

Interim Condensed
Consolidated Financial Statements

TEXADA SOFTWARE INC.

For the three months ended March 31, 2012 and 2011
(Unaudited)

**MANAGEMENT'S COMMENTS ON
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Texada Software Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgment based on information currently available. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

TEXADA SOFTWARE INC.

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

As at March 31, 2012 and December 31, 2011

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash	\$ 1,262,613	\$ 1,978,219
Accounts receivable	2,567,968	2,326,136
Inventory	339,400	327,314
Prepaid expenses and other assets	646,840	546,330
	<u>4,816,821</u>	<u>5,177,999</u>
Indemnity fund	199,500	203,400
Property and equipment (note 3)	16,929,549	17,546,769
Intangible assets (note 4)	1,245,557	1,204,401
Loan receivable	87,500	87,500
	<u>\$ 23,178,927</u>	<u>\$ 24,220,069</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,095,469	\$ 2,282,538
Deferred revenue	267,562	311,238
Current portion of license obligation	195,855	195,567
Current portion of long-term debt	1,167,286	1,199,879
	<u>3,726,172</u>	<u>3,989,222</u>
License obligation	709,821	756,719
Long-term debt	11,670,120	11,818,140
Deferred income tax liability	1,442,000	1,522,000
Shareholders' equity:		
Share capital (note 5)	20,675,595	20,675,595
Contributed surplus	2,693,172	2,658,583
Accumulated other comprehensive income	242,375	373,783
Deficit	(17,980,328)	(17,573,973)
	<u>5,630,814</u>	<u>6,133,988</u>
	<u>\$ 23,178,927</u>	<u>\$ 24,220,069</u>

See accompanying notes to interim unaudited condensed consolidated financial statements.

TEXADA SOFTWARE INC.

Interim Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

Three months ended March 31, 2012 and 2011

	March 31, 2012	March 31, 2011
Revenue:		
Software and services	\$ 1,442,036	\$ 1,102,099
Rental	2,560,145	-
	<u>4,002,181</u>	<u>1,102,099</u>
Cost of revenue:		
Software and services	150,302	166,986
Rental	905,242	-
	<u>1,055,544</u>	<u>166,986</u>
Gross profit	2,946,637	935,133
Operating expenses:		
Support, maintenance and delivery	1,420,089	325,473
Sales and marketing	284,492	100,721
Research and development	260,222	190,557
General and administration	1,210,753	397,710
	<u>3,175,555</u>	<u>1,014,461</u>
Loss from operations	(228,918)	(79,348)
Financing costs:		
Interest expense	265,321	17,038
Interest expense on convertible debentures	-	34,429
Accretion on convertible debentures	-	17,864
Foreign exchange (gain) loss	(7,884)	17,771
	<u>257,437</u>	<u>87,102</u>
Loss before income taxes	(486,355)	(166,450)
Deferred income tax recovery	(80,000)	-
Net earnings (loss)	(406,355)	(166,450)
Other comprehensive income:		
Foreign currency translation adjustment	(131,408)	6,036
Total comprehensive income	\$ (537,763)	\$ (160,414)
Net earnings per share: (note 6)		
Basic	\$ (0.01)	\$ (0.01)
Diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding: (note 6)		
Basic	62,772,328	12,777,349
Diluted	65,157,632	12,777,349

See accompanying notes to interim unaudited condensed consolidated financial statements.

TEXADA SOFTWARE INC.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Unaudited)

Three months ended March 31, 2012 and 2011

	Share capital	Convertible debentures conversion option	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, January 1, 2011	\$ 15,571,062	\$ 139,717	\$ 2,412,107	\$ 105,856	\$ (19,250,350)	\$ (1,021,608)
Stock-based compensation	-	-	18,586	-	-	18,586
Other comprehensive income - foreign currency translation adjustment	-	-	-	6,036	-	6,036
Net loss	-	-	-	-	(166,450)	(166,450)
Balance, March 31, 2011	15,571,062	139,717	2,430,693	111,892	(19,416,800)	(1,163,436)
Balance, December 31, 2011	\$ 20,675,595	\$ -	\$ 2,658,583	\$ 373,783	\$ (17,573,973)	\$ 6,133,988
Stock-based compensation	-	-	34,589	-	-	34,589
Other comprehensive income - foreign currency translation adjustment	-	-	-	(131,408)	-	(131,408)
Net loss	-	-	-	-	(406,355)	(406,355)
Balance, March 31, 2012	\$ 20,675,595	\$ -	\$ 2,693,172	\$ 242,375	\$ (17,980,328)	\$ 5,630,814

See accompanying notes to interim unaudited condensed consolidated financial statements.

