

*Consolidated Financial Statements of*

**BRIDGEWATER SYSTEMS  
CORPORATION**

*For the three and nine months ended  
September 30, 2008 and 2007  
(Unaudited)*

**BRIDGEWATER SYSTEMS CORPORATION**  
**Consolidated Financial Statements**  
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(Unaudited)

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## BRIDGEWATER SYSTEMS CORPORATION

### Consolidated Statements of Earnings, Comprehensive Earnings and Deficit

For the three and nine months ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Revenue	\$ 10,293,694	\$ 8,998,283	\$ 30,654,720	\$ 27,422,683
Cost of sales	2,555,297	1,297,212	6,609,576	4,036,189
Gross margin	7,738,397	7,701,071	24,045,144	23,386,494
Expenses				
Sales and marketing	3,329,261	3,078,016	9,825,762	10,125,133
Research and development	3,215,931	3,523,444	11,599,745	9,792,781
General and administration	910,263	526,310	2,924,914	1,825,299
Stock-based compensation	72,050	50,001	168,818	149,532
	7,527,505	7,177,771	24,519,239	21,892,745
Earnings (loss) before undernoted items	210,892	523,300	(474,095)	1,493,749
Foreign exchange gain (loss)	76,922	(440,741)	627,553	(1,081,370)
Interest and other income	275,595	167,566	987,097	461,573
Earnings before income taxes	563,409	250,125	1,140,555	873,952
Future income tax recovery (expense)	(80,000)	-	(80,000)	-
NET EARNINGS AND COMPREHENSIVE EARNINGS	483,409	250,125	1,060,555	873,952
DEFICIT, BEGINNING OF PERIOD	(15,578,506)	(18,274,683)	(16,155,652)	(18,898,510)
DEFICIT, END OF PERIOD	\$ (15,095,097)	\$ (18,024,558)	\$ (15,095,097)	\$ (18,024,558)
Net earnings per share - basic	\$ 0.02	\$ 0.01	\$ 0.05	\$ 0.05
Net earnings per share - diluted	\$ 0.02	\$ 0.01	\$ 0.04	\$ 0.04
Weighted average number of shares outstanding - basic	22,758,098	18,473,560	22,546,214	18,449,727
Weighted average number of shares outstanding - diluted	24,208,862	20,953,134	24,216,263	20,813,315

See accompanying notes to consolidated financial statements.

# BRIDGEWATER SYSTEMS CORPORATION

## Consolidated Balance Sheets

as at September 30, 2008 and December 31, 2007

(Expressed in Canadian dollars)

(Unaudited)

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 38,910,196	\$ 28,571,239
Note receivable	-	10,000,000
Accounts receivable	14,154,935	10,929,411
Investment tax credits receivable	-	1,667,978
Unbilled receivables	3,377,923	5,321,664
Work in process	5,897,853	-
Prepaid expenses and other assets	1,980,304	678,245
Future income tax asset	1,210,000	1,993,000
	<hr/> 65,531,211	<hr/> 59,161,537
FUTURE INCOME TAX ASSET	7,210,000	6,507,000
CAPITAL ASSETS	3,815,511	3,817,480
	<hr/> \$ 76,556,722	<hr/> \$ 69,486,017
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	4,535,646	3,223,544
Deferred revenue	17,907,309	14,244,055
	<hr/> 22,442,955	<hr/> 17,467,599
SHAREHOLDERS' EQUITY		
Share capital (Note 3)	68,440,442	67,477,616
Contributed surplus	768,422	696,454
Deficit	(15,095,097)	(16,155,652)
	<hr/> 54,113,767	<hr/> 52,018,418
	<hr/> \$ 76,556,722	<hr/> \$ 69,486,017

See accompanying notes to consolidated financial statements.

