the Plan, the affected ABCP has been replaced with new longer-term floating rate notes expected to mature in December 2016 and having an estimated yield of the 30 day Canadian Bankers Acceptance Rate less 50 basis points. The Plan also provides, in certain circumstances, for the pooling of certain assets as well as the establishment of new margin funding facilities to support any collateral calls that may occur in the future.

The margin funding facilities are provided by third party lenders, including Canadian companies, asset providers, noteholders and the governments of Canada, Quebec, Ontario and Alberta. The facilities provided by the governments rank senior to all other margin funding facilities and, in the event of margin calls, they would be the last in and the first out. These facilities are designed to reduce the risk that holders of the newly issued notes will not be able to meet margin calls if future circumstances require them. The key parties to the restructuring have also agreed to a moratorium which prevents collateral calls for a period of 18 months from date of issue.

At December 31, 2008, the Company assessed the ABCP to determine the fair value including the characteristics of the new notes received under the Plan. To determine the value of the affected ABCP it held, the Company established ranges of estimated fair value. An impairment charge of \$315,047 was recorded during 2008. This loss was due to the widening credit spreads and the downgrade from the provisional rating of “AA” of the affected ABCP to the final rating of “A” of the new notes received under the Plan. Class B, C and tracking notes were unrated. On January 12, 2009, the Court granted an order for the implementation of the restructuring plan for the ABCP, and the restructuring was completed on January 21, 2009. As a result, the Company received the following new replacement ABCP notes with a total settlement amount of \$1,443,743, as follows:

- \$963,147 Master Asset Vehicle (“MAV”) II Class A-1 notes
- \$241,507 MAV II Class A-2 notes
- \$43,840 MAV II Class B notes
- \$38,613 MAV II Class C notes
- \$156,636 MAV II Class 15 notes

The difference of \$990 between the \$1,443,743 settlement amount and the \$1,444,733 original cost was received as interest.



# Acceleware Corp.

## Notes to Financial Statements September 30, 2009 and 2008

### 5. Investment – Measurement Uncertainty (cont'd)

The company received a payment of \$49,176 in the three months ended March 31, 2009 which was its share of accumulated interest in the conduit trusts from August 2007 to August 2008. The balance of interest in the conduit trusts of \$20,360 was paid to the Company in the three months ended June 30, 2009, and recorded as interest income.

The valuation technique used by the Company to estimate the fair value of its investment in ABCP as at September 30, 2009, incorporates probability weighted discounted cash flows considering available public information regarding market conditions and other factors that a market participant would consider for such investments. In establishing the estimated fair value of the ABCP, the Company considered the quality of the underlying assets and determined the fair value using a discounted cash flow analysis based on its assessment of the prevailing conditions, which may change in subsequent periods. Among the most important assumptions used to estimate the fair value of the notes are the observable discount rates and the credit ratings of the notes. The Company assumes that the notes will generate a weighted average interest rate of 0.3%.

On August 11, 2009 DBRS revised their rating on the class A-2 notes to “BBB(low)” citing negative rating migration in certain underlying assets. Consequently, the Class A-2 notes were valued using discount rates based on the average yield of “BBB(low)” rated corporate bonds having similar maturities. Discount rates for class A-1 notes have been estimated using average yield of “A” rated corporate bonds having similar maturities, adjusted for consideration of additional risk for the lack of information, lack of liquidity and uncertainty with respect to the exact nature of the resulting instrument. A weighted average discount rate of 8.3% was used in the Company’s fair value estimate of its ABCP.

On July 31, 2009 the Company received a partial redemption of its class A-1 notes of \$2,502. At September 30, 2009 the Company assessed the ABCP to determine fair value of the new notes, and found the fair value to be increased from that of June 30, 2009. The following table shows the changes in fair value since December 31, 2008:

Fair value, December 31, 2008	\$	721,817
Accumulated interest received January 21, 2009		(49,176)
Increase in fair value		13,248
Fair value, March 31, 2009	\$	685,889
Decrease in fair value		(6,024)
Fair value, June 30, 2009	\$	679,865
Redemption		(2,502)
Increase in fair value		12,183
Fair value, September 30, 2009	\$	689,546

An increase in the estimated discount rates of 1.0% (to 9.3%) would decrease the fair value of the ABCP by \$44,239. An increase in the expected maturity date of the notes by one year would decrease the fair value of the ABCP by \$49,519.

Changes in fair value will be recorded in income as they arise. Continuing uncertainties regarding the value of the assets which underlie the ABCP, the amount and timing of cash flows and the outcome of the restructuring could give rise to a further material change in the value of the Company’s investment in ABCP which could impact the Company’s earnings in future periods.