TEXADA SOFTWARE INC.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

Three months ended March 31, 2012 and 2011

	March 31, 2012	March 31, 2011
Cash provided by (used in):		
Operations:		
Net loss	\$ (406,355)	\$ (166,450)
Items not involving cash:		
Amortization	690,036	3,634
Stock-based compensation	34,589	18,586
Interest expense	265,321	17,038
Gain on property and equipment disposals	(164,287)	-
Interest on convertible debentures added to principal	-	34,429
Accretion on convertible debentures	-	17,864
Unrealized foreign exchange loss	47,506	6,036
Tax recovery	(80,000)	-
Change in non-cash operating working capital (note 7)	(718,953)	(27,984)
	(332,143)	(97,291)
Investing activities:		
Proceeds on sale of property and equipment	322,909	-
Purchase of property and equipment	(414,744)	(7,468)
Acquisition of intangible assets	(57,213)	-
	(149,048)	(7,468)
Financing activities:		
Proceeds from long-term debt	437,420	-
Repayment of long-term debt	(368,425)	-
Interest paid	(250,093)	(222)
Repayment of license obligation	(46,898)	-
	(227,996)	(222)
Effect of exchange rate changes on cash	(6,419)	(5,316)
Decrease in cash	(715,606)	(109,853)
Cash, beginning of period	1,978,219	851,371
Cash, end of period	\$ 1,262,613	\$ 741,518

See accompanying notes to interim unaudited condensed consolidated financial statements.

TEXADA SOFTWARE INC.

Notes to Interim Condensed Consolidated Financial Statements

Period ended March 31, 2012 and 2011

1. Reporting entity:

Texada Software Inc. (the "Company") was incorporated under the Company's Act (British Columbia). The address of the Company's registered office is located at 7B-291 Woodlawn Road, Guelph, Ontario, N1H 7L6. The condensed interim consolidated financial statements of the Company as at and for the three months ended March 31, 2012 and 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

Texada Software Inc. operates in two complementary businesses; enterprise asset management software for rental companies and other organizations (the "software business") and equipment rental (the "equipment rental business").

The software business has a customer base of over 5,000 users worldwide that utilize its software products and solutions to manage the complete asset life-cycle of rental assets from acquisition through to disposal, including managing asset utilization, location tracking, and scheduling.

The Company, effective August 30, 2011, through its wholly owned U.S. equipment rental subsidiary, entered the rental business with the acquisition of the operating assets of Rolls Scaffold & Equipment, Inc., dba Rolls High Reach. The equipment rental business is conducted at four locations in Southern California with a wide range of over 1,100 aerial fleet units.

2. Basis of preparation:

(a) Statement of compliance:

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2011. These condensed consolidated interim financial statements were approved by the Audit Committee of the Board of Directors on May 30, 2012.

TEXADA SOFTWARE INC.

Notes to Interim Condensed Consolidated Financial Statements, continued

Period ended March 31, 2012 and 2011

2. Basis of preparation (continued):

(b) Basis of measurement:

The interim condensed consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

The functional currency of the Group's entities is the currency of their primary economic environment.

In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are taken to the statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On consolidation, assets and liabilities of Group entities reported in their functional currencies are translated into the Canadian dollar at the exchange rate on the reporting date.

The functional currency of the Company's Canadian operations is the Canadian dollar. The functional currency of the Company's subsidiary operations located in the United States is the US dollar and for its operations in Australia, the Australian dollar.

3. Property and equipment:

During the three months ended March 31, 2012 additions to property and equipment were \$414,744 (2011 - \$7,468). The net book value of disposals of property and equipment was \$158,622 during the three months ended March 31, 2012 (2011 - nil).

4. Intangible assets:

During the three months ended March 31, 2012 additions to intangible assets were \$57,213 (2011 - nil). There were no disposals of intangibles in 2012 or 2011.

TEXADA SOFTWARE INC.