# BRIDGEWATER SYSTEMS CORPORATION

## Consolidated Statements of Cash Flows

For the three and nine months ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net earnings	\$ 483,409	\$ 250,125	\$ 1,060,555	\$ 873,952
Items not affecting cash				
Stock-based compensation	72,050	50,001	168,818	149,532
Foreign exchange (gain) loss	(311,360)	342,482	(322,264)	680,428
Future income tax expense	80,000	-	80,000	-
Amortization of capital assets	385,226	346,571	997,811	894,019
	709,325	989,179	1,984,920	2,597,931
Changes in non-cash operating working capital items (Note 6)	(1,654,967)	2,930,068	(1,838,361)	(5,173,451)
	(945,642)	3,919,247	146,559	(2,575,520)
INVESTING				
Issuance of note receivable	-	-	-	(12,000,000)
Repayment of note receivable	-	-	10,000,000	12,000,000
Purchases of capital assets	(90,516)	(667,920)	(995,842)	(1,215,345)
	(90,516)	(667,920)	9,004,158	(1,215,345)
FINANCING				
Proceeds from issuance of common shares	363,179	27,645	932,534	98,167
Share issuance costs	-	-	(66,558)	-
	363,179	27,645	865,976	98,167
Foreign exchange gain (loss) on cash held in foreign currency	311,360	(342,482)	322,264	(680,428)
NET CASH (OUTFLOW) INFLOW	(361,619)	2,936,490	10,338,957	(4,373,126)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	39,271,815	13,884,642	28,571,239	21,194,258
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 38,910,196	\$ 16,821,132	\$ 38,910,196	\$ 16,821,132
Supplementary information:				
Cash on hand and bank balances	\$ 11,485,740	\$ 4,207,322	\$ 11,485,740	\$ 4,207,322
Short-term investments	27,424,456	12,613,810	27,424,456	12,613,810
Total cash and cash equivalents	\$ 38,910,196	\$ 16,821,132	\$ 38,910,196	\$ 16,821,132
Interest received	\$ 275,595	\$ 167,566	\$ 987,097	\$ 453,179

See accompanying notes to consolidated financial statements.

# BRIDGEWATER SYSTEMS CORPORATION

## Consolidated Statements of Shareholders' Equity

For the three and nine months ended September 30, 2008

(Expressed in Canadian dollars)

(Unaudited)

	Common Shares		Contributed	Deficit	Shareholders'
	Number	Amount	Surplus		Equity
<b>Three months ended September 30, 2008</b>					
Balance at June 30, 2008	22,664,010	\$ 68,037,212	\$ 736,423	\$ (15,578,506)	\$ 53,195,129
Stock-based compensation	-	-	72,050	-	72,050
Exercise of stock options	302,891	403,230	(40,051)	-	363,179
Share issuance costs	-	-	-	-	-
Net earnings	-	-	-	483,409	483,409
<b>Balance at September 30, 2008</b>	<b>22,966,901</b>	<b>\$ 68,440,442</b>	<b>\$ 768,422</b>	<b>\$ (15,095,097)</b>	<b>\$ 54,113,767</b>
<b>Nine months ended September 30, 2008</b>					
Balance at December 31, 2007	22,202,882	\$ 67,477,616	\$ 696,454	\$ (16,155,652)	\$ 52,018,418
Stock-based compensation	-	-	168,818	-	168,818
Exercise of stock options	764,019	1,029,384	(96,850)	-	932,534
Share issuance costs	-	(66,558)	-	-	(66,558)
Net earnings	-	-	-	1,060,555	1,060,555
<b>Balance at September 30, 2008</b>	<b>22,966,901</b>	<b>\$ 68,440,442</b>	<b>\$ 768,422</b>	<b>\$ (15,095,097)</b>	<b>\$ 54,113,767</b>

See accompanying notes to consolidated financial statements.