# Acceleware Corp.

## Notes to Financial Statements September 30, 2009 and 2008

### 5. Investment – Measurement Uncertainty (cont'd)

Determining the fair value of ABCP requires the use of estimates and assessments of economic expectations. Measurement uncertainty exists and possible changes that could have a material effect on the future fair value of the notes include changes in the value of the underlying assets, developments related to the liquidity of the ABCP market, and the effects of a severe and/or prolonged economic slowdown in North America.

### 6. Property and equipment

<b>September 30, 2009</b>			
	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 265,527	\$ 186,703	\$ 78,824
Computer hardware	639,385	317,754	321,631
Computer software	77,659	77,659	-
Leasehold improvements	647,126	439,409	207,717
	\$ 1,629,697	\$ 1,021,525	\$ 608,172

  

<b>December 31, 2008</b>			
	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 265,527	\$ 164,532	\$ 100,995
Computer hardware	602,171	224,707	377,464
Computer software	77,659	77,659	-
Leasehold improvements	647,126	380,989	266,137
	\$ 1,592,483	\$ 847,887	\$ 744,596

### 7. Share capital

#### Authorized:

Unlimited common shares  
 Unlimited first preferred shares, conditions to be determined  
 Unlimited second preferred shares, conditions to be determined

#### Issued:

Common shares	Number	Amount
Balance, December 31, 2008	50,281,330	\$ 16,261,366
Issued in satisfaction of debt	1,956,905	\$ 97,844
Balance, September 30, 2009	52,238,235	\$ 16,359,210

# Acceleware Corp.

## Notes to Financial Statements September 30, 2009 and 2008

### 7. Share capital (cont'd)

Effective June 11, 2009 the Company settled outstanding indebtedness of \$97,844 through the issuance of common shares of the Company ("Common Shares") at deemed prices of \$0.05 per Common Share (the "Debt Settlement"). The deemed price of \$0.05 was determined using the weighted average closing price of the Common Shares on the TSX Venture exchange for the five trading days preceding June 11, 2009. The outstanding debt was comprised of employee wages and consulting fees. As part of the restructuring that occurred in 2008, certain employees voluntarily agreed to defer a portion of their salary and subsequently agreed to convert such debt into Common Shares. A total of 1,956,905 Common Shares were issued under the debt settlement. The Common Shares are subject to a four month hold period that expires on October 24, 2009.

#### Warrants

The changes to number of warrants issued by the Company and their weighted average exercise price are as follows:

	Number	Amount	Weighted Average Exercise Price
Balance, December 31, 2008	2,430,723	\$ 1,406,584	\$ 1.29
Expired	(2,250,000)	(1,328,001)	1.29
Balance, September 30, 2009	180,723	\$ 78,583	\$ 1.30

#### Warrants outstanding and exercisable:

Exercise Price	Warrants Outstanding	Weighted Average Remaining Term (Years)	Warrants Exercisable
1.30	180,723	0.20	180,723

#### Escrowed shares

At December 31, 2008, an aggregate of 2,021,095 Common Shares remained subject to escrow agreements pursuant to the requirements of the TSX Venture Exchange. Pursuant to the agreements, these shares were released from escrow on January 18, 2009, and no Common Shares remain in escrow.

#### Stock options

During the nine months ended September 30, 2009, the Company granted to certain employees officers, and directors, a series of options to purchase a total of 1,917,500 Common Shares at an exercise price of \$0.10 per share. 858,750 of the options will vest immediately, 100,000 will vest six months from the date of grant, 858,750 will vest one year from the date of grant, and 100,000 will vest eighteen months from the date of grant. The options expire 5 years from the date of grant. The exercise price was based upon the minimum option price allowed by the TSX Venture Exchange, which was higher than the market price prevailing at the stock option grant date.

# Acceleware Corp.

## Notes to Financial Statements September 30, 2009 and 2008

### 7. Share capital (cont'd)

The fair value of the stock options issued was estimated using the Black-Scholes option pricing model under the following assumptions:

Common shares	Nine months ended September 30, 2009	Year ended December 31, 2008
Weighted average fair value (\$/option)	0.055 – 0.080	0.596 – 0.698
Risk free interest rate (%)	1.77 – 2.57	3.34 – 3.42
Expected life (years)	5	5
Volatility in the price of Common Shares (%)	273 - 333	125
Dividend per Common Share (\$/share)	nil	nil

The changes to the number of options granted by Acceleware Corp. and their weighted average exercise price are as follows:

	Number	Weighted Average Exercise Price
Balance, December 31, 2008	2,595,716	\$0.525
Granted	1,817,500	0.100
Forfeited	(626,143)	0.460
Balance, March 31, 2009	3,787,073	\$0.332
Forfeited	(63,500)	0.540
Balance, June 30, 2009	3,723,573	\$0.328
Granted	100,000	0.100
Forfeited	(90,643)	0.287
Balance, September 30, 2009	3,732,930	\$0.323