Notes to Interim Condensed Consolidated Financial Statements, continued

Period ended March 31, 2012 and 2011

5. Share capital:

(a) Authorized:

100,000,000 preferred shares without par value, assumable in one or more series.
An unlimited number of common shares without par value.

(b) Issued:

Issued and outstanding common shares were 62,772,328 as at March 31, 2012 and December 31, 2011.

6. Net earnings per share:

The computations for basic and diluted earnings per share are as follows:

	2012	2011
Net loss	\$ (406,355)	\$ (166,450)
Weighted average number of common shares outstanding:		
Basic	62,772,328	12,777,349
Diluted	65,157,632	12,777,349
Net loss per share:		
Basic	\$ (0.01)	\$ (0.01)
Diluted	(0.01)	(0.01)

TEXADA SOFTWARE INC.

Notes to Interim Condensed Consolidated Financial Statements, continued

Period ended March 31, 2012 and 2011

7. Changes in non-cash operating working capital:

	2012	2011
Accounts receivable	\$ (387,159)	\$ 109,921
Inventory	(12,086)	-
Prepaid expenses and other assets	(100,610)	(14,858)
Accounts payable and accrued liabilities	(175,422)	(115,329)
Deferred revenue	(43,676)	(7,718)
	<u>\$ (718,953)</u>	<u>\$ (27,984)</u>

8. Segmented information:

The Company operates in two reportable segments being, i) the development and distribution of enterprise asset and rental management software and related services to rental companies and other organizations, and, ii) equipment rental.

The Company's external revenue by geographic region is based on the region in which the revenue is transacted. Property and equipment, intangible and other assets are based on the geographic region in which the Company operates.

TEXADA SOFTWARE INC.

Notes to Interim Condensed Consolidated Financial Statements, continued

Period ended March 31, 2012 and 2011

8. Segmented information (continued):

(In 000's) Revenue by Reportable Segment	Three months ended March 31,	
	2012	2011
Software licenses and services	\$ 1,442	\$ 1,102
Equipment rental	2,560	-
	\$ 4,002	\$ 1,102

(In 000's) Net loss by Reportable Segment	Three months ended March 31,	
	2012	2011
Software licenses and services	\$ 303	\$ 50
Equipment rental	(255)	-
	48	50
Less:		
Corporate expenses	(435)	(147)
Interest expense	(19)	(17)
Interest expense and accretion on convertible debentures	-	(52)
	\$ (406)	\$ (166)

(In 000's) Property and Equipment, Intangible Assets and Other Assets by Reportable Segment	March 31, 2012	December 31, 2011
Software licenses and services	\$ 1,171	\$ 1,116
Equipment rental	17,191	17,926
	\$ 18,362	\$ 19,042

(In 000's) Revenue by Geographic Segment	Three months ended March 31,	
	2012	2011
North America	\$ 3,835	\$ 834
Australia & New Zealand	167	268
	\$ 4,002	\$ 1,102

(In 000's) Property and Equipment, Intangible Assets and Other Assets by Geographic Segment	March 31, 2012	December 31, 2011
North America	\$ 18,348	\$ 19,027
Australia	14	15
	\$ 18,362	\$ 19,042

TEXADA SOFTWARE INC.

Notes to Interim Condensed Consolidated Financial Statements, continued

Period ended March 31, 2012 and 2011

8. Segmented information (continued):

For the three months ended March 31, 2012, one software licenses and services customer accounted for \$569,000 of revenue or 14% of total Company revenue. For the three months ended March 31, 2011, two customers accounted for 20% of revenue. As at March 31, 2012, one customer accounted for 20% of the accounts receivable balance. As at December 31, 2011, no one customer accounted for more than 10% of the accounts receivable balance.

9. Subsequent events

- (i) Subsequent to March 31, 2012, the Company had a term sheet approved by a new lender to refinance its long-term debt. Under the terms of the new financing, the Company can borrow up to \$25.0 Ml. U.S., subject to the borrowing base of the Company's equipment rental subsidiary determined by the value of its property and equipment, accounts receivable and inventory.
- (ii) Subsequent to March 31, 2012, the Company announced a non-brokered private placement of up to 22,500,000 common shares at a price of \$0.20 per share for anticipated gross proceeds of up to \$4,500,000.