# BRIDGEWATER SYSTEMS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

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### 1. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements are in accordance with Canadian generally accepted accounting principles applicable to interim consolidated financial statements. These unaudited interim consolidated financial statements and notes have been prepared using accounting policies consistent with the policies used in preparing the Company's December 31, 2007 annual consolidated financial statements, except as discussed in Note 2 regarding the adoption of new accounting standards. They do not include all of the disclosures required under generally accepted accounting principles for annual financial statements and should be read in conjunction with the December 31, 2007 annual consolidated financial statements.

The preparation of these unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. In the opinion of management, these unaudited interim consolidated financial statements reflect all adjustments necessary to state fairly the results for the periods presented. Actual results could differ from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

#### *Recently issued accounting standards*

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets* which will replace Handbook Section 3062 *Goodwill and Other Intangible Assets* and Handbook Section 4350, *Research and Development Costs*, effective for interim and annual financial statements beginning on or after October 1, 2008. This revision aligns Canadian GAAP with International Financial Reporting Standards and establishes standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Management is currently determining the impact of this standard on the Company's consolidated financial statements.

#### *Transition to International Financial Reporting Standards*

In January 2006, the Accounting Standards Board (the "AcSB") announced its decision to require all publicly accountable enterprises to report under International Financial Reporting Standards ("IFRS") for years beginning on or after January 1, 2011. On February 13, 2008, the AcSB confirmed that publicly accountable enterprises will be required to use IFRS, as issued by the International Accounting Standards Board, unless modifications or additions to the requirements of IFRS are issued by the AcSB. IFRS must be adopted for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, with restatement of comparative periods.

The Company is currently assessing the future impact of these new standards on its consolidated financial statements.

# BRIDGEWATER SYSTEMS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

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### 2. CHANGES IN ACCOUNTING POLICIES

#### *Financial instruments*

Effective January 1, 2008, the Company adopted two new CICA standards, Handbook Section 3862, *Financial Instruments Disclosures*, and Section 3863, *Financial Instruments Presentation*, which replaces Handbook Section 3861, *Financial Instruments Disclosure and Presentation*. The new presentation standards carry forward the former presentation requirements and increase the emphasis on the disclosure of risks associated with both recognized and unrecognized financial instruments and how those risks are managed. Refer to Note 4, "FINANCIAL INSTRUMENTS".

#### *Capital disclosures*

Effective January 1, 2008, the Company adopted the new CICA standard, Handbook Section 1535, *Capital Disclosures*. This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the financial statements may evaluate the company's objectives, policies and processes for managing capital. Refer to Note 3, "SHARE CAPITAL".

#### *Work in process*

For the period ended September 30, 2008, the Company has engaged in transactions which created work in process. Correspondingly, the Company has adopted the CICA standard, Handbook Section 3031, *Inventory*. This section establishes standards for the accounting treatment of inventories including the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. Work in process is recorded at the lower of cost and net realizable value. Cost includes the cost of third party software and materials purchased for use in a sales arrangement.

### 3. SHARE CAPITAL

#### *Stock options*

Prior to its public offering, which was completed December 14, 2007, the Company had a Key Employee Stock Option Plan and a Key Management Stock Option Plan (collectively, the "Predecessor Plans") applicable to full-time employees and members of the Board of Directors effective June 1, 1999. The option exercise price was the Company's estimate of the fair market value of the common shares of the Company at the date of granting the option. Options granted effective June 1, 1999 or later were generally exercisable up to a 25% maximum during the year following the first anniversary date and up to 1/36 of 75% during each of the 36 months immediately following the first anniversary date, and expired on the fifth anniversary or upon termination of employment.