Summary of options outstanding and exercisable are as follows:

Range of exercise price outstanding	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
\$0.10	1,867,500	4.33	\$0.100	933,750
0.20	856,788	0.58	0.224	856,788
0.38	308,142	1.72	0.441	308,142
0.70	260,500	3.19	0.829	140,950
1.09	440,000	2.59	1.084	440,000
\$0.10	3,732,930	2.97	\$0.323	2,679,630

# Acceleware Corp.

## Notes to Financial Statements September 30, 2009 and 2008

### 7. Share capital (cont'd)

#### Contributed surplus

Contributed surplus consists of the following:

Balance, December 31, 2008	\$	3,960,120
Stock-based compensation		106,713
Expiry of warrants		1,328,001
Balance, March 31, 2009	\$	5,394,834
Stock-based compensation		64,221
Balance, June 30, 2009	\$	5,459,055
Stock-based compensation		66,976
Balance, September 30, 2009	\$	5,526,031

### 8. Financial Instruments

The Company's objective for investments is to hold securities which are highly liquid and temporary in nature. However, the Company currently holds an investment in asset backed commercial paper, which has become illiquid due to the issues discussed in note 5 above. All other securities are considered highly liquid. To date, the Company has not entered into derivative contracts to manage these risks.

#### Fair Value

The carrying value of accounts receivable and accounts payable and accrued liabilities approximates their fair values due to the immediate or short-term maturity of these financial instruments. The carrying value of current debt approximates fair value as it bears a floating rate of interest.

While the Company believes that it has utilized an appropriate methodology to estimate the fair value of the Company's investment in ABCP, given the number of uncertainties there can be no assurance that management's estimate of potential recovery as at September 30, 2009 is accurate (details are outlined in note 5).

#### Interest Rate Risk

The Company is exposed to interest rate risk in that changes in market interest rates will cause fluctuations in the fair value of or future cash flows from its cash equivalents. The short term nature of these instruments, a maturity within three months of their purchase date and the highly liquid nature of these investments significantly mitigate the Company's interest rate risk.

The Company is exposed to interest rate risk with respect to its current debt as this debt is subject to floating market rates of interest.

# Acceleware Corp.

## Notes to Financial Statements September 30, 2009 and 2008

### 8. Financial Instruments (cont'd)

#### Currency Risk

A significant portion of the Company's revenues is derived from customers in foreign countries, and is denominated in United States dollars ("USD"). Accordingly, the Company is exposed to related foreign currency risk arising from fluctuations in USD exchange rates. The Company does not engage in any foreign currency hedging at this time.

The USD working capital exposure as at period end is as follows:

	<b>September 30, 2009</b>	December 31, 2008
Cash and cash equivalents	\$ 154,331	\$ 278,760
Accounts receivable	345,045	245,846
Accounts payable and accrued liabilities	(26,566)	(177,068)
Net exposure	<b>\$ 472,810</b>	<b>\$ 347,538</b>

The USD denominated revenue and expenses for the period are as follows:

	<b>Three months ended September 30, 2009</b>	Three months ended September 30, 2008	<b>Nine months ended September 30, 2009</b>	Nine months ended September 30, 2008
Revenue	\$ 632,718	\$ 406,012	\$ 2,548,882	\$ 2,670,351
Expenses	(210,878)	(461,809)	(479,467)	(2,512,624)
Net exposure	<b>\$ 421,840</b>	<b>\$ (55,797)</b>	<b>\$ 2,069,415</b>	<b>\$ 157,727</b>

The table below depicts the average and ending USD to Canadian dollar exchange rates for the period ended September 30, 2009.

	Average exchange rate for three months ended September 30, 2009	Average exchange rate for nine months ended September 30, 2009	Exchange rate as at September 30, 2009
USD per one Canadian dollar	\$ 0.9114	\$ 0.8577	\$ 0.9327

# Acceleware Corp.

## Notes to Financial Statements September 30, 2009 and 2008

### 8. Financial Instruments (cont'd)

The table below depicts the annual impact to net and comprehensive loss of varying the above USD to Canadian dollar exchange rate by one cent.

	decrease/(increase) in net and comprehensive loss for the three months ended September 30, 2009		decrease/(increase) in net and comprehensive loss for the nine months ended September 30, 2009	
1 cent strengthening in the Canadian dollar	\$	(8,255)	\$	(22,159)
1 cent weakening in the Canadian dollar	\$	8,255	\$	22,159

### Credit Risk

Credit risk reflects the risk that the Company may be unable to recover its accounts receivable. The Company is exposed to credit risk as a substantial portion of its revenue is predominately generated from four customers. The Company manages its credit risk by closely monitoring the granting of credit. Trade receivables that are outstanding for more than 30 days are considered past due but not impaired. Based on the status of trade accounts receivables, no allowance for doubtful accounts has been recorded as at September 30, 2009. The table below shows the credit risk exposure in the accounts receivable balances as at September 30, 2009.