Immediately before completion of the public offering, the Predecessor Plans were amended, restated and consolidated into a single Amended and Restated Stock Option Plan (the "Amended Plan"). All existing options granted under the Predecessor Plans and all new options granted under the Amended Plan are governed by the terms of the Amended Plan which include the following:

# BRIDGEWATER SYSTEMS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

### 3. SHARE CAPITAL (Continued)

#### *Stock options (Continued)*

- The initial maximum number of options issuable under the Amended Plan is 4,109,034 common shares.
- As options are exercised or expire, 50% of the number of common shares previously issuable under such options will be available for future grant and the other 50% will no longer be available.
- At such time as the number of shares issuable under granted options plus 450,000 is less than 15% of the common shares outstanding, 100% of the common shares previously issuable under options that are exercised or expire will be available for future grants.
- If an option expires within or immediately following a black-out period, an option holder may elect to extend the expiry date of the option to ten days beyond the end of the black-out period providing it is no later than December 31<sup>st</sup> of the original year of expiry or no later than the 15<sup>th</sup> of the third month following the original month of expiry.
- For option holders subject to a lock-up agreement, the expiry date of options that would normally expire within the lock-up period or within six months of the end of the lock-up period will be extended for a period of nine months if the option holder enters into a programmed exercise arrangement.
- The exercise price of all new options granted under the Amended Plan will be equal to the fair value of the common shares deemed to be the volume weighted average trading price for the five trading days prior to the date of grant.

Activity in the stock option plan is summarized below:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Options outstanding, December 31, 2007	3,823,767	\$ 1.75
Granted	398,000	\$ 2.89
Exercised	(461,128)	\$ 1.24
Forfeited	(74,731)	\$ 1.77
Expired	(41,037)	\$ 1.15
	<hr/>	
Options outstanding, June 30, 2008	<b>3,644,871</b>	<b>\$ 1.94</b>
	<hr/>	
Granted	-	\$ -
Exercised	(302,891)	\$ 1.20
Forfeited	(92,200)	\$ 3.62
Expired	(4)	\$ 1.15
	<hr/>	
Options outstanding, September 30, 2008	<b>3,249,776</b>	<b>\$ 1.97</b>

# BRIDGEWATER SYSTEMS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

### 3. SHARE CAPITAL (Continued)

#### *Stock options (Continued)*

The following tables summarize information about stock options outstanding at September 30, 2008:

Exercise Price	Number Outstanding	Weighted Average Remaining Life (Years)	Number Exercisable
\$ 1.15	1,586,422	0.56	1,582,575
\$ 1.50	540,893	1.82	417,702
\$ 2.00	175,995	2.70	95,283
\$ 2.76	338,000	4.58	35,165
\$ 3.62	60,000	4.41	8,728
\$ 4.00	510,866	3.61	194,841
\$ 5.50	37,600	3.96	9,341
<b>\$ 1.94</b>	<b>3,249,776</b>	<b>1.89</b>	<b>2,343,635</b>

The weighted average fair value of all options granted was estimated as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Three months ended		Nine months ended	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Number of options granted	-	19,600	<b>398,000</b>	592,100
Weighted average Black - Scholes value of each option	-	\$ 0.60	<b>\$ 1.11</b>	\$ 0.70
Assumptions				
Risk-free interest rate	-	4.13%	<b>3.12%</b>	4.53%
Expected life in years	-	4	<b>4</b>	4
Expected dividend yield	-	-	-	-
Volatility	-	1.00%	<b>45.40%</b>	1.00%

The Black-Scholes model used by the Company to calculate option values, as well as other currently accepted option valuation models, were developed to estimate the fair value of freely tradable, fully transferable options without vesting restriction, which significantly differ from the Company's stock option awards. These models also require highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. The minimum value method applicable to non-public entities was applied to options granted prior to the initial public offering at the date of grant using a nominal volatility.

# BRIDGEWATER SYSTEMS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

### 3. SHARE CAPITAL (Continued)

#### *Stock options (Continued)*

On September 19, 2008, certain option holders subject to a lock-up agreement entered into a programmed exercise arrangement for 486,519 options with an exercise price of \$1.15. As provided in the Amended Plan, the expiry date of the options has been extended for a period of nine months. The impact of the extension on the fair value of the options has been estimated using the Black-Scholes model for the expected lives established by the programmed exercise arrangement and assuming a risk free interest rate of 3.12% and volatility of 45.4%. The total impact of \$9,674 has been recorded as stock compensation expense in the three months ended September 30, 2008.

#### *Earnings per share*

At September 30, 2008, 856,410 (September 30, 2007 – 333,282) weighted average stock options outstanding had an exercise price greater than the average fair value of the common shares and were excluded from the computation of earnings per common share because they were anti-dilutive.

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>Sept. 30, 2008</b>	Sept. 30, 2007	<b>Sept. 30, 2008</b>	Sept. 30, 2007
Weighted average number of shares outstanding – basic	<b>22,758,098</b>	18,473,560	<b>22,546,214</b>	18,449,727
Dilutive effect of stock options	<b>1,450,764</b>	2,479,574	<b>1,670,049</b>	2,363,588
Weighted average number of shares outstanding - diluted	<b>24,208,862</b>	20,953,134	<b>24,216,263</b>	20,813,315

#### *Capital management*

The Company's capital is composed of its shareholders' equity. The Company manages its capital to ensure the financial flexibility is present to increase shareholder value through organic growth and selective acquisitions, as well as allow the Company to respond to changes in economic and/or marketplace conditions. In order to maintain or adjust its capital structure, the Company could issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or raise debt. At this time, the Company has not utilized debt facilities as part of its capital management program nor paid dividends to its shareholders. With the exception of a letter of credit issued to a customer, the Company is not subject to externally imposed capital requirements and there were no other changes in the Company's approach to capital management during the period.

### 4. FINANCIAL INSTRUMENTS

#### *Comprehensive income*

The Company had no other comprehensive income or loss transactions during the three or nine month periods ended September 30, 2008 and no opening or closing balances for accumulated other comprehensive income or loss.

# BRIDGEWATER SYSTEMS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

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#### 4. FINANCIAL INSTRUMENTS (Continued)

##### *Financial assets and financial liabilities*

Financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Held-for-trading (1)	<b>\$ 38,910,196</b>	\$ 28,571,239
Loans and receivables (2)	<b>\$ 14,154,935</b>	\$ 22,597,389
Other financial liabilities (3)	<b>\$ 4,535,646</b>	\$ 3,223,544

(1) Includes cash and cash equivalents and foreign exchange derivatives

(2) Includes accounts, notes and investment tax credits receivable

(3) Includes accounts payable and accrued liabilities

##### *Fair value*

Cash and cash equivalents and foreign exchange derivatives are measured at fair value with changes in fair value recorded in net income. All other financial assets and liabilities are measured at amortized cost. Due to the short term nature of these financial assets and liabilities, their fair value approximates amortized cost.

##### *Credit risk*

The Company is exposed to credit risk in its cash and cash equivalents, accounts receivable, unbilled receivables and to the credit risk of its derivative financial instrument counterparties if they do not meet their obligations. The Company does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of the financial instrument. The Company minimizes credit risk on cash and cash equivalents and derivative instruments by depositing or engaging in derivative instruments with only reputable financial institutions. The Company minimizes its credit risk of its accounts receivable by performing credit evaluation, approval and monitoring processes. At September 30, 2008, three customers accounted for 29.8%, 28.3%, and 24.5% of total accounts receivable. Amounts past due totalled \$6,717,359 at September 30, 2008, of which amounts totalling \$3,267,047 have been collected within thirty days from the end of the period. None of the amounts outstanding have been challenged and the Company continues to conduct business with these customers on an ongoing basis. The Company's allowance for doubtful accounts is not significant and management has no reason to believe that accounts receivable are not fully collectible.

# BRIDGEWATER SYSTEMS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

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### 4. FINANCIAL INSTRUMENTS (Continued)

#### *Interest rate risk*

At September 30, 2008, the Company does not hold any financial instruments with fixed interest rates and is not exposed to interest rate risk.