Trade and other accounts receivable:

	September 30, 2009		December 31, 2008	
Trade receivables:				
1 - 30 days	\$	431,709	\$	223,245
31 - 60 days		31,190		39,601
61 - 90 days		-		43,976
91 - 120 days		32,370		-
Over 120 days		39,719		5,518
		534,988		312,340
Accrued revenue		26,992		-
	\$	561,980	\$	312,340

Credit risk includes the Company's assumptions on value and on liquidity from its investment in asset backed commercial paper as outlined in note 5. While the Company believes that it has utilized an appropriate methodology to estimate fair value, given the number of uncertainties there can be no assurance that management's estimate of potential recovery as at September 30, 2009 is accurate.

# Acceleware Corp.

## Notes to Financial Statements September 30, 2009 and 2008

### 9. Capital Risk Management

The Company's objectives for managing capital are:

- i. To safeguard the Company's ability to continue as a going concern, so that it can provide adequate returns for shareholders and benefits for other stakeholders.
- ii. To ensure sufficient liquidity to enable the internal financing of capital thereby facilitating its ability to continue operations and eventually achieve profitable operations.
- iii. To maintain a strong capital base so as to maintain investor, creditor and market confidence.

The Company considers the items included in capital to include shareholders' equity, short-term lines of credit, and long-term debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic and business conditions, financing environment and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, new debt, draw on lines of credit, or scale back the size and nature of its operations. The Company's management of its capital is dependent upon successful execution of its restructuring and cost containment plans and on its ongoing efforts to focus on core vertical markets and achieve profitable operations. The Company is not subject to externally imposed capital requirements.

	September 30, 2009		December 31, 2008
Bank indebtedness	\$ 406,480	\$	355,587
Shareholders' equity	1,267,325		1,801,083
	\$ 1,673,805	\$	2,156,670

### 10. Segmented information

#### (a) Geographic Segmentation

The Company operates in an international market within one reportable industry segment. Revenue is distributed as follows:

Revenue:		Canada	Foreign Countries		Total
Three months ended September 30, 2009	\$	149,489	632,718	\$	782,207
Three months ended September 30, 2008	\$	67,608	405,012	\$	472,620
Nine months ended September 30, 2009	\$	485,575	2,502,538	\$	2,988,113
Nine months ended September 30, 2008	\$	274,294	2,626,616	\$	2,900,910

All of the Company's assets are located in Canada.



# Acceleware Corp.

## Notes to Financial Statements September 30, 2009 and 2008

### 10. Segmented information (cont'd)

(b) Product segmentation of revenue is as follows:

	<b>Three months ended September 30, 2009</b>	Three months ended September 30, 2008	<b>Nine months ended September 30, 2009</b>	Nine months ended September 30, 2008
Product sales	\$ 293,242	\$ 355,949	\$ 1,673,162	\$ 2,413,330
Maintenance	104,476	88,160	309,619	304,795
Consulting	380,497	-	967,353	-
Interest	3,992	28,511	28,301	182,785
	<b>\$ 782,207</b>	<b>\$ 472,620</b>	<b>\$ 2,988,113</b>	<b>\$ 2,900,910</b>

During the nine months ended September 30, 2009, the Company derived significant revenue from two major customers (three customers for nine months ended September 30, 2008) which exceeded 10% of total revenues for the nine months ended September 30, 2009. The first customer accounted for \$1,164,352 of revenue for the period, while the second customer accounted for \$436,706 for the period. For the nine months ended September 30, 2008, the first customer accounted for \$839,406 of revenues, the second customer accounted for \$576,964 of revenues and the third customer accounted for \$552,628 of revenues.

### 11. Related Party Transactions

For the nine months ended September 30, 2009, the Company incurred general and administrative expenses in the amount of \$100,102 (nine months ended September 30, 2008 – \$119,650), of which \$11,811 remained in accounts payable as at September 30, 2009 (as at December 31, 2008 – nil) to a company controlled by an officer of the Company as fees for duties performed in managing operations. These fees occurred in the normal course of operations and have been recognized at the agreed to exchange amount which in the opinion of management approximates fair value for services rendered. In addition, three officers of the Company have advanced \$61,282 to the Company (as at December 31, 2008 - \$62,981). These amounts are non-interest bearing, unsecured and are to be repaid no later than February 28, 2010. These amounts are recorded in accounts payable.