#### *Foreign currency risk*

The Company's financial results are reported in Canadian dollars. The Company is exposed to foreign currency risk primarily from fluctuations in the value of the Canadian dollar relative to that of the US dollar. The Company's revenues are generally denominated in US dollars as are certain direct and operating costs. The Company uses foreign currency forward contracts to minimize the short-term impact of currency fluctuations on foreign currency receivables and payables. Foreign currency contracts are recorded at their fair market value at each reporting date reflecting the estimated amount required to be paid if forced to settle all outstanding contracts at period end. Unrealized gains or losses are recorded on the balance sheet as other assets or accrued liabilities and on the consolidated statement of earnings as a foreign exchange gain or loss. Foreign exchange gains or losses from the revaluation of accounts receivable and accounts payable denominated in currencies other than the measurement currency of the reporting entity are also recorded on the consolidated statement of earnings as a foreign exchange gain or loss.

The Company's foreign exchange contracts mature within one to four months from the date of inception. As at September 30, 2008, the Company had no forward contracts outstanding.

If the Canadian dollar had depreciated 2.5 percent against the US dollar at September 30, 2008, with all other variables held constant, the impact of the foreign currency change on our US dollar denominated financial instruments would lead to an increase in net earnings of \$180,000. If the Canadian dollar had appreciated 2.5 percent against the US dollar at September 30, 2008, with all other variables held constant, the impact of the foreign currency change on our US dollar denominated financial instruments would lead to a decrease in net earnings of \$180,000.

#### *Liquidity risk*

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company currently settles all of its financial obligations out of cash and cash equivalents. The ability to do so relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs.

### 5. LETTER OF CREDIT

On September 8, 2008, the Company issued a letter of credit for US\$3,000,000 to secure certain performance obligations made within a supply agreement with a customer. The letter of credit is renewable on an annual basis for the term of the agreement.

# BRIDGEWATER SYSTEMS CORPORATION

## Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

### 6. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	Three months ended		Nine months ended	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Accounts receivable	\$ (6,370,939)	\$(1,997,642)	\$ (3,225,524)	\$(1,039,099)
Investment tax credits receivable	-	199,019	1,667,978	(284,954)
Unbilled receivables	1,780,039	5,940	1,943,741	(1,471,485)
Work in progress	(107,127)	-	(5,897,853)	-
Prepaid expenses and other assets	(252,738)	(137,089)	(1,302,059)	(727,625)
Accounts payable and accrued liabilities	(5,656,561)	636,668	1,312,102	(1,066,424)
Deferred revenue	8,952,359	4,223,172	3,663,254	(583,864)
	<u>\$ (1,654,967)</u>	<u>\$ 2,930,068</u>	<u>\$ (1,838,361)</u>	<u>\$(5,173,451)</u>

### 7. SEGMENTED INFORMATION

The Company operates in one operating segment. Revenue from external customers is attributed to geographic areas based on the location of the contracting customers.

Revenue by geographic area:

	Three months ended		Nine months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Canada	\$ 2,866,328	\$ 495,439	\$ 8,703,053	\$ 3,919,505
United States	6,740,068	7,970,231	20,371,750	22,741,362
Other foreign	687,298	532,613	1,579,917	761,816
	<u>\$ 10,293,694</u>	<u>\$ 8,998,283</u>	<u>\$ 30,654,720</u>	<u>\$ 27,422,683</u>

# **BRIDGEWATER SYSTEMS CORPORATION**

## **Notes to the Consolidated Financial Statements**

For the three and nine months ended September 30, 2008 and 2007

(Expressed in Canadian dollars)

(Unaudited)

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### **7. SEGMENTED INFORMATION (Continued)**

Assets are primarily located in Canada.

For the three month period ended September 30, 2008, three customers represented 28.5%, 26.6% and 18.5% of total revenue respectively (September 30, 2007 - three customers represented 48.5%, 12.9% and 12.4% respectively).

For the nine month period ended September 30, 2008, three customers represented 29.4%, 27.3% and 16.5% of total revenue respectively (September 30, 2007 - three customers represented 33.2%, 16.9% and 12.5% respectively).